

BOARD BOOK OF MAY 25, 2017



J. Paul Ozer, Chair
Leslie Bingham Escareño, Vice-Chair
Juan Muñoz, Member
T. Tolbert Chisum, Member
Tom H. Gann, Member
J. B. Goodwin, Member

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

**A G E N D A
9:00 AM
May 25, 2017**

**The University of Texas at Austin
Thompson Conference Center
2405 Robert Dedman Drive
Room 3.102
Austin, Texas 78712**

CALL TO ORDER

ROLL CALL

Leslie Bingham-Escareño, Vice Chair

CERTIFICATION OF QUORUM

Pledge of Allegiance - I pledge allegiance to the flag of the United States of America, and to the republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

Texas Allegiance - Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.

Resolution recognizing June as *Homeownership Month*

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 under Chapter 551 of the Tex. Gov't Code, Texas Open Meetings Act. Action may be taken on any item on this agenda, regardless of how designated.

ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:

EXECUTIVE

- a) Presentation, discussion, and possible action on Board meeting minutes summary for February 23, 2017

J. Beau Eccles
Board Secretary

LEGAL

- b) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Angelica Homes (HOME 539109 / CMTS 2605)
- c) Presentation, discussion, and possible action on Agreed Final Order of Debarment for Avalon Apartments, L.L.C, Xheladin Jasari, and Flaza Jasaroski for a period of ten years

Jeffrey T. Pender
Deputy General Counsel

HOME AND HOMELESS PROGRAMS

- d) Presentation, discussion, and possible action to amend the 2017 HOME Investment Partnerships Program ("HOME") Single Family Programs Homebuyer Assistance ("HBA") and Tenant-Based Rental Assistance ("TBRA") Open Cycle Notice of Funding Availability ("NOFA"), and the notification of the posting of the NOFA amendment to the Department's website, and directing its publication for public comment in the *Texas Register*
- e) Presentation, discussion, and possible action on awards for the 2017 HOME Investment Partnerships Program ("HOME") Single Family Programs Homebuyer Assistance ("HBA") and Tenant-Based Rental Assistance ("TBRA") Open Cycle Notice of Funding Availability ("NOFA")

Jennifer Molinari
Director

COMMUNITY AFFAIRS

- f) Presentation, discussion, and possible action on the selection of an Eligible Entity to administer the Community Services Block Grant (“CSBG”) to provide services in Dimmit and La Salle counties
- g) Presentation, discussion, and possible action on awards for Federal Fiscal Year (“FFY”) 2017 Community Services Block Grant (“CSBG”) Discretionary Funds for education and employment services to Native American and Migrant Seasonal Farm Worker populations

Michael DeYoung
Director

HOUSING RESOURCE CENTER

- h) Presentation, discussion, and possible action on the Draft 2018 Regional Allocation Formula Methodology

Elizabeth Yevich
Director

ASSET MANAGEMENT

- i) Presentation, discussion and possible action regarding Material Amendments to the Housing Tax Credit Land Use Restriction Agreement (“LURA”)
 - 01165 McMullen Square Apartments San Antonio
 - 02036 Gateway East Apartments El Paso
 - 060629 Villas at Henderson Place Cleburne
- j) Presentation, discussion and possible action regarding an Ownership Transfer prior to IRS Form 8609 Issuance or Construction Completion
 - 16164 Saralita Senior Village Kerrville
 - 16370 The Providence Lubbock
- k) Presentation, discussion and possible action regarding Material Amendments to the Housing Tax Credit Application
 - 16172 Lumberton Senior Village Lumberton

Raquel Morales
Director

MULTIFAMILY FINANCE

- l) Presentation, discussion and possible action on a Determination Notice for Housing Tax Credits with another Issuer
 - 17406 Heights on Parmer Phase II Austin
 - 17410 Lakecrest Village Houston
 - 17418 Alton Park Fort Worth
 - 17415 Campus Apartments Fort Worth
 - 17424 Creekview Apartment Homes Austin
- m) Presentation, discussion, and possible action regarding an amendment to the Construction Loan Agreement for Chicory Court Lake Dallas, LP

Marni Holloway
Director

BOND FINANCE

- n) Presentation, discussion, and possible action on Resolution 17-019 authorizing request to Texas Bond Review Board for annual waiver of Single-Family Mortgage Revenue Bond set-aside requirements; authorizing the execution of documents and instruments relating thereto; making certain findings and determinations in connection therewith; and containing other provisions relating to the subject
- o) Presentation, discussion, and possible action on Resolution 17-020 authorizing down payment assistance funding sources for Program 79; authorizing the execution of documents and instruments relating to the foregoing; and containing other provisions relating to the subject

Monica Galuski
Director

RULES

- p) Presentation, discussion, and possible action on orders proposing actions to 10 TAC Chapter 7, Homelessness Programs to amend §7.1002, Distribution of Funds and Formula, and directing its publication for public comment in the *Texas Register*
- q) Presentation, discussion, and possible action on proposed new 10 TAC, Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.3 concerning Sick Leave Pool, and directing its publication in the *Texas Register*
- r) Presentation, discussion, and possible action on an order proposing the new 10 TAC Chapter 1 Subchapter E, §1.501 Housing Finance Corporation Reporting Requirements

Jennifer Molinari
Director, HOME and
Homeless Programs

Jeffrey T. Pender
Deputy General Counsel

Tom Gouris
Deputy Executive Director

and directing that they be published for public comment in the *Texas Register*

- s) Presentation, discussion, and possible action on an order adopting amendments to 10 TAC Chapter 6 Community Affairs Programs, including the 1) amendments in Subchapter A, General Provisions, of §6.2 Definitions, §6.4 Income Determination, and §6.5 Documentation and Frequency of Determining Customer Eligibility; and 2) amendments in Subchapter C, Comprehensive Energy Assistance Program (“CEAP”), of §6.308 Allowable Subrecipient Administrative, Program Services Costs, and Assurance 16, and §6.310 Household Crisis Component; and directing that they be published for adoption in the *Texas Register*

Michael DeYoung
Director, Community
Affairs

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:

- a) TDHCA Outreach Activities, May-June 2017
- b) Report on the Department’s 2nd Quarter Investment Report in accordance with the Public Funds Investment Act (“PFIA”)
- c) Report on the Department’s 2nd Quarter Investment Report relating to funds held under Bond Trust Indentures
- d) Report on Request for Proposal (“RFP”) for Program Administrator for the Texas First Time Homebuyer Program, the My First Texas Home Program, and the Texas Mortgage Credit Certificate (“MCC”) Program
- e) Report on 2018 Qualified Allocation Plan (“QAP”) Project

Michael Lyttle
Chief, External Affairs

David Cervantes
Chief Financial Officer

Monica Galuski
Director, Bond Finance

Cathy Gutierrez
Director, Texas
Homeownership

Marni Holloway
Director, MF Finance

ACTION ITEMS

ITEM 3: MULTIFAMILY FINANCE

- a) Presentation, discussion, and possible action on an Amendment to the 2017-1 Multifamily Direct Loan Notice of Funding Availability
- b) Presentation, discussion and possible action on a Determination Notice for Housing Tax Credits with another Issuer and an Award of a Direct Loan Funds
17402 Harris Ridge Apartments Austin
- c) Presentation, discussion and possible action on staff determinations regarding Application disclosures under 10 TAC §10.101(a)(3) related to Applicant Disclosure of Undesirable Neighborhood Characteristics
17008 East Meadows Phase II San Antonio
17013 Rio Lofts San Antonio
17028 The Vineyard on Lancaster Fort Worth
17186 Oasis on Ella Houston
17273 The Residence at Lamar Wichita Falls
17336 Westwind of Lamesa Lamesa
- d) Presentation, discussion, and possible action on timely filed appeals under 10 TAC §10.901 et seq. of the Department’s Multifamily Program Rules (Subchapter G) related to Fee Schedule, Appeals and other Provisions
17151 Albany Village Albany
17036 Merritt McGowan Manor McKinney
17134 Vista Park West Fort Worth
17253 Samuel Place Apartments Corpus Christi
17275 Aria Grand Austin
17331 Westwind of Killeen Killeen
17363 Residences of Long Branch Rowlett
17708 Cedar Ridge Apartments Dayton
17724 Liv Senior at Johnson Ranch Bulverde
17736 Providence at Ted Trout Drive Hudson

Marni Holloway
Director

- e) Presentation, discussion, and possible action regarding awards of Direct Loan funds from the 2017-1 Multifamily Direct Loan Notice of Funding Availability

17503 The Reserve at Dry Creek	Hewitt
17504 Merritt Heritage	Georgetown
17505 Merritt Monument	Midland
- f) Presentation, discussion, and possible action regarding a waiver of 10 TAC §13.11(b) of the Multifamily Direct Loan Rule
- g) Presentation, discussion and possible action regarding a request for waiver, appeals under 10 TAC §10.901 et seq. of the Department’s Multifamily Program Rules, and disclosures under 10 TAC §10.101(a)(3) related to Applicant Disclosure of Undesirable Neighborhood Characteristics for Blue Flame, HTC #17330

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS

EXECUTIVE SESSION

The Board may go into Executive Session (close its meeting to the public):

1. The Board may go into Executive Session Pursuant to Tex. Gov’t 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;
2. Pursuant to Tex. Gov’t Code §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer;
3. Pursuant to Tex. Gov’t Code §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov’t Code Chapter 551; including seeking legal advice in connection with a posted agenda item;
4. Pursuant to Tex. Gov’t Code §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department’s ability to negotiate with a third person; and/or
5. Pursuant to Tex. Gov’t Code §2306.039(c) the Department’s internal auditor, fraud prevention coordinator or ethics advisor may meet in an executive session of the Board to discuss issues related to fraud, waste or abuse.

Leslie Bingham-Escareño
Vice Chair

OPEN SESSION

If there is an Executive Session, the Board will reconvene in Open Session. Except as specifically authorized by applicable law, the Board may not take any actions in Executive Session.

ADJOURN

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 Michael Lyttle, 512-475-4542, TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information.

If you would like to follow actions taken by the Governing Board during this meeting, please follow TDHCA account (@tdhca) on Twitter.

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 three (3) days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Elena Peinado, 512-475-3814, at least three (3) days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Elena Peinado, al siguiente número 512-475-3814 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

NOTICE AS TO HANDGUN PROHIBITION DURING THE OPEN MEETING OF A GOVERNMENTAL ENTITY IN THIS ROOM ON THIS DATE:

Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun.

De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta.

Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.

De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista.

NONE OF THESE RESTRICTIONS EXTEND BEYOND THIS ROOM ON THIS DATE AND DURING THE MEETING OF THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Texas Department of Housing and Community Affairs

RESOLUTION

WHEREAS, June 2017 is Homeownership Month in Texas;

WHEREAS, the goal of the Texas Department of Housing and Community Affairs (“Department”) that all Texans have access to safe and decent affordable housing;

WHEREAS, it is the policy of the Department to support equal housing opportunities in the administration of its homebuyer and homeownership programs and services;

WHEREAS, this year, the Department is celebrating 36 years of offering affordable first time homebuyer assistance to eligible buyers throughout the State of Texas;

WHEREAS, since 1981, the Department has served as the State’s housing finance agency, providing a choice of mortgage products and services to accommodate market opportunities and buyer needs as appropriate;

WHEREAS, the Department offers a free online homebuyer education tool, Texas Homebuyer U, and administers funds to support the Texas Statewide Homebuyer Education Program to inform and prepare buyers for successful homeownership;

WHEREAS, the Department applauds all those who work to achieve and maintain affordable, responsible homeownership and recognizes those who provide services and resources to all homebuyers regardless of race, color, national origin, religion, sex, disability, or familial status; and

WHEREAS, the Department encourages Texans to explore the numerous resources available during Homeownership Month and throughout the year;

NOW, therefore, it is hereby

RESOLVED, that in the pursuit of the goal of affordable homeownership opportunities for all, the Governing Board of the Texas Department of Housing and Community Affairs, does hereby celebrate June 2017 as Homeownership Month in Texas and encourages all Texas individuals and organizations, public and private, to join and work together in this observance of Homeownership Month.

Signed this Twenty-Fifth Day of May 2017.



Leslie Bingham Escareño, Vice Chair

Dr. Juan Muñoz, Member

J. B. Goodwin, Member

Tom H. Gann, Member

Timothy K. Irvine, Executive Director

CONSENT AGENDA

1a

BOARD ACTION REQUEST

BOARD SECRETARY

MAY 25, 2017

Presentation, discussion, and possible action on Board meeting minutes summary for February 28, 2017

RECOMMENDED ACTION

Approve the Board meeting minutes summary for February 28, 2017

RESOLVED, that the Board meeting minutes summary for February 28, 2017, is hereby approved as presented.

**Texas Department of Housing and Community Affairs Governing Board
Board Meeting Minutes Summary
February 28, 2017**

On Tuesday, the twenty-eighth day of February 2017, at 9:00 a.m., the regular meeting of the Governing Board (“Board”) of the Texas Department of Housing and Community Affairs (“TDHCA” or the “Department”) was held in the Texas Department of Transportation building, Ric Williamson Hearing Room, 125 East 11th St., Austin, Texas.

The following members, constituting a quorum, were present and voting:

- Dr. Juan Muñoz
- Leslie Bingham-Escareño
- Tom H. Gann
- J.B. Goodwin

Dr. Juan Muñoz served as Chair, and James “Beau” Eccles, TDHCA General Counsel, served as secretary.

1) The Board unanimously approved the Consent Agenda as amended with the following items removed: Item 1(f) Presentation, Discussion, and Possible Action on the Issuance of Determination Notices for Housing Tax Credits with another Issuer for #16445 Campus Apartments in Fort Worth and #16407 Fenix Estates in Houston. The applicant for #16445 requested removal from the agenda and TDHCA staff removed #16407 from the Consent Agenda to treat it as an Action Item.

2) Action Item 3 – Presentation, Discussion, and Possible Action on the election of Governing Board Officers for the upcoming biennium pursuant to Tex. Gov't Code §2306.030 – was presented by Dr. Muñoz with additional information from Tim Irvine, TDHCA Executive Director. The Board unanimously approved a motion to name Leslie Bingham-Escareño as vice chair; Mr. Eccles as Secretary; and Michael Lyttle, TDHCA Chief of External Affairs, as Assistant Secretary.

3) Action Item 4(a) – Report on 2018 Qualified Allocation Plan (“QAP”) Project – was presented by Marni Holloway, TDHCA Director of Multifamily Finance. The Board heard the report and took no action.

4) Action Item 1(f) – Presentation, Discussion, and Possible Action on the Issuance of Determination Notices for Housing Tax Credits with another Issuer for #16407 Fenix Estates in Houston – was presented by Ms. Holloway with additional information from Mr. Irvine, Mr. Eccles, and Brent Stewart, TDHCA Director of Real Estate Analysis. Following public comment (listed below), the Board unanimously approved a motion to table the item to the meeting of March 23, 2017.

- Toni Jackson, attorney for the applicant, testified in support of the Department issuing the determination notice

5) Action Item 4(b) – Report on Syndication Price Issues – was presented by Mr. Irvine. The Board heard the report, listened to public comment (listed below), and took no action.

- Bobby Bowling, president of the Texas Affiliation of Affordable Housing Providers, provided additional information on the agenda item.

6) Action Item 5(a) – Presentation, Discussion and Possible Action regarding Amendments to HOME Direct Loan Terms for #1002029 Pine Lake Estates, Nacogdoches; and #1002048 Sunrise Townhomes, Fredericksburg – was presented by Raquel Morales, TDHCA Director of Asset Management. Following public comment (listed below), the Board voted unanimously to approve the amendment request from #10020209 Pine Lake Estates with conditions and deny staff recommendation which was to deny the request.

- Rick Deyoe, Realtex Development Corporation, testified in opposition to staff recommendation
- Cynthia Bast, Locke Lord attorney representing the requestor, testified in opposition to staff recommendation
- John Shackelford, Shackelford Law Firm attorney representing the lender for the requestor, testified in opposition to staff recommendation
- David Lacki, Lancaster Pollard and lender for the requestor, testified in opposition to staff recommendation

Following public comment (listed below), the Board voted unanimously to approve staff recommendation approving the amendment request from #1002048 Sunrise Townhomes.

- Justin Macdonald, Macdonald Companies, testified in support of staff recommendation

7) Action Item 5(b) – Presentation, Discussion and Possible Action on a Waiver of 10 TAC §10.101(b)(4)(E) and (F) and approval of Land Use Restriction Agreement (“LURA”) Amendments for #14409 Lakes of El Dorado, McKinney; #14410 Fountains of Rosemeade, Carrollton; and #14411 Ash Park Apartments, Euless – was presented by Ms. Morales. Following public comment (listed below), the Board unanimously approved staff recommendation to grant the waiver request.

- Tamea Dula, Coats Rose law firm representing the requestor, testified in support of staff recommendation

8) Action Item 6(a) – Presentation, Discussion, and Possible Action regarding a request for waiver of rules for Merritt Hill Country, HOME Contract #1002298/ HTC #15273 – was pulled from the agenda at the request of the requestor.

9) Action Item 6(b) – Presentation, Discussion and Possible Action on revisions to the 2016 State of Texas National Housing Trust Fund Allocation Plan and directing that it be published in the *Texas Register* – was presented by Ms. Holloway. The Board unanimously approved staff recommendation for the revision and publishing of the plan.

10) At 11:12 a.m. the Board went into Executive Session and reconvened in open session at 11:30 a.m. No action was taken in Executive Session.

Except as noted otherwise, all materials presented to and reports made to the Board were approved, adopted, and accepted. These minutes constitute a summary of actions taken. The full transcript of the meeting, reflecting who made motions, offered seconds, etc., questions and responses, and details of comments, is retained by TDHCA as an official record of the meeting.

There being no further business to come before the Board, the meeting adjourned at 11:34 a.m. The next meeting is set for Thursday, March 23, 2017.

Secretary

Approved:

Chair

1b

BOARD ACTION REQUEST

LEGAL DIVISION

MAY 25, 2017

Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Angelica Homes (HOME 539109 / CMTS 2605)

RECOMMENDED ACTION

WHEREAS, Angelica Homes, owned by Angelica Homes Corporation (“Owner”), has uncorrected compliance findings relating to the applicable land use restriction agreement and the associated statutory and rule requirements;

WHEREAS, on April 28, 2017, Owner’s representatives participated in an informal conference with the Enforcement Committee and agreed, subject to Board approval, to enter into an Agreed Final Order assessing an administrative penalty of \$1,000, to be fully forgiven if an ownership transfer request is received and all violations are resolved as specified in the Agreed Final Order on or before August 27, 2017;

WHEREAS, unresolved compliance findings include 3 lease violations relating to required lease notices, an Affirmative Marketing Plan violation, and a written policies and procedures violation; and

WHEREAS, staff has based its recommendations for an Agreed Final Order on the Department’s rules for administrative penalties and an assessment of each and all of the statutory factors to be considered in assessing such penalties, applied specifically to the facts and circumstances present in this case;

NOW, therefore, it is hereby

RESOLVED, that an Agreed Final Order assessing an administrative penalty of \$1,000, subject to partial forgiveness as outlined above for noncompliance at Angelica Homes, substantially in the form presented at this meeting, and authorizing any non-substantive technical corrections, is hereby adopted as the order of this Board.

BACKGROUND

Angelica Homes Corporation (“Owner”) is the owner of Angelica Homes (“Property”), a low income apartment complex composed of 24 units, located in Freestone County. Records of the Texas Secretary of State list the following members and/or officers: Frank A Banks as president and director, and Artha “Jewel” Banks as vice president and director. The property is self managed.

The Property is subject to a Land Use Restriction Agreement (“LURA”) signed in consideration for HOME funds in the total amount of \$1,210,034 to build and operate the Property.

Owner was previously referred for an administrative penalty in 2008 for file monitoring violations, but the referral was closed informally when full corrections were received. A subsequent referral was placed on hold in May of 2016 when all correctable violations were resolved because an ownership transfer request was expected. The property was monitored again shortly afterward and a new referral was received in 2017. The owner has repeatedly indicated that although they want to comply with program requirements, they do not have the necessary program knowledge and cannot keep the property due to personal reasons. They want to sell the property as soon as possible.

The following compliance violations identified during 2014 and 2016 were referred for an administrative penalty and have now been resolved:

1. Failure to execute the Fair Housing Disclosure Notice for units 3 and 17.

The following compliance violations identified during 2014 and 2016 were referred for an administrative penalty and are unresolved:

1. Failure to execute the Fair Housing Disclosure Notice for units 5, 8, and 20;
2. Failure to maintain an Affirmative Marketing Plan and evidence of associated marketing efforts; and
3. Failure to maintain written policies and procedures, including tenant selection criteria, that meet minimum rule requirements.

Owner participated in an informal conference with the Enforcement Committee on May 25, 2017, and agreed to sign an Agreed Final Order with the following terms:

1. A \$1,000 administrative penalty, subject to full forgiveness as indicated below;
2. Owner must correct the file monitoring violations as indicated in the Agreed Final Order, and submit full documentation of the corrections to TDHCA on or before August 23, 2017;
3. Owner must submit a complete ownership transfer request and the associated \$1,000 transfer fee on or before August 23, 2017;
4. If Owner complies with all requirements and addresses all violations as required, the full administrative penalty in the amount of \$1,000 will be forgiven; and
5. If Owner violates any provision of the Agreed Final Order, the full administrative penalty will immediately come due and payable.

Consistent with direction from the Department’s Enforcement Committee, a probated and, upon successful completion of probation, partially forgivable administrative penalty in the amount of \$1,000 is recommended. This will be a reportable item of consideration under previous participation for any new award to the principals of the owner.

ENFORCEMENT ACTION AGAINST
ANGELICA HOMES CORPORATION
WITH RESPECT TO
ANGELICA HOMES
(HOME FILE # 539109 / CMTS # 2605)

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BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 25th day of May, 2017, the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA" or "Department") considered the matter of whether enforcement action should be taken against **ANGELICA HOMES CORPORATION**, a Texas nonprofit corporation ("Respondent").

This Agreed Order is executed pursuant to the authority of the Administrative Procedure Act ("APA"), Tex. Gov't Code §2001.056, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Board and Respondent agree to resolve this matter by this Agreed Final Order. The Respondent agrees to this Order for the purpose of resolving this proceeding only and without admitting or denying the findings of fact and conclusions of law set out in this Order.

Upon recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this Order:

WAIVER

Respondent acknowledges the existence of their right to request a hearing as provided by Tex. Gov't Code § 2306.044, and to seek judicial review, in the District Court of Travis County, Texas, of any order as provided by Tex. Gov't Code § 2306.047. Pursuant to this compromise and settlement, the Respondent waives those rights and acknowledges the jurisdiction of the Board over Respondent.

FINDINGS OF FACT

Jurisdiction:

1. During 2000, Respondent was awarded an allocation of HOME funds totaling \$1,210,034 to build and operate Angelica Homes ("Property") (HOME File No. 539109 / CMTS No. 2605 / LDLD No. 37).
2. Respondent signed a land use restriction agreement ("LURA") regarding the Property. The LURA was effective October 20, 2000, and filed of record at Document Number 0008645 under Volume 1139, Page 507, of the Official Public Records of Real Property of Freestone County, Texas ("Records").

Compliance Violations¹:

3. An on-site monitoring review was conducted on January 22, 2014, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and a July 9, 2014, corrective action deadline was set, however, the following violations were not corrected before the deadline:
 - a. Respondent failed to provide the Fair Housing Disclosure Notice for units 3, 5, 8, 17, and 20, a violation of 10 TAC §10.612 (Tenant File Requirements), which, at the time of move-in for each unit, required all developments to provide prospective households with a Fair Housing Disclosure Notice within a certain time period. This form has since been combined with the Notice of Amenities and Services into a replacement document called a "Tenant Rights and Resources Guide" under 10 TAC §10.613 (Lease Requirements). The findings were resolved for units 3 and 17 on April 21, 2016, 652 days after the deadline, upon intervention by the Enforcement Committee. The findings for units 5, 8, and 20 were not correctable at the time because the households moved before signing the required forms. The findings for units 5, 8, and 20 remain unresolved.
4. An on-site monitoring review was conducted on July 27, 2016, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and a November 6, 2016, corrective action deadline was set, however, the following violations were not corrected before the deadline:
 - a. Respondent failed to provide a compliant affirmative marketing plan, a violation of 10 TAC §10.617 (Affirmative Marketing Requirements), which requires developments to maintain an affirmative marketing plan that meets minimum requirements and to distribute marketing materials to selected marketing organizations that reach groups identified as least likely to apply and to the disabled. Multiple plans have been submitted, but the finding remains unresolved; and
 - b. Respondent failed to maintain written tenant selection criteria, a violation of 10 TAC §10.610 (Written Policies and Procedures), which requires all developments to establish written tenant selection criteria that meet minimum TDHCA requirements. Multiple policies have been submitted, but the finding remains unresolved.
5. The following violations remain outstanding at the time of this order:
 - a. Fair Housing Disclosure Notice violations described in FOF #3.a;
 - b. Affirmative Marketing Plan violation described in FOF #4.a; and
 - c. Written policies and procedures tenant selection criteria violation described in FOF #4.b.

¹ Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 TAC §§ 10 and 60 refer to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503 and 10 TAC §2.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Respondent violated 10 TAC §10.610 in 2016, by not maintaining written tenant selection criteria meeting TDHCA requirements;
4. Respondent violated 10 TAC §10.617 in 2016, by failing to provide a complete affirmative marketing plan;
5. Respondent violated 10 TAC §10.612 in 2014, by failing to execute the Fair Housing Disclosure Notice during the appropriate time frame for 5 units;
6. Respondent violated 10 TAC §60.115 in 2012, by failing to submit pre-onsite documentation and/or permit access to the Property premises and records;
7. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules, the Board has personal and subject matter jurisdiction over Respondent pursuant to Tex. Gov't Code §2306.041 and §2306.267.
8. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
9. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code § 2306.053 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to Tex. Gov't Code §2306.041.
10. An administrative penalty of \$1,000 is an appropriate penalty in accordance with 10 TAC §2.

Based upon the foregoing findings of fact and conclusions of law, and an assessment of the factors set forth in Tex. Gov't Code §2306.042 to be considered in assessing such penalties as applied specifically to the facts and circumstances present in this case, the Board of the Texas Department of Housing and Community Affairs orders the following:

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$1,000, subject to deferral as further ordered below.

IT IS FURTHER ORDERED that Respondent shall fully correct the file monitoring violations as indicated in the attachments and submit full documentation of the corrections to TDHCA on or before August 23, 2017.

IT IS FURTHER ORDERED that Respondent shall submit a complete ownership transfer request and the associated \$1,000 processing fee to the attention of Matthew Zimmerman on or before August 23, 2017, using the forms available at <http://www.tdhca.state.tx.us/asset-management/pca-manual.htm> and following the requirements of 10 TAC §10.406 (see Attachment 3), as further described at pages 42 through 54 of the Post Award Activities Manual at <http://www.tdhca.state.tx.us/asset-management/docs/17-PostAwardActivitiesManual.pdf>.

IT IS FURTHER ORDERED that Respondent must receive approval from the Department prior to consummating a sale of the property.

IT IS FURTHER ORDERED that if Respondent timely and fully complies with the terms and conditions of this Agreed Final Order, correcting all violations as required, the satisfactory performance under this order will be accepted in lieu of the full assessed administrative penalty and the full amount of the administrative penalty will be deferred and forgiven.

IT IS FURTHER ORDERED that if Respondent fails to satisfy any conditions or otherwise violates any provision of this order, or the property is sold before the terms and conditions of this Agreed Final Order have been fully satisfied, then the full administrative penalty in the amount of \$1,000 shall be immediately due and payable to the Department. Such payment shall be made by cashier's check payable to the "Texas Department of Housing and Community Affairs" upon the earlier of (1) within thirty days of the date the Department sends written notice to Respondent that it has violated a provision of this Order, or (2) the property closing date if sold before the terms and conditions of this Agreed Final Order have been fully satisfied.

IT IS FURTHER ORDERED that corrective documentation must be uploaded to the Compliance Monitoring and Tracking System ("CMTS") by following the instructions at this link: <http://www.tdhca.state.tx.us/pmcdocs/CMTSUserGuide-AttachingDocs.pdf>. After the upload is complete, an email must be sent to Ysella Kaseman at ysella.kaseman@tdhca.state.tx.us to inform her that the documentation is ready for review. If it comes due and payable, the penalty payment must be submitted to the following address:

If via overnight mail (FedEx, UPS):	If via USPS:
TDHCA Attn: Ysella Kaseman 221 E 11 th St Austin, Texas 78701	TDHCA Attn: Ysella Kaseman P.O. Box 13941 Austin, Texas 78711

IT IS FURTHER ORDERED that the terms of this Agreed Final Order shall be published on the TDHCA website.

[Remainder of page intentionally blank]

Approved by the Governing Board of TDHCA on _____, 2017.

By: _____
Name: Leslie Bingham Escareño
Title: Vice Chair of the Board of TDHCA

By: _____
Name: James "Beau" Eccles
Title: Secretary of the Board of TDHCA

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this 25th day of May, 2017, personally appeared Leslie Bingham Escareño, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this 25th day of May, 2017, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF _____§

BEFORE ME, _____, a notary public in and for the State of _____, on this day personally appeared _____, known to me or proven to me through _____ to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

- 1. "My name is _____, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
- 2. I hold the office of _____ for Respondent. I am the authorized representative of Respondent, owner of the Property, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized by Respondent to execute this document.
- 3. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

ANGELICA HOMES CORPORATION, a Texas
nonprofit corporation

By: _____
Name: _____
Title: _____

Given under my hand and seal of office this _____ day of _____, 2017.

Signature of Notary Public

Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF _____
My Commission Expires: _____

Attachment 1

File Monitoring Violation Resources and Instructions

1. Refer to the following link for all references to the rules at 10 TAC §10 that are referenced below:
[http://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=10&sch=F&rl=Y](http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=10&sch=F&rl=Y)
2. Refer to the following link for copies of forms that are referenced below:
<http://www.tdhca.state.tx.us/pmcomp/forms.htm>
3. Technical support and training presentations are available at the following links:
Affirmative Marketing: <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>
Tenant Selection Criteria: <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>
FAQ's: <http://www.tdhca.state.tx.us/pmcomp/compFaqs.htm>
4. **All corrections must be submitted via CMTS:** See link for steps to upload documents <http://www.tdhca.state.tx.us/pmcdocs/CMTSUserGuide-AttachingDocs.pdf>.
5. **Fair Housing Disclosure Notice** (form replaced by the Tenant Rights and Resources Guide) –
What to submit: The owner must review the applicable Owner Certification at Attachment 2, verify that all requirements described by the certification have been met, then submit a signed Owner Certification via CMTS.
6. **Written tenant selection criteria** – Respondent submitted written tenant selection criteria, however, the criteria were incomplete.
How to prepare compliant criteria: Prepare updated written policies and procedures addressing all requirements at 10 TAC §10.610. Staff recommends using that rule as a checklist. A webinar presentation is available at: <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>.
What to submit: Once your written policies and procedures are complete, the owner must review the criteria, then sign and upload to CMTS the applicable Owner Certification included at Attachment 2, along with a copy of the complete written policies and procedures.
7. **Affirmative marketing plan** –
How to prepare a compliant plan and marketing materials: First read the rule at 10 TAC §10.617, then watch the webinar at <http://www.tdhca.state.tx.us/pmcomp/presentations.htm> to gain a general understanding regarding affirmative marketing. Next, review the following list of frequent problems observed, which include, but are not limited to:
 - Not using HUD Form 935.2A;
 - Not correctly identifying populations “least likely to apply”. In general, those populations that are least likely to apply *might* include: White, American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, Hispanic or Latino, Persons with Disabilities, Families with Children, and Other. Analysis is required to determine which of these groups are least likely to apply;
 - Not affirmatively marketing to the disabled. All properties must market to the disabled population;
 - Not correctly identifying organizations that are specifically associated with groups identified as “least likely to apply”. For example, marketing to the Housing Authority or placing ads in Craigslist would be considered general marketing, not affirmative marketing, because both serve all persons living in the area;

- Not including evidence of special outreach efforts, such as marketing letters, to those “least likely to apply” populations through specific media, organizations, or community contacts that work with “least likely to apply” populations or work in areas where “least likely to apply” populations live;
- Not including a sentence in English and Spanish in the outreach marketing materials that prospective tenants can access if reasonable accommodations are needed to complete the application process; and

Steps to complete affirmative marketing plan:

- a. Identify the appropriate housing market in which outreach efforts will be made;
- b. Determine the groups that are least likely to apply. The Affirmative Marketing Web Tool referenced at 10 TAC §10.617(d)(5) to determine groups that are least likely to apply is available online at: <http://www.tdhca.state.tx.us/pmcomp/forms.htm>. Since your property has under 40 units, you will enter your census tract (48161000300) into the right side of the tool rather than selecting the property name from the drop-down menu. The groups *currently* identified by the tool are Persons with Disabilities and White and you submitted a copy of that tool. Persons with disabilities must always be selected as a group least likely to apply. If there is no checkbox for a group that is identified by the Tool, you would add that group under “Other”. You must run the Tool yourself to ensure that the data remains the same. If you use this Tool and save a copy with your Plan, you may rely upon its results if you save a copy with your plan. Alternatively, you may perform your own analysis to determine groups that are considered least likely to apply, but you must perform and document a reasonable analysis by which those groups were identified.
- c. Identify specific organizations, media, and community contacts in the housing market to send marketing outreach materials. The organizations must specifically reach those groups designated as least likely to apply, including organizations that assist persons with disabilities. For example, a local housing authority serves the general public, not a specific racial or ethnic demographic; therefore, marketing to the housing authority is not affirmative marketing *unless* you are required to market to the White or Not-Hispanic populations, in which case more general marketing of this type would be acceptable to market to those groups.
- d. Complete and execute an affirmative marketing plan using any version of HUD Form 935.2A, including the groups and organizations identified above;
- e. Comply with all requirements of 10 TAC §10.617, which we recommend using as a checklist;
- f. Send marketing outreach materials to the organizations identified in your plan, as discussed above, ensuring that said marketing materials comply with all requirements of 10 TAC §10.617. Remember that 10 TAC §10.617(f)(5) requires marketing materials to include the Fair Housing Logo and give contact information that prospective tenants can access if reasonable accommodations are needed in order to complete the application process. This contact information sentence must include the terms “reasonable accommodation” and must be in English and Spanish. Here is a sample of an acceptable sentence recently included in marketing materials from another property: *“Individuals who need to request a reasonable accommodation to complete the application process should contact the apartment manager at XXX-XXX-XXXX. Personas con discapacidad que necesitan solicitar un acomodacion razonable para completer el proceso de aplicacion deben comunicarse con el Administrador del apartment al XXX-XXX-XXXX.”*
- g. Maintain all documentation in your files for future review.

What to submit: Once your Affirmative Marketing plan *and* outreach materials are complete, the owner must review them, then sign and upload to CMTS the applicable Owner Certification included at Attachment 2. You do not need to include copies of the updated plan or marketing materials.

Attachment 2

Owner Certifications

(see attached)

Once you complete the requirements of Attachment 1, the owner should review these certifications, then sign and submit via CMTS.

The rules at 10 TAC §10 that are referenced in the attached certifications are available at this link

[http://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=10&sch=F&rl=Y](http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=10&sch=F&rl=Y)

**Texas Department of Housing and Community Affairs
Owner Certification of Corrected Noncompliance**

Development Name: Angelica Homes CMT'S ID: 2605

The above referenced Development was monitored on 7/27/2016 to determine if the Development is in compliance with the requirements of the HOME program. The review resulted in a finding of noncompliance under Title 10, Chapter 10, Subchapter F related to Compliance Monitoring, §10.610, Written Policies and Procedures. Please see attached Findings Report for details as to the specific policy/procedure affected and the reason for which the noncompliance was cited. Update that policy/procedure as detailed and submit a copy of the updated policy/procedure, with a revised effective date as required under the rule, to support this certification.

Under 10 TAC §2.401(e)(1), *The Department may debar any Responsible Party who has materially or repeatedly violated any condition imposed by the Department in connection with the administration of a Department program, including a material or repeated violation of a land use restriction agreement (LURA) regarding a development supported with a housing tax credit allocation. Repeated failure to comply with the provisions prescribed in §10.610 may be considered a material violation of the LURA. Owners that repeatedly and materially violate their LURAs will be recommended for debarment from participation in programs administered by the Department. A copy of §10.610 is attached to ensure ongoing compliance.*

I, _____, on behalf of _____, am a duly authorized representative, who is so authorized by reason of my position as _____ to hereby certify, as true and correct, that the above referenced noncompliance related to §10.610 has been corrected in the manner described and that all required written policies and procedures under §10.610 are fully compliant with the rule. If at the next onsite review, there has not been an ownership transfer and this event of noncompliance is cited again, I understand that the owner will be recommended for debarment.

Signature of Authorized Owner Representative

Date

Warning: Title 18, Section 1001 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency in the United States as to any matter within its jurisdiction.

TDHCA
December 2016

Texas Department of Housing and Community Affairs

Owner Certification of Corrected Noncompliance

Development Name: Angelica Homes CMTS ID: 2605

The above referenced Development was monitored on 1/22/2014 to determine if the Development is in compliance with the requirements of the HTC program. The review resulted in a finding of noncompliance under Title 10, Chapter 10, Subchapter F related to Compliance Monitoring, §10.613(k) which states:

(k) A Development Owner shall post in a common area of the leasing office a laminated copy and provide each household, during the application process and upon a subsequent change to the items described in paragraph (2) of this subsection, the brochure made available by the Department, *A Tenant Rights and Resources Guide*, which includes:

- (1) Information about Fair Housing and tenant choice;
 - (2) Information regarding common amenities, unit amenities, and services; and
 - (3) A certification that a representative of the household must sign prior to, but no more than 120 days prior to, the initial lease execution acknowledging receipt of this brochure.
- (4) In the event this brochure is not provided timely or the household does not certify to receipt of the brochure, correction will be achieved by providing the household with the brochure and receiving a signed certification that it was received.

Through this certification, you hereby certify the following:

1. That a correctly executed Tenant Rights and Resources Guide is laminated and posted in a common area of the leasing office;
2. All low-income households have been provided the Tenant Rights and Resources Guide and executed the required acknowledgement; and
3. All future low-income households will be provided the Tenant Rights and Resources Guide and execute the acknowledgement of receipt no more that 120 days prior to move in.

Under 10 TAC §2.401(e), a person shall be recommended for debarment if they control a Development that during two sequential monitoring visits is found to be out of compliance with the lease requirements described in §10.613. If at the next onsite review, there has been not been an ownership transfer and noncompliance is assessed for failure to execute required lease provisions, the owner will be recommended for debarment from participation in programs administered by the Department. A copy of §10.613 is attached to ensure ongoing compliance.

I, _____, on behalf of _____, am a duly authorized representative, who is so authorized by reason of my position as _____ to hereby certify, as true and correct, that the above referenced noncompliance related to §10.613(k) has been corrected in the manner described and that all required lease language under §10.613 is in the lease and lease addendum. I further certify that I understand that if this event of noncompliance is cited at the next onsite review of Angelica Homes, the owner will be recommended for debarment.

Signature of Authorized Owner Representative

Date

Warning: Title 18, Section 1001 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency in the United States as to any matter within its jurisdiction.

IDHCA
December 2016

Texas Department of Housing and Community Affairs

Owner Certification of Corrected Noncompliance

Development Name: Angelica Homes CMT'S ID: 2605

The above referenced Development was monitored on 7/27/2016 to determine if the Development is in compliance with the requirements of the HTC program. The review resulted in a finding of noncompliance under Title 10, Chapter 10, Subchapter F related to Compliance Monitoring, §10.617, Affirmative Marketing Requirements. Please see attached Findings Report for details as to the specific reason for which the noncompliance was cited.

Under 10 TAC §2.401(c)(1), The Department may debar any Responsible Party who has materially or repeatedly violated any condition imposed by the Department in connection with the administration of a Department program, including a material or repeated violation of a land use restriction agreement (LURA) regarding a development supported with a housing tax credit allocation. Repeated failure to comply with the provisions prescribed in §10.617 may be considered a material violation of the LURA. Owners that repeatedly and materially violate their LURAs will be recommended for debarment from participation in programs administered by the Department. A copy of §10.617 is attached to ensure ongoing compliance.

I, _____, on behalf of _____, am a duly authorized representative, who is so authorized by reason of my position as _____ to hereby certify, as true and correct, that the above referenced noncompliance related to §10.617 has been corrected in the manner described and that all required affirmative marketing requirements under §10.617 are fully compliant with the rule. If at the next onsite review, there has not been an ownership transfer and this event of noncompliance is cited again, I understand that the owner will be recommended for debarment.

Signature of Authorized Owner Representative

Date

Warning: Title 18, Section 1001 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency in the United States as to any matter within its jurisdiction.

TDHCA
March 2017

Attachment 3:

Texas Administrative Code

TITLE 10	COMMUNITY DEVELOPMENT
PART 1	TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 10	UNIFORM MULTIFAMILY RULES
SUBCHAPTER E	POST AWARD AND ASSET MANAGEMENT REQUIREMENTS
RULE §10.406	Ownership Transfers (§2306.6713)

(a) Ownership Transfer Notification. All multifamily Development Owners must provide written notice to the Department at least thirty (30) calendar days prior to any sale, transfer, or exchange of the Development or any portion of or Controlling interest in the Development. Transfers that are the result of an involuntary removal of the general partner by the investment limited partner must be reported to the Department, as soon as possible due to the sensitive timing and nature of this decision. If the Department determines that the transfer, involuntary removal, or replacement was due to a default by the General Partner under the Limited Partnership Agreement, or other detrimental action that put the Development at risk of failure, staff may make a recommendation to the Board for the debarment of the entity and/or its Principals and Affiliates pursuant to the Department's debarment rule. In addition, a record of transfer involving Principals in new proposed awards will be reported and may be taken into consideration by the Executive Award and Review Committee, in accordance with §1.5 of this title (relating to Previous Participation Reviews), prior to recommending any new financing or allocation of credits.

(b) Requirement. Department approval must be requested for any new member to join in the ownership of a Development. Exceptions include changes to the investment limited partner, non-controlling limited partner, or other partners affiliated with the investment limited partner, or changes resulting from foreclosure wherein the lender or financial institution involved in the transaction is the resulting owner. Any subsequent transfer of the Development will be required to adhere to the process in this section. Furthermore, a Development Owner may not transfer an allocation of tax credits or ownership of a Development supported with an allocation of tax credits to any Person or entity unless the Development Owner obtains the Executive Director's prior, written approval of the transfer. The Executive Director may not unreasonably withhold approval of the transfer requested in compliance with this section. Notwithstanding the foregoing, a Development Owner shall be required to notify the Department but shall not be required to obtain Executive Director approval when the transferee is an Affiliate of the Development Owner with no new members or the transferee is a Related Party who does not Control the Development and the transfer is being made for estate planning purposes.

(c) Transfers Prior to 8609 Issuance or Construction Completion. Transfers (other than those that do not require Executive Director approval, as set forth in subsection (b) of this section) will not be approved prior to the issuance of IRS Form(s) 8609 (for Housing Tax Credits) or the completion of construction (for all Developments funded through other Department programs) unless the Development Owner can provide evidence that the need for the transfer is due to a hardship (ex. potential bankruptcy, removal by a partner, etc.). The Development Owner must provide the Department with a written explanation describing the hardship and a copy of any applicable agreement between the parties to the transfer, including any Third-Party agreement.

(d) Non-Profit Organizations. If the ownership transfer request is to replace a non-profit organization within the Development ownership entity, the replacement non-profit entity must adhere to the requirements in paragraph (1) or (2) of this subsection.

(1) If the LURA requires ownership or material participation in ownership by a Qualified Non-Profit Organization, and the Development received Tax Credits pursuant to §42(h)(5) of the Code, the transferee must be a Qualified Non-Profit Organization that meets the requirements of §42(h)(5) of the Code and Texas Government Code §2306.6706.

(2) If the LURA requires ownership or material participation in ownership by a qualified non-profit organization, but the Development did not receive Tax Credits pursuant to §42(h)(5) of the Code, the Development Owner must show that the transferee is a non-profit organization that complies with the LURA.

(e) Historically Underutilized Business ("HUB") Organizations. If a HUB is the general partner of a Development Owner and it (i) is being removed as the result of a default under the organizational documents of the Development Owner or (ii) determines to sell its ownership interest, in either case, after the issuance of 8609s, the purchaser of that general partnership interest is not required to be a HUB as long as the LURA does not require such continual ownership or a material LURA amendment is approved. Such approval can be obtained concurrent with Board approval described herein. All such transfers must be approved by the Board and require that the Board find that:

(1) the selling HUB is acting of its own volition or is being removed as the result of a default under the organizational documents of the Development Owner;

(2) the participation by the HUB has been substantive and meaningful, or would have been substantial and meaningful had the HUB not defaulted under the organizational documents of the Development Owner, enabling it to realize not only financial benefit but to acquire skills relating to the ownership and operation of affordable housing; and

(3) the proposed purchaser meets the Department's standards for ownership transfers

(f) Documentation Required. A Development Owner must submit documentation requested by the Department to enable the Department to understand fully the facts and circumstances that gave rise to the need for the transfer and the effects of approval or denial. Documentation includes but is not limited to:

(1) a written explanation outlining the reason for the request;

(2) a list of the names of transferees and Related Parties;

(3) detailed information describing the experience and financial capacity of transferees and related parties holding an ownership interest of 10 percent or greater in any Principal or Controlling entity;

(4) evidence and certification that the tenants in the Development have been notified in writing of the proposed transfer at least thirty (30) calendar days prior to the date the transfer is approved by the Department. The ownership transfer approval letter will not be issued until this 30 day period has expired.

(g) Within five (5) business days after the date the Department receives all necessary information under this section, staff shall initiate a qualifications review of a transferee, in accordance with §1.5 of this title, to determine the transferee's past compliance with all aspects of the Department's programs, LURAs and eligibility under this chapter.

(h) Credit Limitation. As it relates to the Housing Tax Credit amount further described in §11.4(a) of this title (relating to Tax Credit Request and Award Limits), the credit amount will not be applied in circumstances described in paragraphs (1) and (2) of this subsection:

(1) in cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(2) in cases where the general partner is being replaced if the award of credits was made at least five (5) years prior to the transfer request date.

(i) Penalties. The Development Owner must comply with any additional documentation requirements as stated in Subchapter F of this chapter (relating to Compliance Monitoring). The Development Owner, as on record with the Department, will be liable for any penalties imposed by the Department even if such penalty can be attributable to the new Development Owner unless such ownership transfer is approved by the Department.

(j) Ownership Transfer Processing Fee. The ownership transfer request must be accompanied by corresponding ownership transfer fee as outlined in §10.901 of this chapter (relating to Fee Schedule).

Source Note: The provisions of this §10.406 adopted to be effective December 9, 2014, 39 TexReg 9518

1c

BOARD ACTION REQUEST

LEGAL DIVISION

MAY 25, 2017

Presentation, discussion, and possible action on Agreed Final Order of Debarment for Avalon Apartments, L.L.C, Xheladin Jasari, and Flaza Jasaroski for a period of ten years

RECOMMENDED ACTION

WHEREAS, Avalon Apartments in Arlington, Tarrant County, formerly owned by Avalon Apartments, L.L.C., has a history of uncorrected compliance findings relating to the applicable land use restriction agreement and the associated statutory and rule requirements;

WHEREAS, Xheladin Jasari and Flaza Jasaroski are the president and vice president, respectively, of Avalon Apartments, L.L.C.;

WHEREAS, on July 23, 2009, the Department conducted a Uniform Physical Condition Standards ("UPCS") inspection of Avalon Apartments and issued an inspection report on August 24, 2009, identifying a score of 27 out of 100, and outlining physical violations that must be resolved;

WHEREAS, on June 10, 2015, the Department conducted a UPCS inspection of Avalon Apartments and issued an inspection report on June 23, 2015, identifying a score of 45 out of 100, and outlining physical violations that must be resolved;

WHEREAS, representatives of Avalon have attended multiple informal conferences regarding numerous violations, including but not limited to the violations above; and executed prior Agreed Final Orders in 2012, 2014, and 2016;

WHEREAS, the 2012 and 2014 Agreed Final Orders were violated and the 2016 Agreed Final Order was co-signed by Avalon Living LLC, an entity that purchased the property with permission from TDHCA in August of 2016 and is working to resolve all violations;

WHEREAS, Tex. Gov't. Code §2306.0504(c)(1) addresses debarment and indicates that the Department shall debar a person from participation in a Department program if the person materially or repeatedly violates any condition imposed by the Department in connection with the administration of a Department program;

WHEREAS, 10 TAC §2.401(d) also addresses debarment, and lists examples of material violations of a LURA. Specifically, Avalon Apartments, L.L.C, Xheladin Jasari, and Flaza Jasaroski violated 10 TAC §2.401(d) when the property scored below 50 on two UPCS inspections;

WHEREAS, a debarment term of 10 years is appropriate given the factors such as those identified at 10 TAC §2.401(j);

WHEREAS, Flaza Jasaroski has indicated that she and her husband will accept the recommended debarment term; and

WHEREAS, consistent with direction from the Department's Enforcement Committee and the requirements of TEX. GOV'T. CODE §2306.0504 and 10 TAC §2.401, the Executive Director presents this Report to the Board;

NOW, therefore, it is hereby

RESOLVED, that the Board orders the debarment of Avalon Apartments, L.L.C, Xheladin Jasari, and Flaza Jasaroski for a ten year term.

BACKGROUND

Avalon Apartments, L.L.C. is the former owner of Avalon Apartments, a low income apartment complex composed of 75 units, located in Arlington, Tarrant County. Xheladin Jasari and Flaza Jasaroski, husband and wife, are the president and vice president, respectively.

Avalon Apartments is subject to a land use restriction agreement ("LURA") signed by a prior owner in 1993 in consideration for an allocation of housing tax credits in the amount of \$857,230 to acquire and rehabilitate the Property. Avalon Apartments, L.L.C. acquired the property in 2004, and did not receive prior Department approval, but the LURA remained in effect per Section 2 of the LURA which stipulates that its restrictions run with the land.

Despite numerous attempts by the Compliance Division, Legal Division, and Enforcement Committee to provide technical assistance and obtain acceptable corrective action, Avalon Apartments, L.L.C. was unable to operate the property in compliance with LURA requirements and did not respond to monitoring deadlines. Avalon Apartments, L.L.C. first discussed the property with the Administrative Penalty Committee via teleconference during 2009, after which the Committee voted to refer the property to the Compliance Division for technical support. The property was referred back to the Committee during 2012, and an informal conference was held. The Board subsequently approved an Agreed Final Order calling for an administrative penalty in the amount of \$5,000, which was to be fully deferred and forgiven provided that Avalon Apartments, L.L.C. met the requirements of the Agreed Final Order. Avalon Apartments, L.L.C. signed the order, but did not fully comply. The \$5,000 penalty was declared due and payable, then referred to the Office of the Attorney General ("OAG") for collection. The OAG accepted a payment agreement and the final payment was made in November 2014.

New violations were referred to the Committee for consideration, and an informal conference was held on March 25, 2014. Avalon Apartments, L.L.C. agreed to pay a maximum penalty of \$10,000, which was to be fully deferred and forgiven provided that the requirements of the Agreed Final Order were met. Avalon Apartments, L.L.C. signed the order, but did not submit any corrective documentation. The \$10,000 penalty was declared due and payable, then referred to the OAG for collection. The OAG accepted a payment agreement, but payments ultimately stopped in 2017, with \$6,124 paid and \$3,876 declared uncollectable.

Additional violations were referred to the Committee in 2015 and 2016, and another informal conference was held. Avalon Apartments, L.L.C. agreed to pay a maximum penalty of \$62,000, subject to partial forgiveness provided that the requirements of the Agreed Final Order were met. A buyer was identified and the Order terms were modified to incorporate that buyer, Avalon Living, L.L.C. The administrative penalty was \$62,000, with \$20,000 to be paid at closing by Avalon Apartments, L.L.C., and a \$42,000 portion of the administrative penalty to be deferred and forgiven provided that the buyer resolved all violations as required by the Order. The \$20,000 initial penalty payment was received, and the buyer is working toward compliance, with corrections currently under review.

Tex. Gov't. Code §2306.0504(c) states that the Department shall debar a person from participation in a Department program if the person materially or repeatedly violates any condition imposed by the department in connection with the administration of a debarment program. One of the material violations identified by 10 TAC §2.401(d) is scoring below 50 on more than one UPCS inspection. Accordingly, the Department must debar Avalon Apartments, L.L.C, and its officers, Xheladin Jasari, and Flaza Jasaroski.

The Enforcement Committee held an informal conference and recommended debarment for a term of 10 years. Flaza Jasaroski indicated that she and her husband would accept the recommendation, and sign an Agreed Final Order of Debarment.

This term is appropriate under the factors such as those defined at 10 Tex. Admin. Code §2.401(j).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

To: TDHCA Governing Board
From: Timothy K. Irvine, Executive Director
Date: May 25, 2017
Subject: Report to the Board

The Enforcement Committee has recommended a 10 year debarment term against Avalon Apartments, L.L.C, a Texas limited liability company ("Avalon"), and its president and vice president, Xheladin Jasari and Flaza Jasaroski, husband and wife, for scoring below 50 on more than one Uniform Physical Condition Standards ("UPCS") inspection. I have, in my capacity as Executive Director of the Department, made the following **PRELIMINARY DETERMINATIONS**:

I. JURISDICTION:

1. During 1993, Texas Avalon, Ltd. ("Prior Owner") was awarded an allocation of Low Income Housing Tax Credits by the Board, in the total amount of \$857,230 to build and operate Avalon Apartments ("Property") (HTC file No. 91036 / CMTS No. 954 / LDLD No. 102).
2. Prior Owner signed a land use restriction agreement ("LURA") regarding the Property. The LURA was effective February 4, 1993, and filed of record at Volume 10941, Page 396 of the Official Public Records of Real Property of Tarrant County, Texas. In accordance with Section 2(b) of the LURA, the LURA is a restrictive covenant/deed restriction encumbering the property and binding on all successors and assigns for the full term of the LURA.
3. Respondent purchased the Property on March 31, 2004 without TDHCA permission, and was subject to the continuing requirements of the LURA until the property was again sold on August 12, 2016. In accordance with Section 2 of the LURA, the LURA is a restrictive covenant/deed restriction encumbering the property and binding on all successors and assigns for the full term of the LURA.
4. Avalon Apartments, L.L.C. was qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.
5. Xheladin Jasari and Flaza Jasaroski are the president and vice president, respectively, of Avalon Apartments, L.L.C. and are its only principals. Flaza Jasaroski was designated as the primary contact.



II. MATERIAL VIOLATIONS SUBJECT TO DEBARMENT¹:

1. I'll copy these from the Order once all comments are incorporated
2. TDHCA conducted a UPCS inspection on July 23, 2009, and issued an inspection report on August 14, 2009, identifying a score of 27 out of 100, and outlining physical violations of 10 TAC §60.116. Notifications of noncompliance were sent and a November 12, 2009, corrective deadline was set. Many violations remained uncorrected at the time that the property was resold on August 12, 2016, and are being addressed by the new owner.
3. TDHCA conducted a UPCS inspection on June 10, 2015, and issued an inspection report on June 23, 2015, identifying a score of 45 out of 100, and outlining physical violations of 10 TAC §10.621 (Property Condition Standards). Notifications of noncompliance were sent and a September 21, 2015, corrective deadline was set. Many violations remained uncorrected at the time that the property was resold on August 12, 2016, and are being addressed by the new owner.

III. LAW/RULE VIOLATIONS:

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §2306.0504, and 10 TAC §2.
2. Respondent is a "Responsible Party" as that term is defined in 10 TAC §23102(5).
3. Pursuant to IRC §42(m)(1)(B)(iii), housing credit agencies are required to monitor for noncompliance with all provisions of the IRC and to notify the Internal Revenue Service of such noncompliance.
4. Respondent violated 10 TAC §60.116 in 2009, and I.R.C. §42, as amended, by failing to comply with HUD's Uniform Physical Condition Standards when major violations were discovered and not timely corrected.
5. Respondent violated 10 TAC §10.621 in 2015, and I.R.C. §42, as amended, by failing to comply with HUD's Uniform Physical Condition Standards when major violations were discovered and not timely corrected.
6. Pursuant to Tex. Gov't. Code §2306.0504(c), the Department shall debar a person from participation in a Department program if the person materially or repeatedly violates any condition imposed by the department in connection with the administration of a department program.
4. Pursuant to 10 TAC §2.401(d), scoring 50 or less on a UPCS inspection on more than one occasion is a material violation that justifies debarment

¹ Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 Tex. Admin. Code, Chapters 10 and 60 refer to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.

IV. RECOMMENDED DEBARMENT TERM:

Pursuant to 10 Tex. Admin. Code §2.401(j), recommended periods of debarment are to be based upon material factors such as the following:

1. **Repeated occurrences:** Although repeated UPCS scores under 50 are the reason for the mandatory debarment, Avalon Apartments, L.L.C. has a long history of noncompliance, which is a relevant factor in determining the appropriate debarment term. Representatives have attended numerous informal conferences with the Enforcement Committee and have previously signed 3 Agreed Final Orders. 2 of the 3 were violated and referred to the Office of the Attorney General for collection. The 3rd Agreed Final Order is currently pending review of corrective documentation submitted by a third party who purchased the property in 2016 with TDHCA's permission. That party co-signed the Order and assumed responsibility for resolving all violations.
2. **Seriousness of underlying issues:** The UPCS violations causing the inspection scores below 50 were extremely serious, with many health and safety category L3 violations. The chronic nature of noncompliance for this property further demonstrates the seriousness of the underlying issues that allowed the poor physical condition of the property to persist, and caused repeated penalty referrals.
3. **Presence or absence of corrective action, including corrective action to install new responsible persons and ensure they are qualified and properly trained:** Representatives for Avalon Apartments L.L.C. demonstrated a pattern of noncompliance over the course of six years and never provided any evidence that they had attended training or hired outside management to assist with corrections. However, they were not the original owner and did eventually find a qualified buyer who is working to bring the property back into compliance. These are relevant mitigating factors.
4. **Other relevant information:** Ms. Jasaroski has indicated that she will never pursue TDHCA funding and has never intentionally applied for funding with the Department or ownership of a property monitored by TDHCA, however, she and her husband, Xheladin Jasari, are active landlords in the Arlington area and have numerous market-rate units. They bought Avalon Apartments without checking title, and were unaware of the LURA. It is possible that they may try to purchase another multifamily property in the future, or may change their minds about seeking TDHCA funding. Committee members noted that Avalon Apartments LLC has no record of compliance because they have never submitted full or timely corrections for any monitoring review or inspection performed during their tenure as owners.

Flaza Jasaroski has indicated that she and her husband will sign an Agreed Final Order of Debarment for a period of 10 years. The debarment term of 10 years is appropriate under the debarment factors outlined above. Accordingly, after consideration of all appropriate factors, including those set out in TEX. GOV'T CODE §2306.0504 and 10 TEX. ADMIN. CODE §2.401, the Enforcement Committee has recommended a debarment term of 10 years.

ENFORCEMENT ACTION AGAINST
AVALON APARTMENTS, L.L.C, AND
ITS PRINCIPALS: XHELADIN JASARI
AND FLAZA JASAROSKI

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BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 25th day of May, 2017, the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA" or "Department") considered the matter of whether enforcement action should be taken against **AVALON APARTMENTS, L.L.C.**, a Texas limited liability company, and its officers, **XHELADIN JASARI AND FLAZA JASAROSKI**, (collectively "Respondent"), for scoring 50 or less on a Uniform Physical Condition Standards ("UPCS") inspection on more than one occasion at Avalon Apartments.

This Agreed Final Order is executed pursuant to the authority granted in the Tex. Gov't Code, Chapter 2306.0504, which requires the Board to adopt a policy providing for the debarment of a person from participation in Department programs because of a person's past failure to comply with conditions imposed by the Department in the administration of its programs. The policy was adopted by the Board and is set forth in 10 TAC §2.401.

Upon recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this Order:

FINDINGS OF FACT

Jurisdiction:

1. During 1993, Texas Avalon, Ltd. ("Prior Owner") was awarded an allocation of Low Income Housing Tax Credits by the Board, in the total amount of \$857,230 to build and operate Avalon Apartments ("Property") (HTC file No. 91036 / CMTS No. 954 / LDLD No. 102).
2. Prior Owner signed a land use restriction agreement ("LURA") regarding the Property. The LURA was effective February 4, 1993, and filed of record at Volume 10941, Page 396 of the Official Public Records of Real Property of Tarrant County, Texas. In accordance with Section 2(b) of the LURA, the LURA is a restrictive covenant/deed restriction encumbering the property and binding on all successors and assigns for the full term of the LURA.

3. Respondent purchased the Property on March 31, 2004 without TDHCA permission, and was subject to the continuing requirements of the LURA until the property was again sold on August 12, 2016. In accordance with Section 2 of the LURA, the LURA is a restrictive covenant/deed restriction encumbering the property and binding on all successors and assigns for the full term of the LURA.
4. Avalon Apartments, L.L.C. was qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.
5. Xheladin Jasari and Flaza Jasaroski are the president and vice president, respectively, of Avalon Apartments, L.L.C. and are its only principals. Flaza Jasaroski was designated as the primary contact.

Material Violations Subject To Debarment:

1. TDHCA conducted a UPCS inspection on July 23, 2009, and issued an inspection report on August 14, 2009, identifying a score of 27 out of 100, and outlining physical violations of 10 TAC §60.116. Notifications of noncompliance were sent and a November 12, 2009, corrective deadline was set. Many violations remained uncorrected at the time that the property was resold on August 12, 2016, and are being addressed by the new owner.
2. TDHCA conducted a UPCS inspection on June 10, 2015, and issued an inspection report on June 23, 2015, identifying a score of 45 out of 100, and outlining physical violations of 10 TAC §10.621 (Property Condition Standards). Notifications of noncompliance were sent and a September 21, 2015, corrective deadline was set. Many violations remained uncorrected at the time that the property was resold on August 12, 2016, and are being addressed by the new owner.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §2306.0504, and 10 TAC §2.
2. Respondent is a "Responsible Party" as that term is defined in 10 TAC §23102(5).
3. Pursuant to IRC §42(m)(1)(B)(iii), housing credit agencies are required to monitor for noncompliance with all provisions of the IRC and to notify the Internal Revenue Service of such noncompliance.
4. Respondent violated 10 TAC §60.116 in 2009, and I.R.C. §42, as amended, by failing to comply with HUD's Uniform Physical Condition Standards when major violations were discovered and not timely corrected.

¹ Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 Tex. Admin. Code, Chapters 10 and 60 refer to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.

5. Respondent violated 10 TAC §10.621 in 2015, and I.R.C. §42, as amended, by failing to comply with HUD's Uniform Physical Condition Standards when major violations were discovered and not timely corrected.
6. Pursuant to Tex. Gov't. Code §2306.0504(c), the Department shall debar a person from participation in a Department program if the person materially or repeatedly violates any condition imposed by the department in connection with the administration of a department program.
3. Pursuant to 10 TAC §2.401(d), scoring 50 or less on a UPCS inspection on more than one occasion is a material violation that justifies debarment

Based upon the foregoing findings of fact and conclusions of law, and an assessment of material factors including those set forth in 10 Tex. Admin. Code §2.401(j) to be considered for a recommended period of debarment, as applied specifically to the facts and circumstances present in this case, the Board of the Texas Department of Housing and Community Affairs orders the following:

IT IS HEREBY ORDERED that Respondent is debarred from future participation in all programs administered by the Department for a period of ~~ten~~ years, to commence upon the date this Order is approved by the Board.

IT IS FURTHER ORDERED that the terms of this Agreed Final Order shall be published on the TDHCA website.

[Remainder of page intentionally blank]

Approved by the Governing Board of TDHCA on _____, 2017.

By: _____
Name: Leslie Bingham Escareño
Title: Vice Chair of the Board of TDHCA

By: _____
Name: James "Beau" Eccles
Title: Secretary of the Board of TDHCA

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this 25th day of May, 2017, personally appeared Leslie Bingham Escareño, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this 25th day of May, 2017, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF _____ §

BEFORE ME, _____, a notary public in and for the State of _____,
on this day personally appeared Xheladin Jasari, known to me or proven to me through
_____ to be the person whose name is subscribed to the foregoing
instrument, and acknowledged to me that (he/she) executed the same for the purposes and
consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is Xheladin Jasari, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I knowingly and voluntarily enter into this Agreed Final Order, and agree with and consents to the issuance and service of the foregoing Agreed Final Order by the Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

By: _____
Name: Xheladin Jasari

Given under my hand and seal of office this _____ day of _____, 2017.

Signature of Notary Public

Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF _____

My Commission Expires: _____

STATE OF TEXAS §
 §
COUNTY OF _____§

BEFORE ME, _____, a notary public in and for the State of _____, on this day personally appeared Flaza Jasaroski, known to me or proven to me through _____ to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is Flaza Jasaroski, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I knowingly and voluntarily enter into this Agreed Final Order, and agree with and consents to the issuance and service of the foregoing Agreed Final Order by the Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

By: _____
Name: Flaza Jasaroski_____

Given under my hand and seal of office this _____ day of _____, 2017.

Signature of Notary Public

Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF _____
My Commission Expires: _____

STATE OF TEXAS

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COUNTY OF _____

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BEFORE ME, _____, a notary public in and for the State of _____, on this day personally appeared _____, known to me or proven to me through _____ to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is _____, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I hold the office of _____ for Avalon Apartments, L.L.C. I am duly authorized by Respondent to execute this document.
3. Avalon Apartments, L.L.C. knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

AVALON APARTMENTS, L.L.C., a Texas limited liability company

By: _____

Name: _____

Title: _____

Given under my hand and seal of office this _____ day of _____, 2017.

Signature of Notary Public

Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF _____

My Commission Expires: _____

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BOARD ACTION REQUEST

HOME AND HOMELESS PROGRAMS DIVISION

MAY 25, 2017

Presentation, discussion, and possible action to amend the 2017 HOME Investment Partnerships Program (“HOME”) Single Family Programs Homebuyer Assistance (“HBA”) and Tenant-Based Rental Assistance (“TBRA”) Open Cycle Notice of Funding Availability (“NOFA”), and the notification of the posting of the NOFA amendment to the Department’s website, and directing its publication in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, through Board action on January 26, 2017, the Texas Department of Housing and Community Affairs (“TDHCA” or the “Department”) made available approximately \$3,000,000 from de-obligated 2015 HOME Single Family funds in an Open Application Cycle NOFA which is set to expire at the earlier of allocation of all the funds or June 1, 2017;

WHEREAS, the Department has received funding requests under the NOFA totaling approximately \$1,662,000 for Tenant-Based Rental Assistance (“TBRA”) activities, no requests for Homebuyer Assistance (“HBA”) awards, and \$1,338,000 remains to be requested under the NOFA;

WHEREAS, it is important that the Department commit HOME funding as expeditiously as possible to provide greater assurance that federal HOME Program commitment deadlines can be achieved, which, if not met, could result in the return of funds to the U.S. Department of Housing and Urban Development (“HUD”);

WHEREAS, the Department wishes to amend the Open Application Cycle NOFA to extend the deadline and revise the funding levels for the single family activities authorized under the NOFA in accordance with 10 Texas Administrative Code (“TAC”) §1.19 concerning reallocation of financial assistance; and

WHEREAS, staff is proposing to amend the NOFA on June 1, 2017, to extend the application deadline to September 1, 2018, and to allow remaining unrequested funds to be made available for TBRA or HBA activities that will be recommended for funding based on the date received, and remaining funding availability;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to post on the Department’s website and to publish a notification in the

Texas Register, an amended 2017 HOME Single Family Programs HBA and TBRA Open Cycle NOFA to extend the deadline, and make the remaining funds available for all HBA and TBRA applicants, and to make any technical corrections or perform such other acts as may be necessary to effectuate the foregoing.

BACKGROUND

On January 26, 2017, the Board approved the issuance of an Open Application Cycle NOFA totaling \$3,000,000 from available 2015 HOME deobligated funding. Under the NOFA, \$1,000,000 was set-aside for HBA activities and \$2,000,000 was set-aside for TBRA activities with an application deadline of June 1, 2017. The NOFA was structured in this manner as HBA and TBRA administrators traditionally have more success in assisting low-income Texans through contract awards than through the Reservation System utilizing deobligated funds previously awarded.

As of Board book posting, the Department had not received any applications from HBA administrators under the Open Application Cycle NOFA, but had received applications from five TBRA administrators requesting seven awards totaling \$1,662,000. The applications are in varying stages of award, with staff's first recommended awardees being presented at this same Board meeting. To ensure that to the extent feasible HOME funding available from prior year grant funds can be committed as expeditiously as possible in an effort to meet HUD-imposed deadlines, and given sufficient funding remains available through the Reservation System for all eligible HOME activities, staff is proposing to extend the NOFA deadline to September 1, 2017, and to make all remaining funding under the NOFA available on a first-come, first-served model based on Application receipt date and time and regardless of whether the Application is for an HBA or TBRA award. Funds in an amount not to exceed \$100,000 in project funds per application may be awarded under this NOFA for HBA activities. Funds in an amount not to exceed \$200,000 in project funds per application may be awarded under this NOFA for TBRA activities. Applicants can apply for more than one award under the Open Application Cycle, provided that the Applicant submits a separate application for each request, and the service areas are mutually exclusive and do not overlap.

The availability and use of these funds are subject to the Department's Administrative Rules at 10 TAC Chapter 1, Enforcement Rules at 10 TAC Chapter 2, Single Family Umbrella Rules at 10 TAC Chapter 20, the Minimum Energy Efficiency Requirements for Single Family Construction Activities at 10 TAC Chapter 21, the Department's 2016 HOME Program Rules at 10 TAC Chapter 23, and the federal regulations governing the HOME Program including but not limited to 24 CFR Part 92. This 2017 HOME Single Family Programs NOFA was developed in accordance with the Single Family Umbrella and HOME Program Rules.

Funding not requested under the Open Application Cycle by September 1, 2017, may be reallocated to other activity types through the Reservation System as deemed necessary by the Department.

Funds will be provided under the NOFA as follows.

Award Process

In accordance with 10 TAC §23.22(a), applications received in response to an open application cycle will be prioritized for review based on its "Received Date and Time." Awards will be made for the first received eligible applicants for which sufficient funding is available. Any funds that remain after

awards may be added to the HOME Single Family Programs Reservation System after September 1, 2017. The awards will be funded with deobligated funds that were previously made available through the Regional Allocation Formula (“RAF”).

Details on the award selection process, handling of administrative deficiencies, funding limitations, eligible and ineligible applicants and activities, threshold requirements, award selection criteria, and application submission requirements are included in the NOFA posted to the Department’s website.

Application Acceptance Period

Applications will be accepted following Board approval of the NOFA through September 1, 2017, 5:00 p.m. Austin local time. After this date, staff may reprogram remaining available funding into the statewide HOME Single Family Programs Reservation System balance for general set-aside activities in the Department’s determination.

A black line of the changes to the NOFA related to this amendment is attached.



**HOME Investment Partnerships Program (“HOME”)
CFDA# 14.239**

**2017 HOME Single Family Programs
Amended Notice of Funding Availability (“NOFA”) as of June 1, 2017**

1) Summary.

- a) The Texas Department of Housing and Community Affairs (“TDHCA” or the “Department”) announces a NOFA of approximately \$3,000,000 in funding from the HOME Investment Partnerships Program (“HOME”) for single family housing contract awards benefitting housing for low-income Texans.
- b) The availability and use of these funds are subject to the HOME rules including, but not limited to the following Texas Administrative Code (“TAC”) rules in effect at the time of contract execution, Title 10, Part 1, Chapter 1, Administration; Chapter 2, Enforcement; Chapter 20, the Single Family Programs Umbrella Rule; Chapter 21, the Minimum Energy Efficiency Requirements for Single Family Construction Activities; Chapter 23, the Single Family HOME Program, effective August 30, 2015, (“State HOME Rules”); and Tex. Gov’t Code §2306. Other federal and state regulations include but are not limited to, 24 CFR Part 58 for environmental requirements, 2 CFR Part 200 for Uniform Administrative Requirements, 24 CFR §135.38 for Section 3 requirements, 24 CFR Part 5, Subpart A for fair housing, (“Federal HOME Rules”), and for units of government the Uniform Grant Management Standards (“UGMS”) as outlined in Chapter 783 in the Texas Local Government Code. Applicants must familiarize themselves with all of the applicable state and federal rules that govern the HOME Program.
- c) Capitalized terms in this NOFA have the meanings defined herein or as defined in State HOME Rules and the Federal HOME Rules.
- d) In the event that the Resale and Recapture provisions in 10 TAC §23.29 conflict with the Resale and Recapture provisions in the Department’s action plan as approved by the U.S. Department of Housing and Urban Development (“HUD”), the provisions in the action plan will prevail, in accordance with 24 CFR §92.254(a)(5).

- e) If changes to the contract are required during the contract term due to required changes in Federal or State law, the Department may initiate an amendment process to ensure compliance.

2) Source of Funds. Funds totaling \$3,000,000 are made available for single family activities through prior year allocations in accordance with 10 TAC, Chapter 1, §1.19, Reallocation of Financial Assistance, and are not subject to the Regional Allocation Formula. The Department, in its sole discretion, may also release additional unallocated HOME funds, deobligated funds, Program Income, and funds reallocated from undersubscribed set-asides, as allowable and available, under this NOFA. The Department, in its sole discretion, also reserves the right to cancel or modify the amount available in this NOFA.

3) Eligible Activities.

- a) **Homebuyer Assistance (“HBA”).** HBA provides down payment and closing cost assistance, as well as possible rehabilitation assistance for accessibility modifications for eligible low-income Households. Specific program guidelines can be found at 10 TAC Chapter 23, Single Family HOME Program, Subchapter D, Homebuyer Assistance Program, §§23.40 - 23.42.
- b) **Tenant-Based Rental Assistance (“TBRA”).** TBRA provides rental subsidies to eligible low-income Households. Assistance may include rental, security, and utility deposits. Specific program guidelines can be found at 10 TAC Chapter 23, Single Family HOME Program, Subchapter F, Tenant-Based Rental Assistance Program, §§23.60 - 23.62.

4) Eligible Applicants.

- a) Eligible Applicants include Units of General Local Government, nonprofit organizations, Public Housing Authorities, Local Mental Health Authorities, and Councils of Government.
- b) If an Applicant that is a private nonprofit organization is requesting a waiver of the grant application fee, they must do so in a board resolution authorizing the submittal of the application to the Department, and must state that the nonprofit organization offers expanded services such as child care, nutrition programs, job training assistance, health services, or human services.
- c) Applicants are encouraged to familiarize themselves with the Department’s certification and debarment policies prior to application submission.
- d) All Applicants will be subject to a Previous Participation Review by the Department.
- e) **Audit Requirements.** An Applicant is not eligible to receive funds or any other assistance from the Department unless a past audit or Audit Certification Form has been submitted to the Department in a satisfactory format, per 10 TAC §1.3(d). This is a threshold requirement outlined in the application, therefore applications that have outstanding past audits will be disqualified. Staff will not recommend applications for funding unless the Applicant has successfully completed a previous participation review as outlined in 10 TAC §1.302.

5) Prohibited Activities.

- a) Prohibited activities include those at 24 CFR §92.214 and in the State HOME Rules.
- b) Funds provided under this NOFA are not eligible for use in a Participating Jurisdiction (“PJ”).

6) Allocation of Funds.

- a) **HBA and TBRA.** Approximately \$43,000,000 in funds ~~is~~ are made available for contract awards in accordance with 10 TAC §1.19 for **General Set-Aside HBA and TBRA** activities from prior year allocations of HOME funds. Applications will be accepted on a first-come, first-served basis starting **January 27, 2017, 8:00 a.m. Austin local time until June September 1, 2017, 5:00 p.m. Austin local time**, at which time staff may reprogram ~~remaining available funding into the statewide Reservation System balance for Single Family General Set Aside activities. In accordance with Tex. Gov’t Code §2306.111(d), this reallocation of funds is not subject to the RAF.~~

~~**TBRA.** Approximately \$2,000,000 in funds is available for contract awards in accordance with 10 TAC §1.19 for **General Set-Aside TBRA activities** from prior year allocations of HOME funds. Applications will be accepted on a first-come, first-served basis starting **January 27, 2017, 8:00 a.m. Austin local time until June 1, 2017, 5:00 p.m. Austin local time**, at which time staff may reprogram remaining available funding into the statewide Reservation System balance for Single Family General Set-Aside activities. In accordance with Tex. Gov’t Code §2306.111(d), this reallocation of funds is not subject to the RAF.~~

- b) **Open Application Cycle.** In accordance with 10 TAC §23.22(a), an application received by the Department in response to an open application cycle will be assigned a “Received Date and Time” and will be prioritized for review based on a first-come, first-served basis.
 - i) Awards will be made for the first received eligible applicants in order of Received Date and Time for which sufficient funding is available. Any funds that remain after **June September 1, 2017, 5:00 p.m. Austin local time**, may be added to the Reservation System, at the Department’s sole discretion.
 - ii) Applicants can apply for more than one award under the Open Application Cycle, provided that the Applicant submits a separate Application for each request and the service areas identified in each Application are mutually exclusive and do not overlap. In no instance will the Department award more than three contracts to the same Applicant under the Open Application Cycle.
- c) All Applicants will be evaluated for satisfying Threshold Criteria and then processed through the Department’s Application Evaluation System, which includes a previous award and past performance evaluation. Previous performance or other deficiencies identified in the evaluation may disqualify an Applicant for a funding recommendation, or the award recommendation may include conditions.

- d) Funding recommendations for Awards will be presented to the Department's Executive Award and Review Advisory Committee ("EARAC"), which will in turn make its recommendations to be presented to the Governing Board based on eligibility and previous participation review. Recommendations are limited by the total amount of funds available under this NOFA and the maximum award amount limitations for each Activity type.
- e) The Department may decline to consider any Application if the proposed activities would 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 that are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process or making awards. The Department reserves the right to request clarification on individual elements of any Application.
- f) An Applicant may appeal decisions made by staff in accordance with 10 TAC §1.7.

7) Administrative Deficiencies.

- a) Administrative deficiencies noted during the review of an Application during an Open Application Cycle shall be subject to the administrative deficiency process outlined in 10 TAC §23.24(c).
- b) The time period for responding to a deficiency notice commences on the first business day following the deficiency notice date. If an administrative deficiency is not resolved to the satisfaction of the Department by 5:00 pm Austin local time on the fifth business day following the date of the deficiency notice, the application shall be terminated. Applicants that have been terminated may reapply.

8) Limitations on Funds.

- a) The maximum amount of Project funds awarded to a contract is established in the NOFA in accordance with 10 TAC §23.26(a). The maximum amount of funds awarded for administrative costs may not exceed the limitations set forth in 10 TAC §23.41(f) for HBA and 10 TAC §23.61(i) for TBRA. Alternately, Administrator may request up to 10% of modified total direct costs ("MTDC") as defined in 2 CFR §200.68, provided that the Administrator notifies the Department of the election to use the 10% MTDC approach with their Application, costs are consistently charged as either indirect or direct costs, and costs are not double charged or inconsistently charged as both. Administrative funds may only be utilized for eligible administrative costs in accordance with 24 CFR §92.207.
 - i) **HBA.** A maximum award amount of \$100,000 in Project Funds, and no more than 4% of the Direct Project Costs exclusive of Match funds for administrative costs. The maximum amount eligible for project soft costs is defined in 10 TAC §23.41(e).
 - ii) **TBRA.** A maximum award amount of \$200,000 in Project Funds and no more than 4% of the Direct Project Costs exclusive of Match funds for administrative costs except that funds for administrative costs may be increased an additional 1% of Direct Project Costs if Match is provided in an amount equal to 5% or more of Direct Project Costs in accordance with 10 TAC §23.61(i). The maximum amount eligible for project soft costs is defined in 10 TAC §23.61(h).

- b) In accordance with 10 TAC §23.26(f), the Administrator may incur and be reimbursed for eligible administrative and Project Soft Costs incurred before the effective date of the HOME contract in accordance with 24 CFR §92.212 and at the sole discretion of the Department. In no event will the Department reimburse expenses incurred more than six (6) months prior to the Department's Governing Board approval of the Administrator's award.
- c) With the exception of Tenant-Based Rental Assistance, the minimum HOME assistance amount per unit may not be less than \$1,000 per HOME assisted unit.
- d) For Tenant-Based Rental Assistance, Applicants are typically limited to the Fair Market Rent limits; however, if an Applicant anticipates that it would like to request a higher rental payment standard for all or part of its service area, such a request must be submitted with the Application. The request should contain supporting documentation such as identification of a Small Area Fair Market Rent for a zip code, identification of a higher payment standard by the Public Housing Authority administering the Section 8 program for the area, or a market study.

9) Threshold Requirements

- a) General Threshold and Selection Criteria are established in 10 TAC §23.25 for all Set-Aside types. Additional threshold requirements for Activity Types are located at:
 - i) 10 TAC §23.40 for HBA; and
 - ii) 10 TAC §23.60 for TBRA.
- b) Applications submitted in response to an Open Application Cycle which do not meet threshold will be issued a deficiency notice as noted above and threshold must be satisfied prior to a recommendation for funding.
- c) Pursuant to 10 TAC §23.25(a)(5), 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. To the extent that a review was unable to be performed, specific reasons for the Department's determination of ineligibility will be included in the termination letter to the Applicant.

10) Application Requirements.

- a) 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, cannot be altered or modified, and must be in final form before submitting them to the Department.

- b) All Application materials including manuals, program guidelines, and applicable HOME rules, are available on the Department's website at <http://www.tdhca.state.tx.us/home-division/applications.htm>.
- c) All Applications must be submitted in accordance with the 2017 Application Submission Procedures Manual ("ASPM") forms and instructions.

11) Extensions to Benchmark Requirements for Open Cycle Awards. Because of stringent deadlines by HUD on commitment and expenditure of funds, and how that is calculated by HUD, extensions to contract end dates or to the deadline to draw down funds for benchmark requirements will not be considered. If there are funds available, Applicants may apply again for the same household activity for Reservation funds, if they have an approved active RSP.

12) Application Submission.

- a) All applications submitted for the Open Application Cycle must be received on or before **June September 1, 2017, 5:00 p.m. Austin local time**, regardless of method of delivery. The Department will accept applications from **8:00 a.m. Austin local time to 5:00 p.m. Austin local time** 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 Jaclyn Pryll at (512) 475-2975 or via email at HOME@tdhca.state.tx.us.
- b) Applications can be sent via overnight delivery to:

Texas Department of Housing and Community Affairs
HOME and Homeless Programs Division
221 East 11th Street
Austin, TX 78701-2410

Or via the U.S. Postal Service to:

Texas Department of Housing and Community Affairs
HOME and Homeless Programs Division
PO Box 13941
Austin, TX 78711-3941

- c) Applicants must submit a completed Application, required documentation, and associated application materials, as described in this NOFA and as detailed in the Application ASPM. All scanned copies must be scanned in accordance with the guidance provided in the ASPM.
- d) All Application materials including manuals, this NOFA, program guidelines, and applicable HOME rules are available on the Department's website at <http://www.tdhca.state.tx.us/home-division/applications.htm>. 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,

cannot be altered or modified, and must be in final form before submitting them to the Department.

- e) Applicants are required to remit a non-refundable Application fee payable to the Texas Department of Housing and Community Affairs in the amount of \$30 per Application. Payment must be in the form of a check, cashier's check or money order. **Do not send cash.** Pursuant to Tex. Gov't Code §2306.147(b), the Department will 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.
- f) This NOFA does not include text of the various applicable regulatory provisions that may be important to the HOME Program. For proper completion of the application, the Department strongly encourages potential Applicants to review the State and Federal regulations, and contact the HOME Division for guidance and assistance.

13) Dispute Resolution/Appeal.

- a) In accordance with Tex. Gov't Code §2306.082 and 10 TAC §1.17, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Tex. Gov't Code Chapter 2009, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at any time an Applicant or other person would like to engage the Department in an ADR 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 Rule on ADR at 10 TAC §1.17.
- b) An Applicant may appeal decisions made by staff in accordance with 10 TAC §1.7.

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BOARD ACTION REQUEST
HOME AND HOMELESS PROGRAMS DIVISION
MAY 25, 2017

Presentation, discussion, and possible action on awards for the 2017 HOME Investment Partnerships Program (“HOME”) Single Family Programs Homebuyer Assistance (“HBA”) and Tenant-Based Rental Assistance (“TBRA”) Open Cycle Notice of Funding Availability (“NOFA”)

RECOMMENDED ACTION

WHEREAS, through Board action on January 26, 2017, the Texas Department of Housing and Community Affairs (“TDHCA” or the “Department”) made available approximately \$3,000,000 from de-obligated 2015 HOME Single Family funds in an Open Application Cycle NOFA;

WHEREAS, two applicants requesting four contract awards totaling \$800,000 have received complete reviews for compliance with program and previous participation requirements;

WHEREAS, the Executive Award and Review Advisory Committee (“EARAC”) approved the compliance history of both applications; and

WHEREAS, following Board approval of the applications presented herein, funding remaining under the NOFA will total \$2,600,000;

NOW, therefore, it is hereby

RESOLVED, that awards of HOME funding from the Single Family Programs HBA and TBRA Open Cycle NOFA totaling \$800,000 are hereby approved in the form presented at this meeting, and as may be amended by the Board.

BACKGROUND

On December 2, 2016, HUD published an interim final rule making changes with respect to HOME Program commitment and expenditure requirements. Beginning with FY 2015 HOME allocations, HUD will no longer use the cumulative method for measuring compliance with the requirement that Participating Jurisdictions (“PJs”) commit HOME funds within 24 months of obligation. Instead HUD will determine compliance with the deadlines on a grant-specific basis instead of the “cumulative average” approach HUD previously employed. The rule was effective on January 3, 2017. Staff has determined that a significant amount of funds may be subject to a return to HUD treasury accounts unless HOME funds can be re-committed to HOME eligible projects.

To ensure that to the extent feasible all HOME funding available from prior year grant funds can be committed by HUD-imposed deadlines, staff began pursuing several different strategies as outlined in a prior Board Action Request presented on January 26, 2017, that resulted in authorization of an

Open Application Cycle NOFA, specifically for HBA and TBRA activities that traditionally have more success in assisting low-income Texans through contract awards than through the Reservation System. Under the NOFA, the selection of Applicants occurs on a first-come, first-served basis, based on Application receipt date and time. The NOFA was structured according to activity type under the General set-aside. Funds in an amount not to exceed \$100,000 in project funds per application were authorized to be awarded for HBA activities and funds in an amount not to exceed \$200,000 in project funds per application were authorized to be awarded for TBRA activities. Applicants can apply for up to three awards total, provided that separate applications are submitted for each request, and the service areas are mutually exclusive and do not overlap.

Staff recommends the following two administrators receive a total of four awards to administer TBRA activities.

Award Recommendation Log

App #	HOME Applicant	Activity	Award	Region	Area Served
2017-1002	Central Texas Opportunities	TBRA	\$200,000	3	Erath, Hood, Johnson, Palo Pinto, Parker, Somervell, and Wise Counties
2017-1003	Burke Center	TBRA	\$200,000	5	Angelina, Houston, Jasper, Nacogdoches, Newton, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, and Tyler Counties
2017-1004	Central Texas Opportunities	TBRA	\$200,000	2, 12	Brown and McCulloch Counties
2017-1005	Central Texas Opportunities	TBRA	\$200,000	2	Callahan, Coleman, Comanche, Eastland, and Runnels County
		TOTAL	\$800,000		

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BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
MAY 25, 2017

Presentation, discussion, and possible action on the selection of an Eligible Entity to administer the Community Services Block Grant (“CSBG”) to provide services in Dimmit and La Salle counties

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Gov’t Code, §§2306.053 and .092, the Texas Department of Housing and Community Affairs (the “Department”) is provided the authority to administer the CSBG program;

WHEREAS, Community Services Block Grant (“CSBG”) funds are awarded annually to the Department by the U.S. Department of Health and Human Services (“USHHS”);

WHEREAS, the CSBG Act (42 USC §9901 *et seq.*) requires that not less than 90% (approximately \$30,816,032) of annual CSBG funds be used by the state to make grants to Eligible Entities; as well as 5% for state administration, and up to 5% for discretionary purposes;

WHEREAS, the CSBG network is composed of 39 Eligible Entities serving all 254 counties with an array of services to low income Texans;

WHEREAS, on January 12, 2017, the Department received a letter from the administrator of the CSBG area covering Dimmit and La Salle counties voluntarily relinquishing its status as an Eligible Entity;

WHEREAS, upon notification of relinquishment from the administrator for Dimmit and La Salle counties, it was confirmed that there is no existing permanent Eligible Entity in these counties and the CSBG award from a Request for Applications (“RFA”) can be made in these counties without conditions;

WHEREAS, on February 10, 2017, the Department released an RFA and received one response by the April 10, 2017, deadline, which satisfied the required criteria; and

WHEREAS, Community Council of South Central Texas, Inc. (“CCSCT”), already an Eligible Entity for receiving CSBG funds in Texas, is the one respondent and they have satisfied the threshold requirements and Previous Participation Review, and its award was

recommended by the Executive Award Review and Advisory Committee (“EARAC”) in accordance with 10 TAC Chapter 1, Subchapter C on May 15, 2017;

NOW, therefore, it is hereby

RESOLVED, that CC SCT is awarded the 2017 CSBG funds for Dimmit and La Salle counties, in the amount shown in Attachment A, and shall be the designated as the Eligible Entity to receive CSBG funds for the associated counties until such time that the designation requires review.

BACKGROUND

At the Board meeting of October 13, 2016, the Board approved the Department’s request to proceed with the termination process of the Eligible Entity status and contract for CSBG funds with Community Services Agency of South Texas (“CSA”), the administrator of the CSBG area covering Dimmit and La Salle counties at that time. While the termination process was proceeding, on January 12, 2017, in a letter to the Department, CSA voluntarily relinquished its status as an Eligible Entity to administer the CSBG program, leaving Dimmit and La Salle counties without CSBG services.

At the Board meeting of November 12, 2015, the Board provided broad authorization to staff to release an RFA and enter into agreements with one or more entities to administer any one or more of the CSBG, LIHEAP, or DOE WAP programs for the benefit of providing continued services to eligible low income households in a service area whenever it deems such action necessary or advisable to address a possible loss of services in an area of the state under one or more these programs.

The RFA issued on February 10, 2017, encouraged applicant organizations to apply for CSBG funds for Dimmit and La Salle counties. The application deadline was April 10, 2017. Staff received one application from CC SCT. The application was reviewed and was found to satisfy the threshold requirements. Having met the threshold score and being the sole respondent, CC SCT is the recommended provider.

The award for CC SCT was reviewed and recommended by the Executive Award Review and Advisory Committee (“EARAC”) in accordance with 10 TAC Chapter 1, Subchapter C.

Attachment A

2017 CSBG Allocation:

CCSCT

County	Estimated Allocation (\$)
Dimmit	87,935
La Salle	62,065
TOTAL	150,000

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BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
MAY 25, 2017

Presentation, discussion, and possible action on awards for Federal Fiscal Year (“FFY”) 2017 Community Services Block Grant (“CSBG”) Discretionary Funds for education and employment services to Native American and Migrant Seasonal Farm Worker populations

RECOMMENDED ACTION

WHEREAS, Community Services Block Grant (“CSBG”) funds are awarded annually to the Texas Department of Housing and Community Affairs (the “Department”) by the U.S. Department of Health and Human Services (“USHHS”);

WHEREAS, the Department reserves 90% of the allotment for CSBG eligible entities to provide services/assistance to the low-income population in all 254 counties; up to 5% for state administration expenses; and the remaining amount for state discretionary use;

WHEREAS, at the Board meeting of October 13, 2016, the Department established a set aside of approximately \$1,600,000 for CSBG discretionary projects, of which \$300,000 was programmed for Native American and Migrant Seasonal Farm Worker population education and employment initiatives;

WHEREAS, a Notice of Funding Agreement (“NOFA”) was released on February 28, 2017, for education and employment services to Native American and Migrant Seasonal Farm Worker populations;

WHEREAS, staff has reviewed and evaluated the applications received under the NOFA targeting education and employment services to Native American and Migrant Seasonal Farm Worker population and recommends Board approval of awards totaling \$200,000 to two of the three eligible applicants that applied and met the requirements for funding; and

WHEREAS, the Executive Award Review Advisory Committee (“EARAC”) met on May 15, 2017, and recommended the two awards herein, but recommended denial of the third applicant, Dallas Inter-Tribal Center dba Urban Inter-Tribal Center of Texas, based on their current single audit findings, and which have been notified of such denial and has the option to pursue an appeal;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees, be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to take any and all such actions as they or any of them may deem necessary or advisable to effectuate the awards, as represented herein, of \$200,000 for education and employment services to Native American and Migrant and Seasonal Farm Worker populations.

BACKGROUND

The Department set aside \$300,000 for education and employment services to Native American and Migrant and Seasonal Farm Worker populations as approved at the Board meeting of October 13, 2016.

The Department released a NOFA to make available \$300,000 for education and employment initiatives for Migrant Seasonal Farm Workers and Native Americans. Staff has reviewed the applications and based on EARAC's recommendations, is recommending two of the three eligible applications to be funded. Staff recommends an award of \$100,000 to each of the successful applicants. Please refer to Attachment A.

The Previous Participation Rule (10 TAC, Chapter 1, Subchapter C, §1.302) includes a review of CSBG-D awards prior to contract execution. This award is subject to this review. The review has been performed and the following entity has not been recommended by EARAC for award:

Agency	Issue
Urban Inter-Tribal Center of Texas	EARAC recommends denial of the award based on extensive single audit findings. Until a subsequent single audit demonstrates improved financial capacity sufficient enough to accurately and appropriately account for federal funds, no recommendation of an award will be given.

Attachment A reflects all applicants and the funding recommendation amounts.

Attachment A

**Recommendations for Federal Fiscal Year (“FFY”) 2017
Community Services Block Grant (“CSBG”) Discretionary Funds for
Services to Native American and Migrant Seasonal Farm Worker Populations**

#	Applicant	Target Population	Award Recommendation	Project
1	Family Service Association of San Antonio, Inc.	Migrant Seasonal Farm Workers	\$100,000	Employment and Education Project and supportive services for 50 Migrant and Seasonal Farm Workers.
2	Opportunity Center for the Homeless	Migrant Seasonal Farm Workers	\$100,000	Employment and Education Project and supportive services for 270 Migrant and Seasonal Farm Workers
	TOTAL		\$200,000	

Note: In the event that any of these funds remain uncommitted, the Department will reprogram the funds among the eligible categories previously approved by the Board.

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BOARD ACTION REQUEST
HOUSING RESOURCE CENTER
MAY 25, 2017

Presentation, discussion and possible action on the Draft 2018 Regional Allocation Formula Methodology

RECOMMENDED ACTION

WHEREAS, Tex. Gov't Code §§2306.1115 and 2306.111(d) require that the Department use a Regional Allocation Formula ("RAF") to allocate its HOME Investment Partnerships Program ("HOME"), Housing Tax Credit ("HTC") Program, and under certain circumstances, Housing Trust Fund ("HTF") Program funding; and

WHEREAS, the proposed RAF utilizes appropriate statistical data to measure affordable housing needs, available resources housing resources, and other factors determined by the Department to be relevant to the equitable distribution of housing funds in 13 State Service Regions used for planning purposes;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees are authorized and empowered to publish the Draft 2018 Regional Allocation Formula Methodologies for the HOME, HTC, and HTF programs in the *Texas Register* for public comment and, in connection therewith, to make such non-substantive grammatical and technical changes as they deem necessary or advisable.

BACKGROUND

The RAF utilizes appropriate statistical data to measure the affordable housing need and available resources in the 13 State Service Regions that are used for planning purposes. It also allocates funding to rural and urban areas within each region. The Department has flexibility in determining variables to be used in the RAF, per Tex. Gov't Code §2306.1115(a)(3), "the department shall develop a formula that...includes other factors determined by the department to be relevant to the equitable distribution of housing funds."

The RAF is revised annually to reflect current data, respond to public comment, and better assess regional housing needs and available resources. Most notably, in 2013 after careful and thorough analysis and much public participation, staff recommended substantial changes to increase accuracy and transparency in the RAF by using a methodology called the Compounded Need Model. The changes resulted in the increased ability for developers and community members to predict funding availability, the elimination of large swings in funding from one region to another each year, and a simplified process that is easier to explain to the Legislature, the Board and the public.

The RAF Methodology was updated in the 2014 RAF cycle to use “MSA counties with urban places” and “Non-MSA counties or counties with only rural places” instead of using just MSA and Non-MSA counties to allocate between urban and rural areas. This accounts for the fact that even though a county may be a part of an MSA, all the places within that county may meet the definition of rural per Tex. Gov’t Code §2306.004(28-a). Based on public comment received in the 2015 RAF cycle, factors for lack of kitchen and plumbing facilities were added to the RAF Methodology to measure housing need for Single Family activities. Similarly in the 2016 RAF cycle, a new factor called the Regional Coverage Factor was added to the RAF Methodology for Single Family activities. The Regional Coverage Factor takes into account the smaller populations of rural areas as well as scattered locations of single family projects, instead of relying solely on population as an absolute.

The Draft 2018 RAF Methodology explains the use of factors, in keeping with the statutory requirements, which include the need for housing assistance, the availability of housing resources, and other factors relevant to the equitable distribution of housing funds in urban and rural areas of the state.

The Single Family HOME, Multifamily HOME, HTC, and HTF program RAFs each use slightly different formulas because the programs have different eligible activities, households, and geographical service areas. For example, Tex. Gov’t Code §2306.111(c) requires that 95% of HOME funding be set aside for non-participating jurisdictions (“non-PJs”). Therefore, the Single Family and Multifamily HOME RAFs only use need and available resource data for non-PJs.

The Draft 2018 RAF methodology will be made available for public comment from Friday, May 26, 2017, through Friday June 16, 2017, at 6:00 p.m. Austin local time. A public hearing will be held on Tuesday, June 13, 2017, at 2:00 p.m. in the Stephen F. Austin Building, Room 170, 1700 North Congress Avenue, Austin, TX 78701.

The following Attachments are provided:

- A. Draft 2018 RAF Methodology
- B. Draft Sample 2018 HTC RAF
- C. Draft Sample 2018 HOME MF RAF
- D. Draft Sample 2018 HTF RAF
- E. Draft Sample 2018 HOME SF RAF

Once approved, the final 2018 RAF Methodology will be published on the Department’s website. It should be noted with this action that the Board is approving the publication of the proposed methodology for public comment, not specific allocation amounts.

To the extent funds received/proposed to be used are below the statutory minimum for any program/activity, or if the proposed activities fall into a statutory exception, the RAF will not be used.

Draft 2018 REGIONAL ALLOCATION FORMULA METHODOLOGY

Contents

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Introduction

Since 2000, the Texas Department of Housing and Community Affairs (“TDHCA” or “the Department”) has used a Regional Allocation Formula (“RAF”) as required by Tex. Gov’t Code §§2306.111 and 2306.1115. The RAF analyzes housing need, availability, and other relevant factors in the State’s urban and rural areas. Using formula components created based on this analysis, the RAF has been used to allocate funding for multifamily and single-family activities for the following programs:

- Multifamily Activities:
 - Housing Tax Credit (“HTC”) Program
 - HOME Investment Partnerships Program (“HOME”) Multifamily (“MF”)
- Single Family Activities:
 - Housing Trust Fund (“HTF”) Program*
 - HOME Single Family (“SF”)

*It should be noted that based on the current program activities of the HTF, the RAF is not utilized for HTF as authorized by Tex. Gov’t Code §2306.111(d-1).

The Methodology presented below explains the use of factors in conformity with the statutory requirements including the need for housing assistance, the availability of housing resources, and other factors relevant to the equitable distribution of housing funds in urban and rural areas of the state.

Also provided with the Methodology is a sample allocation spreadsheet for each of the four programs to show how the methodologies affect each program. The spreadsheets provided are based on the following sample allocations:

Program	Sample Allocation
HTC	\$50,000,000
HOME Multifamily	\$9,500,000
HTF	\$3,000,000
HOME Single Family	\$10,000,000

Again, these allocation amounts are only samples. The final allocation amounts are calculated by the program area staff following the RAF Methodology approval by the TDHCA Governing Board. Further, even when final allocation amounts are made available other planning considerations further alter the applicability of the RAF and/or the amounts. For instance, for HOME Single Family, the funding activity type may further affect how and whether funds are released regionally. In the HTF Programs, because the programs follow statutory exceptions to utilizing the RAF, the formula-based RAF covered here does not apply to any HTF funds (although other policies are effective in geographically dispersing the funds).

The Draft 2018 RAF Methodology will be presented at the Board meeting of May 25, 2017, for approval to be released for public comment. A public comment period will be open from Friday, May 26, 2017, through Friday June 16, 2017, with a public hearing on Tuesday, June 13, 2017. Following public

comment, TDHCA staff plans to present the final 2018 RAF Methodology at the Board meeting of July 27, 2017.

Statutory Requirement

Tex. Gov't Code §§2306.111 and 2306.1115 require that TDHCA use a RAF for HOME, HTF, and HTC Programs.

Tex. Gov't Code §2306.1115 states:

(a) To allocate housing funds under Section 2306.111(d), the department shall develop a formula that:

(1) includes as a factor the need for housing assistance and the availability of housing resources in an urban area or rural area;

(2) provides for allocations that are consistent with applicable federal and state requirements and limitations; and

(3) includes other factors determined by the department to be relevant to the equitable distribution of housing funds under Section 2306.111(d).

(b) The department shall use information contained in its annual state low income housing plan and other appropriate data to develop the formula under this section.

The methodology below outlines the need for housing assistance and the availability of housing in urban and rural areas, in keeping with the statutory requirements for the HOME SF, HOME MF, HTF and HTC programs. The methodology also includes a regional coverage factor for the HOME SF and HTF programs that includes inverse population density for urban and rural areas of TDHCA's 13 Service Regions, in keeping with the statutory requirements to include other factors necessary for equitable distribution of funding.

Urban and Rural Areas

Tex. Gov't Code §2306.004 states:

28-a) "Rural area" means an area that is located:

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

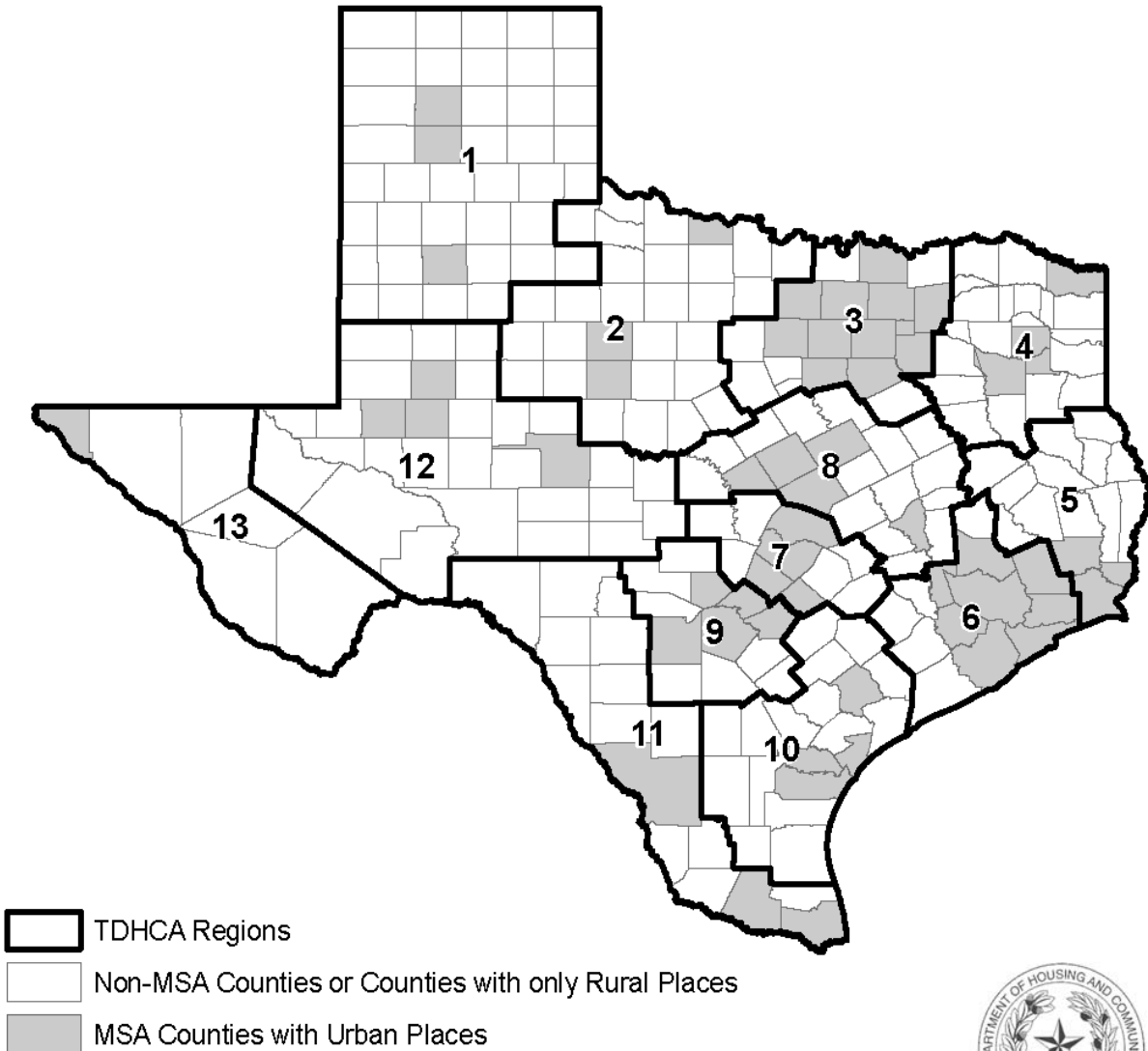
(B) within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an urban area.

Tex. Gov't Code §2306.004(28-a)(B) is applied to incorporated places and census-designated places ("places") that correlate to cities, towns, and other similar geographies, as designated by the census. The requirement regarding "population of 25,000" and the requirement regarding boundaries can be applied to places. The RAF is a macro view compared to one place, so data is used from each county. County data is more complete than adding together all the places. To illustrate, if the RAF only added together data from places, then unincorporated parts of the state would not be considered. Limiting the data for the RAF to only places in each region would substantially hinder its utility as an allocation tool. Using the data from counties, rather than places, to allocate for urban and rural areas allows for a more complete picture of the State's demographics. According to Tex. Gov't Code §2306.1115(b), TDHCA must use appropriate data to develop the formula, and for the reasons described above, data from counties is the most appropriate data.

Using U.S. Office of Management and Budget Metropolitan Statistical Area ("MSA") data, the RAF allocation process accounts for the fact that even though a county may be part of an MSA, all of the places within that county may meet the definition of rural per Tex. Gov't Code §2306.004(28-a). If an MSA county has no places designated as urban, the need and availability of the whole county will be counted toward the rural allocation (*i.e.*, the MSA county had no places over 25,000, nor any places touching a boundary of a place with 25,000). Therefore, the allocation process refers to "MSA counties with urban places" and "Non-MSA counties and counties with only rural places." The need and availability of "MSA counties with urban places" directs the allocation toward the urban places, and the need and availability of "Non-MSA counties and counties with only rural places" directs the allocation toward the rural places.

Note that the RAF does not state that all places in an MSA county with urban places are urban for designations of specific sites. The rural and urban designation for site-specific applications is made at the place level.

Map of Urban Counties in Texas by Region



Sources: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates, Table B01003.
U.S. Census Bureau, Jul. 2015, CBSAs, metropolitan divisions, and CSAs.
TIGER data 2015.
Disclaimer: This map is not a survey product; boundaries, distances, and scale are approximate only.



Methodology

Affordable Housing Need

Affordable housing need will be measured by variables that relate to the types of assistance available through TDHCA programs. Despite HTF not currently utilizing the RAF generated through this method, the calculation for HTF is included in this methodology in the event that funding or programming changes such that the RAF is required to be utilized for this program.

Cost Burden and Overcrowding

HTC and HOME MF both offer assistance for reduced-rent apartments. HOME SF offers Tenant-Based Rental Assistance through which a portion of a recipient's rent is paid to the landlord. HTF offers the Amy Young Barrier Removal Program, which can serve both renters and homeowners. Therefore, renters who need assistance should be included in the analysis. The column on the RAF table for renters with cost burden measures the number of people in Texas that pay more than 30% of their income on rent and are "cost burdened." The column for renters experiencing overcrowding measures the number of units with more than one person per room, including the kitchen and bathroom. Both rent burden and overcrowding for renters will be used as variables in the RAF for all four programs.

Further, HOME SF also offers homebuyer assistance and single family development programs. For single family development, typically the homes are built by Community Housing Development Organizations ("CHDOs") and the homes are purchased by low-income homeowners. HTF offers the Amy Young Barrier Removal Program, which can be used for homeowners as mentioned above, and the Bootstrap Loan Program for potential homeowners who use "sweat equity", along with low-interest loans, to build and become owners of their homes. Therefore, homeowners who need assistance should be included in the analysis. Areas with high numbers of homeowners experiencing cost burden or overcrowding may signify a need for homebuyer assistance or homeownership assistance. Therefore, the factors of homeowner cost burden for homeowners with a mortgage and homeowner overcrowding are incorporated in the HOME SF RAF and HTF RAF.

Lack of Kitchen and Plumbing Facilities

HOME SF offers homeowner rehabilitation or reconstruction assistance, and HTF has many activities that are often paired with rehabilitation such as the Contract for Deed Program or Amy Young Barrier Removal. Because TDHCA programs fund rehabilitation, substandard housing units would ideally be included in the RAF. Common definitions of substandard housing include lack of operable indoor plumbing, usable flush toilets, usable bathtub or shower, safe electricity, safe or adequate source of heat, or kitchen facilities. Data regarding units lacking kitchen facilities or plumbing are the only data available on both an annual basis and at a regional level. The count of occupied and unoccupied units lacking kitchen facilities or plumbing is incorporated in the HOME SF and HTF RAF.

Income

Income is the primary measurement of eligibility for housing assistance through TDHCA. HOME and HTF serve households that earn 0-80% Area Median Family Income (“AMFI”) and HTC serves households that earn 0-60% AMFI. While eligibility for housing assistance is measured by Area Median Income (“AMI”), the AMI datasets showing how many households are in each AMI category lag behind by a full year from the datasets used to calculate poverty. In order to use the most up-to-date data, the measurement of people in poverty will be used. The percentage of people at 200% of the poverty level is strongly linked with the percentage of people earning 0-80% AMFI. People at or below 200% of the poverty level will qualify for a majority of the housing assistance options offered through TDHCA’s HOME, HTC, and HTF programs. Note that in order for *people* in poverty to be combined with *households* with cost burden and *households* with overcrowding, the number of people in poverty is divided by the average size of a household in Texas: 2.84 per the 2011-2015 American Community Survey five-year estimates.

Summary of Affordable Housing Need for Multifamily and Single Family Activities

The extent of Texans needing affordable housing is measured using three variables for multifamily activities:

1. Cost burden for renters;
2. Overcrowding for renters; and
3. People at or below 200% of the poverty rate.

The extent of Texans needing affordable housing is measured using five variables for single family activities:

1. Cost burden for renters and owners;
2. Overcrowding for renters and owners;
3. Lack of Kitchen for renters and owners;
4. Lack of Plumbing for renters and owners; and
5. People at or below 200% of the poverty rate.

Housing Availability

The extent of additional affordable housing to address Texan’s needs is determined by vacant units for rent and for sale.

Affordable housing availability will be measured by variables that relate directly to housing resources. In order to take into account both market-rate and subsidized units, vacancies will be used. A high number of vacancies indicate that a market has an adequate supply or possibly an oversupply of housing. Vacancies offer a direct measure of housing availability for single-family non-rental activities. Housing availability for single family activities is measured using both vacant units for sale and vacant units for rent. Availability for multifamily activities is measured using only vacant units for rent.

Regional Coverage Factor

As stated in Tex. Gov't Code §2306.1115(a)(3), TDHCA shall develop a formula that “includes other factors determined by the department to be relevant to the equitable distribution of housing funds...” As such, a Regional Coverage Factor measuring inverse population density will be used as a variable for both the HOME SF and the HTF programs.

Population density is the number of people divided by the amount of land in which they live, or the number of people per area of land. A high population density means that more people are living in a given land area. Inverse population density, which divides the land area by the number of people that live in that area, gives the amount of land per person. An inverse population density conveys the amount of land per person in each subregion, a higher number indicates greater population dispersion (i.e., fewer people living in a larger space) and may indicate a challenge in reaching and serving Texans in that area.

The purpose of the inverse population density is to consider the distance between scattered-site SF activities and the dispersed population within a region where SF administrators provide assistance. Unlike TDHCA's multifamily programs, which generally focus development to a single site, SF programs are typically scattered-site, predominately in rural areas of the state. The Regional Coverage Factor takes into account the smaller populations of rural areas as well as scattered locations of single family projects instead of relying solely on population as an absolute.

Applying an inverse population density calculation to the 26 subregions (13 State service regions, each with urban and rural subregions) considered in the RAF produces the Regional Coverage Factor. In effect, the Regional Coverage Factor assists in redistributing funding from urban areas to more rural parts of the state. This better aligns funding goals with Tex. Gov't Code §2306.111, which requires that 95% of HOME funds be allocated for the benefit of those areas of the state that do not receive HOME funds directly from the U.S. Department of Housing and Urban Development (“HUD”), chiefly smaller cities and rural areas.

Summary of Variables

The following chart shows which need, availability, and other variables are used in the RAF Methodology for each of the four programs.

		Multifamily Programs		Single Family Programs	
		HTC	HOME MF	HTF	HOME SF
Need Variables	<i>Cost Burden for Renters</i>	✓	✓	✓	✓
	<i>Cost Burden for Owners</i>			✓	✓
	<i>Overcrowding for Renters</i>	✓	✓	✓	✓
	<i>Overcrowding for Owners</i>			✓	✓
	<i>Lack of Kitchen Facilities</i>			✓	✓
	<i>Lack of Plumbing Facilities</i>			✓	✓
	<i>People at or Below 200% of Poverty</i>	✓	✓	✓	✓
Availability Variables	<i>Vacant Units for Rent</i>	✓	✓	✓	✓
	<i>Vacant Units for Sale</i>			✓	✓
Other	<i>Regional Coverage Factor</i>			✓	✓

Exceptions to the RAF

According to Tex. Gov't Code §2306.111(d-1), there are certain instances in which the RAF does not apply to HOME, HTC, or HTF funds. For instance, specific set-asides will not be subject to the RAF. This includes set-asides for contract-for-deed activities and set-asides mandated by state or federal law, if these set-asides are less than 10% of the total allocation of funds or credits. Set-asides for funds allocated to serve persons with disabilities will not be subject to the RAF. The total amount available through the RAF will not include funds for at-risk development for the HTC Program, with instances mentioned in this paragraph. Also pursuant to Tex. Gov't Code §2306.111(d-1), specifically for HTF, programmed activities that do not exceed \$3 million are not subject to the RAF. It is through these exceptions that the HTF funds, as currently programmed, do not utilize the RAF.

In Tex. Gov't Code §2306.111(d-2), specifically for HTC, 5% of HTC funds must be allocated to developments that receive federal assistance through USDA. Any developments that receive federal assistance through USDA and HTC for rehabilitation may compete for funding separately under the "USDA Set-Aside." This funding is taken from the total tax credit ceiling prior to applying the RAF to allocate funds between each subregion.

Participating Jurisdictions (“PJs”)

In accordance with Tex. Gov’t Code §§2306.111(c)(1) and (2), 95% of the funds for HOME must be spent outside PJs. PJs are areas that receive funding directly from HUD. Because 95% of funds cannot be spent within a PJ, the housing need factors, housing availability factors, and Regional Coverage Factor in the PJs are not counted in the HOME MF or HOME SF RAF.

The PJ designations are subject to change yearly depending on HUD funding. According to HUD’s 2016 allocation, 33 of the PJs are cities and eight of the PJs are counties. Five PJ cities fell completely within PJ counties, resulting in a total of 28 PJ cities and eight PJ counties that will be subtracted from the HOME SF and HOME MF versions for the 2018 RAF.

In addition, 5% of State HOME funds must be spent on activities that serve people with disabilities in any area of the State; this portion of HOME is not subject to the RAF because it is set-aside for persons with disabilities (see *Exceptions to the RAF* above).

Allocation Adjustments

The HOME SF RAF and the HTC RAF have subregional allocation adjustments under certain conditions. Tex. Gov’t Code §2306.111(d-3) requires that at least \$500,000 in housing tax credits be allocated to each urban and rural subregion. In a further effort to meet Tex. Gov’t Code §§2306.111(c)(1) and (2), the HOME SF RAF has a minimum subregional allocation of \$100,000. Additional detail regarding the processes used to adjust allocations for the HOME SF RAF and the HTC RAF can be found in the single family and multifamily RAF examples.

Single Family RAF Example

The example below shows the need, availability and inverse population density variables used in the HOME SF RAF in Tables 1, 2, and 3. The HTF RAF is very similar to the HOME SF RAF with the exception that the HTF RAF includes PJs. Note that sample numbers are used for clarity.

Table 1: Example of Need Variables Used for Single Family Programs, by Subregion

Region (MSA Counties with urban places)	Column A: People at or below 200% Poverty without PJs	Column B: Households ("HH") at or below 200% Poverty without PJs	Column C: Cost Burden, Owners without PJs	Column D: Cost Burden, Renters without PJs	Column E: Over-crowded Owners without PJs	Column F: Over-crowded Renters without PJs	Column G: Units Lacking Plumbing without PJs	Column H: Units Lacking Kitchen without PJs	Column I: Compounded Need Variables
1	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
2	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
3	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
4	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
5	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
6	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
7	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
8	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
9	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
10	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
11	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
12	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
13	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
Region (Non-MSA counties and counties with only rural places)	Column A: People at or below 200% Poverty without PJs	Column B: HH at or below 200% Poverty without PJs	Column C: Cost Burden, Owners without PJs	Column D: Cost Burden, Renters without PJs	Column E: Over-crowded Owners without PJs	Column F: Over-crowded Renters without PJs	Column G: Units Lacking Plumbing without PJs	Column H: Units Lacking Kitchen without PJs	Column I: Compounded Need Variables
1	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
2	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
3	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
4	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
5	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
6	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
7	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
8	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
9	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
10	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
11	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
12	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
13	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
Regions	Col A Total	Col B Total	Col C Total	Col D Total	Col E Total	Col F Total	Col G Total	Col H Total	Col I Total
Total	2,570,000	911,348	121,500	287,000	62,000	49,000	123,000	149,000	1,702,848

Table 2: Example of Availability Variables Used for Single Family Programs, by Subregion

Region (MSA Counties with urban places)	Column J: Unoccupied Units, For Sale without PJs	Column K: Unoccupied Units, For Rent without PJs	Column L: Regional Vacancies
1	1,500	2,000	3,500
2	1,000	3,000	4,000
3	1,500	2,000	3,500
4	1,000	3,000	4,000
5	1,500	2,000	3,500
6	1,000	3,000	4,000
7	1,500	2,000	3,500
8	1,000	3,000	4,000
9	1,500	2,000	3,500
10	1,000	3,000	4,000
11	1,500	2,000	3,500
12	1,000	3,000	4,000
13	1,500	2,000	3,500

Region (Non-MSA counties and counties with only rural places)	Column J: Unoccupied Units, For Sale without PJs	Column K: Unoccupied Units, For Rent without PJs	Column L: Regional Vacancies
1	1,500	2,000	3,500
2	2,000	2,500	4,500
3	1,500	2,000	3,500
4	2,000	2,500	4,500
5	1,500	2,000	3,500
6	2,000	2,500	4,500
7	1,500	2,000	3,500
8	2,000	2,500	4,500
9	1,500	2,000	3,500
10	2,000	2,500	4,500
11	1,500	2,000	3,500
12	2,000	2,500	4,500
13	1,500	2,000	3,500

Regions	Column J Total	Column K Total	Column L Total
Total	39,000	61,000	100,000

Table 3: Example of Population Density variables used for Single Family Programs, by Subregion

Region (MSA Counties with urban places)	Column M: Land area without PJs	Column N: Population without PJs	Column O: Regional Coverage Factor (Land Area/Total Population)
1	3,000	350,000	0.009
2	2,000	250,000	0.008
3	3,000	350,000	0.009
4	2,000	250,000	0.008
5	3,000	350,000	0.009
6	2,000	250,000	0.008
7	3,000	350,000	0.009
8	2,000	250,000	0.008
9	3,000	350,000	0.009
10	2,000	250,000	0.008
11	3,000	350,000	0.009
12	2,000	250,000	0.008
13	3,000	350,000	0.009

Region (Non-MSA counties and counties with only rural places)	Column M: Land area without PJs	Column N: Total Population without PJs	Column O: Regional Coverage Factor (Land Area/Total Population)
1	15,000	200,000	0.075
2	13,000	300,000	0.043
3	15,000	200,000	0.075
4	13,000	300,000	0.043
5	15,000	200,000	0.075
6	13,000	300,000	0.043
7	15,000	200,000	0.075
8	13,000	300,000	0.043
9	15,000	200,000	0.075
10	13,000	300,000	0.043
11	15,000	200,000	0.075
12	13,000	300,000	0.043
13	15,000	200,000	0.075

Regions	Column M Total	Column N Total	Column O Total
Total	216,000	7,150,000	0.893

Compounded Need

To allocate funds, the RAF uses each subregion's ratios of the State's total. All of the variables that measure need will be added together (*i.e.*, compounded) before taking the percentage of each subregion's need over the amount of the total need in the State. Table 1, Column I, illustrates how the Compounded Need Variable is derived: Households at 200% of poverty, cost-burdened owners and renters, over-crowded owners and renters, and units lacking kitchen facilities and plumbing facilities are added together, thereby compounding the need.

This compounding balances the relative importance of the variables; variables with very high or very small numbers are combined with the overall total of need, preventing these variables from having a disproportionate or arbitrary amount of weight for their size.

Weights

Building off the usefulness of Tables 1, 2, and 3, which showed the HOME SF Program variables, examples of how the weights work in the RAF are in Tables 4 through 6 on the following pages. Note that the column header letters will also build off the previous table, so if the letters are not in alphabetical order, the column header letter refers to a previous table.

Table 4 (below) shows only Region 1 in MSA counties and the total of all the regions, in order to simplify the example.

In order to apply weights, percentages of need, availability, and population density variables must be taken from the state as a whole. These percentages illustrate the relative need of the subregion. Table 4 (below) demonstrates how the percentages are derived.

Table 4: Percentages Taken

Area	Column I: Compounded Need Variables	Column P: Percent of State's Total Need	Column L: Regional Vacancies	Column Q: Percent of State's Total Availability	Column O: Regional Coverage Factor Total	Column R: Percent of State's Total Regional Coverage Factor
Region 1 (MSA Counties with urban places)	84,691	5.0%	3,500	3.5%	0.075	8.4%
Total of all Regions	1,702,848		100,000		0.893	

Note: Column I is from Table 1, Column L is from Table 2, and Column O is from Table 3.

A successful allocation formula will provide more funding for areas with high housing need and reduce funding for areas with an abundance of housing resources. In order to get the right relationship between housing and need, the housing availability variable will have negative weight, while the need and regional

coverage variables will have positive weight. All variables added together must equal 100%, so the formulas to determine variable weight for the Single Family RAF are as follows:

$$\text{Compounded Need} = \text{HH at/below 200\% poverty} + \text{Cost Burden} + \text{Overcrowding} + \text{Units Lacking Plumbing} + \text{Units Lacking Kitchen}$$

$$\text{Availability Variable} = \text{Unoccupied Units for Sale} + \text{Unoccupied Units for Rent}$$

$$\text{Regional Coverage Factor} = \text{Inverse Population Density}$$

$$\text{Compounded Need} - \text{Availability Variable} + \text{Regional Coverage Factor} = 100\%$$

To put it simply (with X representing the weight of each variable):

$$5X - X + X = 100\%$$

As a result, each variable is weighted at 20% for Single Family programs, giving the appropriate relationship between funding and current availability of resources. The compounded need variable will receive 100% weight. Table 5 shows the application of the weights based on a hypothetical statewide availability of \$2,500,000¹.

Table 5: Weight Application

Area	Column P: Percent of State's Total Need	Column S: Weight of Need Variables	Column T: Need Variable Allocation*	Column Q: Percent of State's Total Availability	Column U: Weight of Availability Variable	Column V: Availability Variable Allocation~	Column R: Percent of State's Total Regional Coverage Factor	Column W: Weight of Availability Variable	Column X: Availability Variable Allocation^	Column Y: Total Allocation†
Region 1 (MSA Counties with urban places)	5.0%	100.0%	\$ 124,338	3.5%	-20%	\$ (17,500)	1.0%	20%	\$4,799	\$ 111,637

Note: Column P, Q and R taken from Table 4.

*Column T is calculated as follows: Column P x Column S x statewide availability of funds.

~Column V is calculated as follows: Column Q x Column U x statewide availability of funds.

^ Column X is calculated as follows: Column W x Column R x statewide availability of funds.

†Column Y is calculated as follows: Column T + Column V + Column X.

Minimum Subregional Allocation Adjustment

A floor was added to the 2017 HOME SF RAF which allowed sufficient funding to award at least one contract in each sub region. This floor will continue for the 2018 RAF. If the calculated RAF results in a subregional

¹ Although the *Sample Allocation spreadsheet for the HOME SF Program* is based on a statewide availability of \$10,000,000, the Methodology example is based on a statewide availability of \$2,500,000 to more clearly emphasize how a Minimum Subregional Allocation Adjustment is made when initial HOME SF subregion allocations fall under \$100,000.

funding amount that is less than \$100,000, that subregion’s amount of funding is adjusted to provide for at least a minimum of \$100,000. The process does not take funds from subregions with initial funding amounts in excess of \$100,000 and does not reallocate those funds to those subregions with initial funding amounts that are less than \$100,000. Funds used to enable the floor are funds not subject to RAF requirements, therefore they are added as a final adjustment to the subregional allocation amounts available for award. The final adjustment simply adds a supplemental allocation to bring all subregions to a minimum of \$100,000. The process is complete when each subregion has at least \$100,000.

Table 6 (below) shows the process of supplementing funds to any subregions that have initial funding amounts that are less than \$100,000. This table builds from the previous tables included in this methodology and, for ease of explanation, Regions 1 and 2 “MSA counties with urban places” are included. Again, the column header letters build off previous tables, so if the letters are not in alphabetical order, the column letter refers to previous tables.

Table 6: Subregion amount under \$100,000

Area	Column Y: Initial Subregion amount	Column Z: Amount needed to reach \$100,000	Column AA: Final Award Amount
Region 1 (MSA Counties with urban places)	\$111,637	\$-	\$111,637
Region 2 (MSA Counties with urban places)	\$84,255	\$15,745	\$100,000
Total	\$195,892	\$15,745	\$211,637

Note: Column Y is from Table 5.

Since the Region 1 “MSA Counties with urban places” initial Subregion amount exceeds \$100,000, no adjustment is made to this sub-award. However, because the Region 2 “MSA counties with urban places” initial Subregion amount is less than \$100,000, a supplemental award amount is added to bring the subregion up to the final award amount of \$100,000.

Multifamily RAF Example

The example below shows the need and availability variables used in the HTC RAF in Table 7. The HTC RAF is very similar to the HOME MF RAF with the exception that the HTC RAF includes PJs. Note that sample numbers are used for clarity.

Table 7: Example of variables used for Multifamily Programs, by Subregion

Region (MSA Counties with urban places)	Column BB: People at 200% Poverty	Column CC: HH at 200% Poverty	Column DD: Cost Burden, Renters	Column EE: Overcrowded Renters	Column FF: Vacancies, Rental
1	150,000	53,571	25,000	4,000	6,000
2	100,000	35,714	20,000	2,000	4,000
3	150,000	53,571	25,000	4,000	6,000
4	100,000	35,714	20,000	2,000	4,000
5	150,000	53,571	25,000	4,000	6,000
6	100,000	35,714	20,000	2,000	4,000
7	150,000	53,571	25,000	4,000	6,000
8	100,000	35,714	20,000	2,000	4,000
9	150,000	53,571	25,000	4,000	6,000
10	100,000	35,714	20,000	2,000	4,000
11	150,000	53,571	25,000	4,000	6,000
12	100,000	35,714	20,000	2,000	4,000
13	150,000	53,571	25,000	4,000	6,000

Region (Non-MSA counties and counties with only rural places)	Column BB: People at 200% Poverty	Column CC: HH at 200% Poverty	Column DD: Cost Burden, Renters	Column EE: Overcrowded Renters	Column FF: Vacancies, Rental
1	40,000	14,286	7,000	700	700
2	25,000	8,929	2,000	400	500
3	40,000	14,286	7,000	700	700
4	25,000	8,929	2,000	400	500
5	40,000	14,286	7,000	700	700
6	25,000	8,929	2,000	400	500
7	40,000	14,286	7,000	700	700
8	25,000	8,929	2,000	400	500
9	40,000	14,286	7,000	700	700
10	25,000	8,929	2,000	400	500
11	40,000	14,286	7,000	700	700
12	25,000	8,929	2,000	400	500
13	40,000	14,286	7,000	700	700

Regions	Column BB: People at 200% Poverty	Column CC: HH at 200% Poverty	Column DD: Cost Burden, Renters	Column EE: Overcrowded Renters	Column FF: Vacancies, Rental
Total	2,080,000	742,857	356,000	47,300	73,900

Weights

To allocate funds, the RAF will use each subregion’s ratios of the State’s total. In order to account for the amount of population that the variables affect, all the variables that measure need will be added together (i.e., compounded) before taking the percentage of each subregion’s need over the amount of the total need in the State.

Examples of how the weights work in the RAF are in Tables 8 through 10 on the following pages. Building off the usefulness of Table 7, which showed the HTC program, Tables 8 through 10 are also examples of the HTC program RAF. Note that the column header letters will also build off the previous table, so if the letters are not in alphabetical order, the column header letter refers to a previous table.

Table 8 (below) shows only Region 1 in MSA counties and the total of all the regions, in order to simplify the example. Table 8 illustrates how the Compounded Need Variable is derived: Households at 200% of poverty, cost-burdened renters, and over-crowded renters are added together, thereby compounding the need. This compounding balances the relative importance of the variables; variables with very high or very small numbers are combined with the overall total of need, preventing these variables from having a disproportionate or arbitrary amount of weight for their size.

Table 8: Compounded Need Variables

Area	Column CC: HH at 200% Poverty	Column DD: Cost Burden, Renters	Column EE: Overcrowded Renters	Column GG: Compounded Need Variables
Region 1 (MSA Counties with urban places)	53,571	25,000	4,000	82,571
Total of all Regions	742,857	356,000	47,300	1,146,157

Note: Columns CC, DD and EE are from Table 7.

In order to apply weights, percentages of need and availability variables must be taken from the state as a whole. These percentages illustrate the relative need of the subregion. Table 9 (below) demonstrates how the percentages are derived.

Table 9: Percentages Taken

Area	Column GG: Compounded Need Variables	Column HH: Percent of State's Total Need	Column II: Unoccupied Units, Rental	Column JJ: Percent of State's Total Availability
Region 1 (MSA Counties with urban places)	82,571	7.2%	6,000	8.1%

Area	Column GG: Compounded Need Variables	Column HH: Percent of State's Total Need	Column II: Unoccupied Units, Rental	Column JJ: Percent of State's Total Availability
Total of all Regions	1,146,157		73,900	

Note: Column GG is from Table 8.

A successful allocation formula will provide more funding for areas with high housing need and reduce funding for areas with an abundance of housing resources. In order to get the right relationship between housing and need, the housing availability variable will have negative weight. All variables added together must equal 100%, so the formulas to determine variable weight for the Multifamily RAF are as follows:

$$\text{Compounded Need} = \text{HH at/below 200\% poverty} + \text{Renter Cost Burden} + \text{Renter Overcrowding}$$

$$\text{Availability Variable} = \text{Unoccupied Units for Rent}$$

$$\text{Compounded Need} - \text{Availability Variable} = 100\%$$

To put it simply (with X representing the weight of each variable):

$$3X - X = 100\%$$

As a result, each variable is weighted at 50% for Multifamily programs, giving the appropriate relationship between funding and current availability of resources. The compounded need variable will receive 150% weight. Table 10 shows the application of the weights based on a statewide availability of \$40,000,000.²

Table 10: Weight Application

Area	Column HH: Percent of State's Total Need	Column KK: Weight of Need Variables	Column LL: Need Variable Allocation*	Column JJ: Percent of State's Total Availability	Column MM: Weight of Availability Variable	Column NN: Availability Variable Allocation~	Column OO: Total Allocation ⁺
Region 1 (MSA Counties with urban places)	7.2%	150.0%	\$ 4,322,519	8.1%	-50%	\$ (1,623,816)	\$ 2,698,703

Note: Column HH and JJ taken from Table 9.

*Column LL is calculated as follows: Column HH x Column KK x statewide availability of funds.

~Column NN is calculated as follows: Column JJ x Column MM x statewide availability of funds.

+Column OO is calculated as follows: Column LL + Column NN.

HTC \$500,000 Adjustment

² Although the *Sample Allocation Spreadsheet for the HTC Program* is based on a statewide availability of \$50,000,000, the Methodology example is based on a statewide availability of \$40,000,000 to emphasize how a proportional adjustment is made when initial HTC allocations fall under \$500,000.

Tex. Gov't Code §2306.111(d-3) is a special requirement regarding funding and the RAF that applies only to HTC. This provision requires that TDHCA allocate at least 20% of credits to rural areas and that \$500,000 be available for each urban and rural subregion, which number 26 in total. The overall state rural percentage of the total tax credit ceiling amount will be adjusted to a minimum of 20% only at the time of actual award, if needed. Usually, the 20% allocation to rural areas occurs, but, if not, one more deal for rural areas will be awarded from the statewide collapse of the RAF to ensure the requirement is met.

For the HTC RAF, the regional amount of rural and urban funding is adjusted to a minimum of \$500,000, if needed. This is done as a final adjustment to the subregional allocation amounts available for award. The process proportionately takes funds from subregions with initial funding amounts in excess of \$500,000 and reallocates those funds to those subregions with initial funding amounts that are less than \$500,000. The process is complete when each subregion has at least \$500,000.

Tables 11 through 12 below show the process of determining the amount to adjust from subregions with more than \$500,000. These tables build from the previous tables included in this methodology and, for ease of explanation, Region 1 and 2's "MSA counties with urban places" and Region 1 and 2's "Non-MSA counties and counties with no urban places" are included. Again, the column header letters build off previous tables, so if the letters are not in alphabetical order, the column letter refers to previous tables.

These four subregions are examined below because the most common movement for funds during the \$500,000 adjustment is from MSA counties to Non-MSA counties. The first step in the \$500,000 adjustment process is illustrated in Table 11: the amount over or under \$500,000 is determined for each subregion.

Table 11: Subregion amount over/under \$500,000

Area	Column OO: Initial Subregion amount	Column PP: Amount needed to reach \$500,000	Column QQ: Amount over \$500,000 that can be reallocated
Region 1 (MSA Counties with urban places)	\$2,698,703	\$-	\$2,198,703
Region 1 (Non-MSA Counties or Counties with only rural places)	\$961,482	\$-	\$461,482
Region 2 (MSA Counties with urban places)	\$1,938,732	\$-	\$1,438,732
Region 2 (Non-MSA Counties or Counties with only rural places)	\$457,720	\$42,280	\$-

Note: Column OO is from Table 10.

Note that Column QQ above is the amount in Column OO (if the amount in Column OO is over \$500,000) minus \$500,000; at least \$500,000 is maintained in each subregion before the adjustment process. Next the amounts in Column PP are totaled for the entire state and the amounts in Column QQ are totaled for the

entire state. In this simplified example, the Column PP’s total would be \$42,280. The Column QQ total would be \$4,098,917.

The subsequent step in the adjustment process is to determine the percentage to be reallocated. Following the example in Table 11, if only Region 1 and 2 were used in the RAF, the percentages would be seen in Column RR in Table 12 below. The proportion of the total amount to be reallocated is in Column SS. Finally, Column OO is adjusted by Column SS to equal the final Sub-Amount in Column TT.

Table 12: Proportional adjustment

Area	Column RR: Proportion of amount available to be reallocated*	Column SS: Amount to be reallocated~	Column TT: Final Sub-Amount for Compounded Need⁺
Region 1 (MSA Counties with urban places)	54%	\$ (22,679)	\$ 2,676,024
Region 1 (Non-MSA Counties or Counties with only rural places)	11%	\$ (4,760)	\$ 956,722
Region 2 (MSA Counties with urban places)	35%	\$ (14,840)	\$ 1,923,892
Region 2 (Non-MSA Counties or Counties with only rural places)	n/a	\$ 42,280	\$ 500,000

*Column RR is calculated as follows: if Column OO is over \$500,000, then $((\text{Column OO} - \$500,000) / \$4,098,917)$

~Column SS is calculated as followed: if Column RR is a percentage, then $(\text{Column RR} * \$42,280)$; if Column RR is n/a, then Column SS equals Column PP.

⁺Column TT is calculated as follows: $\text{Column OO} + \text{Column SS}$.

Texas Department of Housing and Community Affairs
 Draft Sample 2018 HTC Regional Allocation Formula

Table 1 - Raw Data

	Region	Individuals at or Below 200% Poverty	HH at or Below 200% Poverty	Cost-Burdened Renters	Overcrowded Renters	Vacant Units For Rent
MSA Counties with Urban Places	1	202,723	71,381	38,159	3,888	6,655
	2	101,948	35,897	17,062	1,553	4,405
	3	2,303,299	811,021	435,333	72,568	81,826
	4	185,100	65,176	27,620	2,722	5,499
	5	144,112	50,744	20,498	1,787	4,873
	6	2,193,304	772,290	386,460	68,313	82,324
	7	543,821	191,486	136,035	18,051	15,873
	8	344,558	121,323	66,336	5,758	17,562
	9	799,280	281,437	127,860	18,735	22,192
	10	203,455	71,639	33,714	5,812	5,171
	11	896,938	315,823	65,380	25,426	11,502
	12	129,691	45,666	20,353	3,380	2,858
	13	412,299	145,176	45,430	8,267	8,901
	Subtotal	8,460,528	2,979,059	1,420,240	236,260	269,641
Non-MSA Counties and Counties with Only Rural Places	1	132,223	46,557	9,569	2,647	2,961
	2	102,085	35,945	8,385	1,275	2,656
	3	97,537	34,344	12,218	1,362	2,125
	4	262,463	92,417	23,633	3,437	5,019
	5	161,472	56,856	16,213	2,001	3,395
	6	70,493	24,821	9,186	862	1,766
	7	65,717	23,140	6,212	904	1,475
	8	107,191	37,743	9,491	1,324	2,498
	9	75,742	26,670	6,724	1,685	1,299
	10	99,047	34,876	9,213	2,303	1,731
	11	153,200	53,944	8,570	3,010	2,734
	12	61,987	21,826	4,636	1,116	770
	13	11,964	4,213	886	160	374
	Subtotal	1,401,121	493,352	124,936	22,086	28,803
Total	9,861,649	3,472,412	1,545,176	258,346	298,444	

Texas Average HH Size: 2.84

Texas Department of Housing and Community Affairs
Draft Sample 2018 HTC Regional Allocation Formula

Table 2 - Weights

	Region	Total Need Variables	% of Total Need Variables	Weighted	Total Availability Variable	% of Total Availability Variable	Weighted	Initial Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	113,428	2.1%	\$ 1,612,440	6,655	2.2%	\$ (557,475)	\$ 1,054,965.03	2.11%
	2	54,512	1.0%	\$ 774,918	4,405	1.5%	\$ (368,997)	\$ 405,920.38	0.81%
	3	1,318,922	25.0%	\$ 18,749,124	81,826	27.4%	\$ (6,854,385)	\$ 11,894,739.15	23.79%
	4	95,518	1.8%	\$ 1,357,836	5,499	1.8%	\$ (460,639)	\$ 897,197.13	1.79%
	5	73,029	1.4%	\$ 1,038,138	4,873	1.6%	\$ (408,201)	\$ 629,937.94	1.26%
	6	1,227,063	23.3%	\$ 17,443,308	82,324	27.6%	\$ (6,896,101)	\$ 10,547,206.97	21.09%
	7	345,572	6.5%	\$ 4,912,480	15,873	5.3%	\$ (1,329,646)	\$ 3,582,833.89	7.17%
	8	193,417	3.7%	\$ 2,749,522	17,562	5.9%	\$ (1,471,130)	\$ 1,278,391.24	2.56%
	9	428,032	8.1%	\$ 6,084,681	22,192	7.4%	\$ (1,858,975)	\$ 4,225,705.48	8.45%
	10	111,165	2.1%	\$ 1,580,267	5,171	1.7%	\$ (433,163)	\$ 1,147,103.19	2.29%
	11	406,629	7.7%	\$ 5,780,435	11,502	3.9%	\$ (963,497)	\$ 4,816,937.96	9.63%
	12	69,399	1.3%	\$ 986,539	2,858	1.0%	\$ (239,408)	\$ 747,130.43	1.49%
	13	198,873	3.8%	\$ 2,827,074	8,901	3.0%	\$ (745,617)	\$ 2,081,456.36	4.16%
		Subtotal	4,635,559	87.9%	\$ 65,896,761	269,641	90.3%	\$ (22,587,236)	\$ 43,309,525.17
Non-MSA Counties and Counties with Only Rural Places	1	58,773	1.1%	\$ 835,493	2,961	1.0%	\$ (248,036)	\$ 587,456.32	1.17%
	2	45,605	0.9%	\$ 648,304	2,656	0.9%	\$ (222,487)	\$ 425,816.29	0.85%
	3	47,924	0.9%	\$ 681,264	2,125	0.7%	\$ (178,007)	\$ 503,256.92	1.01%
	4	119,487	2.3%	\$ 1,698,560	5,019	1.7%	\$ (420,431)	\$ 1,278,129.63	2.56%
	5	75,070	1.4%	\$ 1,067,162	3,395	1.1%	\$ (284,392)	\$ 782,770.19	1.57%
	6	34,869	0.7%	\$ 495,687	1,766	0.6%	\$ (147,934)	\$ 347,752.90	0.70%
	7	30,256	0.6%	\$ 430,101	1,475	0.5%	\$ (123,558)	\$ 306,543.45	0.61%
	8	48,558	0.9%	\$ 690,280	2,498	0.8%	\$ (209,252)	\$ 481,028.35	0.96%
	9	35,079	0.7%	\$ 498,661	1,299	0.4%	\$ (108,814)	\$ 389,846.91	0.78%
	10	46,392	0.9%	\$ 659,481	1,731	0.6%	\$ (145,002)	\$ 514,478.89	1.03%
	11	65,524	1.2%	\$ 931,451	2,734	0.9%	\$ (229,021)	\$ 702,430.00	1.40%
	12	27,578	0.5%	\$ 392,041	770	0.3%	\$ (64,501)	\$ 327,539.47	0.66%
	13	5,259	0.1%	\$ 74,755	374	0.1%	\$ (31,329)	\$ 43,425.51	0.09%
		Subtotal	640,374	12.1%	\$ 9,103,239	28,803	9.7%	\$ (2,412,764)	\$ 6,690,474.83
	Total	5,275,934	100%	\$ 75,000,000	298,444	100%	\$ (25,000,000)	\$ 50,000,000.00	100.00%

Total Sample Allocation: \$50,000,000
Weight of Need Variables: 150%
Weight of Availability Variables: -50%

Texas Department of Housing and Community Affairs
Draft Sample 2018 HTC Regional Allocation Formula

Table 3 - Reallocation

	Region	Initial Subregion Amount	Amount Needed to Reach Subregion Floor	Amount that can be Reallocated	% of Total Amount that can be Reallocated	Amount to be Reallocated	Final Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	\$ 1,054,965.03	\$ -	\$ 554,965.03	1.45%	\$ (18,446.48)	\$ 1,036,518.56	2.07%
	2	\$ 405,920.38	\$ 94,079.62	\$ -	0.00%	\$ 94,079.62	\$ 500,000.00	1.00%
	3	\$ 11,894,739.15	\$ -	\$ 11,394,739.15	29.77%	\$ (378,749.59)	\$ 11,515,989.56	23.03%
	4	\$ 897,197.13	\$ -	\$ 397,197.13	1.04%	\$ (13,202.43)	\$ 883,994.70	1.77%
	5	\$ 629,937.94	\$ -	\$ 129,937.94	0.34%	\$ (4,319.01)	\$ 625,618.93	1.25%
	6	\$ 10,547,206.97	\$ -	\$ 10,047,206.97	26.25%	\$ (333,958.99)	\$ 10,213,247.99	20.43%
	7	\$ 3,582,833.89	\$ -	\$ 3,082,833.89	8.06%	\$ (102,470.28)	\$ 3,480,363.61	6.96%
	8	\$ 1,278,391.24	\$ -	\$ 778,391.24	2.03%	\$ (25,872.94)	\$ 1,252,518.31	2.51%
	9	\$ 4,225,705.48	\$ -	\$ 3,725,705.48	9.73%	\$ (123,838.68)	\$ 4,101,866.81	8.20%
	10	\$ 1,147,103.19	\$ -	\$ 647,103.19	1.69%	\$ (21,509.05)	\$ 1,125,594.14	2.25%
	11	\$ 4,816,937.96	\$ -	\$ 4,316,937.96	11.28%	\$ (143,490.65)	\$ 4,673,447.32	9.35%
	12	\$ 747,130.43	\$ -	\$ 247,130.43	0.65%	\$ (8,214.37)	\$ 738,916.07	1.48%
	13	\$ 2,081,456.36	\$ -	\$ 1,581,456.36	4.13%	\$ (52,566.01)	\$ 2,028,890.36	4.06%
		Subtotal	\$ 43,309,525.17	\$ 94,079.62	\$ 36,903,604.79	96.42%	\$ (1,132,558.84)	\$ 42,176,966.33
Non-MSA Counties and Counties with Only Rural Places	1	\$ 587,456.32	\$ -	\$ 87,456.32	0.23%	\$ (2,906.96)	\$ 584,549.36	1.17%
	2	\$ 425,816.29	\$ 74,183.71	\$ -	0.00%	\$ 74,183.71	\$ 500,000.00	1.00%
	3	\$ 503,256.92	\$ -	\$ 3,256.92	0.01%	\$ (108.26)	\$ 503,148.66	1.01%
	4	\$ 1,278,129.63	\$ -	\$ 778,129.63	2.03%	\$ (25,864.24)	\$ 1,252,265.39	2.50%
	5	\$ 782,770.19	\$ -	\$ 282,770.19	0.74%	\$ (9,398.99)	\$ 773,371.19	1.55%
	6	\$ 347,752.90	\$ 152,247.10	\$ -	0.00%	\$ 152,247.10	\$ 500,000.00	1.00%
	7	\$ 306,543.45	\$ 193,456.55	\$ -	0.00%	\$ 193,456.55	\$ 500,000.00	1.00%
	8	\$ 481,028.35	\$ 18,971.65	\$ -	0.00%	\$ 18,971.65	\$ 500,000.00	1.00%
	9	\$ 389,846.91	\$ 110,153.09	\$ -	0.00%	\$ 110,153.09	\$ 500,000.00	1.00%
	10	\$ 514,478.89	\$ -	\$ 14,478.89	0.04%	\$ (481.26)	\$ 513,997.63	1.03%
	11	\$ 702,430.00	\$ -	\$ 202,430.00	0.53%	\$ (6,728.57)	\$ 695,701.43	1.39%
	12	\$ 327,539.47	\$ 172,460.53	\$ -	0.00%	\$ 172,460.53	\$ 500,000.00	1.00%
	13	\$ 43,425.51	\$ 456,574.49	\$ -	0.00%	\$ 456,574.49	\$ 500,000.00	1.00%
		Subtotal	\$ 6,690,474.83	\$ 1,178,047.12	\$ 1,368,521.95	3.58%	\$ 1,132,558.84	\$ 7,823,033.67
	Total	\$ 50,000,000.00	\$ 1,272,126.74	\$ 38,272,126.74	100.00%	\$ -	\$ 50,000,000.00	100.00%

Subregion Allocation Floor: \$500,000.00

Texas Department of Housing and Community Affairs
Draft Sample 2018 HOME MF Regional Allocation Formula

Table 1 - Raw Data

	Region	Individuals at or Below 200% Poverty	HH at or Below 200% Poverty	Cost-Burdened Renters	Overcrowded Renters	Vacant Units For Rent
MSA Counties with Urban Places	1	28,802	10,142	3,312	451	514
	2	17,958	6,323	1,435	124	512
	3	473,960	166,887	77,004	9,792	11,258
	4	107,315	37,787	11,988	1,508	2,185
	5	63,573	22,385	6,868	740	1,518
	6	123,750	43,574	16,386	2,005	3,437
	7	234,133	82,441	43,435	5,039	5,278
	8	137,091	48,271	19,221	2,152	6,151
	9	91,600	32,254	11,323	2,033	2,041
	10	82,547	29,066	10,791	2,562	2,134
	11	115,314	40,604	5,450	2,966	2,867
	12	58,170	20,482	8,015	1,547	1,112
	13	92,772	32,666	4,679	1,763	570
	Subtotal	1,626,985	572,882	219,907	32,682	39,577
Non-MSA Counties and Counties with Only Rural Places	1	132,223	46,557	9,569	2,647	2,961
	2	102,085	35,945	8,385	1,275	2,656
	3	97,537	34,344	12,218	1,362	2,125
	4	261,964	92,241	23,568	3,437	4,996
	5	161,472	56,856	16,213	2,001	3,395
	6	70,493	24,821	9,186	862	1,766
	7	65,717	23,140	6,212	904	1,475
	8	107,191	37,743	9,491	1,324	2,498
	9	75,742	26,670	6,724	1,685	1,299
	10	99,047	34,876	9,213	2,303	1,731
	11	153,200	53,944	8,570	3,010	2,734
	12	61,987	21,826	4,636	1,116	770
	13	11,964	4,213	886	160	374
	Subtotal	1,400,622	493,177	124,871	22,086	28,780
Total	3,027,607	1,066,059	344,778	54,768	68,357	

Variables from Participating Jurisdictions (PJs) are not counted for HOME Program RAFs.

Texas Average HH Size: 2.84

Texas Department of Housing and Community Affairs
Draft Sample 2018 HOME MF Regional Allocation Formula

Table 2 - Weights

	Region	Total Need Variables	% of Total Need Variables	Weighted	Total Availability Variable	% of Total Availability Variable	Weighted	Final Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	13,905	0.9%	\$ 135,193	514	0.8%	\$ (35,717)	\$ 99,476.32	1.05%
	2	7,882	0.5%	\$ 76,639	512	0.7%	\$ (35,578)	\$ 41,060.69	0.43%
	3	253,683	17.3%	\$ 2,466,550	11,258	16.5%	\$ (782,297)	\$ 1,684,252.54	17.73%
	4	51,283	3.5%	\$ 498,622	2,185	3.2%	\$ (151,832)	\$ 346,790.13	3.65%
	5	29,993	2.0%	\$ 291,619	1,518	2.2%	\$ (105,483)	\$ 186,136.05	1.96%
	6	61,965	4.2%	\$ 602,482	3,437	5.0%	\$ (238,831)	\$ 363,651.26	3.83%
	7	130,915	8.9%	\$ 1,272,882	5,278	7.7%	\$ (366,758)	\$ 906,123.38	9.54%
	8	69,644	4.8%	\$ 677,150	6,151	9.0%	\$ (427,421)	\$ 249,728.20	2.63%
	9	45,610	3.1%	\$ 443,459	2,041	3.0%	\$ (141,825)	\$ 301,633.75	3.18%
	10	42,419	2.9%	\$ 412,436	2,134	3.1%	\$ (148,288)	\$ 264,148.58	2.78%
	11	49,020	3.3%	\$ 476,614	2,867	4.2%	\$ (199,222)	\$ 277,391.81	2.92%
	12	30,044	2.0%	\$ 292,120	1,112	1.6%	\$ (77,271)	\$ 214,849.30	2.26%
	13	39,108	2.7%	\$ 380,247	570	0.8%	\$ (39,608)	\$ 340,638.75	3.59%
	Subtotal	825,471	56.3%	\$ 8,026,012	39,577	57.9%	\$ (2,750,132)	\$ 5,275,880.76	55.54%
Non-MSA Counties and Counties with Only Rural Places	1	58,773	4.0%	\$ 571,451	2,961	4.3%	\$ (205,754)	\$ 365,696.34	3.85%
	2	45,605	3.1%	\$ 443,419	2,656	3.9%	\$ (184,560)	\$ 258,858.70	2.72%
	3	47,924	3.3%	\$ 465,963	2,125	3.1%	\$ (147,662)	\$ 318,300.45	3.35%
	4	119,246	8.1%	\$ 1,159,421	4,996	7.3%	\$ (347,163)	\$ 812,258.52	8.55%
	5	75,070	5.1%	\$ 729,905	3,395	5.0%	\$ (235,912)	\$ 493,992.83	5.20%
	6	34,869	2.4%	\$ 339,034	1,766	2.6%	\$ (122,716)	\$ 216,318.11	2.28%
	7	30,256	2.1%	\$ 294,175	1,475	2.2%	\$ (102,495)	\$ 191,680.49	2.02%
	8	48,558	3.3%	\$ 472,130	2,498	3.7%	\$ (173,581)	\$ 298,548.60	3.14%
	9	35,079	2.4%	\$ 341,069	1,299	1.9%	\$ (90,265)	\$ 250,803.49	2.64%
	10	46,392	3.2%	\$ 451,064	1,731	2.5%	\$ (120,284)	\$ 330,780.20	3.48%
	11	65,524	4.5%	\$ 637,083	2,734	4.0%	\$ (189,981)	\$ 447,102.65	4.71%
	12	27,578	1.9%	\$ 268,143	770	1.1%	\$ (53,506)	\$ 214,637.59	2.26%
	13	5,259	0.4%	\$ 51,130	374	0.5%	\$ (25,989)	\$ 25,141.28	0.26%
	Subtotal	640,134	43.7%	\$ 6,223,988	28,780	42.1%	\$ (1,999,868)	\$ 4,224,119.24	44.46%
Total	1,465,605	100%	\$ 14,250,000	68,357	100%	\$ (4,750,000)	\$ 9,500,000.00	100.00%	

Variables from Participating Jurisdictions (PJs) are not counted for HOME Program RAFs.

Total Sample Allocation: \$9,500,000
Weight of Need Variables: 150%
Weight of Availability Variables: -50%

Texas Department of Housing and Community Affairs
Draft Sample 2018 HTF Regional Allocation Formula

Table 1 - Raw Data

	Region	Individuals at or Below 200% Poverty	HH at or Below 200% Poverty	Cost-Burdened Owners	Cost-Burdened Renters	Over-crowded Owners	Over-crowded Renters	Total Units Lacking Plumbing	Total Units Lacking Kitchen	Vacant Units For Sale	Vacant Units For Rent	Land Area	Total Population	Inverse Population Density
MSA Counties with Urban Places	1	202,723	71,381	16,682	38,159	2,881	3,888	7,383	3,399	1,917	6,655	2,716	539,916	0.005
	2	101,948	35,897	8,220	17,062	1,078	1,553	5,561	4,537	1,532	4,405	2,472	286,370	0.009
	3	2,303,299	811,021	276,868	435,333	38,926	72,568	57,715	28,297	21,361	81,826	9,603	6,894,421	0.001
	4	185,100	65,176	15,915	27,620	3,163	2,722	7,971	5,576	2,439	5,499	2,663	473,981	0.006
	5	144,112	50,744	11,898	20,498	2,346	1,787	6,611	6,415	1,703	4,873	2,101	391,464	0.005
	6	2,193,304	772,290	238,850	386,460	42,002	68,313	59,045	40,960	21,071	82,324	7,612	6,317,767	0.001
	7	543,821	191,486	78,469	136,035	8,003	18,051	10,639	5,727	6,254	15,873	3,332	1,812,146	0.002
	8	344,558	121,323	26,518	66,336	3,280	5,758	12,944	6,934	4,511	17,562	4,438	869,164	0.005
	9	799,280	281,437	80,523	127,860	12,859	18,735	23,250	14,125	7,914	22,192	4,498	2,173,347	0.002
	10	203,455	71,639	16,581	33,714	3,821	5,812	9,993	6,772	1,943	5,171	2,666	532,521	0.005
	11	896,938	315,823	47,300	65,380	28,959	25,426	16,711	21,038	4,673	11,502	5,823	1,500,415	0.004
	12	129,691	45,666	11,372	20,353	3,267	3,380	5,706	4,686	1,127	2,858	4,235	421,155	0.010
	13	412,299	145,176	29,112	45,430	7,544	8,267	8,103	3,696	3,169	8,901	1,013	831,095	0.001
		Subtotal	8,460,528	2,979,059	858,308	1,420,240	158,129	236,260	231,632	152,162	79,614	269,641	53,171	23,043,762
Non-MSA Counties and Counties with Only Rural Places	1	132,223	46,557	7,002	9,569	2,714	2,647	10,912	7,388	1,341	2,961	36,633	318,806	0.115
	2	102,085	35,945	7,051	8,385	1,150	1,275	12,063	11,135	2,020	2,656	24,831	263,352	0.094
	3	97,537	34,344	8,973	12,218	1,941	1,362	5,671	3,716	2,137	2,125	5,417	250,366	0.022
	4	262,463	92,417	21,541	23,633	4,553	3,437	16,259	12,966	3,933	5,019	12,756	650,302	0.020
	5	161,472	56,856	10,171	16,213	2,471	2,001	11,482	9,828	2,607	3,395	9,910	380,090	0.026
	6	70,493	24,821	5,139	9,186	1,207	862	4,219	4,622	1,051	1,766	4,577	196,835	0.023
	7	65,717	23,140	8,558	6,212	1,362	904	4,758	3,378	1,361	1,475	5,105	192,651	0.026
	8	107,191	37,743	8,583	9,491	2,287	1,324	9,843	8,308	2,268	2,498	12,672	282,401	0.045
	9	75,742	26,670	8,354	6,724	2,255	1,685	5,003	4,268	1,633	1,299	6,857	221,949	0.031
	10	99,047	34,876	4,827	9,213	2,893	2,303	7,190	6,987	963	1,731	14,905	249,263	0.060
	11	153,200	53,944	6,245	8,570	4,529	3,010	6,095	6,410	1,064	2,734	18,214	275,449	0.066
	12	61,987	21,826	2,947	4,636	1,398	1,116	6,627	6,217	1,005	770	35,496	188,991	0.188
	13	11,964	4,213	597	886	275	160	1,319	1,072	305	374	20,687	24,397	0.848
		Subtotal	1,401,121	493,352	99,988	124,936	29,035	22,086	101,441	86,295	21,688	28,803	208,060	3,494,852
	Total	9,861,649	3,472,412	958,296	1,545,176	187,164	258,346	333,073	238,457	101,302	298,444	261,232	26,538,614	1.620

Texas Average HH Size: 2.84

Texas Department of Housing and Community Affairs
Draft Sample 2018 HTF Regional Allocation Formula

Table 2 - Weights

	Region	Total Need Variables	% of Total Need Variables	Weighted	Total Availability Variables	% of Total Availability Variables	Weighted	Regional Coverage Factor	% of Total Regional Coverage Factor	Weighted	Final Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	143,773	2.1%	\$ 61,679	8,572	2.1%	\$ (12,866)	0.005	0.3%	\$ 1,863	\$ 50,676	1.69%
	2	73,908	1.1%	\$ 31,707	5,937	1.5%	\$ (8,911)	0.009	0.5%	\$ 3,197	\$ 25,993	0.87%
	3	1,720,728	24.6%	\$ 738,201	103,187	25.8%	\$ (154,879)	0.001	0.1%	\$ 516	\$ 583,838	19.46%
	4	128,143	1.8%	\$ 54,974	7,938	2.0%	\$ (11,915)	0.006	0.3%	\$ 2,080	\$ 45,140	1.50%
	5	100,299	1.4%	\$ 43,029	6,576	1.6%	\$ (9,870)	0.005	0.3%	\$ 1,987	\$ 35,146	1.17%
	6	1,607,920	23.0%	\$ 689,806	103,395	25.9%	\$ (155,191)	0.001	0.1%	\$ 446	\$ 535,061	17.84%
	7	448,410	6.4%	\$ 192,370	22,127	5.5%	\$ (33,212)	0.002	0.1%	\$ 681	\$ 159,840	5.33%
	8	243,093	3.5%	\$ 104,288	22,073	5.5%	\$ (33,131)	0.005	0.3%	\$ 1,891	\$ 73,049	2.43%
	9	558,789	8.0%	\$ 239,723	30,106	7.5%	\$ (45,188)	0.002	0.1%	\$ 767	\$ 195,302	6.51%
	10	148,332	2.1%	\$ 63,635	7,114	1.8%	\$ (10,678)	0.005	0.3%	\$ 1,854	\$ 54,812	1.83%
	11	520,637	7.4%	\$ 223,356	16,175	4.0%	\$ (24,278)	0.004	0.2%	\$ 1,437	\$ 200,515	6.68%
	12	94,430	1.4%	\$ 40,511	3,985	1.0%	\$ (5,981)	0.010	0.6%	\$ 3,724	\$ 38,254	1.28%
	13	247,328	3.5%	\$ 106,105	12,070	3.0%	\$ (18,117)	0.001	0.1%	\$ 451	\$ 88,440	2.95%
	Subtotal	6,035,790	86.3%	\$ 2,589,385	349,255	87.4%	\$ (524,215)	0.056	3.5%	\$ 20,894	\$ 2,086,064	69.54%
Non-MSA Counties and Counties with Only Rural Places	1	86,789	1.2%	\$ 37,233	4,302	1.1%	\$ (6,457)	0.115	7.1%	\$ 42,554	\$ 73,330	2.44%
	2	77,004	1.1%	\$ 33,035	4,676	1.2%	\$ (7,018)	0.094	5.8%	\$ 34,918	\$ 60,935	2.03%
	3	68,225	1.0%	\$ 29,269	4,262	1.1%	\$ (6,397)	0.022	1.3%	\$ 8,013	\$ 30,885	1.03%
	4	174,806	2.5%	\$ 74,992	8,952	2.2%	\$ (13,437)	0.020	1.2%	\$ 7,264	\$ 68,820	2.29%
	5	109,022	1.6%	\$ 46,771	6,002	1.5%	\$ (9,009)	0.026	1.6%	\$ 9,656	\$ 47,418	1.58%
	6	50,056	0.7%	\$ 21,474	2,817	0.7%	\$ (4,228)	0.023	1.4%	\$ 8,612	\$ 25,858	0.86%
	7	48,312	0.7%	\$ 20,726	2,836	0.7%	\$ (4,257)	0.026	1.6%	\$ 9,813	\$ 26,282	0.88%
	8	77,579	1.1%	\$ 33,282	4,766	1.2%	\$ (7,154)	0.045	2.8%	\$ 16,618	\$ 42,746	1.42%
	9	54,959	0.8%	\$ 23,578	2,932	0.7%	\$ (4,401)	0.031	1.9%	\$ 11,441	\$ 30,618	1.02%
	10	68,289	1.0%	\$ 29,296	2,694	0.7%	\$ (4,044)	0.060	3.7%	\$ 22,145	\$ 47,397	1.58%
	11	88,803	1.3%	\$ 38,097	3,798	1.0%	\$ (5,701)	0.066	4.1%	\$ 24,489	\$ 56,885	1.90%
	12	44,767	0.6%	\$ 19,205	1,775	0.4%	\$ (2,664)	0.188	11.6%	\$ 69,556	\$ 86,098	2.87%
	13	8,522	0.1%	\$ 3,656	679	0.2%	\$ (1,019)	0.848	52.3%	\$ 314,026	\$ 316,663	10.56%
	Subtotal	957,133	13.7%	\$ 410,615	50,491	12.6%	\$ (75,785)	1.564	96.5%	\$ 579,106	\$ 913,936	30.46%
Total	6,992,924	100%	\$ 3,000,000	399,746	100%	\$ (600,000)	1.620	200.0%	\$ 600,000	\$ 3,000,000	100.00%	

Total Sample Allocation: \$3,000,000

Weight of Need Variables: 100%

Weight of Availability Variables: -20%

Weight of Regional Coverage Factor: 20%

Texas Department of Housing and Community Affairs
Draft Sample 2018 HOME SF Regional Allocation Formula

Table 1 - Raw Data

	Region	Individuals at or Below 200% Poverty	HH at or Below 200% Poverty	Cost-Burdened Owners	Cost-Burdened Renters	Over-crowded Owners	Over-crowded Renters	Total Units Lacking Plumbing	Total Units Lacking Kitchen	Vacant Units For Sale	Vacant Units For Rent	Land Area	Total Population	Inverse Population Density
MSA Counties with Urban Places	1	28,802	10,142	2,929	3,312	488	451	1,150	1,479	340	514	2,494	102,626	0.024
	2	17,958	6,323	2,214	1,435	132	124	1,827	1,825	419	512	2,293	59,218	0.039
	3	473,960	166,887	87,753	77,004	9,322	9,792	9,732	18,307	6,583	11,258	7,665	2,006,832	0.004
	4	107,315	37,787	10,570	11,988	1,985	1,508	4,732	5,662	1,645	2,185	2,557	293,597	0.009
	5	63,573	22,385	6,843	6,868	1,189	740	3,081	3,365	967	1,518	1,941	218,924	0.009
	6	123,750	43,574	15,489	16,386	2,962	2,005	4,186	4,808	1,750	3,437	2,606	419,776	0.006
	7	234,133	82,441	45,717	43,435	4,481	5,039	3,114	5,612	4,020	5,278	3,034	925,085	0.003
	8	137,091	48,271	13,010	19,221	1,360	2,152	4,269	7,923	2,601	6,151	4,202	423,041	0.010
	9	91,600	32,254	14,466	11,323	1,976	2,033	2,675	3,351	1,249	2,041	3,258	347,783	0.009
	10	82,547	29,066	6,597	10,791	1,672	2,562	3,820	5,326	957	2,134	2,508	216,008	0.012
	11	115,314	40,604	5,014	5,450	3,801	2,966	4,308	3,041	913	2,867	3,991	185,055	0.022
	12	58,170	20,482	6,211	8,015	1,912	1,547	2,324	2,722	515	1,112	4,136	212,230	0.019
	13	92,772	32,666	5,291	4,679	2,889	1,763	1,470	2,207	450	570	757	154,770	0.005
		Subtotal	1,626,985	572,882	222,104	219,907	34,169	32,682	46,688	65,628	22,409	39,577	41,442	5,564,945
Non-MSA Counties and Counties with Only Rural Places	1	132,223	46,557	7,002	9,569	2,714	2,647	7,388	10,912	1,341	2,961	36,633	318,806	0.115
	2	102,085	35,945	7,051	8,385	1,150	1,275	11,135	12,063	2,020	2,656	24,831	263,352	0.094
	3	97,537	34,344	8,973	12,218	1,941	1,362	3,716	5,671	2,137	2,125	5,417	250,366	0.022
	4	261,964	92,241	21,487	23,568	4,553	3,437	12,942	16,235	3,933	4,996	12,753	647,768	0.020
	5	161,472	56,856	10,171	16,213	2,471	2,001	9,828	11,482	2,607	3,395	9,910	380,090	0.026
	6	70,493	24,821	5,139	9,186	1,207	862	4,622	4,219	1,051	1,766	4,577	196,835	0.023
	7	65,717	23,140	8,558	6,212	1,362	904	3,378	4,758	1,361	1,475	5,105	192,651	0.026
	8	107,191	37,743	8,583	9,491	2,287	1,324	8,308	9,843	2,268	2,498	12,672	282,401	0.045
	9	75,742	26,670	8,354	6,724	2,255	1,685	4,268	5,003	1,633	1,299	6,857	221,949	0.031
	10	99,047	34,876	4,827	9,213	2,893	2,303	6,987	7,190	963	1,731	14,903	249,263	0.060
	11	153,200	53,944	6,245	8,570	4,529	3,010	6,410	6,095	1,064	2,734	18,214	275,449	0.066
	12	61,987	21,826	2,947	4,636	1,398	1,116	6,217	6,627	1,005	770	35,496	188,991	0.188
	13	11,964	4,213	597	886	275	160	1,072	1,319	305	374	20,687	24,397	0.848
		Subtotal	1,400,622	493,177	99,934	124,871	29,035	22,086	86,271	101,417	21,688	28,780	208,054	3,492,318
	Total	3,027,607	1,066,059	322,038	344,778	63,204	54,768	132,959	167,045	44,097	68,357	249,496	9,057,263	1.735

Variables from Participating Jurisdictions (PJs) are not counted for HOME Program RAFs.

Texas Average HH Size: 2.84

Texas Department of Housing and Community Affairs
Draft Sample 2018 HOME SF Regional Allocation Formula

Table 2 - Weights

	Region	Total Need Variables	% of Total Need Variables	Weighted	Total Availability Variables	% of Total Availability Variables	Weighted	Regional Coverage Factor	% of Total Regional Coverage Factor	Weighted	Initial Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	19,951	0.9%	\$ 92,757	854	0.8%	\$ (15,188)	0.024	1.4%	\$ 28,017	\$ 105,585	1.06%
	2	13,880	0.6%	\$ 64,534	931	0.8%	\$ (16,558)	0.039	2.2%	\$ 44,646	\$ 92,622	0.93%
	3	378,797	17.6%	\$ 1,761,151	17,841	15.9%	\$ (317,303)	0.004	0.2%	\$ 4,404	\$ 1,448,252	14.48%
	4	74,232	3.5%	\$ 345,128	3,830	3.4%	\$ (68,117)	0.009	0.5%	\$ 10,040	\$ 287,052	2.87%
	5	44,471	2.1%	\$ 206,759	2,485	2.2%	\$ (44,196)	0.009	0.5%	\$ 10,222	\$ 172,786	1.73%
	6	89,410	4.2%	\$ 415,696	5,187	4.6%	\$ (92,251)	0.006	0.4%	\$ 7,158	\$ 330,603	3.31%
	7	189,839	8.8%	\$ 882,624	9,298	8.3%	\$ (165,365)	0.003	0.2%	\$ 3,781	\$ 721,040	7.21%
	8	96,206	4.5%	\$ 447,295	8,752	7.8%	\$ (155,655)	0.010	0.6%	\$ 11,453	\$ 303,093	3.03%
	9	68,078	3.2%	\$ 316,514	3,290	2.9%	\$ (58,513)	0.009	0.5%	\$ 10,802	\$ 268,804	2.69%
	10	59,834	2.8%	\$ 278,187	3,091	2.7%	\$ (54,974)	0.012	0.7%	\$ 13,387	\$ 236,600	2.37%
	11	65,184	3.0%	\$ 303,059	3,780	3.4%	\$ (67,227)	0.022	1.2%	\$ 24,869	\$ 260,701	2.61%
	12	43,213	2.0%	\$ 200,913	1,627	1.4%	\$ (28,936)	0.019	1.1%	\$ 22,471	\$ 194,448	1.94%
	13	50,965	2.4%	\$ 236,954	1,020	0.9%	\$ (18,141)	0.005	0.3%	\$ 5,643	\$ 224,456	2.24%
	Subtotal	1,194,060	55.5%	\$ 5,551,571	61,986	55.1%	\$ (1,102,424)	0.171	9.8%	\$ 196,896	\$ 4,646,042	46.46%
Non-MSA Counties and Counties with Only Rural Places	1	86,789	4.0%	\$ 403,512	4,302	3.8%	\$ (76,511)	0.115	6.6%	\$ 132,491	\$ 459,492	4.59%
	2	77,004	3.6%	\$ 358,018	4,676	4.2%	\$ (83,163)	0.094	5.4%	\$ 108,717	\$ 383,573	3.84%
	3	68,225	3.2%	\$ 317,200	4,262	3.8%	\$ (75,800)	0.022	1.2%	\$ 24,948	\$ 266,349	2.66%
	4	174,463	8.1%	\$ 811,134	8,929	7.9%	\$ (158,803)	0.020	1.1%	\$ 22,700	\$ 675,031	6.75%
	5	109,022	5.1%	\$ 506,880	6,002	5.3%	\$ (106,746)	0.026	1.5%	\$ 30,062	\$ 430,197	4.30%
	6	50,056	2.3%	\$ 232,729	2,817	2.5%	\$ (50,100)	0.023	1.3%	\$ 26,814	\$ 209,442	2.09%
	7	48,312	2.2%	\$ 224,617	2,836	2.5%	\$ (50,438)	0.026	1.5%	\$ 30,552	\$ 204,731	2.05%
	8	77,579	3.6%	\$ 360,691	4,766	4.2%	\$ (84,764)	0.045	2.6%	\$ 51,740	\$ 327,668	3.28%
	9	54,959	2.6%	\$ 255,521	2,932	2.6%	\$ (52,146)	0.031	1.8%	\$ 35,622	\$ 238,997	2.39%
	10	68,289	3.2%	\$ 317,496	2,694	2.4%	\$ (47,913)	0.060	3.4%	\$ 68,936	\$ 338,519	3.39%
	11	88,803	4.1%	\$ 412,872	3,798	3.4%	\$ (67,548)	0.066	3.8%	\$ 76,246	\$ 421,570	4.22%
	12	44,767	2.1%	\$ 208,138	1,775	1.6%	\$ (31,568)	0.188	10.8%	\$ 216,562	\$ 393,132	3.93%
	13	8,522	0.4%	\$ 39,620	679	0.6%	\$ (12,076)	0.848	48.9%	\$ 977,713	\$ 1,005,257	10.05%
	Subtotal	956,791	44.5%	\$ 4,448,429	50,468	44.9%	\$ (897,576)	1.564	90.2%	\$ 1,803,104	\$ 5,353,958	53.54%
	Total	2,150,851	100%	\$ 10,000,000	112,454	100%	\$ (2,000,000)	1.735	200.0%	\$ 2,000,000	\$ 10,000,000	100.00%

Variables from Participating Jurisdictions (PJs) are not counted for HOME Program RAFs.

Total Sample Allocation: \$10,000,000
Weight of Need Variables: 100%
Weight of Availability Variables: -20%
Weight of Regional Coverage Factor: 20%

Texas Department of Housing and Community Affairs
Draft Sample 2018 HOME SF Regional Allocation Formula

Table 3 - Supplemental Allocation

	Region	Initial Subregion Amount	Supplemental Amount Needed to Reach Subregion Floor	Final Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	\$ 105,584.88	\$ -	\$ 105,584.88	1.06%
	2	\$ 92,622.07	\$ 7,377.93	\$ 100,000.00	1.00%
	3	\$ 1,448,251.90	\$ -	\$ 1,448,251.90	14.47%
	4	\$ 287,052.10	\$ -	\$ 287,052.10	2.87%
	5	\$ 172,785.59	\$ -	\$ 172,785.59	1.73%
	6	\$ 330,603.13	\$ -	\$ 330,603.13	3.30%
	7	\$ 721,039.77	\$ -	\$ 721,039.77	7.21%
	8	\$ 303,093.38	\$ -	\$ 303,093.38	3.03%
	9	\$ 268,803.96	\$ -	\$ 268,803.96	2.69%
	10	\$ 236,600.34	\$ -	\$ 236,600.34	2.36%
	11	\$ 260,701.09	\$ -	\$ 260,701.09	2.61%
	12	\$ 194,447.97	\$ -	\$ 194,447.97	1.94%
	13	\$ 224,455.98	\$ -	\$ 224,455.98	2.24%
	Subtotal	\$ 4,646,042.16	\$ 7,377.93	\$ 4,653,420.09	46.50%
Non-MSA Counties and Counties with Only Rural Places	1	\$ 459,491.86	\$ -	\$ 459,491.86	4.59%
	2	\$ 383,572.75	\$ -	\$ 383,572.75	3.83%
	3	\$ 266,348.65	\$ -	\$ 266,348.65	2.66%
	4	\$ 675,031.40	\$ -	\$ 675,031.40	6.75%
	5	\$ 430,196.58	\$ -	\$ 430,196.58	4.30%
	6	\$ 209,442.05	\$ -	\$ 209,442.05	2.09%
	7	\$ 204,731.05	\$ -	\$ 204,731.05	2.05%
	8	\$ 327,667.69	\$ -	\$ 327,667.69	3.27%
	9	\$ 238,996.71	\$ -	\$ 238,996.71	2.39%
	10	\$ 338,519.43	\$ -	\$ 338,519.43	3.38%
	11	\$ 421,570.45	\$ -	\$ 421,570.45	4.21%
	12	\$ 393,131.77	\$ -	\$ 393,131.77	3.93%
	13	\$ 1,005,257.46	\$ -	\$ 1,005,257.46	10.05%
	Subtotal	\$ 5,353,957.84	\$ -	\$ 5,353,957.84	53.50%
Total	\$ 10,000,000.00	\$ 7,377.93	\$ 10,007,377.93	100.00%	

Variables from Participating Jurisdictions (PJs) are not counted for HOME Program RAFs.

Subregion Allocation Floor: \$100,000.00

Draft 2018 REGIONAL ALLOCATION FORMULA METHODOLOGY

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Introduction

Since 2000, the Texas Department of Housing and Community Affairs (“TDHCA” or “the Department”) has used a Regional Allocation Formula (“RAF”) as required by Tex. Gov’t Code §§2306.111 and 2306.1115. The RAF analyzes housing need, availability, and other relevant factors in the State’s urban and rural areas. Using formula components created based on this analysis, the RAF has been used to allocate funding for multifamily and single-family activities for the following programs:

- Multifamily Activities:
 - Housing Tax Credit (“HTC”) Program
 - HOME Investment Partnerships Program (“HOME”) Multifamily (“MF”)
- Single Family Activities:
 - Housing Trust Fund (“HTF”) Program*
 - HOME Single Family (“SF”)

*It should be noted that based on the current program activities of the HTF, the RAF is not utilized for HTF as authorized by Tex. Gov’t Code §2306.111(d-1).

The Methodology presented below explains the use of factors in conformity with the statutory requirements including the need for housing assistance, the availability of housing resources, and other factors relevant to the equitable distribution of housing funds in urban and rural areas of the state.

Also provided with the Methodology is a sample allocation spreadsheet for each of the four programs to show how the methodologies affect each program. The spreadsheets provided are based on the following sample allocations:

Program	Sample Allocation
HTC	\$50,000,000
HOME Multifamily	\$9,500,000
HTF	\$3,000,000
HOME Single Family	\$10,000,000

Again, these allocation amounts are only samples. The final allocation amounts are calculated by the program area staff following the RAF Methodology approval by the TDHCA Governing Board. Further, even when final allocation amounts are made available other planning considerations further alter the applicability of the RAF and/or the amounts. For instance, for HOME Single Family, the funding activity type may further affect how and whether funds are released regionally. In the HTF Programs, because the programs follow statutory exceptions to utilizing the RAF, the formula-based RAF covered here does not apply to any HTF funds (although other policies are effective in geographically dispersing the funds).

The Draft 2018 RAF Methodology will be presented at the Board meeting of May 25, 2017, for approval to be released for public comment. A public comment period will be open from Friday, May 26, 2017, through Friday June 16, 2017, with a public hearing on Tuesday, June 13, 2017. Following public

comment, TDHCA staff plans to present the final 2018 RAF Methodology at the Board meeting of July 27, 2017.

Statutory Requirement

Tex. Gov't Code §§2306.111 and 2306.1115 require that TDHCA use a RAF for HOME, HTF, and HTC Programs.

Tex. Gov't Code §2306.1115 states:

(a) To allocate housing funds under Section 2306.111(d), the department shall develop a formula that:

(1) includes as a factor the need for housing assistance and the availability of housing resources in an urban area or rural area;

(2) provides for allocations that are consistent with applicable federal and state requirements and limitations; and

(3) includes other factors determined by the department to be relevant to the equitable distribution of housing funds under Section 2306.111(d).

(b) The department shall use information contained in its annual state low income housing plan and other appropriate data to develop the formula under this section.

The methodology below outlines the need for housing assistance and the availability of housing in urban and rural areas, in keeping with the statutory requirements for the HOME SF, HOME MF, HTF and HTC programs. The methodology also includes a regional coverage factor for the HOME SF and HTF programs that includes inverse population density for urban and rural areas of TDHCA's 13 Service Regions, in keeping with the statutory requirements to include other factors necessary for equitable distribution of funding.

Urban and Rural Areas

Tex. Gov't Code §2306.004 states:

28-a) "Rural area" means an area that is located:

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

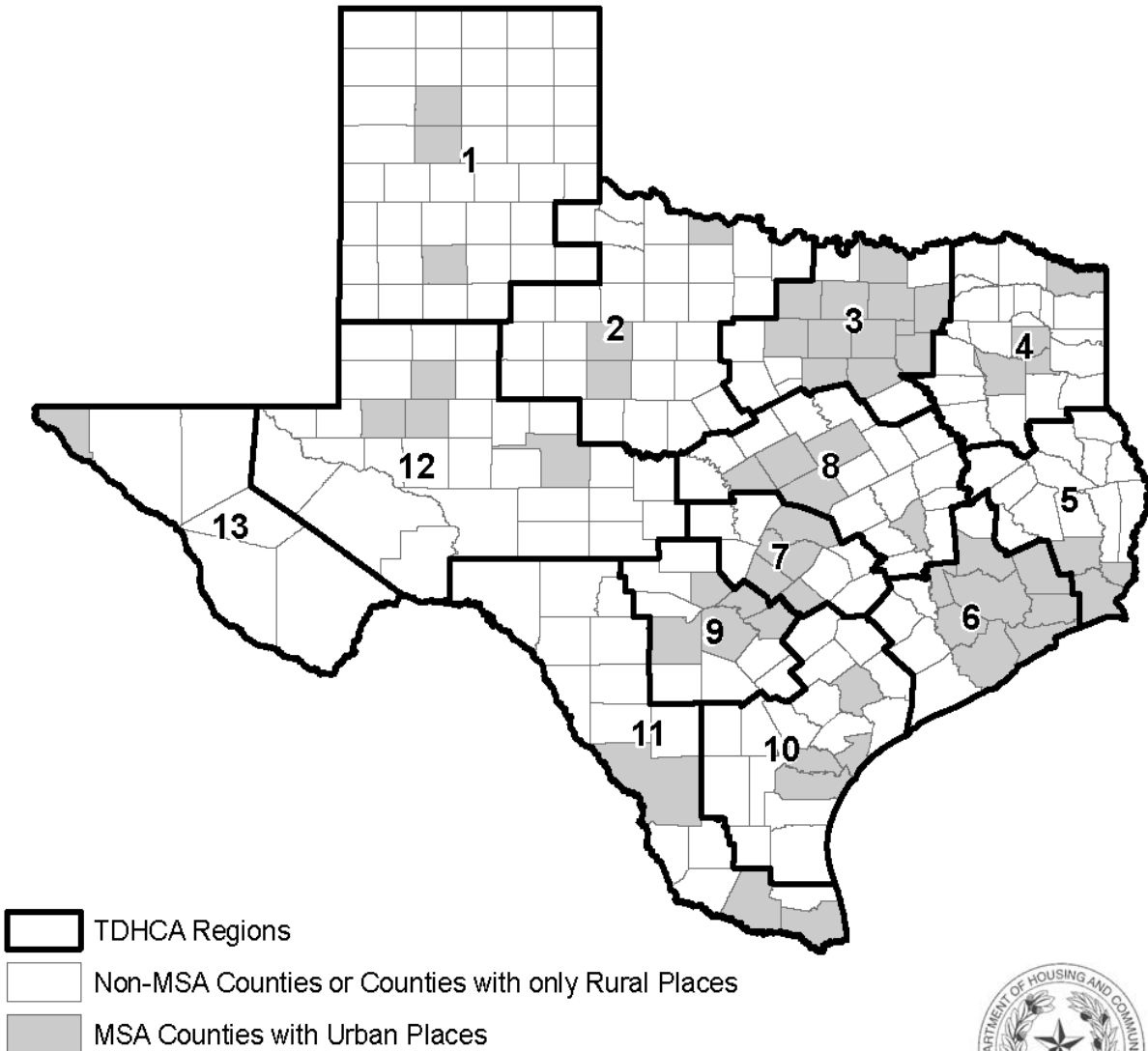
(B) within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an urban area.

Tex. Gov't Code §2306.004(28-a)(B) is applied to incorporated places and census-designated places ("places") that correlate to cities, towns, and other similar geographies, as designated by the census. The requirement regarding "population of 25,000" and the requirement regarding boundaries can be applied to places. The RAF is a macro view compared to one place, so data is used from each county. County data is more complete than adding together all the places. To illustrate, if the RAF only added together data from places, then unincorporated parts of the state would not be considered. Limiting the data for the RAF to only places in each region would substantially hinder its utility as an allocation tool. Using the data from counties, rather than places, to allocate for urban and rural areas allows for a more complete picture of the State's demographics. According to Tex. Gov't Code §2306.1115(b), TDHCA must use appropriate data to develop the formula, and for the reasons described above, data from counties is the most appropriate data.

Using U.S. Office of Management and Budget Metropolitan Statistical Area ("MSA") data, the RAF allocation process accounts for the fact that even though a county may be part of an MSA, all of the places within that county may meet the definition of rural per Tex. Gov't Code §2306.004(28-a). If an MSA county has no places designated as urban, the need and availability of the whole county will be counted toward the rural allocation (*i.e.*, the MSA county had no places over 25,000, nor any places touching a boundary of a place with 25,000). Therefore, the allocation process refers to "MSA counties with urban places" and "Non-MSA counties and counties with only rural places." The need and availability of "MSA counties with urban places" directs the allocation toward the urban places, and the need and availability of "Non-MSA counties and counties with only rural places" directs the allocation toward the rural places.

Note that the RAF does not state that all places in an MSA county with urban places are urban for designations of specific sites. The rural and urban designation for site-specific applications is made at the place level.

Map of Urban Counties in Texas by Region



Sources: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates, Table B01003.
U.S. Census Bureau, Jul. 2015, CBSAs, metropolitan divisions, and CSAs.
TIGER data 2015.

Disclaimer: This map is not a survey product; boundaries, distances, and scale are approximate only.



Methodology

Affordable Housing Need

Affordable housing need will be measured by variables that relate to the types of assistance available through TDHCA programs. Despite HTF not currently utilizing the RAF generated through this method, the calculation for HTF is included in this methodology in the event that funding or programming changes such that the RAF is required to be utilized for this program.

Cost Burden and Overcrowding

HTC and HOME MF both offer assistance for reduced-rent apartments. HOME SF offers Tenant-Based Rental Assistance through which a portion of a recipient's rent is paid to the landlord. HTF offers the Amy Young Barrier Removal Program, which can serve both renters and homeowners. Therefore, renters who need assistance should be included in the analysis. The column on the RAF table for renters with cost burden measures the number of people in Texas that pay more than 30% of their income on rent and are "cost burdened." The column for renters experiencing overcrowding measures the number of units with more than one person per room, including the kitchen and bathroom. Both rent burden and overcrowding for renters will be used as variables in the RAF for all four programs.

Further, HOME SF also offers homebuyer assistance and single family development programs. For single family development, typically the homes are built by Community Housing Development Organizations ("CHDOs") and the homes are purchased by low-income homeowners. HTF offers the Amy Young Barrier Removal Program, which can be used for homeowners as mentioned above, and the Bootstrap Loan Program for potential homeowners who use "sweat equity", along with low-interest loans, to build and become owners of their homes. Therefore, homeowners who need assistance should be included in the analysis. Areas with high numbers of homeowners experiencing cost burden or overcrowding may signify a need for homebuyer assistance or homeownership assistance. Therefore, the factors of homeowner cost burden for homeowners with a mortgage and homeowner overcrowding are incorporated in the HOME SF RAF and HTF RAF.

Lack of Kitchen and Plumbing Facilities

HOME SF offers homeowner rehabilitation or reconstruction assistance, and HTF has many activities that are often paired with rehabilitation such as the Contract for Deed Program or Amy Young Barrier Removal. Because TDHCA programs fund rehabilitation, substandard housing units would ideally be included in the RAF. Common definitions of substandard housing include lack of operable indoor plumbing, usable flush toilets, usable bathtub or shower, safe electricity, safe or adequate source of heat, or kitchen facilities. Data regarding units lacking kitchen facilities or plumbing are the only data available on both an annual basis and at a regional level. The count of occupied and unoccupied units lacking kitchen facilities or plumbing is incorporated in the HOME SF and HTF RAF.

Income

Income is the primary measurement of eligibility for housing assistance through TDHCA. HOME and HTF serve households that earn 0-80% Area Median Family Income (“AMFI”) and HTC serves households that earn 0-60% AMFI. While eligibility for housing assistance is measured by Area Median Income (“AMI”), the AMI datasets showing how many households are in each AMI category lag behind by a full year from the datasets used to calculate poverty. In order to use the most up-to-date data, the measurement of people in poverty will be used. The percentage of people at 200% of the poverty level is strongly linked with the percentage of people earning 0-80% AMFI. People at or below 200% of the poverty level will qualify for a majority of the housing assistance options offered through TDHCA’s HOME, HTC, and HTF programs. Note that in order for *people* in poverty to be combined with *households* with cost burden and *households* with overcrowding, the number of people in poverty is divided by the average size of a household in Texas: 2.84 per the 2011-2015 American Community Survey five-year estimates.

Summary of Affordable Housing Need for Multifamily and Single Family Activities

The extent of Texans needing affordable housing is measured using three variables for multifamily activities:

1. Cost burden for renters;
2. Overcrowding for renters; and
3. People at or below 200% of the poverty rate.

The extent of Texans needing affordable housing is measured using five variables for single family activities:

1. Cost burden for renters and owners;
2. Overcrowding for renters and owners;
3. Lack of Kitchen for renters and owners;
4. Lack of Plumbing for renters and owners; and
5. People at or below 200% of the poverty rate.

Housing Availability

The extent of additional affordable housing to address Texan’s needs is determined by vacant units for rent and for sale.

Affordable housing availability will be measured by variables that relate directly to housing resources. In order to take into account both market-rate and subsidized units, vacancies will be used. A high number of vacancies indicate that a market has an adequate supply or possibly an oversupply of housing. Vacancies offer a direct measure of housing availability for single-family non-rental activities. Housing availability for single family activities is measured using both vacant units for sale and vacant units for rent. Availability for multifamily activities is measured using only vacant units for rent.

Regional Coverage Factor

As stated in Tex. Gov't Code §2306.1115(a)(3), TDHCA shall develop a formula that “includes other factors determined by the department to be relevant to the equitable distribution of housing funds...” As such, a Regional Coverage Factor measuring inverse population density will be used as a variable for both the HOME SF and the HTF programs.

Population density is the number of people divided by the amount of land in which they live, or the number of people per area of land. A high population density means that more people are living in a given land area. Inverse population density, which divides the land area by the number of people that live in that area, gives the amount of land per person. An inverse population density conveys the amount of land per person in each subregion, a higher number indicates greater population dispersion (i.e., fewer people living in a larger space) and may indicate a challenge in reaching and serving Texans in that area.

The purpose of the inverse population density is to consider the distance between scattered-site SF activities and the dispersed population within a region where SF administrators provide assistance. Unlike TDHCA's multifamily programs, which generally focus development to a single site, SF programs are typically scattered-site, predominately in rural areas of the state. The Regional Coverage Factor takes into account the smaller populations of rural areas as well as scattered locations of single family projects instead of relying solely on population as an absolute.

Applying an inverse population density calculation to the 26 subregions (13 State service regions, each with urban and rural subregions) considered in the RAF produces the Regional Coverage Factor. In effect, the Regional Coverage Factor assists in redistributing funding from urban areas to more rural parts of the state. This better aligns funding goals with Tex. Gov't Code §2306.111, which requires that 95% of HOME funds be allocated for the benefit of those areas of the state that do not receive HOME funds directly from the U.S. Department of Housing and Urban Development (“HUD”), chiefly smaller cities and rural areas.

Summary of Variables

The following chart shows which need, availability, and other variables are used in the RAF Methodology for each of the four programs.

		Multifamily Programs		Single Family Programs	
		HTC	HOME MF	HTF	HOME SF
Need Variables	<i>Cost Burden for Renters</i>	✓	✓	✓	✓
	<i>Cost Burden for Owners</i>			✓	✓
	<i>Overcrowding for Renters</i>	✓	✓	✓	✓
	<i>Overcrowding for Owners</i>			✓	✓
	<i>Lack of Kitchen Facilities</i>			✓	✓
	<i>Lack of Plumbing Facilities</i>			✓	✓
	<i>People at or Below 200% of Poverty</i>	✓	✓	✓	✓
Availability Variables	<i>Vacant Units for Rent</i>	✓	✓	✓	✓
	<i>Vacant Units for Sale</i>			✓	✓
Other	<i>Regional Coverage Factor</i>			✓	✓

Exceptions to the RAF

According to Tex. Gov't Code §2306.111(d-1), there are certain instances in which the RAF does not apply to HOME, HTC, or HTF funds. For instance, specific set-asides will not be subject to the RAF. This includes set-asides for contract-for-deed activities and set-asides mandated by state or federal law, if these set-asides are less than 10% of the total allocation of funds or credits. Set-asides for funds allocated to serve persons with disabilities will not be subject to the RAF. The total amount available through the RAF will not include funds for at-risk development for the HTC Program, with instances mentioned in this paragraph. Also pursuant to Tex. Gov't Code §2306.111(d-1), specifically for HTF, programmed activities that do not exceed \$3 million are not subject to the RAF. It is through these exceptions that the HTF funds, as currently programmed, do not utilize the RAF.

In Tex. Gov't Code §2306.111(d-2), specifically for HTC, 5% of HTC funds must be allocated to developments that receive federal assistance through USDA. Any developments that receive federal assistance through USDA and HTC for rehabilitation may compete for funding separately under the "USDA Set-Aside." This funding is taken from the total tax credit ceiling prior to applying the RAF to allocate funds between each subregion.

Participating Jurisdictions (“PJs”)

In accordance with Tex. Gov’t Code §§2306.111(c)(1) and (2), 95% of the funds for HOME must be spent outside PJs. PJs are areas that receive funding directly from HUD. Because 95% of funds cannot be spent within a PJ, the housing need factors, housing availability factors, and Regional Coverage Factor in the PJs are not counted in the HOME MF or HOME SF RAF.

The PJ designations are subject to change yearly depending on HUD funding. According to HUD’s 2016 allocation, 33 of the PJs are cities and eight of the PJs are counties. Five PJ cities fell completely within PJ counties, resulting in a total of 28 PJ cities and eight PJ counties that will be subtracted from the HOME SF and HOME MF versions for the 2018 RAF.

In addition, 5% of State HOME funds must be spent on activities that serve people with disabilities in any area of the State; this portion of HOME is not subject to the RAF because it is set-aside for persons with disabilities (see *Exceptions to the RAF* above).

Allocation Adjustments

The HOME SF RAF and the HTC RAF have subregional allocation adjustments under certain conditions. Tex. Gov’t Code §2306.111(d-3) requires that at least \$500,000 in housing tax credits be allocated to each urban and rural subregion. In a further effort to meet Tex. Gov’t Code §§2306.111(c)(1) and (2), the HOME SF RAF has a minimum subregional allocation of \$100,000. Additional detail regarding the processes used to adjust allocations for the HOME SF RAF and the HTC RAF can be found in the single family and multifamily RAF examples.

Single Family RAF Example

The example below shows the need, availability and inverse population density variables used in the HOME SF RAF in Tables 1, 2, and 3. The HTF RAF is very similar to the HOME SF RAF with the exception that the HTF RAF includes PJs. Note that sample numbers are used for clarity.

Table 1: Example of Need Variables Used for Single Family Programs, by Subregion

Region (MSA Counties with urban places)	Column A: People at or below 200% Poverty without PJs	Column B: Households (“HH”) at or below 200% Poverty without PJs	Column C: Cost Burden, Owners without PJs	Column D: Cost Burden, Renters without PJs	Column E: Over-crowded Owners without PJs	Column F: Over-crowded Renters without PJs	Column G: Units Lacking Plumbing without PJs	Column H: Units Lacking Kitchen without PJs	Column I: Compounded Need Variables
1	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
2	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
3	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
4	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
5	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
6	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
7	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
8	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
9	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
10	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
11	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
12	100,000	35,461	2,500	16,000	3,500	2,500	3,000	5,000	67,961
13	150,000	53,191	1,500	15,000	3,000	2,000	4,000	6,000	84,691
Region (Non-MSA counties and counties with only rural places)	Column A: People at or below 200% Poverty without PJs	Column B: HH at or below 200% Poverty without PJs	Column C: Cost Burden, Owners without PJs	Column D: Cost Burden, Renters without PJs	Column E: Over-crowded Owners without PJs	Column F: Over-crowded Renters without PJs	Column G: Units Lacking Plumbing without PJs	Column H: Units Lacking Kitchen without PJs	Column I: Compounded Need Variables
1	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
2	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
3	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
4	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
5	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
6	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
7	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
8	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
9	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
10	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
11	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
12	60,000	21,277	9,000	5,000	1,000	1,000	7,000	7,000	51,277
13	80,000	28,369	6,000	8,000	2,000	2,000	5,000	5,000	56,369
Regions	Col A Total	Col B Total	Col C Total	Col D Total	Col E Total	Col F Total	Col G Total	Col H Total	Col I Total
Total	2,570,000	911,348	121,500	287,000	62,000	49,000	123,000	149,000	1,702,848

Table 2: Example of Availability Variables Used for Single Family Programs, by Subregion

Region (MSA Counties with urban places)	Column J: Unoccupied Units, For Sale without PJs	Column K: Unoccupied Units, For Rent without PJs	Column L: Regional Vacancies
1	1,500	2,000	3,500
2	1,000	3,000	4,000
3	1,500	2,000	3,500
4	1,000	3,000	4,000
5	1,500	2,000	3,500
6	1,000	3,000	4,000
7	1,500	2,000	3,500
8	1,000	3,000	4,000
9	1,500	2,000	3,500
10	1,000	3,000	4,000
11	1,500	2,000	3,500
12	1,000	3,000	4,000
13	1,500	2,000	3,500

Region (Non-MSA counties and counties with only rural places)	Column J: Unoccupied Units, For Sale without PJs	Column K: Unoccupied Units, For Rent without PJs	Column L: Regional Vacancies
1	1,500	2,000	3,500
2	2,000	2,500	4,500
3	1,500	2,000	3,500
4	2,000	2,500	4,500
5	1,500	2,000	3,500
6	2,000	2,500	4,500
7	1,500	2,000	3,500
8	2,000	2,500	4,500
9	1,500	2,000	3,500
10	2,000	2,500	4,500
11	1,500	2,000	3,500
12	2,000	2,500	4,500
13	1,500	2,000	3,500

Regions	Column J Total	Column K Total	Column L Total
Total	39,000	61,000	100,000

Table 3: Example of Population Density variables used for Single Family Programs, by Subregion

Region (MSA Counties with urban places)	Column M: Land area without PJs	Column N: Population without PJs	Column O: Regional Coverage Factor (Land Area/Total Population)
1	3,000	350,000	0.009
2	2,000	250,000	0.008
3	3,000	350,000	0.009
4	2,000	250,000	0.008
5	3,000	350,000	0.009
6	2,000	250,000	0.008
7	3,000	350,000	0.009
8	2,000	250,000	0.008
9	3,000	350,000	0.009
10	2,000	250,000	0.008
11	3,000	350,000	0.009
12	2,000	250,000	0.008
13	3,000	350,000	0.009

Region (Non-MSA counties and counties with only rural places)	Column M: Land area without PJs	Column N: Total Population without PJs	Column O: Regional Coverage Factor (Land Area/Total Population)
1	15,000	200,000	0.075
2	13,000	300,000	0.043
3	15,000	200,000	0.075
4	13,000	300,000	0.043
5	15,000	200,000	0.075
6	13,000	300,000	0.043
7	15,000	200,000	0.075
8	13,000	300,000	0.043
9	15,000	200,000	0.075
10	13,000	300,000	0.043
11	15,000	200,000	0.075
12	13,000	300,000	0.043
13	15,000	200,000	0.075

Regions	Column M Total	Column N Total	Column O Total
Total	216,000	7,150,000	0.893

Compounded Need

To allocate funds, the RAF uses each subregion's ratios of the State's total. All of the variables that measure need will be added together (*i.e.*, compounded) before taking the percentage of each subregion's need over the amount of the total need in the State. Table 1, Column I, illustrates how the Compounded Need Variable is derived: Households at 200% of poverty, cost-burdened owners and renters, over-crowded owners and renters, and units lacking kitchen facilities and plumbing facilities are added together, thereby compounding the need.

This compounding balances the relative importance of the variables; variables with very high or very small numbers are combined with the overall total of need, preventing these variables from having a disproportionate or arbitrary amount of weight for their size.

Weights

Building off the usefulness of Tables 1, 2, and 3, which showed the HOME SF Program variables, examples of how the weights work in the RAF are in Tables 4 through 6 on the following pages. Note that the column header letters will also build off the previous table, so if the letters are not in alphabetical order, the column header letter refers to a previous table.

Table 4 (below) shows only Region 1 in MSA counties and the total of all the regions, in order to simplify the example.

In order to apply weights, percentages of need, availability, and population density variables must be taken from the state as a whole. These percentages illustrate the relative need of the subregion. Table 4 (below) demonstrates how the percentages are derived.

Table 4: Percentages Taken

Area	Column I: Compounded Need Variables	Column P: Percent of State's Total Need	Column L: Regional Vacancies	Column Q: Percent of State's Total Availability	Column O: Regional Coverage Factor Total	Column R: Percent of State's Total Regional Coverage Factor
Region 1 (MSA Counties with urban places)	84,691	5.0%	3,500	3.5%	0.075	8.4%
Total of all Regions	1,702,848		100,000		0.893	

Note: Column I is from Table 1, Column L is from Table 2, and Column O is from Table 3.

A successful allocation formula will provide more funding for areas with high housing need and reduce funding for areas with an abundance of housing resources. In order to get the right relationship between housing and need, the housing availability variable will have negative weight, while the need and regional

coverage variables will have positive weight. All variables added together must equal 100%, so the formulas to determine variable weight for the Single Family RAF are as follows:

$$\text{Compounded Need} = \text{HH at/below 200\% poverty} + \text{Cost Burden} + \text{Overcrowding} + \text{Units Lacking Plumbing} + \text{Units Lacking Kitchen}$$

$$\text{Availability Variable} = \text{Unoccupied Units for Sale} + \text{Unoccupied Units for Rent}$$

$$\text{Regional Coverage Factor} = \text{Inverse Population Density}$$

$$\text{Compounded Need} - \text{Availability Variable} + \text{Regional Coverage Factor} = 100\%$$

To put it simply (with X representing the weight of each variable):

$$5X - X + X = 100\%$$

As a result, each variable is weighted at 20% for Single Family programs, giving the appropriate relationship between funding and current availability of resources. The compounded need variable will receive 100% weight. Table 5 shows the application of the weights based on a hypothetical statewide availability of \$2,500,000¹.

Table 5: Weight Application

Area	Column P: Percent of State's Total Need	Column S: Weight of Need Variables	Column T: Need Variable Allocation*	Column Q: Percent of State's Total Availability	Column U: Weight of Availability Variable	Column V: Availability Variable Allocation~	Column R: Percent of State's Total Regional Coverage Factor	Column W: Weight of Availability Variable	Column X: Availability Variable Allocation^	Column Y: Total Allocation†
Region 1 (MSA Counties with urban places)	5.0%	100.0%	\$ 124,338	3.5%	-20%	\$ (17,500)	1.0%	20%	\$4,799	\$ 111,637

Note: Column P, Q and R taken from Table 4.

*Column T is calculated as follows: Column P x Column S x statewide availability of funds.

~Column V is calculated as follows: Column Q x Column U x statewide availability of funds.

^ Column X is calculated as follows: Column W x Column R x statewide availability of funds.

†Column Y is calculated as follows: Column T + Column V + Column X.

Minimum Subregional Allocation Adjustment

A floor was added to the 2017 HOME SF RAF which allowed sufficient funding to award at least one contract in each sub region. This floor will continue for the 2018 RAF. If the calculated RAF results in a subregional

¹ Although the *Sample Allocation spreadsheet for the HOME SF Program* is based on a statewide availability of \$10,000,000, the Methodology example is based on a statewide availability of \$2,500,000 to more clearly emphasize how a Minimum Subregional Allocation Adjustment is made when initial HOME SF subregion allocations fall under \$100,000.

funding amount that is less than \$100,000, that subregion’s amount of funding is adjusted to provide for at least a minimum of \$100,000. The process does not take funds from subregions with initial funding amounts in excess of \$100,000 and does not reallocate those funds to those subregions with initial funding amounts that are less than \$100,000. Funds used to enable the floor are funds not subject to RAF requirements, therefore they are added as a final adjustment to the subregional allocation amounts available for award. The final adjustment simply adds a supplemental allocation to bring all subregions to a minimum of \$100,000. The process is complete when each subregion has at least \$100,000.

Table 6 (below) shows the process of supplementing funds to any subregions that have initial funding amounts that are less than \$100,000. This table builds from the previous tables included in this methodology and, for ease of explanation, Regions 1 and 2 “MSA counties with urban places” are included. Again, the column header letters build off previous tables, so if the letters are not in alphabetical order, the column letter refers to previous tables.

Table 6: Subregion amount under \$100,000

Area	Column Y: Initial Subregion amount	Column Z: Amount needed to reach \$100,000	Column AA: Final Award Amount
Region 1 (MSA Counties with urban places)	\$111,637	\$-	\$111,637
Region 2 (MSA Counties with urban places)	\$84,255	\$15,745	\$100,000
Total	\$195,892	\$15,745	\$211,637

Note: Column Y is from Table 5.

Since the Region 1 “MSA Counties with urban places” initial Subregion amount exceeds \$100,000, no adjustment is made to this sub-award. However, because the Region 2 “MSA counties with urban places” initial Subregion amount is less than \$100,000, a supplemental award amount is added to bring the subregion up to the final award amount of \$100,000.

Multifamily RAF Example

The example below shows the need and availability variables used in the HTC RAF in Table 7. The HTC RAF is very similar to the HOME MF RAF with the exception that the HTC RAF includes PJs. Note that sample numbers are used for clarity.

Table 7: Example of variables used for Multifamily Programs, by Subregion

Region (MSA Counties with urban places)	Column BB: People at 200% Poverty	Column CC: HH at 200% Poverty	Column DD: Cost Burden, Renters	Column EE: Overcrowded Renters	Column FF: Vacancies, Rental
1	150,000	53,571	25,000	4,000	6,000
2	100,000	35,714	20,000	2,000	4,000
3	150,000	53,571	25,000	4,000	6,000
4	100,000	35,714	20,000	2,000	4,000
5	150,000	53,571	25,000	4,000	6,000
6	100,000	35,714	20,000	2,000	4,000
7	150,000	53,571	25,000	4,000	6,000
8	100,000	35,714	20,000	2,000	4,000
9	150,000	53,571	25,000	4,000	6,000
10	100,000	35,714	20,000	2,000	4,000
11	150,000	53,571	25,000	4,000	6,000
12	100,000	35,714	20,000	2,000	4,000
13	150,000	53,571	25,000	4,000	6,000

Region (Non-MSA counties and counties with only rural places)	Column BB: People at 200% Poverty	Column CC: HH at 200% Poverty	Column DD: Cost Burden, Renters	Column EE: Overcrowded Renters	Column FF: Vacancies, Rental
1	40,000	14,286	7,000	700	700
2	25,000	8,929	2,000	400	500
3	40,000	14,286	7,000	700	700
4	25,000	8,929	2,000	400	500
5	40,000	14,286	7,000	700	700
6	25,000	8,929	2,000	400	500
7	40,000	14,286	7,000	700	700
8	25,000	8,929	2,000	400	500
9	40,000	14,286	7,000	700	700
10	25,000	8,929	2,000	400	500
11	40,000	14,286	7,000	700	700
12	25,000	8,929	2,000	400	500
13	40,000	14,286	7,000	700	700

Regions	Column BB: People at 200% Poverty	Column CC: HH at 200% Poverty	Column DD: Cost Burden, Renters	Column EE: Overcrowded Renters	Column FF: Vacancies, Rental
Total	2,080,000	742,857	356,000	47,300	73,900

Weights

To allocate funds, the RAF will use each subregion’s ratios of the State’s total. In order to account for the amount of population that the variables affect, all the variables that measure need will be added together (i.e., compounded) before taking the percentage of each subregion’s need over the amount of the total need in the State.

Examples of how the weights work in the RAF are in Tables 8 through 10 on the following pages. Building off the usefulness of Table 7, which showed the HTC program, Tables 8 through 10 are also examples of the HTC program RAF. Note that the column header letters will also build off the previous table, so if the letters are not in alphabetical order, the column header letter refers to a previous table.

Table 8 (below) shows only Region 1 in MSA counties and the total of all the regions, in order to simplify the example. Table 8 illustrates how the Compounded Need Variable is derived: Households at 200% of poverty, cost-burdened renters, and over-crowded renters are added together, thereby compounding the need. This compounding balances the relative importance of the variables; variables with very high or very small numbers are combined with the overall total of need, preventing these variables from having a disproportionate or arbitrary amount of weight for their size.

Table 8: Compounded Need Variables

Area	Column CC: HH at 200% Poverty	Column DD: Cost Burden, Renters	Column EE: Overcrowded Renters	Column GG: Compounded Need Variables
Region 1 (MSA Counties with urban places)	53,571	25,000	4,000	82,571
Total of all Regions	742,857	356,000	47,300	1,146,157

Note: Columns CC, DD and EE are from Table 7.

In order to apply weights, percentages of need and availability variables must be taken from the state as a whole. These percentages illustrate the relative need of the subregion. Table 9 (below) demonstrates how the percentages are derived.

Table 9: Percentages Taken

Area	Column GG: Compounded Need Variables	Column HH: Percent of State's Total Need	Column II: Unoccupied Units, Rental	Column JJ: Percent of State's Total Availability
Region 1 (MSA Counties with urban places)	82,571	7.2%	6,000	8.1%

Area	Column GG: Compounded Need Variables	Column HH: Percent of State's Total Need	Column II: Unoccupied Units, Rental	Column JJ: Percent of State's Total Availability
Total of all Regions	1,146,157		73,900	

Note: Column GG is from Table 8.

A successful allocation formula will provide more funding for areas with high housing need and reduce funding for areas with an abundance of housing resources. In order to get the right relationship between housing and need, the housing availability variable will have negative weight. All variables added together must equal 100%, so the formulas to determine variable weight for the Multifamily RAF are as follows:

$$\text{Compounded Need} = \text{HH at/below 200\% poverty} + \text{Renter Cost Burden} + \text{Renter Overcrowding}$$

$$\text{Availability Variable} = \text{Unoccupied Units for Rent}$$

$$\text{Compounded Need} - \text{Availability Variable} = 100\%$$

To put it simply (with X representing the weight of each variable):

$$3X - X = 100\%$$

As a result, each variable is weighted at 50% for Multifamily programs, giving the appropriate relationship between funding and current availability of resources. The compounded need variable will receive 150% weight. Table 10 shows the application of the weights based on a statewide availability of \$40,000,000.²

Table 10: Weight Application

Area	Column HH: Percent of State's Total Need	Column KK: Weight of Need Variables	Column LL: Need Variable Allocation*	Column JJ: Percent of State's Total Availability	Column MM: Weight of Availability Variable	Column NN: Availability Variable Allocation~	Column OO: Total Allocation ⁺
Region 1 (MSA Counties with urban places)	7.2%	150.0%	\$ 4,322,519	8.1%	-50%	\$ (1,623,816)	\$ 2,698,703

Note: Column HH and JJ taken from Table 9.

*Column LL is calculated as follows: Column HH x Column KK x statewide availability of funds.

~Column NN is calculated as follows: Column JJ x Column MM x statewide availability of funds.

+Column OO is calculated as follows: Column LL + Column NN.

HTC \$500,000 Adjustment

² Although the *Sample Allocation Spreadsheet for the HTC Program* is based on a statewide availability of \$50,000,000, the Methodology example is based on a statewide availability of \$40,000,000 to emphasize how a proportional adjustment is made when initial HTC allocations fall under \$500,000.

Tex. Gov't Code §2306.111(d-3) is a special requirement regarding funding and the RAF that applies only to HTC. This provision requires that TDHCA allocate at least 20% of credits to rural areas and that \$500,000 be available for each urban and rural subregion, which number 26 in total. The overall state rural percentage of the total tax credit ceiling amount will be adjusted to a minimum of 20% only at the time of actual award, if needed. Usually, the 20% allocation to rural areas occurs through the competitive process, but, if not, one more deal for rural areas will be awarded from the statewide collapse of the RAF to ensure the requirement is met.

For the HTC RAF, the regional amount of rural and urban funding is adjusted to a minimum of \$500,000, if needed. This is done as a final adjustment to the subregional allocation amounts available for award. The process proportionately takes funds from subregions with initial funding amounts in excess of \$500,000 and reallocates those funds to those subregions with initial funding amounts that are less than \$500,000. The process is complete when each subregion has at least \$500,000.

Tables 11 through 12 below show the process of determining the amount to adjust from subregions with more than \$500,000. These tables build from the previous tables included in this methodology and, for ease of explanation, Region 1 and 2's "MSA counties with urban places" and Region 1 and 2's "Non-MSA counties and counties with no urban places" are included. Again, the column header letters build off previous tables, so if the letters are not in alphabetical order, the column letter refers to previous tables.

These four subregions are examined below because the most common movement for funds during the \$500,000 adjustment is from MSA counties to Non-MSA counties. The first step in the \$500,000 adjustment process is illustrated in Table 11: the amount over or under \$500,000 is determined for each subregion.

Table 11: Subregion amount over/under \$500,000

Area	Column OO: Initial Subregion amount	Column PP: Amount needed to reach \$500,000	Column QQ: Amount over \$500,000 that can be reallocated
Region 1 (MSA Counties with urban places)	\$2,698,703	\$-	\$2,198,703
Region 1 (Non-MSA Counties or Counties with only rural places)	\$961,482	\$-	\$461,482
Region 2 (MSA Counties with urban places)	\$1,938,732	\$-	\$1,438,732
Region 2 (Non-MSA Counties or Counties with only rural places)	\$457,720	\$42,280	\$-

Note: Column OO is from Table 10.

Note that Column QQ above is the amount in Column OO (if the amount in Column OO is over \$500,000) minus \$500,000; at least \$500,000 is maintained in each subregion before the adjustment process. Next the amounts in Column PP are totaled for the entire state and the amounts in Column QQ are totaled for the

entire state. In this simplified example, the Column PP’s total would be \$42,280. The Column QQ total would be \$4,098,917.

The subsequent step in the adjustment process is to determine the percentage to be reallocated. Following the example in Table 11, if only Region 1 and 2 were used in the RAF, the percentages would be seen in Column RR in Table 12 below. The proportion of the total amount to be reallocated is in Column SS. Finally, Column OO is adjusted by Column SS to equal the final Sub-Amount in Column TT.

Table 12: Proportional adjustment

Area	Column RR: Proportion of amount available to be reallocated*	Column SS: Amount to be reallocated~	Column TT: Final Sub-Amount for Compounded Need ⁺
Region 1 (MSA Counties with urban places)	54%	\$ (22,679)	\$ 2,676,024
Region 1 (Non-MSA Counties or Counties with only rural places)	11%	\$ (4,760)	\$ 956,722
Region 2 (MSA Counties with urban places)	35%	\$ (14,840)	\$ 1,923,892
Region 2 (Non-MSA Counties or Counties with only rural places)	n/a	\$ 42,280	\$ 500,000

*Column RR is calculated as follows: if Column OO is over \$500,000, then $((\text{Column OO} - \$500,000) / \$4,098,917)$

~Column SS is calculated as followed: if Column RR is a percentage, then $(\text{Column RR} * \$42,280)$; if Column RR is n/a, then Column SS equals Column PP.

⁺Column TT is calculated as follows: $\text{Column OO} + \text{Column SS}$.

Texas Department of Housing and Community Affairs
Draft Sample 2018 HTC Regional Allocation Formula

Table 1 - Raw Data

	Region	Individuals at or Below 200% Poverty	HH at or Below 200% Poverty	Cost-Burdened Renters	Overcrowded Renters	Vacant Units For Rent
MSA Counties with Urban Places	1	202,723	71,381	38,159	3,888	6,655
	2	101,948	35,897	17,062	1,553	4,405
	3	2,303,299	811,021	435,333	72,568	81,826
	4	185,100	65,176	27,620	2,722	5,499
	5	144,112	50,744	20,498	1,787	4,873
	6	2,193,304	772,290	386,460	68,313	82,324
	7	543,821	191,486	136,035	18,051	15,873
	8	344,558	121,323	66,336	5,758	17,562
	9	799,280	281,437	127,860	18,735	22,192
	10	203,455	71,639	33,714	5,812	5,171
	11	896,938	315,823	65,380	25,426	11,502
	12	129,691	45,666	20,353	3,380	2,858
	13	412,299	145,176	45,430	8,267	8,901
	Subtotal	8,460,528	2,979,059	1,420,240	236,260	269,641
Non-MSA Counties and Counties with Only Rural Places	1	132,223	46,557	9,569	2,647	2,961
	2	102,085	35,945	8,385	1,275	2,656
	3	97,537	34,344	12,218	1,362	2,125
	4	262,463	92,417	23,633	3,437	5,019
	5	161,472	56,856	16,213	2,001	3,395
	6	70,493	24,821	9,186	862	1,766
	7	65,717	23,140	6,212	904	1,475
	8	107,191	37,743	9,491	1,324	2,498
	9	75,742	26,670	6,724	1,685	1,299
	10	99,047	34,876	9,213	2,303	1,731
	11	153,200	53,944	8,570	3,010	2,734
	12	61,987	21,826	4,636	1,116	770
	13	11,964	4,213	886	160	374
	Subtotal	1,401,121	493,352	124,936	22,086	28,803
Total	9,861,649	3,472,412	1,545,176	258,346	298,444	

Texas Average HH Size: 2.84

Texas Department of Housing and Community Affairs
Draft Sample 2018 HTC Regional Allocation Formula

Table 2 - Weights

	Region	Total Need Variables	% of Total Need Variables	Weighted	Total Availability Variable	% of Total Availability Variable	Weighted	Initial Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	113,428	2.1%	\$ 1,612,440	6,655	2.2%	\$ (557,475)	\$ 1,054,965.03	2.11%
	2	54,512	1.0%	\$ 774,918	4,405	1.5%	\$ (368,997)	\$ 405,920.38	0.81%
	3	1,318,922	25.0%	\$ 18,749,124	81,826	27.4%	\$ (6,854,385)	\$ 11,894,739.15	23.79%
	4	95,518	1.8%	\$ 1,357,836	5,499	1.8%	\$ (460,639)	\$ 897,197.13	1.79%
	5	73,029	1.4%	\$ 1,038,138	4,873	1.6%	\$ (408,201)	\$ 629,937.94	1.26%
	6	1,227,063	23.3%	\$ 17,443,308	82,324	27.6%	\$ (6,896,101)	\$ 10,547,206.97	21.09%
	7	345,572	6.5%	\$ 4,912,480	15,873	5.3%	\$ (1,329,646)	\$ 3,582,833.89	7.17%
	8	193,417	3.7%	\$ 2,749,522	17,562	5.9%	\$ (1,471,130)	\$ 1,278,391.24	2.56%
	9	428,032	8.1%	\$ 6,084,681	22,192	7.4%	\$ (1,858,975)	\$ 4,225,705.48	8.45%
	10	111,165	2.1%	\$ 1,580,267	5,171	1.7%	\$ (433,163)	\$ 1,147,103.19	2.29%
	11	406,629	7.7%	\$ 5,780,435	11,502	3.9%	\$ (963,497)	\$ 4,816,937.96	9.63%
	12	69,399	1.3%	\$ 986,539	2,858	1.0%	\$ (239,408)	\$ 747,130.43	1.49%
	13	198,873	3.8%	\$ 2,827,074	8,901	3.0%	\$ (745,617)	\$ 2,081,456.36	4.16%
		Subtotal	4,635,559	87.9%	\$ 65,896,761	269,641	90.3%	\$ (22,587,236)	\$ 43,309,525.17
Non-MSA Counties and Counties with Only Rural Places	1	58,773	1.1%	\$ 835,493	2,961	1.0%	\$ (248,036)	\$ 587,456.32	1.17%
	2	45,605	0.9%	\$ 648,304	2,656	0.9%	\$ (222,487)	\$ 425,816.29	0.85%
	3	47,924	0.9%	\$ 681,264	2,125	0.7%	\$ (178,007)	\$ 503,256.92	1.01%
	4	119,487	2.3%	\$ 1,698,560	5,019	1.7%	\$ (420,431)	\$ 1,278,129.63	2.56%
	5	75,070	1.4%	\$ 1,067,162	3,395	1.1%	\$ (284,392)	\$ 782,770.19	1.57%
	6	34,869	0.7%	\$ 495,687	1,766	0.6%	\$ (147,934)	\$ 347,752.90	0.70%
	7	30,256	0.6%	\$ 430,101	1,475	0.5%	\$ (123,558)	\$ 306,543.45	0.61%
	8	48,558	0.9%	\$ 690,280	2,498	0.8%	\$ (209,252)	\$ 481,028.35	0.96%
	9	35,079	0.7%	\$ 498,661	1,299	0.4%	\$ (108,814)	\$ 389,846.91	0.78%
	10	46,392	0.9%	\$ 659,481	1,731	0.6%	\$ (145,002)	\$ 514,478.89	1.03%
	11	65,524	1.2%	\$ 931,451	2,734	0.9%	\$ (229,021)	\$ 702,430.00	1.40%
	12	27,578	0.5%	\$ 392,041	770	0.3%	\$ (64,501)	\$ 327,539.47	0.66%
	13	5,259	0.1%	\$ 74,755	374	0.1%	\$ (31,329)	\$ 43,425.51	0.09%
		Subtotal	640,374	12.1%	\$ 9,103,239	28,803	9.7%	\$ (2,412,764)	\$ 6,690,474.83
	Total	5,275,934	100%	\$ 75,000,000	298,444	100%	\$ (25,000,000)	\$ 50,000,000.00	100.00%

Total Sample Allocation: \$50,000,000
Weight of Need Variables: 150%
Weight of Availability Variables: -50%

Texas Department of Housing and Community Affairs
Draft Sample 2018 HTC Regional Allocation Formula

Table 3 - Reallocation

	Region	Initial Subregion Amount	Amount Needed to Reach Subregion Floor	Amount that can be Reallocated	% of Total Amount that can be Reallocated	Amount to be Reallocated	Final Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	\$ 1,054,965.03	\$ -	\$ 554,965.03	1.45%	\$ (18,446.48)	\$ 1,036,518.56	2.07%
	2	\$ 405,920.38	\$ 94,079.62	\$ -	0.00%	\$ 94,079.62	\$ 500,000.00	1.00%
	3	\$ 11,894,739.15	\$ -	\$ 11,394,739.15	29.77%	\$ (378,749.59)	\$ 11,515,989.56	23.03%
	4	\$ 897,197.13	\$ -	\$ 397,197.13	1.04%	\$ (13,202.43)	\$ 883,994.70	1.77%
	5	\$ 629,937.94	\$ -	\$ 129,937.94	0.34%	\$ (4,319.01)	\$ 625,618.93	1.25%
	6	\$ 10,547,206.97	\$ -	\$ 10,047,206.97	26.25%	\$ (333,958.99)	\$ 10,213,247.99	20.43%
	7	\$ 3,582,833.89	\$ -	\$ 3,082,833.89	8.06%	\$ (102,470.28)	\$ 3,480,363.61	6.96%
	8	\$ 1,278,391.24	\$ -	\$ 778,391.24	2.03%	\$ (25,872.94)	\$ 1,252,518.31	2.51%
	9	\$ 4,225,705.48	\$ -	\$ 3,725,705.48	9.73%	\$ (123,838.68)	\$ 4,101,866.81	8.20%
	10	\$ 1,147,103.19	\$ -	\$ 647,103.19	1.69%	\$ (21,509.05)	\$ 1,125,594.14	2.25%
	11	\$ 4,816,937.96	\$ -	\$ 4,316,937.96	11.28%	\$ (143,490.65)	\$ 4,673,447.32	9.35%
	12	\$ 747,130.43	\$ -	\$ 247,130.43	0.65%	\$ (8,214.37)	\$ 738,916.07	1.48%
	13	\$ 2,081,456.36	\$ -	\$ 1,581,456.36	4.13%	\$ (52,566.01)	\$ 2,028,890.36	4.06%
		Subtotal	\$ 43,309,525.17	\$ 94,079.62	\$ 36,903,604.79	96.42%	\$ (1,132,558.84)	\$ 42,176,966.33
Non-MSA Counties and Counties with Only Rural Places	1	\$ 587,456.32	\$ -	\$ 87,456.32	0.23%	\$ (2,906.96)	\$ 584,549.36	1.17%
	2	\$ 425,816.29	\$ 74,183.71	\$ -	0.00%	\$ 74,183.71	\$ 500,000.00	1.00%
	3	\$ 503,256.92	\$ -	\$ 3,256.92	0.01%	\$ (108.26)	\$ 503,148.66	1.01%
	4	\$ 1,278,129.63	\$ -	\$ 778,129.63	2.03%	\$ (25,864.24)	\$ 1,252,265.39	2.50%
	5	\$ 782,770.19	\$ -	\$ 282,770.19	0.74%	\$ (9,398.99)	\$ 773,371.19	1.55%
	6	\$ 347,752.90	\$ 152,247.10	\$ -	0.00%	\$ 152,247.10	\$ 500,000.00	1.00%
	7	\$ 306,543.45	\$ 193,456.55	\$ -	0.00%	\$ 193,456.55	\$ 500,000.00	1.00%
	8	\$ 481,028.35	\$ 18,971.65	\$ -	0.00%	\$ 18,971.65	\$ 500,000.00	1.00%
	9	\$ 389,846.91	\$ 110,153.09	\$ -	0.00%	\$ 110,153.09	\$ 500,000.00	1.00%
	10	\$ 514,478.89	\$ -	\$ 14,478.89	0.04%	\$ (481.26)	\$ 513,997.63	1.03%
	11	\$ 702,430.00	\$ -	\$ 202,430.00	0.53%	\$ (6,728.57)	\$ 695,701.43	1.39%
	12	\$ 327,539.47	\$ 172,460.53	\$ -	0.00%	\$ 172,460.53	\$ 500,000.00	1.00%
	13	\$ 43,425.51	\$ 456,574.49	\$ -	0.00%	\$ 456,574.49	\$ 500,000.00	1.00%
		Subtotal	\$ 6,690,474.83	\$ 1,178,047.12	\$ 1,368,521.95	3.58%	\$ 1,132,558.84	\$ 7,823,033.67
	Total	\$ 50,000,000.00	\$ 1,272,126.74	\$ 38,272,126.74	100.00%	\$ -	\$ 50,000,000.00	100.00%

Subregion Allocation Floor: \$500,000.00

Texas Department of Housing and Community Affairs
Draft Sample 2018 HOME MF Regional Allocation Formula

Table 1 - Raw Data

	Region	Individuals at or Below 200% Poverty	HH at or Below 200% Poverty	Cost-Burdened Renters	Overcrowded Renters	Vacant Units For Rent
MSA Counties with Urban Places	1	28,802	10,142	3,312	451	514
	2	17,958	6,323	1,435	124	512
	3	473,960	166,887	77,004	9,792	11,258
	4	107,315	37,787	11,988	1,508	2,185
	5	63,573	22,385	6,868	740	1,518
	6	123,750	43,574	16,386	2,005	3,437
	7	234,133	82,441	43,435	5,039	5,278
	8	137,091	48,271	19,221	2,152	6,151
	9	91,600	32,254	11,323	2,033	2,041
	10	82,547	29,066	10,791	2,562	2,134
	11	115,314	40,604	5,450	2,966	2,867
	12	58,170	20,482	8,015	1,547	1,112
	13	92,772	32,666	4,679	1,763	570
	Subtotal	1,626,985	572,882	219,907	32,682	39,577
Non-MSA Counties and Counties with Only Rural Places	1	132,223	46,557	9,569	2,647	2,961
	2	102,085	35,945	8,385	1,275	2,656
	3	97,537	34,344	12,218	1,362	2,125
	4	261,964	92,241	23,568	3,437	4,996
	5	161,472	56,856	16,213	2,001	3,395
	6	70,493	24,821	9,186	862	1,766
	7	65,717	23,140	6,212	904	1,475
	8	107,191	37,743	9,491	1,324	2,498
	9	75,742	26,670	6,724	1,685	1,299
	10	99,047	34,876	9,213	2,303	1,731
	11	153,200	53,944	8,570	3,010	2,734
	12	61,987	21,826	4,636	1,116	770
	13	11,964	4,213	886	160	374
	Subtotal	1,400,622	493,177	124,871	22,086	28,780
Total	3,027,607	1,066,059	344,778	54,768	68,357	

Variables from Participating Jurisdictions (PJs) are not counted for HOME Program RAFs.

Texas Average HH Size: 2.84

Texas Department of Housing and Community Affairs
Draft Sample 2018 HOME MF Regional Allocation Formula

Table 2 - Weights

	Region	Total Need Variables	% of Total Need Variables	Weighted	Total Availability Variable	% of Total Availability Variable	Weighted	Final Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	13,905	0.9%	\$ 135,193	514	0.8%	\$ (35,717)	\$ 99,476.32	1.05%
	2	7,882	0.5%	\$ 76,639	512	0.7%	\$ (35,578)	\$ 41,060.69	0.43%
	3	253,683	17.3%	\$ 2,466,550	11,258	16.5%	\$ (782,297)	\$ 1,684,252.54	17.73%
	4	51,283	3.5%	\$ 498,622	2,185	3.2%	\$ (151,832)	\$ 346,790.13	3.65%
	5	29,993	2.0%	\$ 291,619	1,518	2.2%	\$ (105,483)	\$ 186,136.05	1.96%
	6	61,965	4.2%	\$ 602,482	3,437	5.0%	\$ (238,831)	\$ 363,651.26	3.83%
	7	130,915	8.9%	\$ 1,272,882	5,278	7.7%	\$ (366,758)	\$ 906,123.38	9.54%
	8	69,644	4.8%	\$ 677,150	6,151	9.0%	\$ (427,421)	\$ 249,728.20	2.63%
	9	45,610	3.1%	\$ 443,459	2,041	3.0%	\$ (141,825)	\$ 301,633.75	3.18%
	10	42,419	2.9%	\$ 412,436	2,134	3.1%	\$ (148,288)	\$ 264,148.58	2.78%
	11	49,020	3.3%	\$ 476,614	2,867	4.2%	\$ (199,222)	\$ 277,391.81	2.92%
	12	30,044	2.0%	\$ 292,120	1,112	1.6%	\$ (77,271)	\$ 214,849.30	2.26%
	13	39,108	2.7%	\$ 380,247	570	0.8%	\$ (39,608)	\$ 340,638.75	3.59%
		Subtotal	825,471	56.3%	\$ 8,026,012	39,577	57.9%	\$ (2,750,132)	\$ 5,275,880.76
Non-MSA Counties and Counties with Only Rural Places	1	58,773	4.0%	\$ 571,451	2,961	4.3%	\$ (205,754)	\$ 365,696.34	3.85%
	2	45,605	3.1%	\$ 443,419	2,656	3.9%	\$ (184,560)	\$ 258,858.70	2.72%
	3	47,924	3.3%	\$ 465,963	2,125	3.1%	\$ (147,662)	\$ 318,300.45	3.35%
	4	119,246	8.1%	\$ 1,159,421	4,996	7.3%	\$ (347,163)	\$ 812,258.52	8.55%
	5	75,070	5.1%	\$ 729,905	3,395	5.0%	\$ (235,912)	\$ 493,992.83	5.20%
	6	34,869	2.4%	\$ 339,034	1,766	2.6%	\$ (122,716)	\$ 216,318.11	2.28%
	7	30,256	2.1%	\$ 294,175	1,475	2.2%	\$ (102,495)	\$ 191,680.49	2.02%
	8	48,558	3.3%	\$ 472,130	2,498	3.7%	\$ (173,581)	\$ 298,548.60	3.14%
	9	35,079	2.4%	\$ 341,069	1,299	1.9%	\$ (90,265)	\$ 250,803.49	2.64%
	10	46,392	3.2%	\$ 451,064	1,731	2.5%	\$ (120,284)	\$ 330,780.20	3.48%
	11	65,524	4.5%	\$ 637,083	2,734	4.0%	\$ (189,981)	\$ 447,102.65	4.71%
	12	27,578	1.9%	\$ 268,143	770	1.1%	\$ (53,506)	\$ 214,637.59	2.26%
	13	5,259	0.4%	\$ 51,130	374	0.5%	\$ (25,989)	\$ 25,141.28	0.26%
		Subtotal	640,134	43.7%	\$ 6,223,988	28,780	42.1%	\$ (1,999,868)	\$ 4,224,119.24
	Total	1,465,605	100%	\$ 14,250,000	68,357	100%	\$ (4,750,000)	\$ 9,500,000.00	100.00%

Variables from Participating Jurisdictions (PJs) are not counted for HOME Program RAFs.

Total Sample Allocation: \$9,500,000
Weight of Need Variables: 150%
Weight of Availability Variables: -50%

Texas Department of Housing and Community Affairs
Draft Sample 2018 HTF Regional Allocation Formula

Table 1 - Raw Data

	Region	Individuals at or Below 200% Poverty	HH at or Below 200% Poverty	Cost-Burdened Owners	Cost-Burdened Renters	Over-crowded Owners	Over-crowded Renters	Total Units Lacking Plumbing	Total Units Lacking Kitchen	Vacant Units For Sale	Vacant Units For Rent	Land Area	Total Population	Inverse Population Density
MSA Counties with Urban Places	1	202,723	71,381	16,682	38,159	2,881	3,888	7,383	3,399	1,917	6,655	2,716	539,916	0.005
	2	101,948	35,897	8,220	17,062	1,078	1,553	5,561	4,537	1,532	4,405	2,472	286,370	0.009
	3	2,303,299	811,021	276,868	435,333	38,926	72,568	57,715	28,297	21,361	81,826	9,603	6,894,421	0.001
	4	185,100	65,176	15,915	27,620	3,163	2,722	7,971	5,576	2,439	5,499	2,663	473,981	0.006
	5	144,112	50,744	11,898	20,498	2,346	1,787	6,611	6,415	1,703	4,873	2,101	391,464	0.005
	6	2,193,304	772,290	238,850	386,460	42,002	68,313	59,045	40,960	21,071	82,324	7,612	6,317,767	0.001
	7	543,821	191,486	78,469	136,035	8,003	18,051	10,639	5,727	6,254	15,873	3,332	1,812,146	0.002
	8	344,558	121,323	26,518	66,336	3,280	5,758	12,944	6,934	4,511	17,562	4,438	869,164	0.005
	9	799,280	281,437	80,523	127,860	12,859	18,735	23,250	14,125	7,914	22,192	4,498	2,173,347	0.002
	10	203,455	71,639	16,581	33,714	3,821	5,812	9,993	6,772	1,943	5,171	2,666	532,521	0.005
	11	896,938	315,823	47,300	65,380	28,959	25,426	16,711	21,038	4,673	11,502	5,823	1,500,415	0.004
	12	129,691	45,666	11,372	20,353	3,267	3,380	5,706	4,686	1,127	2,858	4,235	421,155	0.010
	13	412,299	145,176	29,112	45,430	7,544	8,267	8,103	3,696	3,169	8,901	1,013	831,095	0.001
		Subtotal	8,460,528	2,979,059	858,308	1,420,240	158,129	236,260	231,632	152,162	79,614	269,641	53,171	23,043,762
Non-MSA Counties and Counties with Only Rural Places	1	132,223	46,557	7,002	9,569	2,714	2,647	10,912	7,388	1,341	2,961	36,633	318,806	0.115
	2	102,085	35,945	7,051	8,385	1,150	1,275	12,063	11,135	2,020	2,656	24,831	263,352	0.094
	3	97,537	34,344	8,973	12,218	1,941	1,362	5,671	3,716	2,137	2,125	5,417	250,366	0.022
	4	262,463	92,417	21,541	23,633	4,553	3,437	16,259	12,966	3,933	5,019	12,756	650,302	0.020
	5	161,472	56,856	10,171	16,213	2,471	2,001	11,482	9,828	2,607	3,395	9,910	380,090	0.026
	6	70,493	24,821	5,139	9,186	1,207	862	4,219	4,622	1,051	1,766	4,577	196,835	0.023
	7	65,717	23,140	8,558	6,212	1,362	904	4,758	3,378	1,361	1,475	5,105	192,651	0.026
	8	107,191	37,743	8,583	9,491	2,287	1,324	9,843	8,308	2,268	2,498	12,672	282,401	0.045
	9	75,742	26,670	8,354	6,724	2,255	1,685	5,003	4,268	1,633	1,299	6,857	221,949	0.031
	10	99,047	34,876	4,827	9,213	2,893	2,303	7,190	6,987	963	1,731	14,905	249,263	0.060
	11	153,200	53,944	6,245	8,570	4,529	3,010	6,095	6,410	1,064	2,734	18,214	275,449	0.066
	12	61,987	21,826	2,947	4,636	1,398	1,116	6,627	6,217	1,005	770	35,496	188,991	0.188
	13	11,964	4,213	597	886	275	160	1,319	1,072	305	374	20,687	24,397	0.848
		Subtotal	1,401,121	493,352	99,988	124,936	29,035	22,086	101,441	86,295	21,688	28,803	208,060	3,494,852
	Total	9,861,649	3,472,412	958,296	1,545,176	187,164	258,346	333,073	238,457	101,302	298,444	261,232	26,538,614	1.620

Texas Average HH Size: 2.84

Texas Department of Housing and Community Affairs
Draft Sample 2018 HTF Regional Allocation Formula

Table 2 - Weights

	Region	Total Need Variables	% of Total Need Variables	Weighted	Total Availability Variables	% of Total Availability Variables	Weighted	Regional Coverage Factor	% of Total Regional Coverage Factor	Weighted	Final Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	143,773	2.1%	\$ 61,679	8,572	2.1%	\$ (12,866)	0.005	0.3%	\$ 1,863	\$ 50,676	1.69%
	2	73,908	1.1%	\$ 31,707	5,937	1.5%	\$ (8,911)	0.009	0.5%	\$ 3,197	\$ 25,993	0.87%
	3	1,720,728	24.6%	\$ 738,201	103,187	25.8%	\$ (154,879)	0.001	0.1%	\$ 516	\$ 583,838	19.46%
	4	128,143	1.8%	\$ 54,974	7,938	2.0%	\$ (11,915)	0.006	0.3%	\$ 2,080	\$ 45,140	1.50%
	5	100,299	1.4%	\$ 43,029	6,576	1.6%	\$ (9,870)	0.005	0.3%	\$ 1,987	\$ 35,146	1.17%
	6	1,607,920	23.0%	\$ 689,806	103,395	25.9%	\$ (155,191)	0.001	0.1%	\$ 446	\$ 535,061	17.84%
	7	448,410	6.4%	\$ 192,370	22,127	5.5%	\$ (33,212)	0.002	0.1%	\$ 681	\$ 159,840	5.33%
	8	243,093	3.5%	\$ 104,288	22,073	5.5%	\$ (33,131)	0.005	0.3%	\$ 1,891	\$ 73,049	2.43%
	9	558,789	8.0%	\$ 239,723	30,106	7.5%	\$ (45,188)	0.002	0.1%	\$ 767	\$ 195,302	6.51%
	10	148,332	2.1%	\$ 63,635	7,114	1.8%	\$ (10,678)	0.005	0.3%	\$ 1,854	\$ 54,812	1.83%
	11	520,637	7.4%	\$ 223,356	16,175	4.0%	\$ (24,278)	0.004	0.2%	\$ 1,437	\$ 200,515	6.68%
	12	94,430	1.4%	\$ 40,511	3,985	1.0%	\$ (5,981)	0.010	0.6%	\$ 3,724	\$ 38,254	1.28%
	13	247,328	3.5%	\$ 106,105	12,070	3.0%	\$ (18,117)	0.001	0.1%	\$ 451	\$ 88,440	2.95%
	Subtotal	6,035,790	86.3%	\$ 2,589,385	349,255	87.4%	\$ (524,215)	0.056	3.5%	\$ 20,894	\$ 2,086,064	69.54%
Non-MSA Counties and Counties with Only Rural Places	1	86,789	1.2%	\$ 37,233	4,302	1.1%	\$ (6,457)	0.115	7.1%	\$ 42,554	\$ 73,330	2.44%
	2	77,004	1.1%	\$ 33,035	4,676	1.2%	\$ (7,018)	0.094	5.8%	\$ 34,918	\$ 60,935	2.03%
	3	68,225	1.0%	\$ 29,269	4,262	1.1%	\$ (6,397)	0.022	1.3%	\$ 8,013	\$ 30,885	1.03%
	4	174,806	2.5%	\$ 74,992	8,952	2.2%	\$ (13,437)	0.020	1.2%	\$ 7,264	\$ 68,820	2.29%
	5	109,022	1.6%	\$ 46,771	6,002	1.5%	\$ (9,009)	0.026	1.6%	\$ 9,656	\$ 47,418	1.58%
	6	50,056	0.7%	\$ 21,474	2,817	0.7%	\$ (4,228)	0.023	1.4%	\$ 8,612	\$ 25,858	0.86%
	7	48,312	0.7%	\$ 20,726	2,836	0.7%	\$ (4,257)	0.026	1.6%	\$ 9,813	\$ 26,282	0.88%
	8	77,579	1.1%	\$ 33,282	4,766	1.2%	\$ (7,154)	0.045	2.8%	\$ 16,618	\$ 42,746	1.42%
	9	54,959	0.8%	\$ 23,578	2,932	0.7%	\$ (4,401)	0.031	1.9%	\$ 11,441	\$ 30,618	1.02%
	10	68,289	1.0%	\$ 29,296	2,694	0.7%	\$ (4,044)	0.060	3.7%	\$ 22,145	\$ 47,397	1.58%
	11	88,803	1.3%	\$ 38,097	3,798	1.0%	\$ (5,701)	0.066	4.1%	\$ 24,489	\$ 56,885	1.90%
	12	44,767	0.6%	\$ 19,205	1,775	0.4%	\$ (2,664)	0.188	11.6%	\$ 69,556	\$ 86,098	2.87%
	13	8,522	0.1%	\$ 3,656	679	0.2%	\$ (1,019)	0.848	52.3%	\$ 314,026	\$ 316,663	10.56%
	Subtotal	957,133	13.7%	\$ 410,615	50,491	12.6%	\$ (75,785)	1.564	96.5%	\$ 579,106	\$ 913,936	30.46%
Total	6,992,924	100%	\$ 3,000,000	399,746	100%	\$ (600,000)	1.620	200.0%	\$ 600,000	\$ 3,000,000	100.00%	

Total Sample Allocation: \$3,000,000

Weight of Need Variables: 100%

Weight of Availability Variables: -20%

Weight of Regional Coverage Factor: 20%

Texas Department of Housing and Community Affairs
Draft Sample 2018 HOME SF Regional Allocation Formula

Table 1 - Raw Data

	Region	Individuals at or Below 200% Poverty	HH at or Below 200% Poverty	Cost-Burdened Owners	Cost-Burdened Renters	Over-crowded Owners	Over-crowded Renters	Total Units Lacking Plumbing	Total Units Lacking Kitchen	Vacant Units For Sale	Vacant Units For Rent	Land Area	Total Population	Inverse Population Density
MSA Counties with Urban Places	1	28,802	10,142	2,929	3,312	488	451	1,150	1,479	340	514	2,494	102,626	0.024
	2	17,958	6,323	2,214	1,435	132	124	1,827	1,825	419	512	2,293	59,218	0.039
	3	473,960	166,887	87,753	77,004	9,322	9,792	9,732	18,307	6,583	11,258	7,665	2,006,832	0.004
	4	107,315	37,787	10,570	11,988	1,985	1,508	4,732	5,662	1,645	2,185	2,557	293,597	0.009
	5	63,573	22,385	6,843	6,868	1,189	740	3,081	3,365	967	1,518	1,941	218,924	0.009
	6	123,750	43,574	15,489	16,386	2,962	2,005	4,186	4,808	1,750	3,437	2,606	419,776	0.006
	7	234,133	82,441	45,717	43,435	4,481	5,039	3,114	5,612	4,020	5,278	3,034	925,085	0.003
	8	137,091	48,271	13,010	19,221	1,360	2,152	4,269	7,923	2,601	6,151	4,202	423,041	0.010
	9	91,600	32,254	14,466	11,323	1,976	2,033	2,675	3,351	1,249	2,041	3,258	347,783	0.009
	10	82,547	29,066	6,597	10,791	1,672	2,562	3,820	5,326	957	2,134	2,508	216,008	0.012
	11	115,314	40,604	5,014	5,450	3,801	2,966	4,308	3,041	913	2,867	3,991	185,055	0.022
	12	58,170	20,482	6,211	8,015	1,912	1,547	2,324	2,722	515	1,112	4,136	212,230	0.019
	13	92,772	32,666	5,291	4,679	2,889	1,763	1,470	2,207	450	570	757	154,770	0.005
		Subtotal	1,626,985	572,882	222,104	219,907	34,169	32,682	46,688	65,628	22,409	39,577	41,442	5,564,945
Non-MSA Counties and Counties with Only Rural Places	1	132,223	46,557	7,002	9,569	2,714	2,647	7,388	10,912	1,341	2,961	36,633	318,806	0.115
	2	102,085	35,945	7,051	8,385	1,150	1,275	11,135	12,063	2,020	2,656	24,831	263,352	0.094
	3	97,537	34,344	8,973	12,218	1,941	1,362	3,716	5,671	2,137	2,125	5,417	250,366	0.022
	4	261,964	92,241	21,487	23,568	4,553	3,437	12,942	16,235	3,933	4,996	12,753	647,768	0.020
	5	161,472	56,856	10,171	16,213	2,471	2,001	9,828	11,482	2,607	3,395	9,910	380,090	0.026
	6	70,493	24,821	5,139	9,186	1,207	862	4,622	4,219	1,051	1,766	4,577	196,835	0.023
	7	65,717	23,140	8,558	6,212	1,362	904	3,378	4,758	1,361	1,475	5,105	192,651	0.026
	8	107,191	37,743	8,583	9,491	2,287	1,324	8,308	9,843	2,268	2,498	12,672	282,401	0.045
	9	75,742	26,670	8,354	6,724	2,255	1,685	4,268	5,003	1,633	1,299	6,857	221,949	0.031
	10	99,047	34,876	4,827	9,213	2,893	2,303	6,987	7,190	963	1,731	14,903	249,263	0.060
	11	153,200	53,944	6,245	8,570	4,529	3,010	6,410	6,095	1,064	2,734	18,214	275,449	0.066
	12	61,987	21,826	2,947	4,636	1,398	1,116	6,217	6,627	1,005	770	35,496	188,991	0.188
	13	11,964	4,213	597	886	275	160	1,072	1,319	305	374	20,687	24,397	0.848
		Subtotal	1,400,622	493,177	99,934	124,871	29,035	22,086	86,271	101,417	21,688	28,780	208,054	3,492,318
	Total	3,027,607	1,066,059	322,038	344,778	63,204	54,768	132,959	167,045	44,097	68,357	249,496	9,057,263	1.735

Variables from Participating Jurisdictions (PJs) are not counted for HOME Program RAFs.

Texas Average HH Size: 2.84

Texas Department of Housing and Community Affairs
Draft Sample 2018 HOME SF Regional Allocation Formula

Table 2 - Weights

	Region	Total Need Variables	% of Total Need Variables	Weighted	Total Availability Variables	% of Total Availability Variables	Weighted	Regional Coverage Factor	% of Total Regional Coverage Factor	Weighted	Initial Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	19,951	0.9%	\$ 92,757	854	0.8%	\$ (15,188)	0.024	1.4%	\$ 28,017	\$ 105,585	1.06%
	2	13,880	0.6%	\$ 64,534	931	0.8%	\$ (16,558)	0.039	2.2%	\$ 44,646	\$ 92,622	0.93%
	3	378,797	17.6%	\$ 1,761,151	17,841	15.9%	\$ (317,303)	0.004	0.2%	\$ 4,404	\$ 1,448,252	14.48%
	4	74,232	3.5%	\$ 345,128	3,830	3.4%	\$ (68,117)	0.009	0.5%	\$ 10,040	\$ 287,052	2.87%
	5	44,471	2.1%	\$ 206,759	2,485	2.2%	\$ (44,196)	0.009	0.5%	\$ 10,222	\$ 172,786	1.73%
	6	89,410	4.2%	\$ 415,696	5,187	4.6%	\$ (92,251)	0.006	0.4%	\$ 7,158	\$ 330,603	3.31%
	7	189,839	8.8%	\$ 882,624	9,298	8.3%	\$ (165,365)	0.003	0.2%	\$ 3,781	\$ 721,040	7.21%
	8	96,206	4.5%	\$ 447,295	8,752	7.8%	\$ (155,655)	0.010	0.6%	\$ 11,453	\$ 303,093	3.03%
	9	68,078	3.2%	\$ 316,514	3,290	2.9%	\$ (58,513)	0.009	0.5%	\$ 10,802	\$ 268,804	2.69%
	10	59,834	2.8%	\$ 278,187	3,091	2.7%	\$ (54,974)	0.012	0.7%	\$ 13,387	\$ 236,600	2.37%
	11	65,184	3.0%	\$ 303,059	3,780	3.4%	\$ (67,227)	0.022	1.2%	\$ 24,869	\$ 260,701	2.61%
	12	43,213	2.0%	\$ 200,913	1,627	1.4%	\$ (28,936)	0.019	1.1%	\$ 22,471	\$ 194,448	1.94%
	13	50,965	2.4%	\$ 236,954	1,020	0.9%	\$ (18,141)	0.005	0.3%	\$ 5,643	\$ 224,456	2.24%
	Subtotal	1,194,060	55.5%	\$ 5,551,571	61,986	55.1%	\$ (1,102,424)	0.171	9.8%	\$ 196,896	\$ 4,646,042	46.46%
Non-MSA Counties and Counties with Only Rural Places	1	86,789	4.0%	\$ 403,512	4,302	3.8%	\$ (76,511)	0.115	6.6%	\$ 132,491	\$ 459,492	4.59%
	2	77,004	3.6%	\$ 358,018	4,676	4.2%	\$ (83,163)	0.094	5.4%	\$ 108,717	\$ 383,573	3.84%
	3	68,225	3.2%	\$ 317,200	4,262	3.8%	\$ (75,800)	0.022	1.2%	\$ 24,948	\$ 266,349	2.66%
	4	174,463	8.1%	\$ 811,134	8,929	7.9%	\$ (158,803)	0.020	1.1%	\$ 22,700	\$ 675,031	6.75%
	5	109,022	5.1%	\$ 506,880	6,002	5.3%	\$ (106,746)	0.026	1.5%	\$ 30,062	\$ 430,197	4.30%
	6	50,056	2.3%	\$ 232,729	2,817	2.5%	\$ (50,100)	0.023	1.3%	\$ 26,814	\$ 209,442	2.09%
	7	48,312	2.2%	\$ 224,617	2,836	2.5%	\$ (50,438)	0.026	1.5%	\$ 30,552	\$ 204,731	2.05%
	8	77,579	3.6%	\$ 360,691	4,766	4.2%	\$ (84,764)	0.045	2.6%	\$ 51,740	\$ 327,668	3.28%
	9	54,959	2.6%	\$ 255,521	2,932	2.6%	\$ (52,146)	0.031	1.8%	\$ 35,622	\$ 238,997	2.39%
	10	68,289	3.2%	\$ 317,496	2,694	2.4%	\$ (47,913)	0.060	3.4%	\$ 68,936	\$ 338,519	3.39%
	11	88,803	4.1%	\$ 412,872	3,798	3.4%	\$ (67,548)	0.066	3.8%	\$ 76,246	\$ 421,570	4.22%
	12	44,767	2.1%	\$ 208,138	1,775	1.6%	\$ (31,568)	0.188	10.8%	\$ 216,562	\$ 393,132	3.93%
	13	8,522	0.4%	\$ 39,620	679	0.6%	\$ (12,076)	0.848	48.9%	\$ 977,713	\$ 1,005,257	10.05%
	Subtotal	956,791	44.5%	\$ 4,448,429	50,468	44.9%	\$ (897,576)	1.564	90.2%	\$ 1,803,104	\$ 5,353,958	53.54%
	Total	2,150,851	100%	\$ 10,000,000	112,454	100%	\$ (2,000,000)	1.735	200.0%	\$ 2,000,000	\$ 10,000,000	100.00%

Variables from Participating Jurisdictions (PJs) are not counted for HOME Program RAFs.

Total Sample Allocation: \$10,000,000
Weight of Need Variables: 100%
Weight of Availability Variables: -20%
Weight of Regional Coverage Factor: 20%

Texas Department of Housing and Community Affairs
Draft Sample 2018 HOME SF Regional Allocation Formula

Table 3 - Supplemental Allocation

	Region	Initial Subregion Amount	Supplemental Amount Needed to Reach Subregion Floor	Final Subregion Allocation	% of Total Award
MSA Counties with Urban Places	1	\$ 105,584.88	\$ -	\$ 105,584.88	1.06%
	2	\$ 92,622.07	\$ 7,377.93	\$ 100,000.00	1.00%
	3	\$ 1,448,251.90	\$ -	\$ 1,448,251.90	14.47%
	4	\$ 287,052.10	\$ -	\$ 287,052.10	2.87%
	5	\$ 172,785.59	\$ -	\$ 172,785.59	1.73%
	6	\$ 330,603.13	\$ -	\$ 330,603.13	3.30%
	7	\$ 721,039.77	\$ -	\$ 721,039.77	7.21%
	8	\$ 303,093.38	\$ -	\$ 303,093.38	3.03%
	9	\$ 268,803.96	\$ -	\$ 268,803.96	2.69%
	10	\$ 236,600.34	\$ -	\$ 236,600.34	2.36%
	11	\$ 260,701.09	\$ -	\$ 260,701.09	2.61%
	12	\$ 194,447.97	\$ -	\$ 194,447.97	1.94%
	13	\$ 224,455.98	\$ -	\$ 224,455.98	2.24%
	Subtotal	\$ 4,646,042.16	\$ 7,377.93	\$ 4,653,420.09	46.50%
Non-MSA Counties and Counties with Only Rural Places	1	\$ 459,491.86	\$ -	\$ 459,491.86	4.59%
	2	\$ 383,572.75	\$ -	\$ 383,572.75	3.83%
	3	\$ 266,348.65	\$ -	\$ 266,348.65	2.66%
	4	\$ 675,031.40	\$ -	\$ 675,031.40	6.75%
	5	\$ 430,196.58	\$ -	\$ 430,196.58	4.30%
	6	\$ 209,442.05	\$ -	\$ 209,442.05	2.09%
	7	\$ 204,731.05	\$ -	\$ 204,731.05	2.05%
	8	\$ 327,667.69	\$ -	\$ 327,667.69	3.27%
	9	\$ 238,996.71	\$ -	\$ 238,996.71	2.39%
	10	\$ 338,519.43	\$ -	\$ 338,519.43	3.38%
	11	\$ 421,570.45	\$ -	\$ 421,570.45	4.21%
	12	\$ 393,131.77	\$ -	\$ 393,131.77	3.93%
	13	\$ 1,005,257.46	\$ -	\$ 1,005,257.46	10.05%
	Subtotal	\$ 5,353,957.84	\$ -	\$ 5,353,957.84	53.50%
Total	\$ 10,000,000.00	\$ 7,377.93	\$ 10,007,377.93	100.00%	

Variables from Participating Jurisdictions (PJs) are not counted for HOME Program RAFs.

Subregion Allocation Floor: \$100,000.00

1i

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
MAY 25, 2017

Presentation, discussion, and possible action to approve a material amendment to the Housing Tax Credit (“HTC”) Land Use Restriction Agreement (“LURA”) for McMullen Square Apartments (HTC #01165)

RECOMMENDED ACTION

WHEREAS, McMullen Square Apartments (the “Development”) received a 9% HTC award in 2001 to acquire and rehabilitate 100 multifamily units in San Antonio, Bexar County;

WHEREAS, the HTC application for the Development received points and/or other preferences for agreeing to provide a Right of First Refusal (“ROFR”) to purchase the Development, and the LURA requires a two-year ROFR period;

WHEREAS, in Spring 2015 the Texas Legislature amended Tex. Gov’t Code §2306.6725 and §2306.6726 to allow, among other things, for a 180-day ROFR period and to permit a Qualified Entity to purchase a property under ROFR, and defined a Qualified Entity to mean an entity described by, or an entity controlled by an entity described by, §42(i)(7)(A), Internal Revenue Code of 1986;

WHEREAS, the Development Owner requests to amend the LURA for the Development to incorporate changes made to Tex. Gov’t Code §2306.6725 and §2306.6726;

WHEREAS, 10 TAC §10.405(b)(2) allows for an owner to request a material LURA amendment, and the Owner has complied with the procedural amendment requirements in 10 TAC §10.405(b) to place this request before the Board;

NOW, therefore, it is hereby

RESOLVED, that the material LURA amendment for McMullen Square Apartments is approved as presented to this meeting and the Executive Director and his designees are hereby, authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

McMullen Square Apartments received an award of 9% HTC in 2001 for the acquisition and rehabilitation of 100 multifamily units in San Antonio, Bexar County. In a letter dated April 19, 2017, the Development Owner (McMullen Square Affordable Housing, L.P.) through its General Partner (Preservation Partners of San Antonio, Inc., Dan O’Dea, President) requested approval to amend the LURA related to the ROFR provision.

The additional use restrictions in the current LURA require, among other things, a two-year ROFR to sell the Development based on a set order of priority to a community housing development organization (as defined for purposes of the federal HOME Investment Partnership Program at 24 CFR Part 92), to a qualified nonprofit organization (as defined in Internal Revenue Code §42(h)(5)(C)), or to a tenant organization if at any time after the fifteenth year of the Compliance Period the owner decides to sell the property.

The General Partner requests to amend the LURA to replace the two-year ROFR period with a 180-day ROFR period, which would also permit re-syndication and sale to a Qualified Entity. The property is past its fifteenth year of the Compliance Period, and the partners in the Partnership are positioning themselves to transfer their partnership interest.

In 2015, the Texas Legislature passed HB 3576 which amended Tex. Gov't Code §2306.6725 to allow for a 180-day ROFR period and §2306.6726 to allow for a Qualified Entity to purchase a development under a ROFR provision of the LURA and satisfy the ROFR requirement. Additionally, §2306.6726, as amended by HB 3576, defines Qualified Entity to mean an entity described by, or an entity controlled by an entity described by, §42(i)(7)(A) of the Internal Revenue Code of 1986. The Department's 2017 Uniform Multifamily Rules, Subchapter E, §10.407 implemented administrative procedures to allow a Development Owner to conform to the new ROFR provisions described in the amended statute.

The Development Owner must comply with the amendment and notification requirements under the Department's rule at Tex. Gov't Code §2306.6712 and 10 TAC §10.405(b). The Development Owner held a public hearing on the matter on April 26 2017, at 5:30 pm at the Development's management office/clubhouse. No negative public comment was received regarding the requested amendment.

Staff recommends approval of the request to amend the LURA to incorporate changes made to Tex. Gov't Code §2306.6725 and §2306.6726 related to ROFR.



Asset Management Division

Amendment Request Form

Completed forms and supporting materials can be emailed to asset.management@tdhca.state.tx.us

TYPE OF AMENDMENT REQUESTED

Date Submitted: 4/19/2017

Amendment Requested: *LURA Amendment*

Has the change been implemented? *No*

Award Stage: *Compliance Period (After 8609s)*

NOTE: Material Application or LURA Amendment requests must be received 45 days before the Board Meeting.

Contact your Asset Manager if you are unsure what type of Amendment to request: <https://www.tdhca.state.tx.us/asset-management/contacts.htm>

DEVELOPMENT INFORMATION

Dev. Name: McMullen Square Apartments

File No. / CMTS No.: 01165 /

CONTACT INFORMATION

Request Submitted By: Cynthia Bast /Rebecca Rizo

Phone #/Email: (512) 305-4707 / (512) 305-4781

SECTION 1: COVER LETTER

A cover letter **MUST** be submitted with your request. Review your cover letter to ensure it includes:

- The change(s) requested The reason the change is necessary The good cause for the change
 An explanation of whether the amendment was reasonably foreseeable or preventable at the time of Application

SECTION 2: REQUIRED DOCUMENTATION

Entering an Amendment conveys to the Department that representations in the Application have changed. You **MUST** provide information about any and all changes made from the time of Application (or as last approved by the Department) in your request, including any items that will be impacted by the requested change. Failure to represent or properly document all changes may result in delays, denials, or a request for re-submission. The following is attached:

- Revised Development Financing Exhibits – if sources, terms, conditions, or amounts of financing will be impacted or changed by your amendment request, revised Application exhibits and term sheets (or executed Loan documents and LPA, if the loan has closed) must be submitted
- Signed Statement of No Financial Impact – if no sources, terms, conditions, or amount of financing will be impacted or changed by your amendment request, the Owner must sign and submit a statement to this effect
- Revised Application Exhibits/Documents Reflecting or Supporting All Requested Changes – revised site plans, surveys, Building and Unit Configuration exhibit, etc.
- Material Amendment fee of \$2,500 for first amendments, \$3,000 for second amendments, \$3,500 for third or more. (Applicable to Non-Material Amendments only if changes have been implemented prior to Amendment approval) – *N/A for Developments only funded by a Direct Loan program (HOME, NSP, HTF)*

SECTION 3A: MATERIAL APPLICATION AMENDMENT ITEMS

Check all items that have been modified from the original application (see *Subchapter E, §10.405(a)(3)*):

- Site plan Scope of tenant services Exclusion of reqs in Subchapters B & C
- Number of units* Reduction of 3%+ in unit sq ft Other
- Bedroom mix Reduction of 3%+ common area
- Architectural design Residential density (5%+ change)

If "Number of units" is selected above and the total LI units or LI units at any rent or income level will be reduced, also:

- Written confirmation from the lender *and* syndicator that the development is infeasible without the adjustment in units
- Evidence supporting the need for the adjustment in units

*NOTE: *The approved amendment may carry a penalty in accordance with §10.405(a)(6)(b).*

SECTION 3B: MATERIAL LURA AMENDMENT ITEMS

Check all items that require a material LURA amendment (see Subchapter E, *§10.405(b)(2)*):

- Reductions in the number of LI units Change in Target Population
- Changes to income or rent restrictions Removal of Non-profit Other
- Change in ROFR period or other ROFR provisions

The following additional items are attached for consideration or will be forthcoming:

- Draft Notice of Public Hearing* Evidence of public hearing*

*NOTE: *Draft Notices of Public Hearing must be provided with the Amendment materials 45 days prior to the Board meeting. *The Public Hearing must be held at least 15 business days prior to the Board meeting and evidence in the form of attendance sheets and a summary of comments made must be submitted to TDHCA within 3 days of the hearing.*

SECTION 4A: NON-MATERIAL APPLICATION AMENDMENT SUMMARY

Identify all non-material changes that have been or will be made (Contact your Asset Manager if you are unsure of whether your request is non-material):

n/a

- Amendment is requesting a change in Developer(s) or Guarantor(s) and Previous Participation forms are attached.

SECTION 4B: NON-MATERIAL LURA AMENDMENT SUMMARY

Identify non-material amendments requested to the LURA:

n/a

SECTION 4C: NOTIFICATION ITEM SUMMARY

Identify any notification items from the time of application:

n/a

McMullen Square Affordable Housing, L.P.
300 Beardsley Lane, Suite C204
Austin, Texas 78746

April 19, 2017

VIA HAND DELIVERY

Dee Patience
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

Re: TDHCA File No. 01165 McMullen Square Apartments (the "**Property**")

Dear Ms. Patience:

The undersigned, being the General Partner (herein so called) of McMullen Square Affordable Housing, L.P., a Texas limited partnership (the "**Partnership**") and the current owner of the Property, hereby submits this letter as a request for a material LURA amendment in accordance with Section 10.405(b) of the Rules for the reasons set forth below.

Background Information and Request

In 2015, Texas Government Code Section 2306.6726 was amended to allow for a 180-day Right of First Refusal ("**ROFR**") period, resyndication, and the sale to qualified entities. Currently, the LURA for this Property requires a two-year ROFR period. Section 10.405(b)(2)(F) of the Rules allows for a LURA amendment in order to conform a ROFR to the provisions in Section 2306.6726. Therefore the General Partner, acting on behalf of the Partnership, requests a LURA amendment to eliminate the two-year ROFR period and replace it with the 180-day ROFR period, also permitting resyndication and sale to qualified entities.


LURA Amendment

In accordance with Section 10.405(b) of the Rules, the General Partner, acting on behalf of the Partnership, is delivering a fee in the amount of \$2500. In addition, the General Partner, acting on behalf of the Partnership, commits to hold a public hearing, as required by the Rules, and to notify all residents, investors, lenders, and appropriate elected officials. Drafts of the public hearing notices are attached for your consideration. Upon approval from TDHCA, the General Partner, acting on behalf of the Partnership, will proceed to set a date and time for the Public Hearing and will provide TDHCA with evidence that the notice has been delivered and the hearing has been conducted. With that, the General Partner, acting on behalf of the Partnership, requests staff recommendation, in support of this request, to be considered at the next available TDHCA Board meeting.

Thank you very much for your assistance. Please do not hesitate to contact us if you require any additional information.

Sincerely,

Preservation Partners of San Antonio, Inc.,
a Texas corporation

By: 

Daniel F. O'Dea, President

**McMullen Square Affordable Housing, L.P.
300 Beardsley Lane, Suite C204
Austin, Texas 78746**

April 24, 2017

Dear Resident:

The McMullen Square Apartments (the “**Community**”) is owned by McMullen Square Affordable Housing, L.P. (the “**Owner**”). In order to help finance the construction and development of the Community, the Owner received federal funding through the Texas Department of Housing and Community Affairs (the “**Department**”) (Phone: 512-475-3800; Website: www.tdhca.state.tx.us).

A contractual restriction imposed by the Department mandates that if the Owner decides to sell the Community at a certain time, the Owner will offer the Community for sale to a non-profit organization or a tenant organization for a period of up to two years and permitting the Owner to transfer the Community to certain kinds of entities in the right of first refusal process. To be consistent with a change in Texas law, the Owner is requesting Department approval to change the two-year period to a 180-day period.

In making its decision whether to approve Owner’s request, the Department considers the opinions and views of the members of the Community. Accordingly, there will be a public meeting to discuss this matter and we invite you to attend. The public meeting is your opportunity to discuss the amendment request and voice your concerns. The public hearing will take place at the Community’s management office/clubhouse on **April 26, 2017 at 5:30 p.m.** Information from this meeting will be submitted for consideration by the Texas Department of Housing and Community Affairs Governing Board at their **June 8, 2017** meeting.

Please note that this proposal would not affect your current lease agreement, your rent payment, or your security deposit. You would **not** be required to move out of your home or take any other action because of this change. If the Department approves Owner’s request, the Community will not change at all from its current form.

If you are unable to attend the public hearing and would like to submit your concerns in writing to the Department, please send your comments via email to asset.management@tdhca.state.tx.us or you may mail them to:

Texas Department of Housing and Community Affairs
Asset Management Division
221 East 11th Street
Austin, Texas 78701


We appreciate that McMullen Square Apartments is your home and we invite you to attend and give your input on this proposal.

Thank you for choosing McMullen Square Apartments as your home.

Sincerely,

McMullen Square Affordable Housing, L.P.,
a Texas limited partnership

By: Preservation Partners of San Antonio, Inc.,
a Texas corporation,
its general partner

By: 
Daniel F. O'Dea, President

**McMullen Square Affordable Housing, L.P.
300 Beardsley Lane, Suite C204
Austin, Texas 78746**

April 24, 2017

Hunt Mortgage Group
11501 Outlook Street
Suite 300
Overland Park, KS 66211

To Whom It May Concern:

McMullen Square Affordable Housing, L.P. (the “**Owner**”) is the owner of McMullen Square Apartments (the “**Community**”) which is located at 537 North General McMullen Drive, San Antonio, Texas 78228. In order to help finance the construction and development of the Community, the Owner received federal funding through the Texas Department of Housing and Community Affairs (the “**Department**”).

A contractual restriction imposed by the Department mandates that if the Owner decides to sell the Community at a certain time, the Owner will offer the Community for sale to a non-profit organization or a tenant organization for a period of up to two years and permitting the Owner to transfer the Community to certain kinds of entities in the right of first refusal process. To be consistent with a change in Texas law, the Owner is requesting Department approval to change the two-year period to a 180-day period.

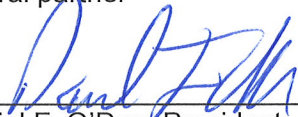
In making its decision whether to approve Owner’s request, the Department considers the opinions and views of the members of the Community. Accordingly, there will be a public meeting to discuss this matter and we invite you to attend. The public meeting is your opportunity to discuss the amendment request and voice your concerns. The public hearing will take place at the Community’s management office/clubhouse on **April 26, 2017 at 5:30 p.m.** Information from this meeting will be submitted for consideration by the Texas Department of Housing and Community Affairs Governing Board at their next board meeting.

We invite you or one of your staff to attend and give your input on this proposal.

Sincerely,

McMullen Square Affordable Housing, L.P.,
a Texas limited partnership

By: Preservation Partners of San Antonio, Inc.,
a Texas corporation,
its general partner

By:  _____
Daniel F. O'Dea, President

**McMullen Square Affordable Housing, L.P.
300 Beardsley Lane, Suite C204
Austin, Texas 78746**

April 24, 2017

Ross Hardin
Alden Torch Financial, LLC
Capital Transactions
1225 17th Street, Suite 1400
Denver, CO 80202

Dear Mr. Hardin:

McMullen Square Affordable Housing, L.P. (the “**Owner**”) is the owner of McMullen Square Apartments (the “**Community**”) which is located at 537 North General McMullen Drive, San Antonio, Texas 78228. In order to help finance the construction and development of the Community, the Owner received federal funding through the Texas Department of Housing and Community Affairs (the “**Department**”).

A contractual restriction imposed by the Department mandates that if the Owner decides to sell the Community at a certain time, the Owner will offer the Community for sale to a non-profit organization or a tenant organization for a period of up to two years and permitting the Owner to transfer the Community to certain kinds of entities in the right of first refusal process. To be consistent with a change in Texas law, the Owner is requesting Department approval to change the two-year period to a 180-day period.

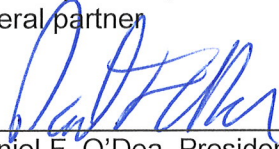
In making its decision whether to approve Owner’s request, the Department considers the opinions and views of the members of the Community. Accordingly, there will be a public meeting to discuss this matter and we invite you to attend. The public meeting is your opportunity to discuss the amendment request and voice your concerns. The public hearing will take place at the Community’s management office/clubhouse on **April 26, 2017 at 5:30 p.m.** Information from this meeting will be submitted for consideration by the Texas Department of Housing and Community Affairs Governing Board at their next board meeting.

We invite you or one of your staff to attend and give your input on this proposal.

Sincerely,

McMullen Square Affordable Housing, L.P.,
a Texas limited partnership

By: Preservation Partners of San Antonio, Inc.,
a Texas corporation,
its general partner

By:  _____
Daniel F. O'Dea, President

McMullen Square Resident Meeting

April 26, 2017

5:30PM

Resident Name

Apartment #

Rosalba Mancha

C-2

C-1065

C-8

Rosa Blanca Grimaldi

J2

Regional Manager, Carissa Rex and Manager, Pedro Flores greeted residents. We asked attendees to sign in and waited until 5:35PM to begin the meeting.

Carissa Rex explained the purpose of the meeting was to let the residents know that the Owner of the community is currently seeking approval to change the 2-year period to a 180-day period for offering the Community for sale to a non-profit organization or tenant organization.

She explained that if there are any concerns, they could discuss them at this point.

Ms. Robledo asked if this change would affect any of the residents. Ms. Rex explained that nothing concerning their residency would be affected. She stated their lease agreements, rent payments, and deposits would remain the same.

Ms. Robledo asked if we would still maintain the property as far as repairs and spoke of some of the repairs that she felt needed to be done on the property and Ms. Rex reassured her that we would continue to make necessary repairs on property.

Ms. Rex asked if anyone had any other questions and Ms. Grimaldi asked what happens if Congress stopped funding HUD. Mr. Flores indicated that we did not have the answer to that question at this time.

Ms. Rex and Mr. Flores reassured the residents that everything with their lease agreements would remain intact. Ms. Rex asked again if there were any other questions or concerns and there were none at this time.

Meeting adjourned at 5:58PM

TDHCA #: 01165

DECLARATION OF LAND USE RESTRICTIVE COVENANTS FOR LOW-INCOME HOUSING CREDITS

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS FOR LOW-INCOME HOUSING TAX CREDITS (this "Declaration"), dated as of December 16, 2002, is made by and between McMullen Square Affordable Housing, L.P. (together with its successors and assigns, the "Project Owner") and The Texas Department of Housing & Community Affairs, an instrumentality of the State of Texas and a public corporation (together with any successor to its rights, duties and obligations, the "Department"), and is given by Project Owner as a condition precedent to **[the determination that the Project, as defined herein, satisfies the requirements of the State of Texas's Qualified Allocation Plan]** the allocation of low-income housing tax credits (the "Tax Credits"), pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto (the "Code"), by the Department. This Declaration incorporates the extended low-income housing commitment required by Section 42(h)(6) of the Code and is promulgated in accordance with the provisions of Chapter 2306, Tex. Gov. Code, (the "Act"), as may be amended from time to time.

WITNESSETH:

WHEREAS, the Project Owner is or shall be the Project Owner of a low income rental housing development, known as or to be known as McMullen Square Apartments (the "Project Improvements"), on real property located in the City of San Antonio County of Bexar, State of Texas, more particularly described in Exhibit A hereto (the "Project Land") (the Project Improvements and the Project Land being collectively referred to herein as the "Project");

WHEREAS, the Department has been designated by the Governor of the State of Texas as the housing credit agency for the State of Texas for the allocation of Tax Credits;

WHEREAS, the Project Owner has applied to the Department for an allocation of Tax Credits to the Project in an amount not to exceed \$ 256,986 Tax Credit dollars annually;

WHEREAS, the Project Owner has represented to the Department in the Project Owner's Low-Income Housing Tax Credit Application (the "Application"), authorized by the Department's Low-Income Rental Housing Tax Credit Rules (the "Department Rules"), that the Project Owner shall lease 75 % of the units in the Project to individuals or families whose income is 60 % or less of the area median gross income (including adjustments for family size), as more specifically provided herein;

WHEREAS, the Department has determined that the Project would support an annual allocation of Tax Credits in the amount of \$ 231,049;

WHEREAS, the Project Owner has represented to the Department in the Application that it will impose additional rent and occupancy restrictions as shown in Appendix A of this document (Check box if applicable) ;

WHEREAS, the Project Owner is subject to the regulatory powers of the Department and other terms and conditions of chapter 2306, Tex. Gov. Code;

WHEREAS, the Code requires as a condition precedent to the allocation of Tax Credits that the Project Owner execute, deliver and record in the real property records of the county in which the Project is located this Declaration in order to create certain covenants running with the land for the purpose of enforcing the requirements of Section 42 of the Code by regulating and restricting the use, occupancy and transfer of the Project as set forth herein; and

WHEREAS, the Project Owner, under this Declaration, intends, declares and covenants that the regulatory and restrictive covenants set forth herein governing the use, occupancy and transfer of the Project shall be and are covenants running with the Project Land for the Term stated herein, are binding upon all subsequent owners and operators of the Project during such Term, and are not merely personal covenants of the Project Owner.

NOW, THEREFORE, in consideration of the premises set forth above, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Project Owner and the Department agree as follows:

SECTION 1 - DEFINITIONS

(a) Unless the context otherwise requires, and in addition to those terms defined in the recitals set forth above, capitalized terms used in this Declaration shall have the following meanings:

"Act" means the Texas Government Code, Chap. 2306, as amended or any corresponding provision or provisions of succeeding law as it or they may be amended from time to time.

"Area Median Gross Income" means the median gross income of the area in which the Project is located as determined by the Secretary of Housing and Urban Development for purposes of Section 42 of the Code, including adjustments for family size.

"Assumption Agreement" shall have the meaning assigned in Section 3(i) hereof.

"Board" means the governing Board of the Department.

"Compliance Period" means the period of 15 consecutive taxable years beginning with the first taxable year of the Credit Period, unless a longer period shall be elected at Appendix A hereto.

"Credit Period" means, with respect to any building in the Project, the period of ten taxable years beginning with the taxable year in which such building is placed in service or (at the election of the Owner) the following taxable year.

"Department Compliance Monitoring Procedures" means those procedures and requirements adopted or imposed by the Department, and modified by the Department from time to time, for the purpose of discharging its responsibilities pursuant to Section 42(m)(1)(B)(iii) of the Code to monitor compliance by the Project Owner and the Project with the provisions of Section 42 of the Code and to notify the Service of instances of noncompliance.

"Extended Use Period" means the period beginning with the first day of the Compliance Period and ending on the date which is 15 years after the end of the Compliance Period, unless a later date shall be set forth at Appendix A hereto or unless terminated earlier in accordance with Section 5 hereof.

"Gross Rent" means all amounts paid by a Tenant for rent, determined in a manner consistent with Section 42(g)(2) of the Code. If the Tenant pays utilities directly, Gross Rent shall include any utility allowance prescribed by the Secretary.

"Income" means the income of a Tenant determined in a manner consistent with the requirements of Section 142(d)(2)(B) of the Code.

"Low-Income" means, with respect to any Tenant, an income level not exceeding 50% or 60% of Area Median Gross Income, adjusted for family size, as provided in Section 4 hereof, unless an alternative income level shall be set forth at Appendix A hereto.

"Low-Income Tenant" means a Tenant who, when the Tenant originally occupied the Unit, had an Income qualifying as Low-Income. For so long as the Tenant occupies the particular Unit, the Tenant will remain a Low-Income Tenant if the Tenant's Income, upon the most recent income certification, does not exceed 140% of the applicable Low-Income level.

"Low-Income Unit" means a Unit in the Project that is occupied by a Low-Income Tenant, is Rent-Restricted and meets the other requirements of Section 42 of the Code, in particular, Section 42(i)(3).

"Minimum Applicable Fraction" means the percentage with respect to a building in the Project, calculated as the lesser of the percentage of Units in such building which are Low-Income Units or the percentage of floor space of all Units in such building which is in Low-Income Units, all calculated as required pursuant to Section 42(c)(1) of the Code, which serves as the basis for the Department's allocation of Tax Credits to the building as provided in Section 4(c) hereof.

"Rent-Restricted" means, with respect to any Unit, that the Gross Rent with respect to such Unit is not more than 30% of the imputed income limitation applicable to such Unit pursuant to Section 42(g)(2)(C) of the Code.

"Secretary" means the Secretary of the Treasury of the United States.

"Service" means the United States Internal Revenue Service and any successor thereto.

"State" means the State of Texas.

"Tenant" means the individual or individuals entitled to occupy a Unit in the Project by lease or other legal relationship with the Project Owner.

"Term" shall have the meaning set out in Section 5 hereof.

"Unit" means any residential rental unit in the Project consisting of an accommodation containing separate and complete physical facilities and fixtures for living, sleeping, eating, cooking, and sanitation; provided, however, that single room occupancy housing used on a nontransient basis may be treated as one or more Units.

(b) Any term or phrase which is used in this Declaration and not defined herein shall have the meaning, if any, assigned thereto in Section 42 of the Code, and if no meaning is assigned thereto in Section 42 of the Code, the meaning, if any, assigned in the Department Rules. Any term or phrase which is defined herein shall, unless the context shall clearly indicate otherwise, be interpreted in a manner consistent with the provisions and requirements of Section 42 of the Code.

SECTION 2 - RECORDING AND FILING; COVENANTS TO RUN WITH THE LAND

(a) The Project Owner shall cause this Declaration and all amendments hereto to be recorded and filed in the official public land deed records of the county in which the Project is located, and shall pay all fees and charges incurred in connection therewith. Upon recording, the Project Owner shall immediately transmit to the Department an executed original of the recorded Declaration showing the date, deed book and page numbers of record. The Project Owner agrees that the Department will not issue the Internal Revenue Service Form 8609, evidencing final allocation of the Tax Credits, unless and until the Department has received the recorded executed original of the Declaration.

(b) The Project Owner intends, declares and covenants, on behalf of itself and all future owners and operators of the Project during the Term of this Declaration, that this Declaration and the covenants and restrictions set forth in this Declaration regulating and restricting the use, occupancy and transfer of the Project (i) shall be and are covenants running with the Project Land, encumbering the Project Land for the Term of this Declaration and binding upon the Project Owner's successors in title and all subsequent owners and operators of the Project Land, and (ii) shall bind the Project Owner (and the benefits shall inure to the Department and any past, present or prospective Tenant of the Project) and its respective successors and assigns during the Term of this Declaration. The Project Owner hereby agrees that any and all requirements of the laws of the State of Texas to be satisfied in order for the provisions of this Declaration to constitute deed restrictions and covenants running with the land shall be deemed to be satisfied in full, and that any requirements or privileges of estate are intended to be satisfied, or in the alternate, that an equitable servitude has been created to insure that these restrictions run with the Project Land. For the Term of this Declaration, each and every contract, deed or other instrument hereafter executed conveying the Project or portion thereof shall expressly provide that such conveyance is subject to this Declaration; provided, however, that the covenants contained herein shall survive and be effective regardless of whether such contract, deed or other instrument hereafter executed conveying the Project or portion thereof provides that such conveyance is subject to this Declaration.

(c) The Project Owner shall obtain the written consent of any existing lienholder of record (each an "Existing Lienholder") on the Project to this Declaration and the requirements hereof, including specifically the requirements of Section 5(b)(1) and Section 5(c) with respect to provisions which survive or may be revived after foreclosure, and such consent shall be in a form promulgated by the Department from time to time and shall be a condition precedent to the issuance by the Department of Internal Revenue Service Form 8609, evidencing final allocation of the Tax Credits. The Project Owner represents and warrants to the Department that attached hereto as Addendum A and made a part hereof is an executed and acknowledged Lienholder's Consent from each Existing Lienholder, if any, as of the effective date hereof.

SECTION 3 - REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE PROJECT OWNER

The Project Owner hereby represents, covenants and warrants as follows:

(a) The Project Owner (i) is a limited partnership, duly organized and validly existing under the laws of the State of Texas, and is duly authorized and qualified to transact in the State any and all business contemplated by this Declaration and the Department Rules; (ii) possesses all requisite power, authority, licenses and permits to own its properties and assets and to conduct its business; and (iii) has all legal right, power and authority to execute and deliver this Declaration.

(b) The execution and performance of this Declaration by the Project Owner (i) will not violate or, as applicable, have not violated, any provision of law, rule or regulation, or any order of any court or other department of the State or governmental body, (ii) will not violate or, as applicable, have not violated, any provision of any indenture, agreement, mortgage, mortgage note or other instrument to which the Project Owner is a party or by which it or the Project is bound, and (iii) will not result in the creation or imposition of any prohibited encumbrance of any nature.

(c) The Project Owner has, at the time of execution and delivery of this Declaration, good and indefeasible fee simple title to **[or a leasehold interest extending at least ten years beyond the end of the Extended Use Period in]** the premises constituting the Project, free and clear of any lien or encumbrance, except those created by any loan documents relating to the Project, those which are created pursuant to this Declaration and those which are otherwise permitted encumbrances, as specifically set forth at Exhibit B hereto.

(d) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of the Project Owner threatened, against or affecting it, or any of its properties or rights, which, if adversely determined, would materially impair its right to carry on business substantially as now conducted (and as now contemplated by this Declaration) or would materially adversely affect its financial condition.

(e) The Project constitutes or will constitute, and the Project Owner covenants, that commencing with the last day of the first year of the Credit Period and continuing throughout the Term of this Declaration, it shall maintain the Project as, a "qualified low-income housing project", as defined in Section 42(g) of the Code.

(f) Each Unit in the Project contains separate and complete physical facilities and fixtures for living, sleeping, eating, cooking and sanitation (unless the Project qualifies as a single-room occupancy project) which is to be used on other than a transient basis as provided in Section 42(i)(3) of the Code.

(g) The Project Owner will comply fully and at all times with the requirements of Texas Law and the Federal Fair Housing Act.

(h) During the Term of this Declaration, the Project Owner covenants, agrees and warrants that each Low-Income Unit is and will remain suitable for occupancy to the extent required by Texas Law and under regulations prescribed by the Secretary, taking into account local health, safety, and building codes.

(i) The Project Owner covenants that it will not sell, transfer or exchange any portion of any building in the Project unless it sells, transfers or exchanges the entire building to the same person. Subject to the requirements of Section 42 of the Code and this Declaration, the Project Owner may sell, transfer or exchange the entire Project or any building in the Project at any time, provided that the Project Owner shall require, as a condition precedent to any such sale, transfer or exchange, that the successor owner and operator assume, in writing, in an Assumption Agreement acceptable to the Department, the Project Owner's obligations hereunder and under Section 42 of the Code, which Assumption Agreement shall be delivered to the Department in executed, recordable form prior to any such sale, transfer or exchange. This provision shall not act to waive any other restriction on sale, transfer or exchange of the Project or any building in the Project. The Project Owner agrees that the Department may void any sale, transfer or exchange of the Project if the successor owner and operator fails to execute and deliver an Assumption Agreement or if the Project Owner or the successor owner and operator otherwise acts in contravention of this Section 3(i).

(j) The Project Owner agrees to notify the Department in writing prior to any sale, transfer or exchange of the entire Project or any building therein, and to provide to the Department the name(s) and address(es) and financial reports, as applicable, of the prospective successor owner and operator of the Project or building, so the Department can determine the economic viability of such prospective successor and such Project or building and whether such prospective successor is acceptable as Project Owner under the Department Rules. The Project Owner further agrees to notify the Department in writing prior to any change in the identity of a General Partner or other principal of the Project Owner, and to provide to the Department the name(s) and address(es) and financial reports, as applicable, of any successor or additional General Partner or principal, so the Department can determine whether such party is acceptable in such role with the Project Owner under the Department Rules.

(k) The Project Owner shall not demolish any part of the Project or substantially subtract from any real or personal property of the Project or permit the use of any Unit for any purpose other than rental housing during the Term of this Declaration, unless required by law.

(l) The Project Owner represents, warrants and agrees that if the Project, or any part thereof, shall be damaged or destroyed or shall be condemned or acquired for public use, the Project Owner will use its best efforts to repair and restore the Project to substantially the same condition as existed prior to the event causing such damage or destruction, or to relieve the condemnation, and thereafter to operate the Project in accordance with the terms of this Declaration.

(m) The Project Owner warrants that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event, the requirements of this Declaration are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith.

(n) The Project Owner agrees, warrants, and covenants to comply with all law, ordinances, statutes, codes, orders, rules, regulations and decrees of any Governmental Authority applicable to the Owner of the Project, including, without limitation, the following: the Civil Rights Act of 1964 (42 U.S.C. 2000(d)); Executive Order 11-63, as amended by Executive Order 12259; Executive Order 11246; Age Discrimination Act of 1975 (42 U.S.C. 6101 *et seq.*); Equal Credit Opportunity Act (15 U.S.C. 1691 *et seq.*); Fair Credit Reporting Act (15 U.S.C. 1681 *et seq.*); Fair Housing Act (42 U.S.C. 3601 *et seq.*); the Americans with Disabilities Act of 1990 (P.L. 101-336; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794); Architectural Barriers Act of 1968 (42 U.S.C. 4151 *et seq.*); Section 3 of the Housing and Urban Development Act of 1968; Executive Orders 11625, 12432 and 12138, as amended; the Copeland "Anti-Kickback" Act (18 U.S.C. § 874 *et seq.*); the Davis-Bacon Act (40 U.S.C. § 276a *et seq.*); Sections 103 and 107 of the Work Hours and Safety Standards Act. (40 U.S.C. § 327 *et seq.*); the Uniform Relocation Assistance and Real Property Acquisition Policies Act (42 U.S.C. § 4201 *et seq.*); the Housing and Community Development Act of 1974; the National Environmental Policy Act (42 U.S.C. § 4321 *et seq.*); ("NEPA"); the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. § 4321 *et seq.*); the State of Texas Senate Bill 1356; Title 8, and Chapter 92 of the Texas Property Code; Solid Waste Disposal Act TEX. HEALTH & SAFETY CODE Ann. Ch. 361 (Vernon's 1992); Comprehensive Municipal Solid Waste Management, Resource Recovery, and Conservation Act. TEX. HEALTH & SAFETY CODE Ann. Ch 363 (Vernon's 1992); County Solid Waste Control Act. TEX. HEALTH & SAFETY CODE Ann. Ch 364 (Vernon's 1992); Texas Clean Air Act, TEX. HEALTH AND SAFETY CODE Ann. Ch. 382 (Vernon's 1992); and Hazardous Communication Act, TEXAS HEALTH AND SAFETY CODE Ann. Ch. 502 (Vernon's 1992); and such Governmental Requirements as may be from time to time amended or superseded and all of their implementing regulations, as may be amended.

SECTION 4 - INCOME RESTRICTIONS/RENTAL RESTRICTIONS

The Project Owner represents, warrants and covenants throughout the Term of this Declaration and in order to satisfy the requirements of Section 42 of the Code that:

(a) (1) At least 20% or more of the Units in the Project [are and] will continuously be maintained as both Rent-Restricted and occupied by individuals whose income is 50% or less of Area Median Gross Income.

(2) At least 40% or more of the Units in the Project [are and] will continuously be maintained as both Rent-Restricted and occupied by individuals whose income is 60% or less of Area Median Gross Income.

(Check applicable percentage election)

(b) The determination of whether a Tenant is a Low-Income Tenant shall be made by the Project Owner at least annually on the basis of the current income of such Low-Income Tenant. The Project Owner shall utilize forms as permitted from time to time by the Department for providing this certification. If, upon any such annual certification, the Tenant of a Low-Income Unit who was, at the last annual income certification, a Low-Income Tenant, is found no longer to be a Low-Income Tenant, such Unit will continue to be treated as a Low-Income Unit until the next available Unit of comparable or smaller size in the building in which such Unit is located is rented to a person who is not a Low-Income Tenant. A Low-Income Unit that has been vacated will continue to be treated as a Low-Income Unit, provided that (i) reasonable attempts are made to rent the Unit and (ii) no other Units of comparable or smaller size in the Project are rented to persons who are not Low-Income Tenants. In no case will a Unit be treated as a Low-Income Unit if all the Tenants of the Unit are students (as determined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint income tax return; provided, however, that such rule shall not apply to the types of students identified at Section 42(i)(3)(D) of the Code.

(c) The Project will contain a total of 100 Units (including Units occupied by a resident manager or other employee, such that they are not treated as "residential rental units" for purposes of Section 42 of the Code), of which at least 75 percent of the Units treated as residential rental units will be Low-Income Units. The amount of Tax Credits allocated to the Project is based on the requirement that the Minimum Applicable Fraction for each building in the Project will be as specified, building-by-building, at Appendix A hereto. During the Term of this Declaration, Units at the Project shall be leased and rented or made available to members of the general public who qualify as Low-Income Tenants, such that each building in the Project shall at all times satisfy the Minimum Applicable Fraction for such building. The Project Owner's failure to ensure that each building in the Project complies with such requirement will cause the Department to report such fact to the Service and may result in the reduction and recapture by the Service of Tax Credits, as well as other enforcement action.

(d) The Project and the Project Owner are subject to additional and/or modified requirements, if any, set forth at Appendix A, which requirements are incorporated herein and made a part hereof.

(e) The Project Owner shall not discriminate on the basis of race, creed, sex, age or national origin in the lease, use or occupancy of the Project Improvements or in connection with the employment or application for employment of persons for the operation and management of the Project Improvements and shall not deny admission to any person exclusively on the basis of such person receiving rent assistance payments under a local, state, federal or other housing assistance program, including, but not limited to, Section 8 of the United States Housing Act of 1937 as amended.

SECTION 5 - TERM OF DECLARATION

(a) This Declaration shall become effective with respect to a building in the Project on the first day of the Compliance Period for such building and shall terminate on the last day of the Extended Use Period, unless this Agreement is earlier terminated pursuant to Section 5(b) hereof (the "Term").

(b) Notwithstanding subsection (a) above, this Declaration shall terminate:

(1) with respect to any building in the Project, on the date such building is acquired by foreclosure (or instrument in lieu of foreclosure), upon the recorded declaration of termination of the party so acquiring the building, unless the Secretary or his delegate determines that such acquisition is part of an arrangement with the taxpayer a purpose of which is to terminate such period. If any party acquiring a building by foreclosure (or instrument in lieu of foreclosure) fails to record a declaration terminating this Declaration, the building shall remain subject to this Declaration, and the eligibility of such party to receive Tax Credits shall not be adversely affected, if such party continues to comply with Section 42 of the Code and the terms of this Declaration; or

(2) following the end of the Compliance Period, if the Project Owner has properly requested that the Department assist in procuring a "Qualified Contract", as defined in the Code, for the acquisition of a building and the Department is unable to present a Qualified Contract. To properly request the Department's assistance in procuring a Qualified Contract for the acquisition of a building, the Project Owner must submit a written request to the Department no earlier than one (1) year prior to the expiration of the Compliance Period, or on the last day of any subsequent year of the Extended Use Period. The Department will have one (1) year from the date of the Project Owner's written request to find a buyer to acquire the Project Owner's interest in the building. The Department will attempt to procure a Qualified Contract for the acquisition of any building only once during the Extended Use Period.

(c) If this Declaration is terminated pursuant to subsection (b) above and notwithstanding anything herein to the contrary, the Tenant of any Low-Income Unit on the date of such termination shall be entitled to occupy such Unit in accordance with the provisions of this Declaration for a period of three years following such termination date, provided, however, that upon a showing of good cause, such Tenant's tenancy may be terminated or such Tenant evicted.

SECTION 6 - ENFORCEMENT, ADMINISTRATION AND COMPLIANCE

(a) The Project Owner covenants that it will not knowingly take or permit any action that would result in a violation of the requirements of Section 42 of the Code and this Declaration. Moreover, the Project Owner covenants to take any lawful action (including amendment of this Declaration as may be necessary in the opinion of the Department) to comply fully with the Code and with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury, the Service, or the United States Department of Housing and Urban Development, from time to time, pertaining to the Project Owner's obligations under Section 42 of the Code and affecting the Project.

(b) The Project Owner acknowledges that the primary purpose for requiring compliance by the Project Owner with the restrictions provided in this Declaration is to assure compliance of the Project and the Project Owner with Section 42 of the Code, AND BY REASON THEREOF, THE PROJECT OWNER, IN CONSIDERATION FOR RECEIVING THE TAX CREDITS FOR THIS PROJECT, HEREBY AGREES THAT THE DEPARTMENT AND ANY INDIVIDUAL WHO MEETS THE APPLICABLE INCOME LIMITATION UNDER SECTION 42 (WHETHER PROSPECTIVE, PRESENT OR FORMER TENANT) SHALL BE ENTITLED, FOR ANY BREACH OF THE PROVISIONS HEREOF, AND IN ADDITION TO ALL OTHER REMEDIES PROVIDED BY LAW OR IN EQUITY, TO ENFORCE SPECIFIC PERFORMANCE BY THE PROJECT OWNER OF ITS OBLIGATIONS UNDER THIS DECLARATION IN A STATE COURT OF COMPETENT JURISDICTION. The Project Owner hereby further specifically acknowledges that the beneficiaries of the Project Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of any default hereunder.

(c) The Project Owner hereby agrees that the representations and covenants set forth herein may be relied upon by the Department and all persons interested in Project compliance under Section 42 of the Code.

(d) The Project Owner acknowledges that the Department is required, pursuant to Section 42(m)(1)(B)(iii) of the Code, (i) to monitor the Project Owner's and the Project's compliance with the requirements of Section 42 of the Code, and (ii) to notify the Service of any noncompliance which is found. The Project Owner agrees (I) to maintain records that substantiate and document such compliance, (II) to take all actions required by the Department pursuant to the Department Compliance Monitoring Procedures to assist or cooperate with the Department in monitoring such compliance, and (III) to pay the fee prescribed by the Department with respect to such monitoring.

(e) The Project Owner agrees that the Department may enforce all state and federal law through this Declaration, and utilize for such purpose any and all remedies available to the Department including but not limited to administrative or judicial action, appointment of trustee or receiver, or assume the management and operations of the Development.

(f) The Project Owner agrees the Department may, at reasonable times and upon adequate notice at any time during the construction, rehabilitation, or operation of the Project, enter and inspect the Project to evaluate its physical and financial condition, construction, rehabilitation, operation, management and maintenance.

(g) The Project Owner agrees the Department may, at reasonable times and upon adequate notice, examine all books and records, and request and receive from the Project Owner one or more reports, relating to the ownership, operations, capitalization, reserve funds, income, expenses and other financial and regulatory matters of the Project or the Project Owner.

(h) The Project Owner agrees that the Department may at any time order it and/or its managing agent or Project manager to do whatever is necessary to comply with or refrain from violating an applicable law, ordinance, Department rule, or term of an agreement regarding the Project, and that the Department may file and prosecute a complaint against a managing agent, Project manager, or the Project Owner for a violation of any applicable law or ordinance.

(i) Upon a determination by the Department that the Project Owner has failed to maintain the Project in good and habitable condition and suitable for occupancy as hereinabove required, the Project Owner agrees, upon the

Department's direction, to establish a reserve for replacement and repairs to the Project in such initial amount and with such monthly deposits as the Department may direct. Such reserve shall be held for the benefit of the Project Owner and the Project by such party as the Department shall direct, and disbursements shall be made therefrom only upon direction of or approval by the Department.

(j) The Project Owner agrees to indemnify and hold harmless the Board members, Department officers, directors and employees from and against all liabilities, losses, claims, damages, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by the Department as a result of any material inaccuracy in any of the representations and warranties contained in this Declaration, or as a result of any action by the Project Owner, including claims by third parties.

(k) The Project Owner agrees that should any claims, demands, suits or other legal proceedings be made or instituted by any person against the Department which arise out of any of the matters relating to this Declaration, Project Owner will cooperate fully with the Department in the defense or other disposition thereof.

(l) The Project Owner agrees to furnish the Department with copies of all correspondence between the Project Owner and the Service with respect to the Project, other than tax returns and routine, periodic reports filed with the Service.

(m) The Project Owner agrees to notify the Department if any federal grant or loan of below market rate federal funds is received with respect to the Project at any time during the Compliance period.

SECTION 7 - FEES

(a) To compensate the Department for its responsibilities pursuant to the Act and Section 42(m)(1)(B)(iii) of the Code, the Project Owner shall pay to the Department an annual administrative fee for the first twelve month period of this Declaration in the amount shown below. This fee shall be based on the total number of Low-Income Units in the development. In no event shall the fee be less than \$100.

(1) For projects with Commitment Notices issued prior to 1998 the fee will be \$15 per Unit.

(2) For projects with Commitment Notices issued in 1998 or later the fee will be \$25 per unit.

(b) If the Department shall find the Project not to be in compliance with the terms hereof, the Project Owner shall pay to the Department (i) an additional administrative fee in an amount prescribed from time to time by the Department, which amount for the first twelve month period of this Declaration, shall not exceed \$25 per Unit (without regard to the number of Low-Income Units), for additional monitoring and enforcement activities undertaken with respect to the Project and (ii) all amounts required to reimburse the Department for its expenses in performing such additional monitoring and enforcement activities. The administrative fee payable in the event of noncompliance shall be in addition to, and distinct from, the amount due pursuant to Section 7(a), as well as any reimbursements of costs and legal fees to which the Department may be entitled as a result of judicial enforcement action, and such fee shall be payable without respect to whether the Department undertakes or succeeds in judicial enforcement activities, and any right to be compensated therefor, for a period of up to three years following its most recent finding of noncompliance with respect to the Project.

(c) For each successive twelve month period following the initial twelve month period of this Declaration, the administrative fees payable to the Department hereunder shall be the amounts established for the most recent administrative fee, multiplied by the increase in the Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the United States Department of Labor (or generally recognized successor to such Index) for the same twelve month period of time.

(d) The Project Owner agrees that it will pay the annual administrative fee at the times required by the Department therefor and that it will pay all additional charges, fees, and expenses assessed hereunder by the Department within ten (10) days of receipt of written notice of any such assessment.

SECTION 8 - MISCELLANEOUS

(a) Severability. This Declaration is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Declaration or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this Declaration and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

(b) Notices. All notices to be given pursuant to this Declaration shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, delivered by hand, or delivered by any other method permitted by law, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.

To the Department: Texas Department of Housing & Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701
Attn: Low Income Housing Tax Credit Program

To the Project Owner: McMullen Square Affordable Housing, L.P.
c/o Delphi Affordable Housing
204 East 8th Street
Georgetown, TX 78626

The Department, and the Project Owner, may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

(c) Amendment. This Agreement may not be amended or modified except by written instrument signed by Project Owner and approved by Department, or their respective heirs, successors or assigns, which instrument shall not be effective until it is recorded in the real property records in the county where the Property is located. Upon request by the Department, the Project Owner agrees that it will take all actions necessary to effect any amendment of this Declaration which may be necessary in the Department's sole discretion to comply with the Code, and any and all applicable rules, regulations, policies, procedures, rulings or other official statements pertaining to the Tax Credits.

(d) Subordination of Declaration. This Declaration and the restrictions hereunder are subordinate to all loans and loan documents, if any, relating to the Project, except as provided in Sections 5(b)(1) and 5(c) hereof and in the Consent and Subordination of Existing Lienholder, with respect to each existing lienholder, attached hereto.

(e) Governing Law. This Declaration shall be governed by the laws of the State of Texas, and, where applicable, the laws of the United States of America.

(f) Survival of Obligations. The obligations of the Project Owner as set forth herein and in the Application shall survive the allocation of the Tax Credit and shall not be deemed to terminate or merge with the awarding of the allocation.

(g) Interpretation. The Department's interpretation of this Declaration shall be controlling for purposes of determining whether (i) the Compliance Period and/or Credit Period shall have commenced, (ii) this Declaration shall have been terminated in accordance with Section 5 hereof, and (iii) the Additional Use Restrictions elected at Appendix A hereto, if any, shall have been complied with.

IN WITNESS WHEREOF, the Project Owner has caused this Declaration to be signed by its duly authorized representative, as of the day and year first written above.

PROJECT OWNER:

McMullen Square Affordable Housing, L.P.

By: *Daniel F. O'Dea*

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: *E. P. Carrington*

STATE OF Texas

STATE OF TEXAS

COUNTY OF Williamson

COUNTY OF TRAVIS

This instrument was acknowledged before me on the 16th day of December, 2002 by Daniel F. O'Dea,
Name

This instrument was acknowledged before me on the 20th day of DECEMBER, 2002 by E. P. CARRINGTON

President
Title

EXECUTIVE DIRECTOR
Title

of McMullen Square Affordable Housing, L.P.
Project Owner Name

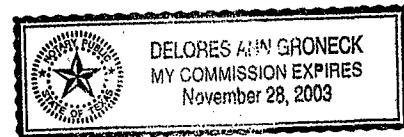
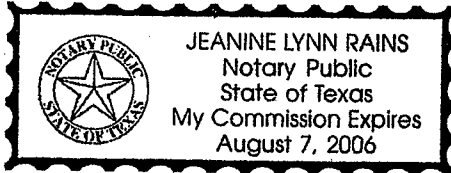
of the Texas Department of Housing and Community Affairs, a public and official department of the State of Texas, on behalf of said department.

a Texas limited partnership,
Type of Partnership

on behalf of said limited partnership.
Type of Partnership

Jeanine Lynn Rains
Notary Public

Delores Ann Gronck
Notary Public, State of Texas



ADDENDUM A TO DECLARATION - CONSENT AND SUBORDINATION OF LIENHOLDER

[To be executed by each lienholder on the project as of the effective date of the declaration.]

The undersigned lienholder ("Lienholder") hereby consents to the execution by Project Owner of the foregoing Declaration for McMullen Square Apartments (the "Project Improvements").

Lienholder hereby subordinates its lien(s) to the rights and interests created pursuant to Section 5(c) of the Declaration such that a foreclosure of its lien(s) shall not extinguish such rights and interests.

Lienholder acknowledges and agrees that, pursuant to Section 5(b)(1) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure, upon the recorded declaration of the party so acquiring the building (unless it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lienholder hereby acknowledges and agrees that the acquisition of the Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(c) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

Executed to be effective the 10 day of December, 2002

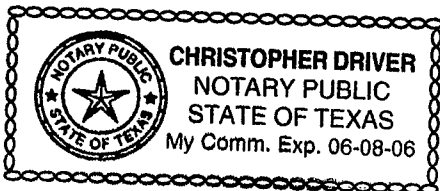
LIENHOLDER: Bank of America, N.A.

By: Angela Kelcher
Name: Angela Kelcher
Title: Vice President

STATE OF Texas

COUNTY OF Dallas

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that Angela Kelcher, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, being informed of the contents of such document, executed the same voluntarily. Given under my hand, official seal this 10 day of December, 2002



Christopher Driver
Notary Public
My Commission expires: 6/8/06

EXHIBIT A TO DECLARATION - LEGAL DESCRIPTION

LEGAL DESCRIPTION

Being all of that certain tract or parcel of land containing 5.53 acres, more or less, situated in the N.C.B. 9022, Bexar County, Texas, said tract being more particularly described by metes and bounds shown on Exhibit 'A' attached hereto and made a part hereof.

A 5.53 acres tract out of N.C.B. 9022 and being out of the Samuel Schwartzberg 7.54 acre tract as described in Volume 3117, Page 584 and 588 of the Deed Records of Bexar County, Texas.

BEGINNING at a point on the west line of General McMullen Drive, said point being S 6deg. 34' 50' W, 584.70 feet from the south line of Rivas Street;

THENCE N 83 deg. 36' 30' W, 223 feet to an Iron pin set for a corner of this tract;

THENCE N 6 deg. 34' 50' E, 194.90 feet to an Iron pin set for a corner of this tract;

THENCE N 83 deg. 36' 30' W, 446.00 feet to an Iron pin set for the northwest corner of this tract;

THENCE S 60 deg. 34' 50' W, 489.80 feet to a concrete monument for the southwest corner of this tract;

THENCE S 83 deg. 36' 30' E, 446.00 feet to an Iron pin set for a corner of this tract;

THENCE N 6 deg. 34' 30' E, 194.90 feet to an Iron pin set for a corner of this tract;

THENCE S 83 deg. 36' 30' E, 225.00 feet to an Iron pin set on the west line of General McMullen Drive for a corner of this tract;

THENCE N 6 deg. 34' 50' E, along the west line of General McMullen Drive, a distance of 100 feet to the point of beginning and containing 5.53 acres of land.

APPENDIX A - ADDITIONAL USE RESTRICTIONS

(Check all restrictions which were elected at the time of Application.)

Additional Rent and Occupancy Restrictions

At least 38 Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income, with rents for these Units no higher than the allowable tax credit rents at such AMGI level. **[IF COMMITMENT IS TO PROVIDE UNITS AT DIFFERENT INCOME LEVELS, SET FORTH EACH.]** If at re-certification the Tenant's household income exceeds the applicable limit, then the Unit remains as a Unit restricted at the specified level of AMGI until the next available Unit of comparable or smaller size is designated to replace this Unit. Once the Unit exceeding the specified AMGI level is replaced, then the rent for the previously qualified Unit may be increased, subject to applicable Tax Credit requirements, lease provisions and local tenant-landlord laws. Rents charged to Low-Income Tenants holding Section 8 certificates or vouchers in the Units designated pursuant to this paragraph may not exceed the Tax Credit rents that would otherwise apply to such Units under this paragraph.

Additional Rent and Occupancy Restrictions for Developments with below market rate HOME funding included in the total eligible basis and utilizing the "9%" Applicable Percentage

At least 40% Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income.

Longer Compliance Period and Extended Use Period

The Compliance Period shall be a period of 20 consecutive taxable years and the Extended Use Period shall be a period of 35 consecutive taxable years, each commencing with the first year of the Credit Period.

Material Participation by Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall hold a controlling interest the Project as required by the Department Rules, shall materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the Project and shall otherwise meet the requirements of Section 42(h)(5) of the Code. At the time this Declaration is filed, the qualified nonprofit organization which shall own such interest and shall so materially participate in the development and operation of the Project is _____ and is the [managing General Partner] [Managing Member] of the Project Owner. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified nonprofit organization.

Joint Venture with Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall materially participate as one of the General Partners or Managing Members in the development and operation of the Project. At the time this Declaration is filed, the qualified nonprofit organization which shall own such interest and shall so materially participate in the development and operation of the Project is _____ and is a [General Partner] [Managing Member] of the Project Owner. The Project Owner shall notify the Department (i) of any change in the status or role of such

organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified nonprofit organization.

Historically Underutilized Businesses (HUB)

Throughout the Compliance Period, unless otherwise permitted by the Department, the HUB shall hold an ownership interest in the Project. The HUB must also maintain regular, continuous, and substantial participation in the development and operation of the Project. At the time this Declaration is filed, the HUB which holds an ownership interest in the Project is _____ . The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified HUB.

Supportive Services

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner has contracted for the provision of the following special supportive services that would not otherwise be available to Tenants: After school programs, summer recreation programs, computer skills classes and resident associations.

At the time this Declaration is filed, the organization(s) providing these services is San Antonio Alternative Housing.

The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified provider.

Transitional Housing for the Homeless

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide transitional housing for homeless persons, on a non-transient basis, with supportive services designed to assist Tenants in locating and retaining permanent housing.

Public Housing Waiting Lists

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall consider prospective Tenants referred to from the waiting list of the Housing Authority of San Antonio.

QUALIFIED ELDERLY DEVELOPMENTS¹

Qualified Elderly Projects (2000 and later)

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project which:

- (i) is intended for, and solely occupied by Persons 62 years of age or older; or
- (ii) is intended and operated for occupancy by at least one person 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one person who is 55 years of age or older; and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for persons 55 years of age or older.

¹ Note: The Federal Fair Housing Act requires, generally, that projects which are limited to occupancy by older persons either (i) be restricted to households in which all members are 62 years or older or (ii) to households in which at least one member is 55 years or older. See 24 C.F.R. §§100.300-100.304 for exact requirements. All tax credit projects must comply with these requirements, as applicable under Federal law, in addition to the Declaration.

Special Housing Development

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall operate the Project exclusively as one or more of the following:

- housing for persons with mental health/mental retardation issues;
- group home;
- transitional housing;
- congregate care facility;
- housing for persons with HIV/AIDS;
- [OTHER - SPECIFY] _____

APPENDIX A - ADDITIONAL USE RESTRICTIONS - HANDICAPPED ACCESSIBILITY

(Only Projects which made the applicable Handicapped Accessibility election should include this page as part of this Declaration.)

Handicapped Accessibility for 1999 Allocations, Option §50.6(c)(6)(B)(i) and 2000 Allocations, Option §49.6(c)(6)(B)(i)

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner agrees to set aside Units for Persons with Disabilities. The Department will require a minimum of nine months during which the set aside Units must either be occupied by Tenants who are physically or mentally disabled or held vacant while being marketed to such tenants. The nine month period will begin on the date that each building receives its certificate of occupancy. For buildings which do not receive a certificate of occupancy, the nine month period will begin on the placed in service date as provided in the Cost Certification Manual. When a qualified Tenant is located, the Project Owner will be responsible for adapting the Unit per the tenant's requirements. The cost of adapting the Unit will be borne by the Project Owner. If the Project Owner is unable to locate qualified Persons with Disabilities following a good-faith effort throughout the nine month set aside period, then the Units may be rented to tenants without disabilities, provided that the next available Unit (from among those set aside for Persons with Disabilities) shall first be made available to Persons with Disabilities. To comply with this provision, the Project Owner must maintain a waiting list of qualified Tenants with disabilities throughout the Compliance Period. Each time a Unit set aside for Persons with Disabilities becomes available, the Project Owner must contact persons on the waiting list and/or provide notice to local service providers that such Units are available. If the waiting list or the local service provider cannot locate a qualified Tenant for the next available Unit, then the Unit may be rented to a Tenant without disabilities.

- (a) For physical disabilities, such Units must be designed to meet American National Standards for buildings and facilities providing accessibility and usability for Persons with Disabilities (ANSI A117.1 - 1986) and will conform to the Fair Housing Act.
- (b) For persons with mental disabilities, there must be a contract to provide appropriate supportive services for persons with mental disabilities between the Project Owner and an experienced service provider.

- At least 7% of the Units are set-aside for persons with physical or mental disabilities; or
- at least 10% of the Units are set-aside for persons with physical or mental disabilities.

Handicapped Accessibility for 1999 Allocations, Option §50.6(c)(6)(B)(ii) and 2000 Allocations, Option §49.6(c)(6)(B)(ii)

The Project provides Units specifically accessible to persons with physical, visual or hearing disabilities as required by §504 of the Rehabilitation Act of 1973. As required by §504, a one time inspection and corresponding Accessibility Transition Plan will be required upon completion of construction. Project Owners making this election must also comply with the Fair Housing Act.

- At a minimum, 5% of the Units must be usable for persons with mobility impairments and 2% of the Units shall be made accessible for people with hearing or visual impairments; or
- at a minimum 10% of the Units must be usable for persons with mobility impairments and 2% of the Units shall be made accessible for people with hearing or visual impairments.

Handicapped Accessibility for 2001 Allocations, Option §50.7(d)(1)(C)

For up to 5% of all LIHTC restricted units, the Project Owner shall provide reasonable accommodation(s) or modification(s) on a one-time basis in conformance with ANSI A117.1-1986 construction standards as requested by the tenant with a disability. The Project Owner shall incur the related expense(s) for the reasonable accommodation(s) and/or modification(s). For properties that are designed as townhouse units, the Project Owner must include one bathroom and one bedroom on the ground level of 5% of the LIHTC Units and meet Fair Housing standards.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - RIGHT OF FIRST REFUSAL

(Only Projects which made a Right of First Refusal election in calendar years prior to 2001 should include this page as part of this Declaration.)

Right of First Refusal to a Tenant or Qualified Nonprofit Organizations for 1998, 1999 and 2000 allocations

The Project Owner has entered into an Agreement for Provision of the Right of First Refusal with the Department. If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, this agreement shall serve as evidence that the Project Owner agrees to provide, and provides, to a qualified nonprofit organization (as defined in §42 (h) (5) (C) of the code) or a tenant organization, a right of first refusal to purchase the Project for the minimum purchase price provided in, and in accordance with the requirements of §42 (i) (7) (B) of the Code as shown below.

“(B) Minimum purchase price. The minimum purchase price under this subparagraph is an amount equal to the sum of-

- (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and
- (ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii).”

The following terms are hereby incorporated into this Declaration:

(i) Upon the earlier to occur of:

(I) the Project Owner's determination to sell the Project, or

(II) the Project Owner's request to the Department, pursuant to §42 (h)(6)(I) of the Code, to find a buyer who will purchase the Project pursuant to a "qualified contract" within the meaning of §42 (h)(6)(F) of the Code, the Project Owner shall provide a notice of intent to sell the Project ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Project Owner determines that it will sell the Project at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period.

(ii) During the two years following the giving of Notice of Intent, the Project Owner may enter into an agreement to sell the Project only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(I) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department;

(II) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(III) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iii) After the later to occur of (I) the end of the Compliance Period or (II) two years from delivery of a Notice of Intent, the Project Owner may sell the Project without regard to any right of first refusal established by this Declaration if: (x) no offer to purchase the Project at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or (y) a period of 120 days has expired from the date of acceptance of such offer without the sale having occurred, provided that the failure to close within such 120-day period shall not have been caused by the Project Owner or matters related to the title for the Project.

(iv) At any time prior to the giving of the Notice of Intent, the Project Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Project for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Project by such organization in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

(v) The Department shall, at the request of the Project Owner, identify in this Declaration a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Project at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - RIGHT OF FIRST REFUSAL

(Only Projects which made a Right of First Refusal election beginning in 2001 should include this page as part of the LURA.)

Right of First Refusal to a Tenant or Qualified Nonprofit Organizations for 2001 and later allocations

The Project Owner has entered into an Agreement for Provision of the Right of First Refusal with the Department. If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, this agreement shall serve as evidence that the Project Owner agrees to provide, and provides, to a qualified nonprofit organization (as defined in §42 (h) (5) (C) of the code) or a tenant organization determined to be such by the Department (a "Tenant Organization"), a right of first refusal to purchase the Project for the Minimum Purchase Price provided in, and in accordance with the requirements of §42 (i) (7) (B) of the Code as shown below.

"(B) Minimum purchase price. The minimum purchase price under this subparagraph is an amount equal to the sum of-

- (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and
- (ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii)."

The following terms are hereby incorporated into this Declaration:

(i) Upon the earlier to occur of:

(I) the Project Owner's determination to sell the Project, or (II) the Project Owner's request to the Department, pursuant to §42 (h)(6)(I) of the Code, to find a buyer who will purchase the Project pursuant to a "qualified contract" within the meaning of §42 (h)(6)(F) of the Code, the Project Owner shall provide a notice of intent to sell the Project ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Project Owner determines that it will sell the Project at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period.

(ii) During the two years following the giving of Notice of Intent, the Project Owner may enter into an agreement to sell the Project only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(I) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department;

(II) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(III) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iii) At any time after the fifteenth year of the Compliance Period, but no earlier than two years after delivery of a Notice of Intent, the Project Owner may sell the Project without regard to any right of first refusal established by this Declaration if: (x) no offer to purchase the Project at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or (y) a period of 120 days has expired from the date of acceptance of such offer without the sale having occurred, provided that the failure to close within such 120-day period shall not have been caused by the Project Owner or matters related to the title for the Project.

(iv) At any time prior to the giving of the Notice of Intent, the Project Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Project for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Project by such organization in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

(v) The Department shall, at the request of the Project Owner, identify in this Declaration a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Project at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

APPENDIX A - MINIMUM APPLICABLE FRACTION BY BUILDING

Building Number	Building Identification Number (BIN)	Minimum Applicable Fraction
1.	TX- 01-16500	87.5
2.	TX- 01-16501	50
3.	TX- 01-16502	75
4.	TX- 01-16503	87.5
5.	TX- 01-16504	100
6.	TX- 01-16505	100
7.	TX- 01-16506	62.5
8.	TX- 01-16507	62.5
9.	TX- 01-16508	100
10.	TX- 01-16509	100
11.	TX- 01-16510	50
12.	TX- 01-16511	87.5
13.	TX- 01-16513	50
14.	TX- 01-16514	75
15.	TX-	
16.	TX-	
17.	TX-	
18.	TX-	
19.	TX-	
20.	TX-	
21.	TX-	
22.	TX-	
23.	TX-	
24.	TX-	
25.	TX-	
26.	TX-	
27.	TX-	
28.	TX-	
29.	TX-	
30.	TX-	
31.	TX-	
32.	TX-	
33.	TX-	
34.	TX-	
35.	TX-	
36.	TX-	
37.	TX-	
38.	TX-	

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
MAY 25, 2017

Presentation, discussion, and possible action to approve a material amendment to the Housing Tax Credit (“HTC”) Land Use Restriction Agreement (“LURA”) for Gateway East Apartments (HTC #02036)

RECOMMENDED ACTION

WHEREAS, Gateway East Apartments (the “Development”) received a 9% HTC award in 2002 to acquire and rehabilitate 104 multifamily units in El Paso, El Paso County;

WHEREAS, the HTC application for the Development received points and/or other preferences for agreeing to provide a Right of First Refusal (“ROFR”) to purchase the Development, and the LURA requires a two-year ROFR period;

WHEREAS, in Spring 2015 the Texas Legislature amended Tex. Gov’t Code §2306.6725 and §2306.6726 to allow, among other things, for a 180-day ROFR period and to permit a Qualified Entity to purchase a property under ROFR, and defined a Qualified Entity to mean an entity described by, or an entity controlled by an entity described by, §42(i)(7)(A), Internal Revenue Code of 1986;

WHEREAS, the Development Owner requests to amend the LURA for the Development to incorporate changes made to Tex. Gov’t Code §2306.6725 and §2306.6726;

WHEREAS, 10 TAC §10.405(b)(2) allows for an owner to request a material LURA amendment, and the Owner has complied with the procedural amendment requirements in 10 TAC §10.405(b) to place this request before the Board;

NOW, therefore, it is hereby

RESOLVED, that the material LURA amendment for Gateway East Apartments is approved as presented to this meeting and the Executive Director and his designees are hereby, authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Gateway East Apartments received an award of 9% HTC in 2002 for the acquisition and rehabilitation of 104 multifamily units in El Paso, El Paso County. In a letter dated April 19, 2017, the Development Owner (Gateway Affordable Housing, L.P.) through its General Partner (Preservation Partners of El Paso, Inc., Dan O’Dea, President) requested approval to amend the LURA related to the ROFR provision.

The additional use restrictions in the current LURA require, among other things, a two-year ROFR to sell the Development based on a set order of priority to a community housing development organization (as

defined for purposes of the federal HOME Investment Partnership Program at 24 CFR Part 92), to a qualified nonprofit organization (as defined in Internal Revenue Code §42(h)(5)(C)), or to a tenant organization if at any time after the fifteenth year of the Compliance Period the owner decides to sell the property.

The General Partner requests to amend the LURA to replace the two-year ROFR period with a 180-day ROFR period, which would also permit re-syndication and sale to a Qualified Entity. The property is past its fifteenth year of the Compliance Period, and the partners in the Partnership are positioning themselves to transfer their partnership interest.

In 2015, the Texas Legislature passed HB 3576 which amended Tex. Gov't Code §2306.6725 to allow for a 180-day ROFR period and §2306.6726 to allow for a Qualified Entity to purchase a development under a ROFR provision of the LURA and satisfy the ROFR requirement. Additionally, §2306.6726, as amended by HB 3576, defines Qualified Entity to mean an entity described by, or an entity controlled by an entity described by, §42(i)(7)(A) of the Internal Revenue Code of 1986. The Department's 2017 Uniform Multifamily Rules, Subchapter E, §10.407 implemented administrative procedures to allow a Development Owner to conform to the new ROFR provisions described in the amended statute.

The Development Owner must comply with the amendment and notification requirements under the Department's rule at Tex. Gov't Code §2306.6712 and 10 TAC §10.405(b). The Development Owner held a public hearing on the matter on April 26, 2017, at 5:30 pm at the Development's management office/clubhouse. No negative public comment was received regarding the requested amendment.

Staff recommends approval of the request to amend the LURA to incorporate changes made to Tex. Gov't Code §2306.6725 and §2306.6726 related to ROFR.



Asset Management Division

Amendment Request Form

Completed forms and supporting materials can be emailed to asset.management@tdhca.state.tx.us

TYPE OF AMENDMENT REQUESTED

Date Submitted: 4/19/2017

Amendment Requested: *LURA Amendment*

Has the change been implemented? *No*

Award Stage: *Compliance Period (After 8609s)*

NOTE: Material Application or LURA Amendment requests must be received 45 days before the Board Meeting.

Contact your Asset Manager if you are unsure what type of Amendment to request: <https://www.tdhca.state.tx.us/asset-management/contacts.htm>

DEVELOPMENT INFORMATION

Dev. Name: Gateway East Apartments

File No. / CMTS No.: 02036 /

CONTACT INFORMATION

Request Submitted By: Cynthia L. Bast / Rebecca Rizo Phone #/Email: (512) 305-4707 / (512) 305-4781

SECTION 1: COVER LETTER

A cover letter **MUST** be submitted with your request. Review your cover letter to ensure it includes:

- The change(s) requested The reason the change is necessary The good cause for the change
 An explanation of whether the amendment was reasonably foreseeable or preventable at the time of Application

SECTION 2: REQUIRED DOCUMENTATION

Entering an Amendment conveys to the Department that representations in the Application have changed. You **MUST** provide information about any and all changes made from the time of Application (or as last approved by the Department) in your request, including any items that will be impacted by the requested change. Failure to represent or properly document all changes may result in delays, denials, or a request for re-submission. The following is attached:

- Revised Development Financing Exhibits – if sources, terms, conditions, or amounts of financing will be impacted or changed by your amendment request, revised Application exhibits and term sheets (or executed Loan documents and LPA, if the loan has closed) must be submitted
- Signed Statement of No Financial Impact – if no sources, terms, conditions, or amount of financing will be impacted or changed by your amendment request, the Owner must sign and submit a statement to this effect
- Revised Application Exhibits/Documents Reflecting or Supporting All Requested Changes – revised site plans, surveys, Building and Unit Configuration exhibit, etc.
- Material Amendment fee of \$2,500 for first amendments, \$3,000 for second amendments, \$3,500 for third or more. (Applicable to Non-Material Amendments only if changes have been implemented prior to Amendment approval) – *N/A for Developments only funded by a Direct Loan program (HOME, NSP, HTF)*

SECTION 3A: MATERIAL APPLICATION AMENDMENT ITEMS

Check all items that have been modified from the original application (see *Subchapter E, §10.405(a)(3)*):

- Site plan
- Scope of tenant services
- Exclusion of reqs in Subchapters B & C
- Number of units*
- Reduction of 3%+ in unit sq ft
- Other
- Bedroom mix
- Reduction of 3%+ common area
- Architectural design
- Residential density (5%+ change)

If "Number of units" is selected above and the total LI units or LI units at any rent or income level will be reduced, also:

- Written confirmation from the lender *and* syndicator that the development is infeasible without the adjustment in units
- Evidence supporting the need for the adjustment in units

*NOTE: *The approved amendment may carry a penalty in accordance with §10.405(a)(6)(b).*

SECTION 3B: MATERIAL LURA AMENDMENT ITEMS

Check all items that require a material LURA amendment (see *Subchapter E, §10.405(b)(2)*):

- Reductions in the number of LI units
- Change in Target Population
- Changes to income or rent restrictions
- Removal of Non-profit
- Other
- Change in ROFR period or other ROFR provisions

The following additional items are attached for consideration or will be forthcoming:

- Draft Notice of Public Hearing*
- Evidence of public hearing*

*NOTE: *Draft Notices of Public Hearing must be provided with the Amendment materials 45 days prior to the Board meeting. *The Public Hearing must be held at least 15 business days prior to the Board meeting and evidence in the form of attendance sheets and a summary of comments made must be submitted to TDHCA within 3 days of the hearing.*

SECTION 4A: NON-MATERIAL APPLICATION AMENDMENT SUMMARY

Identify all non-material changes that have been or will be made (Contact your Asset Manager if you are unsure of whether your request is non-material):

n/a

- Amendment is requesting a change in Developer(s) or Guarantor(s) and Previous Participation forms are attached.

SECTION 4B: NON-MATERIAL LURA AMENDMENT SUMMARY

Identify non-material amendments requested to the LURA:

n/a

SECTION 4C: NOTIFICATION ITEM SUMMARY

Identify any notification items from the time of application:

n/a

Gateway Affordable Housing, L.P.
300 Beardsley Lane, Suite C204
Austin, Texas 78746

April 19, 2017

VIA HAND DELIVERY

Lee Ann Chance
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

Re: TDHCA File No. 02036 Gateway East Apartments (the "Property")

Dear Ms. Chance:

The undersigned, being the General Partner (herein so called) of Gateway Affordable Housing, L.P., a Texas limited partnership (the "Partnership") and the current owner of the Property, hereby submits this letter as a request for a material LURA amendment in accordance with Section 10.405(b) of the Rules for the reasons set forth below.

Background Information and Request

In 2015, Texas Government Code Section 2306.6726 was amended to allow for a 180-day Right of First Refusal ("ROFR") period, resyndication, and the sale to qualified entities. Currently, the LURA for this Property requires a two-year ROFR period. Section 10.405(b)(2)(F) of the Rules allows for a LURA amendment in order to conform a ROFR to the provisions in Section 2306.6726. Therefore the General Partner, acting on behalf of the Partnership, requests a LURA amendment to eliminate the two-year ROFR period and replace it with the 180-day ROFR period, also permitting resyndication and sale to qualified entities.

LURA Amendment

In accordance with Section 10.405(b) of the Rules, the General Partner, acting on behalf of the Partnership, is delivering a fee in the amount of \$2500. In addition, the General Partner, acting on behalf of the Partnership, commits to hold a public hearing, as required by the Rules, and to notify all residents, investors, lenders, and appropriate elected officials. Drafts of the public hearing notices are attached for your consideration. Upon approval from TDHCA, the General Partner, acting on behalf of the Partnership, will proceed to set a date and time for the Public Hearing and will provide TDHCA with evidence that the notice has been delivered and the hearing has been conducted. With that, the General Partner, acting on behalf of the Partnership, requests staff recommendation, in support of this request, to be considered at the next available TDHCA Board meeting.

Thank you very much for your assistance. Please do not hesitate to contact us if you require any additional information.

Sincerely,

Preservation Partners of El Paso, Inc.,
a Texas corporation

By: _____


Daniel F. O'Dea, President

**Gateway Affordable Housing, L.P.
300 Beardsley Lane, Suite C204
Austin, Texas 78746**

April 24, 2017

Dear Resident:

The Gateway East Apartments (the “**Community**”) is owned by Gateway Affordable Housing, L.P. (the “**Owner**”). In order to help finance the construction and development of the Community, the Owner received federal funding through the Texas Department of Housing and Community Affairs (the “**Department**”) (Phone: 512-475-3800; Website: www.tdhca.state.tx.us).

A contractual restriction imposed by the Department mandates that if the Owner decides to sell the Community at a certain time, the Owner will offer the Community for sale to a non-profit organization or a tenant organization for a period of up to two years and permitting the Owner to transfer the Community to certain kinds of entities in the right of first refusal process. To be consistent with a change in Texas law, the Owner is requesting Department approval to change the two-year period to a 180-day period.

In making its decision whether to approve Owner’s request, the Department considers the opinions and views of the members of the Community. Accordingly, there will be a public meeting to discuss this matter and we invite you to attend. The public meeting is your opportunity to discuss the amendment request and voice your concerns. The public hearing will take place at the Community’s management office/clubhouse on **April 26, 2017 at 5:30 p.m.** Information from this meeting will be submitted for consideration by the Texas Department of Housing and Community Affairs Governing Board at their next board meeting.

Please note that this proposal would not affect your current lease agreement, your rent payment, or your security deposit. You would **not** be required to move out of your home or take any other action because of this change. If the Department approves Owner’s request, the Community will not change at all from its current form.

If you are unable to attend the public hearing and would like to submit your concerns in writing to the Department, please send your comments via email to asset.managment@tdhca.state.tx.us or you may mail them to:

Texas Department of Housing and Community Affairs
Asset Management Division
221 East 11th Street
Austin, Texas 78701

We appreciate that Gateway East Apartments is your home and we invite you to attend and give your input on this proposal.

Thank you for choosing Gateway East Apartments as your home.

Sincerely,

Gateway Affordable Housing, L.P.,
a Texas limited partnership

By: Preservation Partners of El Paso, Inc.,
a Texas corporation,
its general partner

By: 
Daniel F. O'Dea, President

**Gateway Affordable Housing, L.P.
300 Beardsley Lane, Suite C204
Austin, Texas 78746**

April 24, 2017

Midland Loan Services, a PNC Real Estate Business
c/o Bank of Oklahoma
6242 East 41st Street
Tulsa, OK 74135

To Whom It May Concern:

Gateway Affordable Housing, L.P. (the “**Owner**”) is the owner of Gateway East Apartments (the “**Community**”) which is located at, 1222 Giles Road, El Paso, Texas 79915. In order to help finance the construction and development of the Community, the Owner received federal funding through the Texas Department of Housing and Community Affairs (the “**Department**”).

A contractual restriction imposed by the Department mandates that if the Owner decides to sell the Community at a certain time, the Owner will offer the Community for sale to a non-profit organization or a tenant organization for a period of up to two years and permitting the Owner to transfer the Community to certain kinds of entities in the right of first refusal process. To be consistent with a change in Texas law, the Owner is requesting Department approval to change the two-year period to a 180-day period.

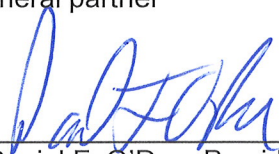
In making its decision whether to approve Owner’s request, the Department considers the opinions and views of the members of the Community and its elected representatives. Accordingly, there will be a public meeting to discuss this matter and we invite you to attend. This meeting will take place at the Community’s management office/clubhouse on **April 26, 2017 at 5:30 p.m.** Information from this meeting will be submitted for consideration by the Texas Department of Housing and Community Affairs Governing Board at their next board meeting.

We invite you or one of your staff to attend and give your input on this proposal.

Sincerely,

Gateway Affordable Housing, L.P.,
a Texas limited partnership

By: Preservation Partners of El Paso, Inc.,
a Texas corporation,
its general partner

By: 
Daniel F. O'Dea, President

**Gateway Affordable Housing, L.P.
1717 West Sixth Street, Suite 315
Austin, Texas 78703**

April 24, 2017

Ross Hardin
Alden Torch Financial, LLC
Capital Transactions
1225 17th Street, Suite 1400
Denver, CO 80202

Dear Mr. Hardin:

Gateway Affordable Housing, L.P. (the “**Owner**”) is the owner of Gateway East Apartments (the “**Community**”) which is located at, 1222 Giles Road, El Paso, Texas 79915. In order to help finance the construction and development of the Community, the Owner received federal funding through the Texas Department of Housing and Community Affairs (the “**Department**”).

A contractual restriction imposed by the Department mandates that if the Owner decides to sell the Community at a certain time, the Owner will offer the Community for sale to a non-profit organization or a tenant organization for a period of up to two years and permitting the Owner to transfer the Community to certain kinds of entities in the right of first refusal process. To be consistent with a change in Texas law, the Owner is requesting Department approval to change the two-year period to a 180-day period.

In making its decision whether to approve Owner’s request, the Department considers the opinions and views of the members of the Community and its elected representatives. Accordingly, there will be a public meeting to discuss this matter and we invite you to attend. This meeting will take place at the Community’s management office/clubhouse on **April 26, 2017 at 5:30 p.m.** Information from this meeting will be submitted for consideration by the Texas Department of Housing and Community Affairs Governing Board at their next board meeting.

We invite you or one of your staff to attend and give your input on this proposal.

Sincerely,

Gateway Affordable Housing, L.P.,
a Texas limited partnership

By: Preservation Partners of El Paso, Inc.,
a Texas corporation,
its general partner

By: 
Daniel F. O'Dea, President

MEETING MINUTES FOR GATEWAY EAST

April 26, 2017

Meeting started at 5:30pm, most left by 6:00pm, Management was available until 7:00pm.

A sign in sheet and comment sheets were available for the residents.

Seven (7) residents attended and five (5) left comment sheets.

Most concerns were if the Section 8 program was going to be removed and where they would go. They were very concerned about the staff leaving.

I reiterated the notice; I told them nothing would change for the residents and as far as the current staff that would depend on the new owners.

PUBLIC HEARING FOR GATEWAY EAST APARTMENTS

1222 Giles Rd El Paso, TX 79915

Sign In Sheet April 26, 2017

Management Hosting: Jody L. Levy – Property Manager

Resident's Name: Rebecca M. Alfaro Apartment #: 1048

Resident's Name: Wick Quintana Apartment #: 1010

Resident's Name: Alexa Perez Apartment #: 1004

Resident's Name: Mania D. Rodriguez Apartment #: 1041

Resident's Name: Dylin S. Morala Apartment #: 1038

Resident's Name: Ehime Adey Seel Apartment #: 1030

Resident's Name: Martina Q. D'Prado Apartment #: 2042

Resident's Name: _____ Apartment #: _____

Resident's Name: _____ Apartment #: _____

Resident's Name: _____ Apartment #: _____

Resident's Name: _____ Apartment #: _____

Resident's Name: _____ Apartment #: _____

Resident's Name: _____ Apartment #: _____

Resident's Name: _____ Apartment #: _____

Resident's Name: _____ Apartment #: _____

Resident's Name: _____ Apartment #: _____

PUBLIC HEARING FOR GATEWAY EAST APARTMENTS

1222 Giles Rd El Paso, TX 79915

Comment Sheet

April 26, 2017

Resident's Name: Rebecca M. Alfaro

Apartment #: 1048

Comments: I have lived here for nearly 3 yrs,

and I haven't had no bad to say.

In matter in fact, I love these apts.

hope to be here to my dieing days:

Everyone of my friends & people say

what a beautiful place, looks like

Paradise.

PUBLIC HEARING FOR GATEWAY EAST APARTMENTS

1222 Giles Rd El Paso, TX 79915

Comment Sheet

April 26, 2017

Resident's Name: Jose Perez

Apartment #: 1004

Comments: _____

I have been living at this apartments
for 3 yrs. I like the space they are
a nice size. The only problem are the
birds. Hope the problem can get fix
as soon as possible. Thank You!!!

PUBLIC HEARING FOR GATEWAY EAST APARTMENTS

1222 Giles Rd El Paso, TX 79915

Comment Sheet

April 26, 2017

Resident's Name: Nick + Lorenza Quintela

Apartment #: 1010

Comments: My father lived here for seven years in

apt. 1008 until he passed away last November. He
love the property + how the staff made him feel
safe and secure.

So four years ago we join this wonderful property +
staff, we live in apt. 1010. What we like about

our apt. is that we can let management know about
a problem + is fixed the same day or the next day.

We are a big family + we love the way the staff
knows who belongs here or they will take actions
without bothering or inconvenience anyone.

But, the most important thing is our safety.

We are very proud to say we live at Gateway
East Apts. We hope and pray nothing changes
with the new decisions you are making.

PUBLIC HEARING FOR GATEWAY EAST APARTMENTS

1222 Giles Rd El Paso, TX 79915

Comment Sheet

April 26, 2017

Resident's Name: RAQUEL A. HERNANDEZ

Apartment #: 1011

Comments: _____

I HOPE IF ANYTHING THE STAFF WILL STAY.

CAN NOT HELP WONDERING WHAT KIND OF CHANGES

WOULD COME ABOUT. I FEEL SAFE LIVING HERE. I CAN

GO OUT AFTER DARK TO THROW MY TRASH, ~~DOING~~ DO MY WASH. OR JUST OUT FOR A WALK.

I HAVE BEING LIVING HERE CLOSE TO TEN YRS. AND LIKE LIVING HERE AND HOW THINGS GET TAKE CARE OF BY THE STAFF.

TDHCA #: 02036

DECLARATION OF LAND USE RESTRICTIVE COVENANTS/LAND USE RESTRICTION AGREEMENT FOR LOW-INCOME HOUSING CREDITS

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS/LAND USE RESTRICTION AGREEMENT FOR LOW-INCOME HOUSING TAX CREDITS (this "Declaration"), dated as of December 3, 2003, is made by and between Gateway Affordable Housing, L.P., a Texas limited partnership (together with its successors and assigns, the "Project Owner") and The Texas Department of Housing & Community Affairs, an instrumentality of the State of Texas and a public corporation (together with any successor to its rights, duties and obligations, the "Department"), and is given by Project Owner as a condition precedent to [the determination that the Project, as defined herein, satisfies the requirements of the State of Texas's Qualified Allocation Plan] the allocation of low-income housing tax credits (the "Tax Credits"), pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto (the "Code"), by the Department. This Declaration incorporates the extended low-income housing commitment required by Section 42(h)(6) of the Code and is promulgated in accordance with the provisions of Chapter 2306, Tex. Gov. Code, (the "Act"), as may be amended from time to time.

WITNESSETH:

WHEREAS, the Project Owner is or shall be the Project Owner of a low income rental housing development, known as or to be known as Gateway East Apartments (the "Project Improvements"), on real property located in the City of El Paso, County of El Paso, State of Texas, more particularly described in Exhibit A hereto (the "Project Land") (the Project Improvements and the Project Land being collectively referred to herein as the "Project");

WHEREAS, the Department has been designated by the Governor of the State of Texas as the housing credit agency for the State of Texas for the allocation of Tax Credits;

WHEREAS, the Project Owner has applied to the Department for (check which applies):

[X] an allocation of Tax Credits to the Project in an amount not to exceed \$ 394,320 Tax Credit dollars annually;

[] a determination that the Project satisfies the requirements of the State of Texas's Qualified Allocation Plan for Tax Credits in an amount not to exceed \$ Tax Credit dollars annually;

WHEREAS, the Project Owner has represented to the Department in the Project Owner's Low-Income Housing Tax Credit Application (the "Application"), authorized by the Department's Low-Income Rental Housing Tax Credit Rules (the "Department Rules"), that the Project Owner shall lease 100 % of the units in the Project to individuals or families whose income is 60 % or less of the area median gross income (including adjustments for family size), as more specifically provided herein;

WHEREAS, the Department has determined that the Project would support an annual allocation of Tax Credits in the amount of \$ 394,662;

WHEREAS, the Project Owner has represented to the Department in the Application that it will impose additional rent and occupancy restrictions as shown in Appendix A of this document (Check box if applicable) [X];

WHEREAS, the Project Owner is subject to the regulatory powers of the Department and other terms and conditions of chapter 2306, Tex. Gov. Code;

WHEREAS, the Code requires as a condition precedent to the allocation of Tax Credits that the Project Owner execute, deliver and record in the real property records of the county in which the Project is located this Declaration in order to create certain covenants running with the land for the purpose of enforcing the requirements of Section 42 of the Code by regulating and restricting the use, occupancy and transfer of the Project as set forth herein; and

WHEREAS, the Project Owner, under this Declaration, intends, declares and covenants that the regulatory and restrictive covenants set forth herein governing the use, occupancy and transfer of the Project shall be and are covenants running with the Project Land for the Term stated herein, are binding upon all subsequent owners and operators of the Project during such Term, and are not merely personal covenants of the Project Owner.

20030124835

NOW, THEREFORE, in consideration of the premises set forth above, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Project Owner and the Department agree as follows:

SECTION 1 - DEFINITIONS

(a) Unless the context otherwise requires, and in addition to those terms defined in the recitals set forth above, capitalized terms used in this Declaration shall have the following meanings:

"Act" means the Texas Government Code, Chap. 2306, as amended or any corresponding provision or provisions of succeeding law as it or they may be amended from time to time.

"Area Median Gross Income" means the median gross income of the area in which the Project is located as determined by the Secretary of Housing and Urban Development for purposes of Section 42 of the Code, including adjustments for family size.

"Assumption Agreement" shall have the meaning assigned in Section 3(i) hereof.

"Board" means the governing Board of the Department.

"Compliance Period" means the period of 15 consecutive taxable years beginning with the first taxable year of the Credit Period, unless a longer period shall be elected at Appendix A hereto.

"Credit Period" means, with respect to any building in the Project, the period of ten taxable years beginning with the taxable year in which such building is placed in service or (at the election of the Owner) the following taxable year.

"Department Compliance Monitoring Procedures" means those procedures and requirements adopted or imposed by the Department, and modified by the Department from time to time, for the purpose of discharging its responsibilities pursuant to Section 42(m)(1)(B)(iii) of the Code to monitor compliance by the Project Owner and the Project with the provisions of Section 42 of the Code and to notify the Service of instances of noncompliance.

"Extended Use Period" means the period beginning with the first day of the Compliance Period and ending on the date which is 15 years after the end of the Compliance Period, unless a later date shall be set forth at Appendix A hereto or unless terminated earlier in accordance with Section 5 hereof.

"Gross Rent" means all amounts paid by a Tenant for rent, determined in a manner consistent with Section 42(g)(2) of the Code. If the Tenant pays utilities directly, Gross Rent shall include any utility allowance prescribed by the Secretary.

"Income" means the income of a Tenant determined in a manner consistent with the requirements of Section 42(d)(2)(B) of the Code.

"Low-Income" means, with respect to any Tenant, an income level not exceeding 50% or 60% of Area Median Gross Income, adjusted for family size, as provided in Section 4 hereof, unless an alternative income level shall be set forth at Appendix A hereto.

"Low-Income Tenant" means a Tenant who, when the Tenant originally occupied the Unit, had an Income qualifying as Low-Income. For so long as the Tenant occupies the particular Unit, the Tenant will remain a Low-Income Tenant if the Tenant's Income, upon the most recent income certification, does not exceed 140% of the applicable Low-Income level.

"Low-Income Unit" means a Unit in the Project that is occupied by a Low-Income Tenant, is Rent-Restricted and meets the other requirements of Section 42 of the Code, in particular, Section 42(i)(3).

"Minimum Applicable Fraction" means the percentage with respect to a building in the Project, calculated as the lesser of the percentage of Units in such building which are Low-Income Units or the percentage of floor space of all Units in such building which is in Low-Income Units, all calculated as required pursuant to Section 42(c)(1) of the Code, which serves as the basis for the Department's allocation of Tax Credits to the building as provided in Section 4(c) hereof.

"Principal" means any person or entity that holds an ownership interest in the Project Owner and (i) has the power to direct any aspect of the operations of the Project Owner or (ii) is entitled to at least a [25%] share in any of the profits, losses, cash flow or residual value of the Project.

"Rent-Restricted" means, with respect to any Unit, that the Gross Rent with respect to such Unit is not more than 30% of the imputed income limitation applicable to such Unit pursuant to Section 42(g)(2)(C) of the Code.

"Secretary" means the Secretary of the Treasury of the United States.

"Service" means the United States Internal Revenue Service and any successor thereto.

"State" means the State of Texas.

"Tenant" means the individual or individuals entitled to occupy a Unit in the Project by lease or other legal relationship with the Project Owner.

"Term" shall have the meaning set out in Section 5 hereof.

"Unit" means any residential rental unit in the Project consisting of an accommodation containing separate and complete physical facilities and fixtures for living, sleeping, eating, cooking, and sanitation; provided, however, that single room occupancy housing used on a non-transient basis may be treated as one or more Units.

(b) Any term or phrase which is used in this Declaration and not defined herein shall have the meaning, if any, assigned thereto in Section 42 of the Code, and if no meaning is assigned thereto in Section 42 of the Code, the meaning, if any, assigned in the Department Rules. Any term or phrase which is defined herein shall, unless the context shall clearly indicate otherwise, be interpreted in a manner consistent with the provisions and requirements of Section 42 of the Code.

SECTION 2 - RECORDING AND FILING; COVENANTS TO RUN WITH THE LAND

(a) The Project Owner shall cause this Declaration and all amendments hereto to be recorded and filed in the official public land deed records of the county in which the Project is located, and shall pay all fees and charges incurred in connection therewith. Upon recording, the Project Owner shall immediately transmit to the Department an executed original of the recorded Declaration showing the date, deed book and page numbers of record. The Project Owner agrees that the Department will not issue the Internal Revenue Service Form 8609, evidencing final allocation of the Tax Credits, unless and until the Department has received the recorded executed original of the Declaration.

(b) The Project Owner intends, declares and covenants, on behalf of itself and all future owners and operators of the Project during the Term of this Declaration, that this Declaration and the covenants and restrictions set forth in this Declaration regulating and restricting the use, occupancy and transfer of the Project (i) shall be and are covenants running with the Project Land, encumbering the Project Land for the Term of this Declaration and binding upon the Project Owner's successors in title and all subsequent owners and operators of the Project Land, and (ii) shall bind the Project Owner (and the benefits shall inure to the Department and any past, present or prospective Tenant of the Project) and its respective successors and assigns during the Term of this Declaration. The Project Owner hereby agrees that any and all requirements of the laws of the State of Texas to be satisfied in order for the provisions of this Declaration to constitute deed restrictions and covenants running with the land shall be deemed to be satisfied in full, and that any requirements or privileges of estate are intended to be satisfied, or in the alternate, that an equitable servitude has been created to insure that these restrictions run with the Project Land. For the Term of this Declaration, each and every contract, deed or other instrument hereafter executed conveying the Project or portion thereof shall expressly provide that such conveyance is subject to this Declaration; provided, however, that the covenants contained herein shall survive and be effective regardless of whether such contract, deed or other instrument hereafter executed conveying the Project or portion thereof provides that such conveyance is subject to this Declaration.

(c) The Project Owner shall obtain the written consent of any existing lienholder of record (each an "Existing Lienholder") on the Project to this Declaration and the requirements hereof, including specifically the requirements of Section 5(b)(1) and Section 5(c) with respect to provisions which survive or may be revived after foreclosure, and such consent shall be in a form promulgated by the Department from time to time and shall be a condition precedent to the issuance by the Department of Internal Revenue Service Form 8609, evidencing final allocation of the Tax Credits. The Project Owner represents and warrants to the Department that attached hereto as Addendum A and made a part hereof is an executed and acknowledged Lienholder's Consent from each Existing Lienholder, if any, as of the effective date hereof.

SECTION 3 - REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE PROJECT OWNER

The Project Owner hereby represents, covenants and warrants as follows:

(a) The Project Owner (i) is a limited partnership, duly organized and validly existing under the laws of the State of Texas, and is duly authorized and qualified to transact in the State any and all business contemplated by this Declaration and the Department Rules; (ii) possesses all requisite power, authority, licenses and permits to own its properties and assets and to conduct its business; and (iii) has all legal right, power and authority to execute and deliver this Declaration.

(b) The execution and performance of this Declaration by the Project Owner (i) will not violate or, as applicable, have not violated, any provision of law, rule or regulation, or any order of any court or other department of the State or governmental body, (ii) will not violate or, as applicable, have not violated, any provision of any indenture, agreement, mortgage, mortgage note or other instrument to which the Project Owner is a party or by which it or the Project is bound, and (iii) will not result in the creation or imposition of any prohibited encumbrance of any nature.

(c) The Project Owner has, at the time of execution and delivery of this Declaration, good and indefeasible fee simple title to **[or a leasehold interest extending at least ten years beyond the end of the Extended Use Period in]** the premises constituting the Project, free and clear of any lien or encumbrance, except those created by any loan documents relating to the Project, those which are created pursuant to this Declaration and those which are otherwise permitted encumbrances, as specifically set forth at Exhibit B hereto.

(d) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of the Project Owner threatened, against or affecting it, or any of its properties or rights, which, if adversely determined, would materially impair its right to carry on business substantially as now conducted (and as now contemplated by this Declaration) or would materially adversely affect its financial condition.

(e) The Project constitutes or will constitute, and the Project Owner covenants, that commencing with the last day of the first year of the Credit Period and continuing throughout the Term of this Declaration, it shall maintain the Project as, a "qualified low-income housing project", as defined in Section 42(g) of the Code.

(f) Each Unit in the Project contains separate and complete physical facilities and fixtures for living, sleeping, eating, cooking and sanitation (unless the Project qualifies as a single-room occupancy project) which is to be used on other than a transient basis as provided in Section 42(i)(3) of the Code.

(g) The Project Owner will comply fully and at all times with the Department Rules.

(h) During the Term of this Declaration, the Project Owner covenants, agrees and warrants that each Low-Income Unit is and will remain suitable for occupancy in accordance with regulations prescribed by the Secretary, taking into account local health, safety, and building codes.

(i) The Project Owner covenants that it will not sell, transfer or exchange any portion of any building in the Project unless it sells, transfers or exchanges the entire building to the same person. Subject to the requirements of Section 42 of the Code and this Declaration, the Project Owner may sell, transfer or exchange the entire Project or any building in the Project at any time, provided that the Project Owner shall require, as a condition precedent to any such sale, transfer or exchange, that the successor owner and operator assume, in writing, in an Assumption Agreement acceptable to the Department, the Project Owner's obligations hereunder and under Section 42 of the Code, which Assumption Agreement shall be delivered to the Department in executed, recordable form prior to any such sale, transfer or exchange. This provision shall not act to waive any other restriction on sale, transfer or exchange of the Project or any building in the Project. The Project Owner agrees that the Department may void any sale, transfer or exchange of the Project if the successor owner and operator fails to execute and deliver an Assumption Agreement or if the Project Owner or the successor owner and operator otherwise acts in contravention of this Section 3(i). This Declaration and the covenants contained herein shall survive and be effective regardless of whether any such successor owner and operator or intended successor owner and operator shall have assumed them pursuant to an executed Assumption Agreement.

(j) The Project Owner agrees to notify the Department in writing prior to any sale, transfer or exchange of the entire Project or any building therein, and to provide to the Department the name(s) and address(es) and financial reports, as applicable, of the prospective successor owner and operator of the Project or building, so the Department can determine the economic viability of such prospective successor and such Project or building and whether such prospective successor is acceptable as Project Owner under the Department Rules. The Project Owner further agrees to notify the Department in writing prior to any change in the identity of a General Partner or other Principal of the Project Owner, and to provide to the Department the name(s) and address(es) and financial reports, as applicable, of any successor or additional General Partner or Principal, so the Department can determine whether such party is acceptable in such role with the Project Owner under the Department Rules.

(k) The Project Owner shall not demolish any part of the Project or substantially subtract from any real or personal property of the Project or permit the use of any Unit for any purpose other than rental housing during the Term of this Declaration, unless required by law.

(l) The Project Owner represents, warrants and agrees that if the Project, or any part thereof, shall be damaged or destroyed or shall be condemned or acquired for public use, the Project Owner will use its best efforts to repair and restore the Project to substantially the same condition as existed prior to the event causing such damage or destruction, or to relieve the condemnation, and thereafter to operate the Project in accordance with the terms of this Declaration.

(m) The Project Owner warrants that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event, the requirements of this Declaration are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith.

(n) The Project Owner agrees, warrants, and covenants to comply with all law, ordinances, statutes, codes, orders, rules, regulations and decrees of the United States, the State and any other Governmental Authority applicable to the Owner of the Project, including, without limitation, the following: the Civil Rights Act of 1964 (42 U.S.C. 2000(d); Executive Order 11-63, as amended by Executive Order 12259; Executive Order 11246; Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.); Equal Credit Opportunity Act (15 U.S.C. 1691 et seq.); Fair Credit Reporting Act (15 U.S.C. 1681 et seq.); Fair Housing Act (42 U.S.C. 3601 et seq.); the Americans with Disabilities Act of 1990 (P.L. 101-336; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794); Architectural Barriers Act of 1968 (42 U.S.C. 4151 et seq.); Section 3 of the Housing and Urban Development Act of 1968; Executive Orders 11625, 12432 and 12138, as amended; the Copeland "Anti-Kickback" Act (18 U.S.C. § 874 et seq.); the Davis-Bacon Act (40 U.S.C. § 276a et seq.); Sections 103 and 107 of the Work Hours and Safety Standards Act. (40 U.S.C. § 327 et seq.); the Uniform Relocation Assistance and Real Property Acquisition Policies Act (42 U.S.C. § 4201 et seq.); the Housing and Community Development Act of 1974; the National Environmental Policy Act (42 U.S.C. § 4321 et seq.); ("NEPA"); the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. § 4321 et seq.); the State of Texas Senate Bill 1356; Title 8, and Chapter 92 of the Texas Property Code; Solid Waste Disposal Act TEX. HEALTH & SAFETY CODE Ann. Ch. 361 (Vernon's 1992); Comprehensive Municipal Solid Waste Management, Resource Recovery, and Conservation Act. TEX. HEALTH & SAFETY CODE Ann. Ch 363 (Vernon's 1992); County Solid Waste Control Act. TEX. HEALTH & SAFETY CODE Ann. Ch 364 (Vernon's 1992); Texas Clean Air Act, TEX. HEALTH AND SAFETY CODE Ann. Ch. 382 (Vernon's 1992); and Hazardous Communication Act, TEXAS HEALTH AND SAFETY CODE Ann. Ch. 502 (Vernon's 1992); and such Governmental Requirements as may be from time to time amended or superseded and all of their implementing regulations, as may be amended.

(o) The Project Owner agrees to apply for and accept renewal of any rent subsidy contracts from which the Project benefits, if such subsidies are sufficient to maintain the economic viability of the Project.

SECTION 4 - INCOME RESTRICTIONS/RENTAL RESTRICTIONS

The Project Owner represents, warrants and covenants throughout the Term of this Declaration and in order to satisfy the requirements of Section 42 of the Code that:

(a) (1) At least 20% or more of the Units in the Project [are and] will continuously be maintained as both Rent-Restricted and occupied by individuals whose income is 50% or less of Area Median Gross Income.

(2) At least 40% or more of the Units in the Project [are and] will continuously be maintained as both Rent-Restricted and occupied by individuals whose income is 60% or less of Area Median Gross Income.

(Check applicable percentage election)

(b) The determination of whether a Tenant is a Low-Income Tenant shall be made by the Project Owner at least annually on the basis of the current income of such Low-Income Tenant. The Project Owner shall utilize forms as permitted from time to time by the Department for providing this certification. If, upon any such annual certification, the Tenant of a Low-Income Unit who was, at the last annual income certification, a Low-Income Tenant, is found no longer to be a Low-Income Tenant, such Unit will continue to be treated as a Low-Income Unit until the next available Unit of comparable or smaller size in the building in which such Unit is located is rented to a person who is not a Low-Income Tenant. A Low-Income Unit that has been vacated will continue to be treated as a Low-Income Unit, provided that (i) reasonable attempts are made to rent the Unit and (ii) no other Units of comparable or smaller size in the Project are rented to persons who are not Low-Income Tenants. In no case will a Unit be treated as a Low-Income Unit if all the Tenants of the Unit are students (as determined under Section 151(c)(4) of the Code); provided, however, that such rule shall not apply to the types of students identified at Section 42(i)(3)(D) of the Code.

(c) The Project will contain a total of 104 Units (including Units occupied by a resident manager or other employee, such that they are not treated as "residential rental units" for purposes of Section 42 of the Code), of which at least 100 percent of the Units treated as residential rental units will be Low-Income Units. The amount of Tax Credits allocated to the Project is based on the requirement that the Minimum Applicable Fraction for each building in the Project will be as specified, building-by-building, at Appendix A hereto. During the Term of this Declaration, Units at the Project shall be leased and rented or made available to members of the general public who qualify as Low-Income Tenants, such that each building in the Project shall at all times satisfy the Minimum Applicable Fraction for such building. The Project Owner's failure to ensure that each building in the Project complies with such requirement will cause the Department to report such fact to the Service and may result in the reduction and recapture by the Service of Tax Credits, as well as other enforcement action.

(d) The Project and the Project Owner are subject to additional and/or modified requirements, if any, set forth at Appendix A, which requirements are incorporated herein and made a part hereof.

(e) The Project Owner shall not discriminate on the basis of race, creed, sex, age or national origin in the lease, use or occupancy of the Project Improvements or in connection with the employment or application for employment of persons for the operation and management of the Project and shall not deny admission to any person exclusively on the basis of such person receiving rent assistance payments under a local, state, federal or other housing assistance program, including, but not limited to, Section 8 of the United States Housing Act of 1937 as amended.

(f) The Project Owner acknowledges that whether a Tenant is a Low-Income Tenant is a matter of fact, to be determined in accordance with applicable law, and the Project's Owner's determination as to such matter is not binding upon the Department or the Service.

SECTION 5 - TERM OF DECLARATION

(a) This Declaration shall become effective with respect to a building in the Project on the first day of the Compliance Period for such building and shall terminate on the last day of the Extended Use Period, unless this Agreement is earlier terminated pursuant to Section 5(b) hereof (the "Term").

(b) Notwithstanding subsection (a) above, but subject to any modified or additional requirements set forth in Appendix A, in which event the terms of this Agreement shall be modified as applicable, this Declaration shall terminate:

(1) with respect to any building in the Project, on the date such building is acquired by foreclosure (or instrument in lieu of foreclosure), upon the recorded declaration of termination of the party so acquiring the building, unless the Secretary or his delegate determines that such acquisition is part of an arrangement with the taxpayer a purpose of which is to terminate such period. If any party acquiring a building by foreclosure (or instrument in lieu of foreclosure) fails to record a declaration terminating this Declaration, the building shall remain subject to this Declaration, and the eligibility of such party to receive Tax Credits shall not be adversely affected, if such party continues to comply with Section 42 of the Code and the terms of this Declaration; or

(2) following the end of the Compliance Period, but not earlier than 30 years following the date upon which the Project was first placed in service pursuant to the requirements of this Declaration, if the Project Owner has properly requested that the Department assist in procuring a "Qualified Contract", as defined in the Code, for the acquisition of a building and the Department is unable to present a Qualified Contract. To properly request the Department's assistance in procuring a Qualified Contract for the acquisition of a building, the Project Owner must submit a written request to the Department no earlier than one (1) year prior to the expiration of the Compliance Period, or on the last day of any subsequent year of the Extended Use Period. The Department will have one (1) year from the date of the Project Owner's written request to find a buyer to acquire the Project Owner's interest in the building. The Department will attempt to procure a Qualified Contract for the acquisition of any building only once during the Extended Use Period.

(3) following the end of the Compliance Period, subject to the consent of the Department, upon the acquisition of the Project by the Tenants of the Project, a qualified nonprofit organization or a government agency pursuant to a right of first refusal under Section 42(i)(7) of the Code.

(c) If this Declaration is terminated pursuant to subsection (b) above and notwithstanding anything herein to the contrary, the Tenant of any Low-Income Unit on the date of such termination shall be entitled to occupy such Unit in accordance with the provisions of this Declaration for a period of three years following such termination date, provided, however, that upon a showing of good cause, such Tenant's tenancy may be terminated or such Tenant evicted.

SECTION 6 - ENFORCEMENT, ADMINISTRATION AND COMPLIANCE

(a) The Project Owner covenants that it will not knowingly take or permit any action that would result in a violation of the requirements of Section 42 of the Code and this Declaration. Moreover, the Project Owner covenants to take any lawful action (including amendment of this Declaration as may be necessary in the opinion of the Department) to comply fully with the Code and with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury, the Service, or the United States Department of Housing and Urban Development, from time to time, pertaining to the Project Owner's obligations under Section 42 of the Code and affecting the Project.

(b) The Project Owner acknowledges that the primary purpose for requiring compliance by the Project Owner with the restrictions provided in this Declaration is to assure compliance of the Project and the Project Owner with Section 42 of the Code and the Department Rules, AND BY REASON THEREOF, THE PROJECT OWNER, IN CONSIDERATION FOR RECEIVING THE TAX CREDITS FOR THIS PROJECT, HEREBY AGREES THAT THE DEPARTMENT AND ANY INDIVIDUAL WHO MEETS THE APPLICABLE INCOME LIMITATION UNDER SECTION 42 (WHETHER PROSPECTIVE, PRESENT OR FORMER TENANT) SHALL BE ENTITLED, FOR ANY BREACH OF THE PROVISIONS HEREOF, AND IN ADDITION TO ALL OTHER REMEDIES PROVIDED BY LAW OR IN EQUITY, TO ENFORCE SPECIFIC PERFORMANCE BY THE PROJECT OWNER OF ITS OBLIGATIONS UNDER THIS DECLARATION IN A STATE COURT OF COMPETENT JURISDICTION. The Project Owner hereby further specifically acknowledges that the beneficiaries of the Project Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of any default hereunder. The Project Owner, still further, acknowledges and agrees that any party which brings an action to enforce any requirement of this Declaration, whether by specific performance or otherwise, shall be entitled, if successful, to recover such party's reasonable attorney's fees.

(c) The Project Owner hereby agrees that the representations and covenants set forth herein may be relied upon by the Department and all persons interested in Project compliance under Section 42 of the Code.

(d) The Project Owner acknowledges that the Department is required, pursuant to Section 42(m)(1)(B)(iii) of the Code, (i) to monitor the Project Owner's and the Project's compliance with the requirements of Section 42 of the Code, and (ii) to notify the Service of any noncompliance which is found. The Project Owner agrees (I) to maintain records that substantiate and document such compliance, (II) to take all actions required by the Department pursuant to the Department Compliance Monitoring Procedures to assist or cooperate with the Department in monitoring such compliance, and (III) to pay the fee prescribed by the Department with respect to such monitoring.

(e) The Project Owner agrees that the Department may enforce all state and federal law, the Department Rules and the terms of any allocation of Tax Credits through this Declaration, and utilize for such purposes any and all remedies available to the Department including but not limited to administrative or judicial action, appointment of trustee or receiver, or assume the management and operations of the Development.

(f) The Project Owner agrees the Department may, at reasonable times and upon adequate notice at any time during the construction, rehabilitation, or operation of the Project, enter and inspect the Project to evaluate its physical and financial condition, construction, rehabilitation, operation, management and maintenance.

(g) The Project Owner agrees the Department may, at reasonable times and upon adequate notice, examine all books and records, and request and receive from the Project Owner one or more reports, relating to the ownership, operations, capitalization, reserve funds, income, expenses and other financial and regulatory matters of the Project or the Project Owner.

(h) The Project Owner agrees that the Department may at any time order it and/or its managing agent or Project manager to do whatever is necessary to comply with or refrain from violating an applicable law, ordinance, Department Rules, or term of an agreement regarding the Project, and that the Department may file and prosecute a complaint against a managing agent, Project manager, or the Project Owner for a violation of any applicable law or ordinance. The Project Owner acknowledges and agrees that, in the event that the Project Owner is found to have violated an applicable law, ordinance, Department Rules, or term of an agreement regarding the Project, the Department shall have the right, among other remedies and without limitation, to limit or deny participation by the Project Owner in any of the programs operated or administered by the Department.

(i) Upon a determination by the Department that the Project Owner has failed to maintain the Project in good and habitable condition and suitable for occupancy as hereinabove required, the Project Owner agrees, upon the Department's direction, to establish a reserve for replacement and repairs to the Project in such initial amount and with such monthly deposits as the Department may direct. Such reserve shall be held for the benefit of the Project Owner and the Project by such party as the Department shall direct, and disbursements shall be made there from only upon direction of or approval by the Department.

(j) The Project Owner agrees to indemnify and hold harmless the Board members, Department officers, directors and employees from and against all liabilities, losses, claims, damages, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by the Department as a result of any material inaccuracy in any of the representations and warranties contained in this Declaration, or as a result of any action by the Project Owner, including claims by third parties.

(k) The Project Owner agrees that should any claims, demands, suits or other legal proceedings be made or instituted by any person against the Department which arise out of any of the matters relating to this Declaration, Project Owner will cooperate fully with the Department in the defense or other disposition thereof.

(l) The Project Owner agrees to furnish the Department with copies of all correspondence between the Project Owner and the Service with respect to the Project, other than tax returns and routine, periodic reports filed with the Service.

(m) The Project Owner agrees to notify the Department if any federal grant or loan of below market rate federal funds is received with respect to the Project at any time during the Compliance period.

SECTION 7 - FEES

(a) To compensate the Department for its responsibilities pursuant to the Act and the Code, the Project Owner shall pay to the Department an annual compliance monitoring fee for the first twelve month period of this Declaration in the amount of \$25 per Low-Income Unit in the Project. In no event shall the fee be less than \$100.

(b) In addition to the compliance monitoring fee required by Section 7(a), the Project Owner shall pay to the Department a building inspection fee for any inspections that the Department requires or performs. The amount of such fee(s) will be determined by the Department in accordance with Department Rules.

(c) If the Department shall find the Project not to be in compliance with the terms hereof, the Project Owner shall pay to the Department (i) an additional administrative fee in an amount prescribed from time to time by the Department, which amount for the first twelve month period of this Declaration, shall not exceed \$25 per Unit (without regard to the number of Low-Income Units), for additional monitoring and enforcement activities undertaken with respect to the Project and (ii) all amounts required to reimburse the Department for its expenses in performing such additional monitoring and enforcement activities. The administrative fee payable in the event of noncompliance shall be in addition to, and distinct from, the amount due pursuant to Section 7(a), as well as any reimbursements of costs and legal fees to which the Department may be entitled as a result of judicial enforcement action, and such fee shall be payable without respect to whether the Department undertakes or succeeds in judicial enforcement activities, and any right to be compensated therefore, for a period of up to three years following its most recent finding of noncompliance with respect to the Project.

(d) For each successive twelve month period following the initial twelve month period of this Declaration, the administrative fees payable to the Department hereunder shall be the amounts established for the most recent administrative fee, multiplied by the increase in the Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the United States Department of Labor (or generally recognized successor to such Index) for the same twelve month period of time.

(e) The Project Owner agrees that it will pay the annual compliance monitoring fee and the building inspection fee(s) at the times required by the Department therefore and that it will pay all additional charges, fees, and expenses assessed hereunder by the Department within ten (10) days of receipt of written notice of any such assessment.

SECTION 8 - MISCELLANEOUS

(a) Severability. This Declaration is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Declaration or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this Declaration and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

(b) Notices. All notices to be given pursuant to this Declaration shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, delivered by hand, or delivered by any other method permitted by law, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.

To the Department: Texas Department of Housing & Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701
Attn: Low Income Housing Tax Credit Program

To the Project Owner: Gateway Affordable Housing, L.P.
1717 West Sixth Street, Suite 315
Austin, Texas 78703
Attn: Daniel F. O'Dea

The Department, and the Project Owner, may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

(c) Amendment. This Agreement may not be amended or modified except by written instrument signed by Project Owner and approved by Department, or their respective heirs, successors or assigns, which instrument shall not be effective until it is recorded in the real property records in the county where the Property is located. Upon request by the Department, the Project Owner agrees that it will take all actions necessary to effect any amendment of this Declaration which may be necessary in the Department's sole discretion to comply with the Code, and any and all applicable rules, regulations, policies, procedures, rulings or other official statements pertaining to the Tax Credits.

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(d) Governing Law. This Declaration shall be governed by the laws of the State of Texas, and, where applicable, the laws of the United States of America.

(e) Survival of Obligations. The obligations of the Project Owner as set forth herein and in the Application shall survive the allocation of the Tax Credit and shall not be deemed to terminate or merge with the awarding of the allocation.

(f) Interpretation. The Department's interpretation of this Declaration shall be controlling for purposes of determining whether (i) the Compliance Period and/or Credit Period shall have commenced, (ii) this Declaration shall have been terminated in accordance with Section 5 hereof, and (iii) the Additional Use Restrictions elected at Appendix A hereto, if any, shall have been complied with.

012-05 0004 0502

IN WITNESS WHEREOF, the Project Owner has caused this Declaration to be signed by its duly authorized representative, as of the day and year first written above.

PROJECT OWNER:

Gateway Affordable Housing, L.P., a Texas limited partnership

By: Preservation Partners of El Paso, Inc., a Texas corporation, General Partner

By: *Daniel F. O'Dea*
Daniel F. O'Dea, President

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

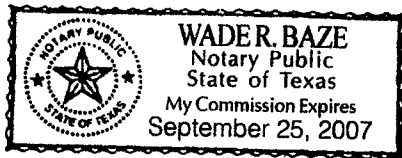
By: *Edwina P. Carrington*

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the 3rd day of December, 2003, by Daniel F. O'Dea, President of Preservation Partners of El Paso, inc., a Texas corporation, General Partner of Gateway Affordable Housing, L.P., a Texas limited partnership, on behalf of said limited partnership.

Wade R. Baze
Notary Public



STATE OF TEXAS

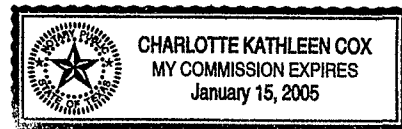
COUNTY OF TRAVIS

This instrument was acknowledged before me on the 22nd day of December, 2003, by Edwina P. Carrington,

Executive Director
Title

of the Texas Department of Housing and Community Affairs, a public and official department of the State of Texas, on behalf of said department.

Charlotte Kathleen Cox
Notary Public, State of Texas



2003 DEC 22 10:00 AM

ADDENDUM A TO DECLARATION - CONSENT AND SUBORDINATION OF LIENHOLDER

[To be executed by each lienholder on the project as of the effective date of the declaration.]

The undersigned lienholder ("Lienholder") hereby consents to the execution by Project Owner of the foregoing Declaration for Gateway East Apartments (the "Project Improvements").

Lienholder hereby subordinates its lien(s) to the rights and interests created pursuant to Section 5(c) of the Declaration such that a foreclosure of its lien(s) shall not extinguish such rights and interests.

Lienholder acknowledges and agrees that, pursuant to Section 5(b)(1) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure, upon the recorded declaration of the party so acquiring the building (unless it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lienholder hereby acknowledges and agrees that the acquisition of the Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(c) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

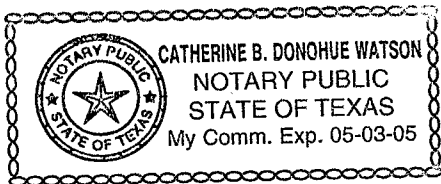
Executed to be effective the 4 day of December, 2003.

LIENHOLDER: Bank of America, N.A., a national banking association

By: Valerie A. Williams
Name: Valerie A. Williams
Title: Senior Vice President

STATE OF Texas
COUNTY OF Dallas

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that Valerie A. Williams, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, being informed of the contents of such document, executed the same voluntarily. Given under my hand, official seal this 4th day of December, 2003.



Catherine B. Donohue-Watson
Notary Public

My Commission expires: 05-03-05

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EXHIBIT A TO DECLARATION - LEGAL DESCRIPTION

Being the description of 6.8511 acres of land comprising Lots 5 through 12 and Lots 24 through 37, Block One, Ranchland Commercial District, Unit Three, City and County of El Paso, Texas, being more particularly described by metes and bounds as follows:

Beginning at a point, said point being the Northeast corner of this parcel, lying on the Southerly right of way line of an El Paso County Easement paralleling Gateway East and bears North 54° 7' West a distance of 240.40 feet from the centerline of Coolidge Way;

THENCE South 35° 53' West along a portion of the East boundary of this parcel, a distance of 382.00 feet, to a point for intermediate corner;

THENCE South 45° 54' 31" West along a portion of the East boundary of this parcel, a distance of 179.28 feet to a point for the Southeast corner of this parcel, said point lying on the North right of way line of Giles Road;

THENCE along the following courses on the North right of way line of Giles Road which comprises the Southern boundary of this parcel:

Along a curve to the left, of which the chord bearing is North 49° 06' 14" West, chord length is 97.65 feet, radius is 558.78 feet and the central angle is 10° 01' 32";

North 54° 07' West, a distance of 495.74 feet;

Along a curve to the right, of which the chord bearing is North 46° 57' 27" West, chord length is 100.78 feet, radius is 404.34 feet and the central angle is 14° 19' 06";

THENCE North 35° 53' East along a portion of the West boundary of this parcel, a distance of 237.45 feet, to a point of intermediate corner;

THENCE South 54° 07' East along a portion of the North boundary of this parcel, a distance of 324.23 feet, a point of intermediate corner;

THENCE North 35° 53' East along a portion of the West boundary of this parcel, a distance of 300.00 feet, to a point for the Northwest corner of this parcel, said point lying on the Southerly right of way line of said El Paso County Easement;

THENCE South 54° 07' East along El Paso County Easement right of way line, being the North boundary of this parcel, a distance of 400.00 feet, to the point of beginning.

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APPENDIX A - ADDITIONAL USE RESTRICTIONS

(Check all restrictions which were elected at the time of Application.)

Additional Rent and Occupancy Restrictions

At least 2 Units in the Project must be occupied by Tenants at or below 40% of Area Median Gross Income, with rents for these Units no higher than the allowable tax credit rents at such AMGI level. At least 32 Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income, with rents for these Units no higher than the allowable tax credit rents at such AMGI level. [IF COMMITMENT IS TO PROVIDE UNITS AT DIFFERENT INCOME LEVELS, SET FORTH EACH.] If at re-certification the Tenant's household income exceeds the applicable limit, then the Unit remains as a Unit restricted at the specified level of AMGI until the next available Unit of comparable or smaller size is designated to replace this Unit. Once the Unit exceeding the specified AMGI level is replaced, then the rent for the previously qualified Unit may be increased, subject to applicable Tax Credit requirements, lease provisions and local tenant-landlord laws.

Additional Rent and Occupancy Restrictions for Developments with below market rate HOME funding included in the total eligible basis and utilizing the "9%" Applicable Percentage

At least 40% Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income.

Longer Compliance Period and Extended Use Period

The Compliance Period shall be a period of forty consecutive taxable years and the Extended Use Period shall be a period of fifty-five consecutive taxable years, each commencing with the first year of the Credit Period.

Material Participation by Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall hold a controlling interest the Project as required by the Department Rules, shall materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the Project and shall otherwise meet the requirements of Section 42(h)(5) of the Code. At the time this Declaration is filed, the qualified nonprofit organization which shall own such interest and shall so materially participate in the development and operation of the Project is _____ and is the [managing General Partner] [Managing Member] of the Project Owner. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified nonprofit organization.

Joint Venture with Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall materially participate as one of the General Partners or Managing Members in the development and operation of the Project. At the time this Declaration is filed, the qualified nonprofit organization which shall own such interest and shall so materially participate in the development and operation of the Project is _____ and is a [General Partner] [Managing Member] of the Project Owner. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified nonprofit organization.

Historically Underutilized Businesses (HUB)

Throughout the Compliance Period, unless otherwise permitted by the Department, the HUB shall hold an ownership interest in the Project. The HUB must also maintain regular, continuous, and substantial participation in the development and operation of the Project. At the time this Declaration is filed, the HUB which holds an ownership interest in the Project is _____ . The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified HUB.

Supportive Services

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner has contracted for the provision of the following special supportive services that would not otherwise be available to Tenants: Homebuyer Education.

At the time this Declaration is filed, the organization(s) providing these services is Greater El Paso Housing Development Corporation.

The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified provider.

Transitional Housing for the Homeless

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide transitional housing for homeless persons, on a non-transient basis, with supportive services designed to assist Tenants in locating and retaining permanent housing.

Public Housing Waiting Lists

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall consider prospective Tenants referred to from the waiting list of the Housing Authority of El Paso.

QUALIFIED ELDERLY DEVELOPMENTS¹

Qualified Elderly Projects (2000 and later)

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project which:

- (i) is intended for, and solely occupied by Persons 62 years of age or older; or
- (ii) is intended and operated for occupancy by at least one person 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one person who is 55 years of age or older; and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for persons 55 years of age or older.

¹ Note: The Federal Fair Housing Act requires, generally, that projects which are limited to occupancy by older persons either (i) be restricted to households in which all members are 62 years or older or (ii) to households in which at least one member is 55 years or older. See 24 C.F.R. §§100.300-100.304 for exact requirements. All tax credit projects must comply with these requirements, as applicable under Federal law, in addition to the Declaration.

Special Housing Development

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall operate the Project exclusively as one or more of the following:

- housing for persons with mental health/mental retardation issues;
- group home;
- transitional housing;
- congregate care facility;
- housing for persons with HIV/AIDS;
- [OTHER – SPECIFY] _____.

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APPENDIX A - ADDITIONAL USE RESTRICTIONS - HANDICAPPED ACCESSIBILITY

(Only Projects which made the applicable Handicapped Accessibility election should include this page as part of this Declaration.)

Handicapped Accessibility for 1999 Allocations, Option §50.6(c)(6)(B)(i) and 2000 Allocations, Option §49.6(c)(6)(B)(i)

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner agrees to set aside Units for Persons with Disabilities. The Department will require a minimum of nine months during which the set aside Units must either be occupied by Tenants who are physically or mentally disabled or held vacant while being marketed to such tenants. The nine month period will begin on the date that each building receives its certificate of occupancy. For buildings which do not receive a certificate of occupancy, the nine month period will begin on the placed in service date as provided in the Cost Certification Manual. When a qualified Tenant is located, the Project Owner will be responsible for adapting the Unit per the tenant's requirements. The cost of adapting the Unit will be borne by the Project Owner. If the Project Owner is unable to locate qualified Persons with Disabilities following a good-faith effort throughout the nine month set aside period, then the Units may be rented to tenants without disabilities, provided that the next available Unit (from among those set aside for Persons with Disabilities) shall first be made available to Persons with Disabilities. To comply with this provision, the Project Owner must maintain a waiting list of qualified Tenants with disabilities throughout the Compliance Period. Each time a Unit set aside for Persons with Disabilities becomes available, the Project Owner must contact persons on the waiting list and/or provide notice to local service providers that such Units are available. If the waiting list or the local service provider cannot locate a qualified Tenant for the next available Unit, then the Unit may be rented to a Tenant without disabilities.

(a) For physical disabilities, such Units must be designed to meet American National Standards for buildings and facilities providing accessibility and usability for Persons with Disabilities (ANSI A117.1 - 1986) and will conform to the Fair Housing Act.

(b) For persons with mental disabilities, there must be a contract to provide appropriate supportive services for persons with mental disabilities between the Project Owner and an experienced service provider.

- At least 7% of the Units are set-aside for persons with physical or mental disabilities; or
- at least 10% of the Units are set-aside for persons with physical or mental disabilities.

Handicapped Accessibility for 1999 Allocations, Option §50.6(c)(6)(B)(ii) and 2000 Allocations, Option §49.6(c)(6)(B)(ii)

The Project provides Units specifically accessible to persons with physical, visual or hearing disabilities as required by §504 of the Rehabilitation Act of 1973. As required by §504, a one time inspection and corresponding Accessibility Transition Plan will be required upon completion of construction. Project Owners making this election must also comply with the Fair Housing Act.

- At a minimum, 5% of the Units must be usable for persons with mobility impairments and 2% of the Units shall be made accessible for people with hearing or visual impairments; or
- at a minimum 10% of the Units must be usable for persons with mobility impairments and 2% of the Units shall be made accessible for people with hearing or visual impairments.

Handicapped Accessibility for 2001 Allocations, Option §50.7(d)(1)(C)

For up to 5% of all LIHTC restricted units, the Project Owner shall provide reasonable accommodation(s) or modification(s) on a one-time basis in conformance with ANSI A117.1-1986 construction standards as requested by the tenant with a disability. The Project Owner shall incur the related expense(s) for the reasonable accommodation(s) and/or modification(s). For properties that are designed as townhouse units, the Project Owner must include one bathroom and one bedroom on the ground level of 5% of the LIHTC Units and meet Fair Housing standards.

2000 03 24 09 00

Handicapped Accessibility for 2002 and later Allocations

The Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C. A minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for persons with mobility impairments. A Unit that is on an accessible route and is adaptable and otherwise compliant with sections 3-8 of the Uniform Federal Accessibility Standards (UFAS), meets this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for persons with hearing or vision impairments. Additionally, for Developments where some Units are two-story dwelling Units, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and include a minimum of one bedroom and one bathroom or powder room at the entry level.

20020802

APPENDIX A - ADDITIONAL USE RESTRICTIONS - RIGHT OF FIRST REFUSAL

(Only Projects which made a Right of First Refusal election in calendar years prior to 2001 should include this page as part of this Declaration.)

Right of First Refusal to a Tenant or Qualified Nonprofit Organizations for 1998, 1999 and 2000 allocations

The Project Owner has entered into an Agreement for Provision of the Right of First Refusal with the Department. If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, this agreement shall serve as evidence that the Project Owner agrees to provide, and provides, to a qualified nonprofit organization (as defined in §42 (h) (5) (C) of the code) or a tenant organization, a right of first refusal to purchase the Project for the minimum purchase price provided in, and in accordance with the requirements of §42 (i) (7) (B) of the Code as shown below.

“(B) Minimum purchase price. The minimum purchase price under this subparagraph is an amount equal to the sum of-

- (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and
- (ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii).”

The following terms are hereby incorporated into this Declaration:

(i) Upon the earlier to occur of:

(I) the Project Owner's determination to sell the Project, or

(II) the Project Owner's request to the Department, pursuant to §42 (h)(6)(I) of the Code, to find a buyer who will purchase the Project pursuant to a "qualified contract" within the meaning of §42 (h)(6)(F) of the Code, the Project Owner shall provide a notice of intent to sell the Project ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Project Owner determines that it will sell the Project at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period.

(ii) During the two years following the giving of Notice of Intent, the Project Owner may enter into an agreement to sell the Project only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(I) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department;

(II) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(III) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iii) After the later to occur of (I) the end of the Compliance Period or (II) two years from delivery of a Notice of Intent, the Project Owner may sell the Project without regard to any right of first refusal established by this Declaration if: (x) no offer to purchase the Project at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or (y) a period of 120 days has expired from the date of acceptance of such offer without the sale having occurred, provided that the failure to close within such 120-day period shall not have been caused by the Project Owner or matters related to the title for the Project.

(iv) At any time prior to the giving of the Notice of Intent, the Project Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Project for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Project by such organization in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

(v) The Department shall, at the request of the Project Owner, identify in this Declaration a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Project at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

2000-0000-0000-0000

APPENDIX A - ADDITIONAL USE RESTRICTIONS - RIGHT OF FIRST REFUSAL

(Only Projects which made a Right of First Refusal election beginning in 2001 should include this page as part of the LURA.)

Right of First Refusal to a Tenant or Qualified Nonprofit Organizations for 2001 and later allocations

The Project Owner has entered into an Agreement for Provision of the Right of First Refusal with the Department. If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, this agreement shall serve as evidence that the Project Owner agrees to provide, and provides, to a qualified nonprofit organization (as defined in §42 (h) (5) (C) of the code) or a tenant organization determined to be such by the Department (a "Tenant Organization"), a right of first refusal to purchase the Project for the Minimum Purchase Price provided in, and in accordance with the requirements of §42 (i) (7) (B) of the Code as shown below.

"(B) Minimum purchase price. The minimum purchase price under this subparagraph is an amount equal to the sum of-

- (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and
- (ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii)."

The following terms are hereby incorporated into this Declaration:

(i) Upon the earlier to occur of:

(I) the Project Owner's determination to sell the Project, or (II) the Project Owner's request to the Department, pursuant to §42 (h)(6)(I) of the Code, to find a buyer who will purchase the Project pursuant to a "qualified contract" within the meaning of §42 (h)(6)(F) of the Code, the Project Owner shall provide a notice of intent to sell the Project ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Project Owner determines that it will sell the Project at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period.

(ii) During the two years following the giving of Notice of Intent, the Project Owner may enter into an agreement to sell the Project only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

- (I) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department;
- (II) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and
- (III) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iii) At any time after the fifteenth year of the Compliance Period, but no earlier than two years after delivery of a Notice of Intent, the Project Owner may sell the Project without regard to any right of first refusal established by this Declaration if: (x) no offer to purchase the Project at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or (y) a period of 120 days has expired from the date of acceptance of such offer without the sale having occurred, provided that the failure to close within such 120-day period shall not have been caused by the Project Owner or matters related to the title for the Project.

(iv) At any time prior to the giving of the Notice of Intent, the Project Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Project for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Project by such organization in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

(v) The Department shall, at the request of the Project Owner, identify in this Declaration a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Project at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

20030909 14:20:09

APPENDIX A - MINIMUM APPLICABLE FRACTION BY BUILDING

Building Number	Building Identification Number (BIN)	Minimum Applicable Fraction
1.	TX-02-03601	100%
2.	TX-02-03602	100%
3.	TX-02-03603	100%
4.	TX-02-03604	100%
5.	TX-02-03605	100%
6.	TX-02-03606	100%
7.	TX-02-03607	100%
8.	TX-	
9.	TX-	
10.	TX-	
11.	TX-	
12.	TX-	
13.	TX-	
14.	TX-	
15.	TX-	
16.	TX-	
17.	TX-	
18.	TX-	
19.	TX-	
20.	TX-	
21.	TX-	
22.	TX-	
23.	TX-	
24.	TX-	
25.	TX-	
26.	TX-	
27.	TX-	
28.	TX-	
29.	TX-	
30.	TX-	
31.	TX-	
32.	TX-	
33.	TX-	
34.	TX-	
35.	TX-	
36.	TX-	
37.	TX-	
38.	TX-	

2024-03-24 09:54:43

After recording, return to:

Delphi Affordable Housing Group, Inc.
1717 West 6th Street, Suite 315
Austin, Texas 78703
Attention: Michelle Grandt

1468 00000592

00000592

Doc# 20030124835
Pages 22
12/23/2003 12:45:11 PM
Filed & Recorded in
Official Records of
EL PASO COUNTY
WALDO BLARSON
COUNTY CLERK
Fees \$55.00

ANY PROVISIONS HEREIN WHICH RESTRICT THE SALE, RENTAL
OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR
OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW
COUNTY OF EL PASO
STATE OF TEXAS

I hereby certify that this instrument was filed on the date and time stamped
hereon by me and was duly recorded in the volume and page of the Official
Public Record of Real Property El Paso County.



EL PASO COUNTY, TEXAS

DECC 29 2003

**END OF
INSTRUMENT**

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
MAY 25, 2017

Presentation, discussion, and possible action to approve a material amendment to the Housing Tax Credit (“HTC”) Land Use Restriction Agreement (“LURA”) for Villas at Henderson Place (HTC #060629, HTF #1000435)

RECOMMENDED ACTION

WHEREAS, in 2006 Villas at Henderson Place (the “Development”) received an award of 4% Housing Tax Credits, TDHCA issued tax-exempt bonds, and a Direct Loan award of Housing Trust Funds in the form of a \$700,000 loan secured by a second lien on the property to construct 140 new units in Cleburne, Johnson County;

WHEREAS, the Development was approved by the Department as an Intergenerational development composed of five family walk-up residential buildings containing 80 units and fifteen senior garden style buildings containing 60 units;

WHEREAS, the Department last evaluated and approved, at the time of cost certification for the housing tax credits, a financing structure that included (i) \$7,200,000 in priority permanent bond debt, (ii) a variable interest rate (5.50% underwritten interest rate), (iii) a 15-year term, and (iv) a 30 year amortization period (\$490,570 underwritten annual debt service);

WHEREAS, the Owner is now proposing to substitute for the permanent first lien financing a loan insured through the Federal Housing Administration (“FHA”) 223(f) Program that would (i) increase the permanent debt to \$7,334,800, (ii) reduce the interest rate to 3.32%, and (iii) extend the amortization period to 35 years, for a new annual payment of \$354,649 and additional Mortgage Insurance Premium (“MIP”) of up to \$25,672 (0.35% MIP Percentage Rate);

WHEREAS, in anticipation of the proposed refinancing the Development Owner is requesting approval to modify the Department’s HTF loan terms from a hard debt second lien to a surplus cash note to accommodate the United States Department of Housing and Urban Development’s (“HUD”) requirement that all subordinate debt in FHA insured developments must be repayable only from Cash Surplus (as defined for FHA purposes) after the deduction of certain expenses and first lien debt service and further restricts repayment of subordinate debt to be made from only 75% of such Cash Surplus;

WHEREAS, HUD also requires that in order to be eligible for FHA mortgage insurance, properties proposing to restrict occupancy to elderly families or elderly persons must comply with one of three occupancy categories under Chapter 3.1.O.1 of the HUD Multifamily Accelerated Processing (“MAP”) Guide;

WHEREAS, the Development Owner requested a waiver of MAP Guide Chapter 3.1.O.1.B regarding the age restricted portion of the Development in order to continue operating the Development as Intergenerational, but HUD has denied the owner's waiver request;

WHEREAS, in order for the Development Owner to proceed with the refinance under the FHA 223(f) Program and comply with HUD requirements, the Development Owner is also requesting approval to materially amend the HTC LURA and TDHCA bond regulatory agreement to change the target population from Intergenerational to General so as not to conflict with HUD's MAP guide, which states that dual purpose housing facilities are prohibited;

WHEREAS, the Department's rules regarding Amendments to Direct Loan Terms, under 10 TAC §13.12, require that post closing loan modifications requiring changes in the Department's loan terms, lien priority, or amounts will generally only be considered as part of a work out arrangement or other condition intended to mitigate financial risk and will not require additional Board approval except where the post closing change could not have been anticipated prior to closing, which is not the case for this Development;

WHEREAS, 10 TAC §13.8(c)(2) allows for a Direct Loan to be structured as payable from surplus cash flow provided the first lien mortgage is a federally insured HUD or FHA mortgage and the debt coverage ratio, inclusive of the loan, continues to meet the Department's underwriting requirements;

WHEREAS, in addition to the Development Owner's request that the Department allow the Department's existing subordinate loan to be restricted to 75% of the Cash Surplus available along with the other accommodations requested for their refinancing of the first lien, the Development Owner has agreed to pay down \$100,000 of the outstanding balance of the Department's HTF loan and provide a personal guarantee for the continued repayment of the remaining balance;

WHEREAS, the Owner has provided sufficient mitigation to support an alternative cash flow loan structure, and requiring full repayment of the Direct Loan in lieu of re-subordination would not be economically viable; and

WHEREAS, Board approval is required for changes to the Target Population under 10 TAC §10.405(b)(2)(C), and the Owner has complied with the amendment requirements in 10 TAC §10.405(b); and

NOW, therefore, it is hereby

RESOLVED, that the request to modify the loan terms of the Department's existing subordinate loan to mature at the same time or within six months of the first lien's 35 year loan term, allow the Department's existing subordinate loan to be restricted to 75% of the Cash Surplus available, to approve the new source of the first lien debt, and to re-subordinate the Department's loan for Villas at Henderson Place, as presented at this

meeting, is approved, this approval recommendation being based, in part, on staff's determination that without the re-subordination, the refinance as structured by the senior lender could not occur, as there would be insufficient funds to either pay off the Department's loan or comply with HUD's surplus cash requirements and, with respect to the reduced cash flow available for repayment and the increased debt senior to the Department's loan, the Development Owner has provided extraordinary mitigation to reduce the increased risk associated with the new terms of the subordination by and among other things, agreeing to pay down \$100,000 of the outstanding balance of the HTF loan and provide a personal guarantee for the continued repayment of the remaining balance; and

FURTHER RESOLVED, that the request to change the Target Population from Intergenerational Housing to general population is approved, and the Executive Director and his designees are hereby, authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Villas at Henderson Place received a Direct Loan award of Housing Trust Fund (HTF) funds in the amount of \$700,000 in 2005 and an award of 4% Housing Tax Credits and tax-exempt bonds in 2006 to construct 140 units in Cleburne, Johnson County. The Development consists of 140 total units, of which 60 units (43%) are restricted to seniors, ages 55 and up, and 80 units (57%) target the general population. The Development is in the process of refinancing its first lien debt, and Mason Joseph Company, Inc., the proposed lender, has requested approval to modify the terms of the Department's HTF loan in conjunction with the refinancing.

At Application, the Department approved issuance of \$7,200,000 in tax-exempt mortgage revenue bonds with a variable interest rate and repayment term of 15 years with a 30-year amortization period and also recommended approval of a HTF award not to exceed \$700,000, structured as a 30-year term loan, fully amortizing over the last 25 years at 0% interest. At cost certification, in 2009, the Owner indicated that, in order to provide additional long term security, an interest rate cap was purchased at the time of closing, and the Owner is required to maintain interest rate caps until the maturity of the loan. The Owner is now concerned that, as rates start rising, the Development could get caught up in a situation where the Owner could not get or afford the rate caps that they are obligated to have under their partnership agreement and loan agreement. This could put the Owner in default and the Development at risk. Although the Owner will be giving up some short term cash flow, it will be offset by the certainty of being out of the floating rate risk that they currently have. Additionally, the Owner has agreed to personally guarantee the repayment of the balance of the Department's second lien and pay down \$100,000 of the outstanding balance of the HTF loan.

The lender has proposed an increase in the first lien amount to \$7,334,800, at an interest rate of 3.32% plus 0.35% MIP and extending the amortization period and term of the first lien to 35 years. The current balance of the first lien mortgage was reported to be \$6,334,588, and the proposed debt amount is \$1,000,212 greater. The current balance of the HTF loan is \$590,333. However, net of the loan fees, reserve deposits, and property repairs associated with the proposed refinancing, there will be \$319,485 in equity as a result of the refinance. Information submitted by the lender identifies outstanding deferred developer fee in the amount of \$719,274. The Owner's initial proposal was to use all of the equity from this refinance to pay

down the deferred developer fee, but after discussions with staff, the Owner proposed to pay down the HTF loan balance by \$100,000. The Owner indicated that the proposed first lien HUD debt could not be increased to a level that would allow the full repayment of the current balance of the Department's HTF loan due to the debt service coverage constraints placed by the lender. This claim is supported by the Development's 12-month operating statement as of January 2017, which indicates the aggregate Debt Coverage Ratio ("DCR") would be 1.16 once the new debt is in place. This DCR is on the low end of the Department's acceptable DCR range of 1.15 to 1.50 (for HTC Developments at cost certification).

Due to the variable-rate structure, the annual debt service for the first lien has been between \$208K and \$242K for the last five years. In addition to the increased debt amount and despite the extended amortization, the debt service for the first lien would increase to \$354,649 plus MIP of up to \$25,672. Based on the Development's historical operations, staff's analysis concludes that the Development is financially feasible at a DCR within the range of underwriting tolerance. Furthermore, both the lender's calculation of Surplus Cash and the historical operations of the Development indicate that 75% of Surplus Cash would exceed the current debt service payments for the Department's HTF loan (\$28,000 annual debt service). Neither the lender nor the Owner has proposed to alter the debt service payments for the HTF loan.

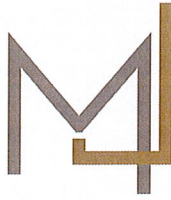
In order to move forward with the proposed refinance, the Development must meet HUD's requirements, but HUD's MAP guide prohibits dual purpose or Intergenerational housing facilities. This creates a conflict for this Development, as the Department's current LURAs for the bonds and the Housing Tax Credits reflect the Intergenerational designation. Therefore, in order for the Department to subordinate its HTF lien and LURAs, the Owner was asked to obtain a written waiver by HUD for this requirement. Such waiver was subsequently requested by the lender, but the waiver was denied. As a result, the Owner has requested to amend the LURAs to change the Target Population from Intergenerational Housing to general population. The Development, as currently leased, does not meet the requirement to be considered an Elderly development. Board approval is required for changes to the Target Population under 10 TAC §10.405(b)(2)(C).

The Development Owner must comply with the amendment and notification requirements under the Department's rule at 10 TAC §10.405(b). A public hearing regarding the requested LURA amendment occurred on April 6, 2017, at the Development's management office/clubhouse, and no negative public comment was received. However, based on the minutes for the public hearing, staff believed that further clarification to the residents was necessary. A second public hearing occurred on May 1, 2017, at the Development's clubhouse. The minutes for the second public hearing indicate that several of the tenants on the elderly side of the Development expressed concern over the disturbances that could result from having families with children living in the section of the property currently reserved for elderly tenants, and some tenants questioned whether their lease agreements could be modified to allow them to move out as a result of this change to the target population. Tenants were informed that the leases could not be modified. The tenants also questioned whether this refinance could be done with a lender other than HUD to avoid this change to the target population, but property staff explained to the tenants that this financing option is the best for the property in the long term.

Staff would generally recommend denial of the requested modification of loan terms and re-subordination of the Department's loan for Villas at Henderson Place because of the 75% of cash surplus limit being implemented by HUD, but in this instance the financial need for the re-subordination as proposed (absent the 75% limitation) is justified, and the Owner is proposing to provide the Department with extraordinary mitigation including a partial pre-payment of the HTF loan and a guarantee of the full Direct Loan payment.

Therefore, per 10 TAC §10.307(a)(3) the the financial risk (associated with the greater first lien debt and 75% limit on surplus cash flow) is outweighed by the need for the proposed housing (in the form of ongoing financial viability), and it is recommended that this approval be expressly limited to the facts presented in this case without creating precedence.

Staff further recommends approval of the requested material LURA amendment to the HTC LURA and the Department's regulatory agreement.



MASON JOSEPH COMPANY, INC.

February 23, 2017

Raquel Morales
Director of Asset Management
Texas Department of Housing and Community Affairs
211 E. 11th Street
Austin, Texas 78701

Re: Villas at Henderson Apartments
Cleburne, Texas

Dear Raquel,

We have arranged a commitment for the refinancing of the first lien of the above captioned project. We respectfully request that TDHCA take the appropriate action to obtain approval for the modification of the note consistent with other projects with a HUD insured first lien and TDHC second lien. Attached are the following exhibits:

HUD Firm Commitment as amended
TDHCA Subordinate Note
Recent TDHCA Monthly Payment Statement
Asset Management Division Amendment Request Form

In accordance with our underwriting which was approved by HUD the following represents the economics:

\$448,378 Net Operating Income
372,491 Debt Service of HUD Insured Loan (Includes MIP)
76,886 Surplus Cash

\$56,915 75% of Surplus Cash

\$28,000 Debt Service of TDHCA Loan

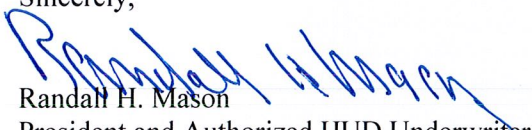
We are hopeful that the TDHCA staff and Board will take into consideration that the funding of the proposed HUD insured loan will result in a stable debt structure for the next 35 years thereby eliminating the potential future interest-rate increases that could jeopardize the viability of Villas at Henderson Apartments. The stabilized debt structure would assist in



preserving the affordability component for the constituent Low Income and Extremely Low Income families. The HUD loan is fully amortizing.

We are hopeful that this request can be presented to the Board at their March 23rd meeting. Thank you very much for your consideration and please let me know if we can provide additional information for your review.

Sincerely,


Randall H. Mason
President and Authorized HUD Underwriter

FINANCING PLAN (SOURCES & USES)

Villas at Henderson

SOURCES

Mortgage Loan	\$7,334,800	
Last LIHTC Equity Installment	\$593,123	
Equity (Balance of Deferred Developer Fee)	\$319,485	
Total Sources		<u>\$8,247,408</u>

USES

1sr Lien (Bond) Balance		\$6,334,588	
Prepayment Penalty (if applicable)		\$0	
TDHCA 2nd (resubordinated)		\$0	
Bridge Loan		\$593,123	
Bridge Loan - Interest		\$135,586	
Deferred Developer Fee		\$719,274	
Mortgage Insurance Premium	0.25%	18,337	
HUD Exam Fee	0.30%	22,004	
HUD Inspection Fee		1,500	
Financing Fee	2.00%	146,696	
Placement Fee (lender legal & GNMA Fee)		26,700	
Title And Recording		43,400	
Legal Fees		15,000	
Third Party Reports & Survey		16,200	
Repair Cost - Non Critical		35,000	
Replacement Reserve Deposit		140,000	
TOTAL USES		<u>140,000</u>	<u>\$8,247,408</u>



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Southwest Multifamily Regional Center
801 Cherry Street, Unit #45, Suite 2500
Fort Worth, TX 76102

Multifamily Customer Service Telephone Line 1-800-568-2893
www.hud.gov

February 15, 2017

Randy Mason
President
Mason Joseph Company, Inc.
211 North Loop 1604 East, Suite 140
San Antonio, TX 78232

RE: Firm Commitment Amendment No. 1
FHA No.: 113-11281
Project Name: Villas at Henderson
Project Address: 303 N. Hyde Park Blvd., Cleburne (Johnson County), TX 76033
Mortgagor: Cleburne Villas Apartments, L.P.

Dear Mr. Mason:

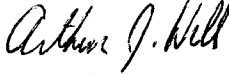
The U.S. Department of Housing and Urban Development has reviewed your request for an Amendment to the Firm Commitment issued on December 30, 2016, for the above-referenced project. For all the numbers checked below, this Firm Commitment is hereby amended as follows:

- 1. The Maximum Loan Amount will increase from \$6,985,600 to **\$7,334,800.**
- 2. The interest rate will be changed from 3.35% to **3.32%.**
- 3. The MIP Percentage Rate will decrease from 0.60% to **0.35%.**
- 4. The Principal and Interest Payment amount will increase from \$28,267.02 to **\$29,554.08**

This amendment supersedes all prior amendments. All other terms and agreements set forth in the Firm Commitment issued on the date set forth above remain in effect.

If you have any questions or concerns, please contact Ms. Sara Fizur, Closing Coordinator at (207) 523-8921.

Sincerely,


for Kenneth L. Cooper
Director, Production Division
Office of Multifamily Housing Programs

Attachments:

- HUD-92264
- HUD-92264A
- HUD-92438
- HUD-2283
- Executed HUD 2328

Multifamily Summary Appraisal Report

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0331
exp. 04/30/2006

This form is in compliance with the requirements of the Uniform Standards of Professional Appraisal Practice for written reports, except where the Jurisdictional Exce is invoked to allow for minor deviations, as noted throughout. Additional technical direction is contained in the HUD Handbooks referenced in the lower right corner.

Application Processing Stage: SAMA Feasibility (Rehab) Firm
 Property Rights Appraised: Fee Simple Leasehold

Project Name: **Villas at Henderson** (RESTRICTED RENTS) Project Number: **113 - 11281**

Purpose. This appraisal evaluates the subject property as security for a long-term insured mortgage. Included in the appraisal (consultation for Section 221) are the analyses of market need, location, earning capacity, expenses, taxes and warranted cost of the property.

Scope. The Appraiser has developed, and hereunder reports, conclusions with respect to: feasibility, suitability of improvements; extent, quality, and duration of earning capacity; the value of real estate proposed or existing as security for a long-term mortgage; and several other factors which have a bearing on the economic soundness of the subject property.

A. Location and Description of Property

1. Street Nos.		2. Street		3. Municipality	
		303 N. Hyde Boulevard		Cleburne	
4a. Census Tract No.	4b. Placement Code	4c. Legal Description (Optional)	5. County	6. State and Zip Code	
131000		See narrative appraisal report	Johnson	Texas 76033	
7. Type of Project:		8. No. Stories	9a. Foundation		9b. Basement Floor:
<input type="checkbox"/> Highrise <input checked="" type="checkbox"/> Walkup		1 & 2	<input checked="" type="checkbox"/> Slab on Grade		<input type="checkbox"/> Full Basement
<input type="checkbox"/> Elevator(s) <input type="checkbox"/> Detached		<input type="checkbox"/> 2-5 sty. Elev. <input type="checkbox"/> Row House <input type="checkbox"/> Town House	<input type="checkbox"/> Partial Basement		<input type="checkbox"/> Structural Slab
<input type="checkbox"/> Semi-Detached		<input type="checkbox"/> Crawl Space		<input type="checkbox"/> Slab on Grade	
10. <input type="checkbox"/> Proposed <input checked="" type="checkbox"/> Existing	11. Number of Units	12. No. of Bldgs.	13a. List Accessory Bldgs. and Area		
	Revenue 140	Non-Rev.	9		
			Club/Office Building 2,968 Sq.Ft.		
			Senior Rec Center 2,123 Sq. Ft.		sq.ft.
13b. List Recreation Facilities and Area					

Children's Play Equipment

Pool

- sq.ft.

13c. Neighborhood Description

Location	Urban	<input checked="" type="checkbox"/> Suburban	Rural	Present Land Use	35%	% 1 Family	% 2 to 4 Family
Built Up	Fully Developed	<input checked="" type="checkbox"/> Over 75%	25% to 75%	Under 25%	10%	% Multifamily	% Condo/Coop
Growth Rate	Rapid	<input checked="" type="checkbox"/> Steady	Slow		25%	% Commer.	% Industrial
Property Values	<input checked="" type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining		25%	% Vacant	
Demands/Supply	Shortage	<input checked="" type="checkbox"/> In Balance	Oversupply	Change in Use	<input checked="" type="checkbox"/> Not Likely	<input type="checkbox"/> Likely	<input type="checkbox"/> Taking Place
Rent Controls	Yes	<input checked="" type="checkbox"/> No	Likely		From		to
				Predominant Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant	% Vacant

Description of Neighborhood:

Villas at Henderson Apartments is located one block from the main artery of Cleburne (Henderson Avenue/Buisinee US 67). Major retailers on Henderson include Kroger, Walmart, Bealls, Sears, Staples, Walgreen and other stores common to neighborhood centers. Medical facilities include a full service 137 bed acute care hospital, Texas Health Harris Methodist Hospital, a Level IV Trauma care designated by the Texas Department of Health Services. It is within five minutes of the apartments. Also in close proximity are additional health services including Ophthalmologist, dentist, Dermatologisturologist, family

Site Information

14. Dimensions	ft. by	ft. or	773,843	sq. ft.	15a. Zoning (If recently changed, submit evidence)
					Multifamily
15b. Zoning Compliance	<input checked="" type="checkbox"/> Legal	<input type="checkbox"/> Illegal			Legal nonconforming (Grandfathered use) <input type="checkbox"/> No zoning
15c. Highest and Best Use as Improved	<input checked="" type="checkbox"/> Present Use		<input type="checkbox"/> Proposed use		<input type="checkbox"/> Other use (explain)
15d. Intended M/F Use (summarize: e.g., Market Rent; Hi-Med. - Lo-End; Rent Subsidized; Rent restricted with or without Subsidy; Applicable Percentages)					
Subject is existing 140-unit multifamily property restricted to tenants whose income is 30% or 60% of the Area Median Income.					

Building Information

16a. Yr. Built	16b. <input type="checkbox"/> Manufactured Housing <input checked="" type="checkbox"/> Conventionally Built	17a. Structural System	17b. Floor System	17c. Exterior Finish	18. Heating-A/C Syst.
2008	Modules	Components	Wood Frame	Concrete Slab	Rock and Hardi Board Ind. Electric Units

B. Additional Information Concerning Land or Property

19. Date Optioned	20. Purchase Price	21. Additional Costs Paid or Accrued \$ N/A	22. If Leasehold, Annual Ground Rent \$ N/A	23a. Total Cost \$ N/A	23b. Outstanding Balance \$ N/A
-------------------	--------------------	---	---	----------------------------------	---

24a. Relationship (Business, Personal, or Other) Between Seller and Buyer

24b. Has the Subject Property been sold in the past 3 years? Yes No If "Yes," explain

25. Utilities	Public	Community	Distance from Site	26. Unusual Site Features
Water	<input checked="" type="checkbox"/>	<input type="checkbox"/>	-	<input type="checkbox"/> Cuts <input type="checkbox"/> Fills <input type="checkbox"/> Rock Formations <input type="checkbox"/> Erosion <input type="checkbox"/> Poor Drainage
Sewers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	-	<input type="checkbox"/> High Water Table <input type="checkbox"/> Retaining Walls <input type="checkbox"/> Off Site Improvements
				<input type="checkbox"/> Other (Specify) <input checked="" type="checkbox"/> None

C. Estimate of Income (Attach forms HUD-92273, 92264-1, as applicable)

27. Family Type	No. of Each Unit	Rentable Living Area (Sq. Ft.)	Composition of Units	Unit Rent per Mo. (\$)	Tot. Monthly Rent For Unit Type (\$)
A	-			\$	
B	-		SEE EXHIBIT B	\$	
C	-			\$	
D	-			\$	
E	-			\$	
F	-			\$	
G					
H					
I					

28. Total Estimated Rentals for All Family Units **\$104,291**

29. Number of Parking Spaces	Offstreet Parking and Other Non-Commercial Ancillary Income (Not Included in Unit Rent)			
Attended	Garages	- @ \$	per month = \$	-
	Covered Spaces	- @ \$	per month = \$	-
<input checked="" type="checkbox"/> Self Park	Storage Units	- @ \$	per month = \$	-
	Other	Miscellaneous 140 @ \$	22.84 per month = \$	3,197.60
Total Spaces 351	Other	- @ \$	per month = \$	-
	Total Monthly Ancillary Income			\$3,198

30. Commercial Income (Attach Documentation)

Area-Ground Level	sq. ft. @ \$	per sq. ft./month = \$	Total Monthly \$
Other Levels	sq. ft. @ \$	per sq. ft./month = \$	= Commercial Income

31. Total Estimated Monthly Gross Income at 100 Percent Occupancy **\$107,489**

32. Total Annual Rent (Item 31 x 12 months) **\$1,289,863**

33. Gross Floor Area **143,921** Sq. Ft.

34. Net Rentable Residential Area **137,068** Sq. Ft.

35. Net Rentable Commercial Area **N/A** Sq. Ft.

36. Non-Revenue Producing Space	Type of Employee	No. Rms.	Composition of Unit	Location of Unit in Project

36a. Personal Benefit Expense (PBE) (May produce additional revenue and expenses to be considered above and below.)

Tenant Employee-Paid Utilities	Type(s)	Monthly Cost \$
Landlord Employer-Paid Utilities	Type(s)	Monthly Cost \$

D. Amenities and Services Included in Rent (Check and circle appropriate items; fill-in number where indicated)

37a. Unit Amenities

- Ranges (Gas or Elec.)
- Refrig. (Gas or Elec.)
- Micro Wave
- Carpet
- Balcony/Patio (some units)
- Laundry hookups (in units)
- Wash/Dryer (in units)
- Other (Specify) **Ceiling Fans**
- Disposal/Compactor
- Air Conditioning (central or window)
- Dishwasher
- Window treatment (blinds, drapes, shades)
- Fireplace(s) No.
- Upper level vaulted ceiling/Skylight(s) No.
- Security System(s) (Describe)

37b. Project Amenities

- Guest room(s) No.
- Sauna/Steam room(s) No.
- Exercise Room(s) No.
- Tennis Court(s) No.
- Laundry Facilities (coin)
- Hydro-Spa(s) No.
- Mail Kiosk
- Other (Specify)
- Community room(s) No. **2**
- Swimming Pool(s) No. **1**
- Racquetball court(s) No.
- Picnic/Play area(s) No. **1**
- Project Security System(s) (Describe)

37c Unit Rating

	Good	Aver.	Fair	Poor
Condition of Improvement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Room Sizes and Layout	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adequacy of Closets and Storage	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kitchen Equip., Cabinets, Workspace	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Plumbing - Adequacy and Condition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electrical - Adequacy and Condition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Soundproofing - Adequacy and Condition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insulation - Adequacy and Condition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overall Livability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appeal and Marketability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

37d. Project Rating

	Good	Aver.	Fair	Poor
Location	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
General Appearance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Amenities & Rec. Facilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Density (units per acre)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unit Mix	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of Construction (matl. & finish)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Condition of Exterior	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Condition of Interior	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appeal to Market	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Soundproofing - Vertical	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Soundproofing - Horizontal	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

38. Services

- Gas: Heat Hot Water Cooking Air Conditioning
- Elec: Heat Hot Water Cooking Air Conditioning Lights/etc.
- Other: Heat Hot Water Water Other (specify) **Trash & Recycle Svc**

39. Special Assessments

- a. Prepayable Non-Prepayable
- b. Principal Balance \$ -
- c. Annual Payment \$ -
- d. Remaining Term - Years

E. Estimate of Annual Expense

Administrative

1. Advertising	\$	20,009	
2. Management 5.00%	\$	61,269	
3. Other	\$	88,357	
4. Total Administrative	\$		169,635

Operating

5. Elevator Main. Exp.	\$	-	
6. Fuel (Heating and Domestic Hot)	\$	-	
7. Lighting & Misc. Power	\$	23,819	
8. Water	\$	114,046	
9. Gas	\$	1,153	
10. Garbage & Trash Removal	\$	25,954	
11. Payroll	\$	174,000	
12. Other (contract services)	\$	-	
13. Total Operating	\$		338,972

Maintenance

14. Decorating	\$	18,696	
15. Repairs	\$	30,000	
16. Exterminating	\$	6,534	
17. Insurance	\$	34,247	
18. Ground Expense	\$	31,761	
19. Other Expense Trending	\$	2,475	
20. Total Maintenance	\$		123,713
21. Replacement Reserve (0.006 x total structures Line G41) or (0.004 x MTG. for Rehab)	\$		49,000
22. Total Operating Expense	\$		681,320

Taxes

23. Real Estate: Est. Assessed Value	\$	-	
at \$ per \$1000	\$		91,700
24. Personal Prop. Est. Assessed Value	\$	-	
at \$ per \$1000	\$		-
25. Empl. Payroll Tax	\$		-
26. Other Franchise Tax	\$		3,973
27. Other	\$		-
28. Total Taxes	\$		95,673
29. Total Expense (Attach for HUD-92274, as necessary)	\$		776,993

F. Income Computations

30a. Estimated Residential Project Income (Line C28 x 12)	\$	\$1,251,492	c. Effective Gross Commercial Income (Line 32a. x Line 32b.)	\$	-
b. Estimated Ancillary Project Income (Line C29 x 12)	\$	38,371	d. Total Commercial Project Expenses (From Attached Analysis)	\$	-
c. Residential Occupancy Percentage *		95%	33. Net Commercial Income to Project (Line 32c. minus Line 32d.)	\$	-
d. Effective Gross Residential and Ancillary Income (Line 30c. x (Line 30a. plus 30b.))	\$	1,225,370	34. Total Project Net Income (Line 31 plus Line 33)	\$	448,378
e. Total Residential and Ancillary Project Expenses (Line E29)	\$	776,993	35a. Residential and Ancillary Project Expense Ratio (Line E29 divided by Line 30d.)		63.41%
31. Net Residential and Ancillary Income to Project (Line 30d. minus Line 30e.)	\$	448,378	35b. Commercial Expense Ratio (Line 32d. divided by 32c.)		
32a. Estimated Commercial Income (Line C30 x 12)	\$	-	* Vacancy and collection loss rates and corresponding residential and commercial occupancy percentages are analyzed through market data, but subject by Jurisdictional Exception to overall HUD underwriting mandates.		
b. Commercial Occupancy * (80% Maximum) (See Instructions)					

G. Estimated Replacement Cost

36a. Unusual Land Improvements	\$	
b. Other Land Improvements	\$	
c. Total Land Improvements	\$	-
Structures		
37. Main Buildings	\$	
38. Accessory Buildings	\$	
39. Garages	\$	
40. All Other Buildings	\$	
41. Total Structures	\$	-
42. General Requirements	\$	
Fees		
43. Builder's Gen. Overhead at	\$	
44. Builder's Profit at	\$	
45. Arch. Fee-Design at	\$	
46. Arch. Fee-Supvr. at	\$	
47. Bond Premium	\$	-
48. Other Fees	\$	-
49. Total Fees	\$	-
50. Total All Improvements (Lines 36c. plus 41 plus 42 plus 49)	\$	
51. Cost Per Gross Sq. Ft.	\$	
52. Estimated Construction Time (Months)		

* Note 1: Jurisdictional Exception: In HUD programs, land, and/or existing Improvements are not valued for their "highest and best use," but instead, for their intended multifamily use (See Section J analysis below.)(Exception: Title II or VI Preservation). Offsite improvements are assumed completed in new construction land valuations (See Line M17 for estimated cost.) Unusual costs of site preparation are deducted from the "Value of the Site Fully Improved" to determine "Warranted Price of Land Fully Improved."

H. Remarks

(Note 2: For Rehab only: Estimated Value of land without Improvemem \$ Estimated Value of land and improvements "As is" by Residual Method, i.e., After Rehabilitation Correlated Value minus line G72 Cost of Rehabilitation Improvements equals \$; line G 73b is the lesser of this residual amount, and the amount estimated by Supplemental for HUD-92264 "As is".)

Carrying Charges & Financing			
53. Interest: _____ Mos. a _____ %	on \$ _____	\$	-
54. Taxes		\$	-
55. Insurance		\$	-
56. FHA Mtg. Ins. Prem. (1.00%)		\$	73,348
57. FHA Exam. Fee (0.30%)		\$	22,004
58. FHA Inspec. Fee (0.5%)		\$	1,500
59. Financing Fee (2.00%)		\$	146,696
60. Loan Placement Fee (0.56%)		\$	26,700
61. AMPO (N.P. only) (_____%)		\$	-
62. Title & Recording		\$	43,400
63. Total Carrying Charges & Financing		\$	313,648
Legal, Organization & Audit Fee			
64. Legal		\$	15,000
65. Organization (includes 3rd party reports)		\$	16,200
66. Cost Certification Audit Fee		\$	-
67. Total Legal, Organization & Audit Fees (64 + 65 + 66)		\$	31,200
68. Builder and Sponsor Profit & Risk		\$	-
69. Consultant Fee (N. P. only)		\$	-
70. Depreciation		\$	-
71. Contingency Reserve (Sec. 202 or Rehab only)		\$	-
72. Total Est. Development Cost (Excl. of Land or Off-site Cost) (50 plus 63 plus 67 thru 71)		\$	344,848.40
73a. Warranted Price of Land J-14(3)(New Constr)	773,843 sq. ft. @ \$ 1.36 sq. ft.	\$	1,050,000
73b. As Is Property Value (Rehab only)		\$	-
73c. Off-Site (if needed, Rehab only)		\$	-
74. Total Estimated Replacement Cost of Project (72 plus 73a or 73b and 73c)		\$	1,394,848.11

I. Estimate of Operating Deficit

Periods	Gross Income	Occup. Effic. Gross	Expenses	Net Income	Debt Serv. Reqmt.	Deficit
1. 1st () Mos	\$	% \$	\$	\$	\$	\$
2. 2nd () Mos	\$	% \$	\$	\$	\$	\$
3. Total Operating Deficit						\$

Previous editions are obsolete

J. Project Site Analysis and Appraisal (See Chapter 2, Handbook 4465.1)

- 1. Is Location and Neighborhood acceptable? Yes No
- 2. Is Site Adequate in Size for proposed Project? Yes No
- 3. Is Site Zoning permissive for intended use? Yes No
- 4. Are Utilities available now to serve the Site? Yes No
- 5. Is there a Market at this location for the Facility at the proposed use? Yes No

6. Site acceptable for type of Project proposed in 221(d)(4). (If checked, acceptance subject to qualifications listed at bottom of page 6)

7. Site not acceptable (see reasons listed at bottom of page 6)

Date Inspected 7/14/2016 Note: The Effective Date of all land valuations is the date of inspection.

8. Value Fully Improved	Location of Project			Size of Subject Site 773,843 Square Feet	
	Comparable Sales Address No. 1	Comparable Sales Address No. 2	Comparable Sales Address No. 3	Comparable Sales Address No. 4	Comparable Sales Address No. 5
Proximity to Subject					
Date of Sale					
Sales price					
Sales price per GBA					
Effective Gross Income					
EGIM					
Sales Price per Unit					
DataSource					
Adjustments					
Market Condition					
Plottage (Size)					
Exposure					
Utilities					
Other					
Total Adjustment Factor					
Adjusted Per Unit					
Indicated Value by Comparison					

9. Value of Site Fully Improved

Value Summary	Adjusted	Unadjusted
Minimum		
Maximum		
Mean		

10.	Value "As Is" No. 1	Value "As Is" No. 2	Value "As Is" No. 3
Date of Sale			
Sales price			
Ft. / Acres			
Price per Sq. Ft.			
Adjustments			
Time			
Location			
Zoning			
plottage			
Demolition			
Pilling, Etc.			
Other			
Total Adjustment Factor			
Adjusted sq. Ft. price			
Indicated Value by Comparison			

9. Value of Site "As Is" by Comparison

12. **Acquisition Cost: (Last Arms-Length Transaction)**

Buyer	Address
Seller	Address
Date of Closing	Sales Price
Source	

13. **Other Costs:**

(1) Platting, Legal Fees and Zoning Costs	\$	N/A
(2) Recording and Title Fees	\$	N/A
(3) Interest on Investments	\$	N/A
(4) Other (Survey; Estimated Rollback taxes to be paid)	\$	N/A
(5) Acquisition Cost (From 12)	\$	N/A
(6) Total Cost to Sponsor	\$	N/A

14. **Value of Land and Cost Certification:**

(1) Fair Market Value of land fully improved (From 9 on page 5)	\$	
(2) Deduct unusual items from Section G, item 36a.	\$	-
(3) Warranted price of land fully improved (Replacement Cost itemsexcluded) (enter G-73) For Cost Certification Purposes	\$	0
(3a) Deduct cost of Demol. \$ _____ and required off-sites \$ _____ to be paid by Mtgor. Or by special assessments.		
(4) Estimate of "As Is" by subtraction from improved value	\$	
(5) Estimate of "As Is" by direct comparison with similar with similar unimproved sites (from 11above)	\$	
(6) "As Is" based on acquisition cost to sponsor (From 13 above)	\$	
(7) Commissioner's estimated value of land "As Is" (the Lesser of [4] or [5] above)	\$	

* Where land is purchased from LPA or other Governmental authority for specific reuse, use the lesser of 4, 5, or 6.

K. **Income Approach to Value**

(1) Estimated Remaining Economic Life		55 Years
(2) Capitalization Rate determined By (See Chapter 7, Handbook 4465.1)		
<input type="checkbox"/> Overall Rate From Comparable Projects		
<input type="checkbox"/> Rate From Band of Investment		
<input type="checkbox"/> Cash Flow to Equity		
(3) Rate Selected		
(4) Net Income (Line F 34)	\$	
(5) Capitalization Value (Line 4 divided by Line 3)	\$	
(6) Value of Leased Fee (See Chapter 3, Handbook 4465.1) Ground Rent \$ _____ divided by Cap. Rate _____ % equals Value of Leased Fee		

Remarks:

Reconciliation

Capitalization \$ _____ Summation \$ _____ Comparison \$ _____
 9. The market value (or replacement cost) of the property, as of the effective date of the appraisal, is \$ _____

M. To be Completed By Construction Cost Analyst

Cost Not Attributable to Dwelling Use

10. Parking	\$ -
11. Garage and Carports	-
12. Commercial	-
13. Special Ext. Land Improvements	-
14. Other	-
15. Total	\$ -

** Note: For Section 221 mortgage insurance application processing, acceptable risk analysis produces a supportable replacement cost estimate, and the estimate reflected here is the replacement cost new/summation approach result. In effect, such "appraisals" are in fact USPAP "consultations" concerning economically supportable cost limits. For Section 207 and 223 processing, all three approaches to value are included in the appraisal, but the subject property is appraised for its intended multifamily use, not necessarily its "highest and best use." The definition provided in USPAP for "market value" is generally observed, but see Handbook 4465.1, paragraph 8-4, for qualifications.

Total Est. Cost of Off-Site Requirements

16. Off-Site	Est. Cost
-	\$ -
-	-
-	-
-	-
-	-
-	-
17. Total Off-Site Costs	\$ -

Effective Dates: For new construction or substantial rehabilitation proposals, the effective date of the improvements component cost estimation is the Line G53 month estimate added to the report and certification date below. The land component is valued as of the inspection date. For Section 223, the effective date of the appraisal is the same as the reporting date, but assumes (hypothetically) the completion of all required repairs/work write-up items.

N. Signatures and Appraiser Certification

Architectural Processor	Date	Architectural Reviewer	Date
Cost Processor	Date	Cost Reviewer	Date

I certify that to the best of my knowledge and belief:

- 0 the statements of fact contained in this report are true and correct.
- 0 the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- 0 I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- 0 my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- 0 my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice; HUD Handbook 4465.1, *The Valuation Analysis Handbook for Project Mortgage Insurance*; HUD Handbook 4480.1, *Multifamily Underwriting Forms Catalog*; and other applicable HUD handbooks and Notices.
- 0 I have made a personal inspection of the property that is the subject of this report.
- 0 no one provided significant professional assistance to the appraisers signing this report, except for the Architectural and Engineering, and Cost Estimation professionals signing above. These professionals' estimations of the subject property's dimensions and "hard" replacement costs have been relied upon by the Appraiser and Review Appraiser.

Underwriter *[Signature]* Date *2/7/2017* Mary Ann Barnett, MAI Appraiser Date
 Randall H. Mason, President Underwriter Trainee

Report Dated July 28, 2016

State Certification Number _____ State _____ State Certification Number TX 1326580 - G _____ State _____

Cost Analyst (PCNA)

The Review Appraiser certifies that he/ Did Did not inspect the subject property
 Report Dated July 13, 2016

Robert D. Thompson, AIA Chief, Housing Programs Branch Date *2/16/17* Director, Housing Development Date *2/16/17*
[Signature] Field Office Manager/Deputy Date

O. Remarks and Conclusions (continue on back of page if necessary. Appraisal reports must be kept for a minimum of five years.)

Exhibit A

Attachment to form HUD-92264 & HUD 92013

Villas at Henderson 113 - 11281

Title Charges

Policy Amount	\$7,334,800
Base Premium Charge	\$32,880
T 19 Comprehensive Endorsement	3,288
Survey Deletion	4,932
Tax Certificates	275
Escrow Fee	1,364
Recording Charges	661
Total Title Charges	<u>\$43,400</u>

Organization Fee/Third Party Reports:

Appraisal:	\$8,500
Property Condition Report:	\$4,850
Phase I ESA & Form 4128	\$2,850

Total Organization Fee/Third Party Reports **\$16,200**

Exhibit B

Attachment to form HUD-92264 & HUD 92013

Villas at Henderson

<u>Unit Type</u>	<u>Number Of Units</u>	<u>Market Rentable Area</u>	<u>Underwriting Monthly Rent</u>	<u>Total Area</u>	<u>Total Rent</u>
1 Bedroom 1 Bath 30%	4	652	343	2,608	\$1,372
1 Bedroom 1 Bath 50%	12	652	695	7,824	\$8,340
1 Bedroom 1 Bath 30%	5	814	342	4,070	\$1,710
1 Bedroom 1 Bath 60%	19	814	683	15,466	\$12,977
2 Bedroom 2 Bath 60%	40	1002	788	40,080	\$31,520
2 Bedroom 2 Bath 60%	36	1,043	749	37,548	\$26,964
3 Bedroom 2 Bath 60%	24	1,228	892	29,472	\$21,408
	<u>140</u>	<u>137,068</u>	<u>\$104,291</u>	<u>137,068</u>	<u>\$104,291</u>

Supplement to Project Analysis

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0331
(esp. 4/30/2006)

Section or Title No: 223(f)

Valuation Trial Conditional Firm

See last page for public reporting burden statement before completing this form

Name of Mortgagor (Borrower): Cleburne Villas Apartments, Ltd. Project Number 113 - 11281

Name of Project: Villas at Henderson

Location of Project: (street, city & state) 303 N. Hyde Boulevard Cleburne Texas 76033

Type of Borrower

Private Profit Public Nonprofit State or Federal Instrumentality, et.
 Management Coop. Sales Coop. Investor-Sponsor Builder-Seller Limited Distribution

Type of Project

Rental Housing Mobile Home Court Board and Care New Construction Non-Elevator
 Cooperative Nursing Home Single Rm. Occupancy Rehabilitation Elevator
 Condominium Intermediate Care Facility Redevelopment Existing
 Capital Advance 202/811 Housing for the Elderly Supplement Loan

I: Determination of Maximum Insurable Mortgage Criteria	column 1	column 2	column 3
1. Mortgage or Loan Amount Requested in Application			\$ 7,334,800
2. Reserved			\$ N/A
3. Amount Based on Value or Replacement Cost:			
a. Value (Replacement Cost) in Fee Simple	\$ 14,900,000	x 85%	\$ 12,665,000
b. (1) Value of Leased Fee	\$		
(2) Grant/Loan funds attributable to R. C. items	\$		
(3) Excess Unusual Land Improvement	\$		
(4) Cost Containment Mortgage Deduction	\$		
(5) Total lines (1) to (4)	\$	x 0.85%	\$
c. Unpaid Balance of Special Assessment			\$
d. Total line b plus line c			\$
e. Line a minus line d			\$ 12,665,000
4. Amount Based on Limitations Per Family Unit:			
a. Number of no Bedroom Units		x \$	\$
Number of one Bedroom Units	40	x \$ 55,569	\$ 4,823,389
Number of two Bedroom Units	76	x \$ 66,376	\$ 10,946,730
Number of three Bedroom Units	24	x \$ 81,813	\$ 4,260,821
Number of four or more Bedroom Units		x \$	\$
b. Cost Not Attributable to Dwelling Use	\$	x 87%	\$
c. Warrented Price of Site	\$ 1,050,000	x 87%	\$ 913,500
d. Total lines a through c			\$ 20,944,440
e. Total Number of Spaces		x \$	\$ N/A
f. Sum: Value of Leased Fee and Unpaid Balance of Special Assessment(s)			\$
g. Line d or line e, whichever is applicable, minus line f			\$ 20,944,400
5. Amount Based on Debt Service Ratio:			
a. Mortgage Interest Rate			3.32%
b. Mortgage Insurance Premium Rate			0.35%
c. Initial Curtail Rate			0.015152%
d. Sum of Above Rates			0.051852%
e. Net Income	\$ 448,378	x 0.85%	\$ 381,121
f. Annual Grnd Rent + Annual Spec. Assmt.			\$
g. Line e minus line f			\$ 381,121
h. Line g divided by line d			\$ 7,350,239
i. Annual Tax Abatement Savings		divided by %	\$
j. Line h plus line i			\$ 7,350,200

I: Determination of Maximum Insurable Mortgage Criteria		(cont.)	column 1	column 2	column 3
6. Amount Based on Estimated Cost of Rehabilitation Plus:					
(i) "As Is" Value, or (ii) Acquisition Cost, or (iii) Existing Mortgage Indebtedness Against the Property Before Rehabilitation:					
a. Total Estimated Development Cost			\$ _____		
b. Estimated Cost of Off-Site Construction			\$ _____		
c. Sum of lines a & b			\$ _____		
d. Grant/Loan funds attributable to R. C. items			\$ _____		
e. Line c minus line d			\$ _____		
f. "As Is" Value of Prop. Before Rehab.	\$ _____	x _____	% \$ _____		
g. Existing Mortgage indebtedness (Property Owned) or Purchase Price of Property (to be Acquired)			\$ _____		
h. Line e plus line f or line g, whichever is less			\$ _____		
i. line h x _____					\$ NA
7. Amount Based on Borrower's Total Cost of Acquisition Section 223(f):					
a. Purchase Price of Project			\$ _____		
b. Repairs and Improvements, if any			\$ _____		
c. Other fees			\$ _____		
d. Loan Closing Charges *			\$ _____		
e. Sum of lines a through d			\$ _____		
f. Enter the Sum of any Grant/Loan and Reserves for Replacement and Major Movable Equipment to be purchased as an asset of the project			\$ _____		
g. Line e minus line f			\$ _____		
h. line g x 85%					\$ N/A
8. Amount Based on Sum of Unit Mortgage Amounts					
\$ N/A					
9. Amount Based on Estimated Cost to Borrower:					
a. Total Estimated Cost (Exclusive of Site and Required Construction Off the Site)			\$ _____		
b. Purchase Price of Site			\$ _____		
c. Total Cost of Clearing Site, if any			\$ _____		
d. Expense of Relocating Occupants, if any			\$ _____		
e. Cost of Off-Site Construction, if any			\$ _____		
f. Sum of line a through line e			\$ _____		
g. line f x _____ %					\$ _____
10. Amount Based on Existing Indebtedness, Repairs and Loan Closing Charges section 223(f):					
a. Total Existing Indebtedness and Deferred Development Fee			\$ 7,176,061		
b. Required Repairs			\$ 35,000		
c. Other Fees	See pg 4 for Breakdown		\$ 17,700		
d. Loan Closing Charges *	See pg 4 for Breakdown		\$ 467,148		
e. Sum of line a through line d			\$ 7,695,909		
f. Enter the Sum of any Grant/Loan and Reserves for Replacement and Major Movable Equipment on Deposit			\$ _____		
g. Line e minus line f			\$ 7,695,909		
h. 80% of Value	\$ 14,900,000	x 80%	\$ 11,920,000		
i. Greater of line g or line h					\$ 11,920,000
11. Amount Based on Deductions of Grant(s), Loan(s), Tax Credit(s), and Gift(s) for Mortgagable Items					
a. 100% of Project Replacement Cost *			\$ _____		
b. (1) Grants/Loans/Gifts			\$ _____		
(2) Tax Credits			\$ _____		
(3) Value of Leased Fee			\$ _____		
(4) Excess Unusual Land Improvement Cost			\$ _____		
(5) Cost Containment Mtge Deduction			\$ _____		
(6) Unpaid Balance of Special Assessment			\$ _____		
(7) Sum of Lines (1) through (6)			\$ _____		
C. Line a. minus line b.(7)					\$ N/A

* Project Cost applies to Criteria 7 and 10 under 223(f) and applications pursuant to 223(f): Project Replacement Cost

* Attach format for computing loan closing charges. See Page 4

Maximum Insurable Mortgage (Lowest of Foregoing Criteria) \$ 7,334,800

ii. Total Requirements for Settlement

Part A		Part B	
1. Fees Not to be Paid in Cash:		1. a. Development Cost (or Cost to Refinance)	\$ 7,660,909
a.	BSPRA/SPRA \$	b. Adjustment for Contracted Amounts in Excess of form HUD-92284 Estimates:	
b.	Builder's Profit \$	(1) Construction Contract	
c.	Other \$	(2) Architect's Contract	
	Total (enter in Part B on line 5) \$	(3) Other	
2. Commitment, Mktg., Fees and Discounts and Escrows:		c. Total of lines a & b	\$ 7,660,909
a. Fees:	GNMA \$	2. Land Indebtedness (or Cash Req. for Land Acquisition or req. repairs)	\$ 35,000
	Other: \$	3. Subtotal (lines 1c + 2)	\$ 7,695,909
b. Discounts:	Permanent Loan \$	4. a. Mortgage Amount \$ 7,334,800	
	Construction Loan \$	b. Grant/Loan \$	
c. Escrows:	Debt Service Reserve (Board & Care) \$	5. Fees Not to be Paid in Cash	\$
	Other: 20% Escrow \$	6. Subtotal (lines 4a + 4b + 5)	\$ 7,334,800
	Total (enter in part B on line 9) \$	7. Cash Investment Required (line 3 minus line 6)	\$ 361,109
3. Working Capital:		8. Initial Operating Deficit - Escrow of 20% of Non Critical Repairs*	\$
a.	Working Capital \$	9. Additional Repair Escrow - 20% Completion Assurance	\$ 7,000
b.	Minimum Capital Investment (Sec. 202 & Sec. 811) \$	10 Working Capital	\$
c.	Non-Realty Items Not Included in Mortgage \$	11 Offsite Construction and Demolition Costs	\$
	Total (enter in part B on line 10) \$	(\$ +\$)	\$
		12 Total Estimated Cash Requirement (sum of lines 7 + 8 + 9 + 10 + 11)	\$ 368,109
		Front Money Escrow, If Any, (subtract line 6 from line 1)	\$

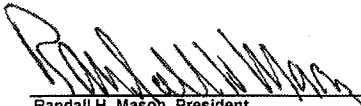
* Note: for Section 223(f) cases, attach the formal for computing the operating deficit.

III: Source of Funds to Meet Cash Requirements		Funds Available
Source:		
A	The last equity installment in the amount of \$593,123 will be funded at Endorsement. That amount will retire the Bridge Loan with \$45,837 disbursed to the borrower to pay down the interest on the Bridge Loan..	\$ 368,109
B		\$
C		\$
D		\$
E		\$
Total Available Cash for Project		\$ 368,109

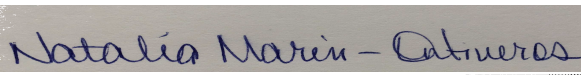
IV: Recommendations, Requirements and Remarks

- Recommend Approval: Subject to Conditions Stated Below, If Any
- Recommended Rejection for Reasons Stated Below (if more space is needed, continue on page 4).

Total Non Critical Repairs \$35,000.00
 Additional Escrow (\$0 X .20) \$7,000
 \$42,000


 Randall H. Mason, President Underwriter Date 2/8/2017

Signature of Mortgage Credit Examiner:

X 

Date: 2/15/2017

Remarks**Other Fees:**

Inspection	\$	1,500	
Appraisal:		\$8,500	
Property Condition Report:		\$4,850	
Phase I ESA		\$2,850	
4128 Checklist		included	
Surveys		\$0	
Permissive Zoning Letter, etc.		\$0	
Organizational		\$0	
Reserved		\$0	
Total		<u>\$17,700</u>	

Loan Closing Fees:

MIP:		\$73,348	
Exam Fee		\$22,004	
Financing Fee		\$146,696	
Placement Fee		\$26,700	
Prepayment Penalty		\$0	
Total		<u>\$268,748</u>	

Loan Closing Charges

Legal Fees	\$	15,000	
Initial Deposit into Replacement Reserve	\$	140,000	
Title & Recording	\$	43,400	
Total		<u>\$198,400</u>	

Total Closing Costs**\$467,148****Total Existing Indebtedness**

Existing Loan Balance	\$6,432,938
Deferred Developer Fee, GP Advances & GC Balance	\$743,123
Prepayment Penalty (if Applicable)	\$0
	<u>\$7,176,061</u>

Underwriter's Estimate of Operating Deficit

	\$0
Initial Operating Deficit	\$0
	<u>\$0</u>

TO COMPUTE FEES IN A REFINANCING TRANSACTION

Step 1 A.	Existing Indebtedness-----	\$6,432,938
B.	Repairs----- (both Critical and Non Critical)	35,000
C.	Initial Deposit to Reserve for Replacements-----	140,000
D.	Legal-----	15,000
E.	Organizational-----	0
F.	Title and Recording-----	43,400
G.	Other Fees (Arch., Inspection, Engineering)-----	16,200
C.	FHA Inspection Fee-----	1,500
H.	GNMA Fee (Mortgage-Backed Securities)-----	0
	TOTAL	\$6,684,038

Step 2.	Deduct the amounts of any Replacement Reserve Escrow currently on deposit with the mortgagee-----	0
	RESULT	\$6,684,038

Step 3 Add the known percentages for:

A.	Financing Fee (Initial Service Charge)-----	2.00%
B.	MIP-----	1.00%
D.	Exam Fee-----	0.30%
E.	FNMA Fee-----	0.56%
F.	Discounts, if Allowable-----	0.00%
	TOTAL	3.86%

Step 4	Subtract the sum from Step 3 from 100%-----	96.14%
	RESULT	

Step 5	Divide the sum from Step 2 by the result from Step 4. The quotient rounded down to the nearest hundred becomes the mortgage amount.	\$6,952,155
	80% of Value	11,920,000

Step 6 Compute and total the actual fees based on the mortgage amount determined in Step 5.

	Requested Mortgage	\$7,334,800
A.	Financing Fee-----	\$146,696
B.	MIP-----	\$73,348
C.	Exam Fee-----	\$22,004
D.	FNMA Fee-----	\$40,825
E.	Discounts-----	\$0
	TOTAL	\$282,874

Step 7 Add to the sum from Step 6, the following:

A.	Legal and Organizational-----	\$15,000
B.	Initial Deposit to Reserve for Replacements-----	140,000
C.	Title and Recording-----	43,400
D.	Inspection Fee-----	1,500
	TOTAL	\$199,900
	TOTALS	\$482,774

Underwriting Summary Report

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

Exempt from OMB Approval
5 CFR 1320.3(c)
Form does not collect information
from the public

When used for Capital Advances under Section 202 or Section 811, do not complete items 3 thru 6, 11, or 14 of Part II.

1. Name of Project : VILLAS AT HENDERSON	2. Location of Project: CLEBURNE, TEXAS
3. Project Number : 113 11281	

Part I: Rejection recommended for the following reasons:

Part II: Commitment recommended as follows:

1. Section of the Act 223(f)	2. Mortgage Amount \$ 7,334,800.00	3. Interest Rate(s) a. (For Use with 5a, 5b, or 5c, below) 3.32 % b. (For Use with 5d below) %
---------------------------------	---------------------------------------	--

4. First Payment is due on the first day of the
(SECOND) month after the date of the mortgage.

5. Payment Provisions

- a. Combination declining annuity - First payment to principal \$ _____ accelerating at 100. _____ % until _____ installment.
The _____ installment and all subsequent accelerating at 100. _____ %.
- b. Accelerating curtail declining annuity - First payment \$ _____ accelerating at 100. _____ %.
- or c. Level annuity - 420 _____ payments of \$ 29,554.08 to principal and interest.

6. Maturity date (_____) years (_____) months after first payment to principal (one month less than term of mortgage).

7. Assurance of Completion (List any special requirements)

NA

8. Subject to Requirements as follows:

- a. Cost of equipping and renting, etc. (Working Capital) \$ 0.00 .
- b. Funds over and above mortgage proceeds required \$ 0.00 . May be reduced by up to 0.00 .
(Information only - On the basis of HUD estimated cost of \$ 0.00 less mortgage amount of 0.00).
- c. Deposit of additional funds at closing in the event construction requirements under contract documents exceeds the sum of the proceeds of the mortgage and the cash required under "b." above.
- d. Escrow deposit for Offsite requirements estimated to cost \$ 0.00 .

9. Anticipated Operating Deficit:

Escrow \$ 0.00 for (_____) months. (Period to run from date of final endorsement)

10. Reserve for Replacements

\$ 4,083.33 per month

11. Inspection Fee

\$ 1,500.00

12. Commitment Term
(Insurance of Advances)
60 days

13. Commitment Expiration Date
(Insurance upon Completion)

14. Commitment Fee

\$ 22,004.40

15. Special Commitments (add to Commitment):

SEE COMMITMENT

Signature of the Chief, Mortgage Credit Branch X <i>[Signature]</i>	Date: 2/16/17	Concurrence by the Director, Housing Development Division X <i>[Signature]</i>	Date: 2/16/17
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Replaces FHA-2438 and HUD-2438.
Previous editions may be used until supply is exhausted.

form HUD-92438 (08/2002)
ref. Handbook 4480.1



Asset Management Division

Amendment Request Form

Completed forms and supporting materials can be emailed to asset.management@tdhca.state.tx.us

TYPE OF AMENDMENT REQUESTED

Date Submitted: 3/22/2017

Amendment Requested: LURA Amendment,

Has the change been implemented? No

Award Stage: Compliance Period (After 8609s)

NOTE: Material Application or LURA Amendment requests must be received **45 days before the Board Meeting.**

Contact your Asset Manager if you are unsure what type of Amendment to request: <https://www.tdhca.state.tx.us/asset-management/contacts.htm>

DEVELOPMENT INFORMATION

Dev. Name: Villas at Henderson Place

File No. / CMTS No.: 060629 /4349

CONTACT INFORMATION

Request Submitted By: Carrie Adams

Phone #/Email: (830) 257-5323 /cadams@macdonald.pro

SECTION 1: COVER LETTER

A cover letter **MUST** be submitted with your request. Review your cover letter to ensure it includes:

- The change(s) requested The reason the change is necessary The good cause for the change
 An explanation of whether the amendment was reasonably foreseeable or preventable at the time of Application

SECTION 2: REQUIRED DOCUMENTATION

Entering an Amendment conveys to the Department that representations in the Application have changed. You **MUST** provide information about any and all changes made from the time of Application (or as last approved by the Department) in your request, including any items that will be impacted by the requested change. Failure to represent or properly document all changes may result in delays, denials, or a request for re-submission. The following is attached:

- Revised Development Financing Exhibits – if sources, terms, conditions, or amounts of financing will be impacted or changed by your amendment request, revised Application exhibits and term sheets (or executed Loan documents and LPA, if the loan has closed) must be submitted
- Signed Statement of No Financial Impact – if no sources, terms, conditions, or amount of financing will be impacted or changed by your amendment request, the Owner must sign and submit a statement to this effect
- Revised Application Exhibits/Documents Reflecting or Supporting All Requested Changes – revised site plans, surveys, Building and Unit Configuration exhibit, etc.
- Material Amendment fee of \$2,500 for first amendments, \$3,000 for second amendments, \$3,500 for third or more. (Applicable to Non-Material Amendments only if changes have been implemented prior to Amendment approval) – N/A for Developments only funded by a Direct Loan program (HOME, NSP, HTF)

SECTION 3A: MATERIAL APPLICATION AMENDMENT ITEMS

Check all items that have been modified from the original application (see *Subchapter E, §10.405(a)(3)*):

- Site plan Scope of tenant services Exclusion of reqs in Subchapters B & C
 Number of units* Reduction of 3%+ in unit sq ft Other
 Bedroom mix Reduction of 3%+ common area
 Architectural design Residential density (5%+ change)

If "Number of units" is selected above and the total LI units or LI units at any rent or income level will be reduced, also:

- Written confirmation from the lender *and* syndicator that the development is infeasible without the adjustment in units
 Evidence supporting the need for the adjustment in units

NOTE: **The approved amendment may carry a penalty in accordance with §10.405(a)(6)(b).*

SECTION 3B: MATERIAL LURA AMENDMENT ITEMS

Check all items that require a material LURA amendment (see Subchapter E, *§10.405(b)(2)*):

- Reductions in the number of LI units Change in Target Population
 Changes to income or rent restrictions Removal of Non-profit Other
 Change in ROFR period or other ROFR provisions

The following additional items are attached for consideration or will be forthcoming:

- Draft Notice of Public Hearing* Evidence of public hearing*

NOTE: **Draft Notices of Public Hearing must be provided with the Amendment materials 45 days prior to the Board meeting. *The Public Hearing must be held at least 15 business days prior to the Board meeting and evidence in the form of attendance sheets and a summary of comments made must be submitted to TDHCA within 3 days of the hearing.*

SECTION 4A: NON-MATERIAL APPLICATION AMENDMENT SUMMARY

Identify all non-material changes that have been or will be made (Contact your Asset Manager if you are unsure of whether your request is non-material):

Short Summary Regarding Application Changes

- Amendment is requesting a change in Developer(s) or Guarantor(s) and Previous Participation forms are attached.

SECTION 4B: NON-MATERIAL LURA AMENDMENT SUMMARY

Identify non-material amendments requested to the LURA:

Short Summary Regarding LURA Changes

SECTION 4C: NOTIFICATION ITEM SUMMARY

Identify any notification items from the time of application:

Short Summary Regarding LURA Changes

Cleburne Villas Apartments, L.P.

Villas at Henderson

2951 Fall Creek Road

Kerrville, Texas 78028

March 22, 2017

Texas Department of Housing & Community Affairs
Rosalio Banuelos, Asset Management Division
221 East 11th Street
Austin, TX 78701

Re: LURA Amendment Request
Villas at Henderson Place LIHTC 060629 / CMTS 4349

Dear Mr. Banuelos,

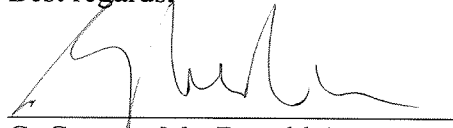
I am writing today to request an amendment to the recorded Declaration of Land Use Restrictive Covenants (LURA) for the above referenced development to change the Target Population from Intergenerational Housing to Family.

This property is in the process of being refinanced with HUD in order to obtain a fixed interest rate. The current loan is a variable interest rate and with interest rates being on the rise it is in the best interest of the development to secure a fixed interest rate loan. HUD Housing Directive doesn't allow a property to have "dual purpose housing facilities." A Request for Waiver of Housing Directive was submitted to HUD and this request was denied. Copies of this correspondence have been included with this request.

This amendment was not reasonably foreseeable or preventable at the time of Application.

I would like this request to be presented at the April 27, 2017 Board Meeting. A public hearing will be held on or before April 6, 2017 and all notifications will be sent. Additionally minutes of the public hearing and a copy of the attendance sheet will be submitted to the Department within 3 days of the Board Meeting.

Best regards,



G. Granger MacDonald, Manager

cc: Raquel Morales, Director of Asset Management

Request for Waiver of Housing Directive

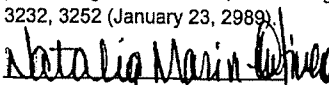
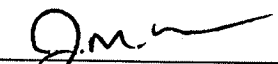

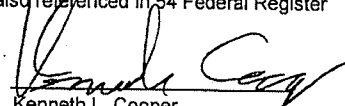
U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

1. Field Office Southwest Region	2. Program and DAS (e.g., multifamily development) Multifamily Development
3. Waiver Requested by (person, entity, HUD employee) Randall H. Mason, Underwriter, Mason Joseph Company, Mortgagee	
4. Waiver Item (directive number, date, page, paragraph, etc.) MAP Guide Chapter 3.1.O.1.B Elderly or Age Restricted Housing and Fair Housing Act Occupancy Requirements	
Relief Sought Request that HUD waive the limitation that requires a property to fit in one of the three categories described in Section 3.1.O.1 and specifically sub paragraph B. i), ii), and iii).	
5. Did a check of HUDClips indicate Prior Approval?	<input type="checkbox"/> Yes (go to No. 6) If Previously Approved give Counsel's name and date of approval <input checked="" type="checkbox"/> No (go to No. 7)
6. Counsel Determination. The Waiver Proposal does not conflict <input type="checkbox"/> conflicts <input type="checkbox"/> with statutory or regulatory provisions (cite rule or provision)	

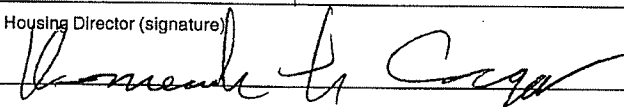
Counsel (signature)	Date
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7. Employee Justification (attach additional pages if necessary)

This request for waiver cannot be approved. These restrictions were implemented per HUD's regulations at 24 C.F.R. part 100 § 100.305; 24 C.F.R §100.306 and 24 C.F.R § 100.307. Further, The Fair Housing Act prohibits "dual purpose housing facilities." Per the MAP Guide Chapter 3.1.O.1.B (4th paragraph) "...housing facility or community may not avail itself of the 55 and older exemption if it designates some units, sections or buildings for persons age 55 and older, while designating other units, sections or buildings for families with children." This is also referenced in 54 Federal Register 3232, 3252 (January 23, 2989).

 Natalia Marin-Ontiveros Senior Underwriter FTW Underwriter Branch Team 2	 Jovanna M. Morales Chief FTW Underwriter Branch Team 2	 Lantrina Stewart Chief KC Technical Specialist Branch	 Kenneth L. Cooper Director FTW Production Division
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Field Office Concurrence

Name Mary V. Walsh	Title Director, Office of Multifamily Housing, Southwest Region	Date
8. <input type="checkbox"/> Granted <input checked="" type="checkbox"/> Not Granted	Housing Director (signature) 	Date 03/16/2017
Comments The requirements are statutory and cannot be waived.		

Distribution: (includes waivers granted and denied)
Original to Field Office;
One copy to each of the following: Director, Organizational Policy, Planning and Analysis Division, Room 9116, HUD Headquarters, HRO
General Counsel, HUD Headquarters, Room 10114, G
And one copy to either of the following: Office of the Deputy Assistant Secretary for Single Family Housing, Room 9282, HUD Headquarters, HU
Office of the Deputy Assistant Secretary for Multifamily Housing, Room 6106, HUD Headquarters, HT

Previous versions obsolete

Marin-Ontiveros, Natalia

From: Bernaciak, Thomas A
Sent: Thursday, March 16, 2017 12:20 PM
To: Marin-Ontiveros, Natalia
Cc: Cooper, Kenneth L
Subject: RE: Villas at Henderson, 113-11281, 223(f) Affordable

Hi Natalia:

These requirements are statutory and cannot be waived. We have a brief presentation on this on today's call.

From: Marin-Ontiveros, Natalia
Sent: Thursday, March 16, 2017 12:29 PM
To: Bernaciak, Thomas A <Thomas.A.Bernaciak@hud.gov>
Cc: Cooper, Kenneth L <Kenneth.L.Cooper@hud.gov>
Subject: Villas at Henderson, 113-11281, 223(f) Affordable

I have a request for a waiver on the subject project. I would like your guidance on this request. They want to keep 42% (60 units) designated at 55+ and 58% (80 units) designated as family units. The request is to waive MAP Guide 3.1.0.1

“... properties may discriminate against families with children until 25 percent of its units are occupied. Once the 25 percent threshold is reached, at least 80 percent of the occupied units must have a resident who is 55 years of age or older. If the property does not meet the 80 percent requirement once the 25 percent occupation threshold is reached, the owner/borrower may not thereafter exclude or otherwise discriminate against families with children. The Fair Housing Act prohibits “dual purpose housing facilities.” A housing facility or community may not avail itself of the 55 and older exemption if it designates some units, sections or buildings for persons age 55 and older, while designating other units, sections or buildings for families with children. See 54 Fed. Reg. 3232, 3252 (January 23, 1989). Chapter Title: Chapter 3 Programs Subsection Designation: 3.1 General Program Requirements Go to Chapter Index / Section Index Document page 57 MAP Guide, January 2016 Bookmarked version, r 1.1, page 57 of 534 Go to Chapter Index / Section Index. Furthermore, properties applying for purposes of FHA mortgage insurance must be “one marketable, manageable real estate entity”. Any property proposing one FHA insured loan, with separate management agreements and procedures for a portion of the units or buildings restricting occupancy to older persons age 55+ or older and another portion to other occupancy regimes will generally not be considered one manageable entity and thus not eligible for mortgage insurance.”

A brief synopsis of the application:

- 160 units/100% affordable (9 units @ 30% AMI and 131 units at 60% AMI)
- 55+/Family
- 7 units will be made for persons with mobility impairment accessible
- 3 units will be made for persons with hearing/vision impairment accessible
- \$7,123,600 Mtg;
- 3.15% Interest Rate;
- Annual NOI \$459,351;
- Annual Debt Service \$348,359 P&I+MIP;
- DCR 1.32;
- LTV 47.8%, Loan-to-Mortgageable Replacement cost 55%;
- Cash Out: \$82,010

- Built in 2008 using LIHTC funds under a program designed for occupancy of both families and seniors - this program no longer exists.
- First portion is composed of 80 family units (5 2-story buildings with its own club/leasing building, pool, playground, parking, drive way and is fenced).
- Second portion is composed of 60 elderly units (15 four-plex buildings with its own club/office/meeting room building, pool, parking and drive - it is also fenced)
- Both portions were built under the same bond designation as one project, therefore only one loan, one LIHTC award, etc., just built in this manner.

I thank you in advance for any guidance you can provide me. Have a great day.

Natalia Marin-Ontiveros

Senior Underwriter

FTW Underwriting Branch 2

HUD Multifamily Production Division

801 Cherry Street, Unit #45, Suite 2500

Fort Worth, TX 76102-6882

(817) 978-5792; Fax: (817) 978-5596



<i>Chapter Title:</i>	Chapter 3 Programs
<i>Subsection Designation:</i>	3.1 General Program Requirements

Fair Housing violations may result in enforcement actions including but not limited to Limited Denial of Participation.

N. Previous Participation. Individuals and entities in control of a project are subject to a previous participation review as set forth in 24 C.F.R. Part 200, as the same may be amended from time to time, and must submit information regarding previous participation in governmental housing transactions either via the electronic Active Partner Participation System (APPS) or on Form HUD-2530, or any successor system or form, for approval for participation in any mortgage insurance program. Invitation Letters or Firm Commitments may be issued conditioned on Previous Participation approval, assuming no critical findings and that any flags can be resolved without being presented to the Multifamily Participation Review Committee.

O. Elderly or Age Restricted Housing and Fair Housing Act Occupancy Requirements

General eligibility requirements.

1. For FHA Multifamily mortgage insurance programs. In order to be eligible for FHA mortgage insurance, properties proposing to restrict occupancy to elderly families or elderly persons must comply with one of the following three occupancy categories:

A. Statutorily authorized occupancy restrictions, including authorized programs in which the head of household (HOH) is 62 years of age or over (“62+ HOH”). Properties proposing to restrict occupancy to certain populations pursuant to specific statutory authority may be eligible for FHA mortgage insurance. This category includes, without limitation, properties operating under programs in which, pursuant to statutory authority, HUD has approved restricting occupancy to a “mixed use” population including elderly and non-elderly disabled families. Section 231 is one such program. This category also includes, without limitation, properties restricting occupancy in accordance with statutory authority provided under Sections 221 or 236 of the National Housing Act or Section 8 of the United States Housing Act of 1937. Several of these programs authorize properties to restrict occupancy to households in which at least one person is 62 years old and which may include children under the age of 18. This is FHA’s long standing definition of elderly families and has been referred to in previous FHA guidance as “62+ HOH”. A property operating under this design cannot discriminate against elderly families with children in its admission and occupancy policies. If a program has statutory authorization for a specific kind of occupancy restriction, an exemption from the Fair

<i>Chapter Title:</i>	Chapter 3 Programs
<i>Subsection Designation:</i>	3.1 General Program Requirements

Housing Act's familial status provisions is not needed to operate the property in accordance with that program.

B. Housing primarily for persons age 55 and older. (55+ Exemption). HUD does not permit projects with occupancy restricted to age 55 and older under any multifamily New Construction programs. Existing properties that restrict occupancy to households in which at least one person is at least 55 years old may be eligible for FHA mortgage insurance for refinancing or acquisition financing if they qualify for an exemption from the familial status provisions of the Fair Housing Act and the program complies with all requirements set forth at Section 3.1.O.2.B below. To qualify as housing "intended and operated for occupancy by persons 55 years of age or older," the housing provider must meet all three of the following criteria:

- i) at least 80 percent of the occupied units are occupied by at least one person who is 55 years of age or older;
- ii) the housing community or facility publishes and adheres to policies and procedures that demonstrate the intent to serve persons 55 years of age and older; and
- iii) the housing facility or community complies with the rules issued by HUD for verification of occupancy.

42 U.S.C. § 3607(B)(2)(C)(i)-(iii). HUD's implementing regulations at 24 C.F.R. part 100 address these three requirements in greater detail: the 80 percent minimum occupancy requirement outlined in (i), above is addressed at 24 C.F.R. § 100.305; the assessment of intent outlined in (ii), above is addressed at 24 C.F.R. § 100.306; and the verification requirements outlined in (iii) above are addressed at 24 C.F.R. § 100.307.

Applicable properties must have complied with the Fair Housing Act's conversion rules, including the rule covering properties intending to convert from non-exempt to exempt housing after May 3, 2000. In these projects, the owner/borrower of an existing property must apply neutral admission policies (admitting otherwise head of household age-eligible families with children) until the 80 percent threshold of the exemption is satisfied. For properties constructed after May 3, 2000, the new construction rules dictate that such properties may discriminate against families with children until 25 percent of its units are occupied. Once the 25 percent threshold is reached, at least 80 percent of the occupied units must have a resident who is 55 years of age or older. If the property does not meet the 80 percent requirement once the 25 percent occupation threshold is reached, the owner/borrower may not thereafter exclude or otherwise discriminate against families with children.

The Fair Housing Act prohibits "dual purpose housing facilities." A housing facility or community may not avail itself of the 55 and older exemption if it designates some units, sections or buildings for persons age 55 and older, while designating other units, sections or buildings for families with children. See 54 Fed. Reg. 3232, 3252 (January 23, 1989).

Chapter Title:	Chapter 3 Programs
Subsection Designation:	3.1 General Program Requirements

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Furthermore, properties applying for purposes of FHA mortgage insurance must be “one marketable, manageable real estate entity”. Any property proposing one FHA insured loan, with separate management agreements and procedures for a portion of the units or buildings restricting occupancy to older persons age 55+ or older and another portion to other occupancy regimes will generally not be considered one manageable entity and thus not eligible for mortgage insurance.

- C. Housing solely for persons age 62 and older. Properties proposing to restrict occupancy exclusively to persons 62 years of age or older may be eligible for FHA mortgage insurance, but only pursuant to the Section 231 program, pursuant to Section 3.1.O.2.C below. Although housing intended for, and solely occupied by, persons 62 years of age or older is a recognized exemption from the familial status provisions of the Fair Housing Act, 42 U.S.C. § 3607(b)(2)(B), it is FHA’s policy only to allow this restriction on occupancy for Section 231 transactions. Therefore, this category is available only for Section 231 transactions.

Note: Age-related restrictions that are not eligible for FHA mortgage insurance programs. The Fair Housing Act recognizes another exemption from its familial status provisions, namely for housing “provided under any State or Federal program that the Secretary determines is specifically designed and operated to assist elderly persons (as defined in the State or Federal program)” 42 U.S.C. § 3607(b)(2)(A). Although this is a recognized exemption to the Fair Housing Act’s familial status protections, it has not heretofore been necessary to rely on this exemption in the context of MAP multifamily insurance processing. Therefore, FHA policy requires a property to fit into one of the other three categories described in this section 3.1.O.1.

- 2. Additional FHA mortgage insurance requirements applicable to specific project types. This section lists additional requirements relating to proposed age-restrictions for each of the kinds of projects listed.

- A. Market Rate Projects other than those applying under Section 231. For purposes of this section, market rate projects are those applying for New Construction or Substantial Rehabilitation or Acquisition or Refinancing (including Section 213 Cooperative projects), that do not meet the criteria stated in Section 3.1.L. for Affordable projects. Except for projects applying under Section 231, market rate applications for age-restricted projects must have all units head of household 62 years or older, and cannot exclude non-elderly family members including children.

Cleburne Villas Apartments, L.P.

Villas at Henderson Place

2951 Fall Creek Road

Kerrville, Texas 78028

March 30, 2017

TO ALL RESIDENTS OF VILLAS OF HENDERSON PLACE

RE: LURA Amendment Request to TDHCA for
Villas at Henderson Place

Dear Resident(s):

Cleburne Villas Apartments, L.P. is asking the Texas Department of Housing and Community Affairs Governing Board (the “TDHCA Board”) to approve an amendment to its Land Use Restrictive Agreement (“LURA”) that will change the Target Population from Intergenerational Housing to Family. TDHCA Uniform Multifamily Rules require that notice of this request be provided to all residents of the property. This letter is to inform you that there will be a public hearing to discuss the request and we invite you to attend.

The public hearing is your opportunity to discuss the amendment request and voice your concern regarding changing the Target Population. Information obtained from this meeting will be submitted for consideration by the TDHCA Board at their April 27, 2017 meeting.

If you are unable to attend the public hearing and would like to submit your concerns in writing to the Department, please send your comments via email to asset.management@tdhca.state.tx.us or you may mail them to:

Texas Department of Housing & Community Affairs
Asset Management Division
221 East 11th Street
Austin, Texas 78701

A public hearing on this issue is scheduled at

Location:	Villas of Henderson Place – Senior Clubhouse 403 N. Hyde Park Blvd. Cleburne, TX 76033
Date:	Thursday April 6, 2017
Time:	11:00 am

Sincerely,
MacDonald Property Management

Cleburne Villas Apartments, L.P.

Villas at Henderson Place

2951 Fall Creek Road

Kerrville, Texas 78028

March 30, 2017

Mr. Kevin Kleen
Vice President
Citibank, N.A.
444 South Flower Street
Los Angeles, CA 90071

Re: ***Villas at Henderson Place Apartments
303 N. Hyde Park Blvd., Cleburne, TX
LURA Amendment Request to TDHCA***

Dear Mr. Kleen:

Cleburne Villas Apartments, L.P. is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will change the designated Target Population from Intergenerational Housing to Family.

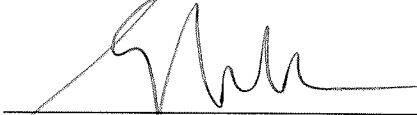
TDHCA Board rules require that notice of this request be given to the current lender of Villas at Henderson Place Apartments.

A public hearing on this issue is scheduled at:

Location: Villas of Henderson Place Apartments
303 N. Hyde Park Blvd.
Date: Thursday April 6, 2017
Time: 1:00 pm

You are invited to attend and offer your comments.

Sincerely,
Cleburne Villas Apartments, L.P.
By: Cleburne Villas Developers, L.L.C.
Its General Partner



By: G. Granger MacDonal, Manager

Cleburne Villas Apartments, L.P.

Villas at Henderson Place

2951 Fall Creek Road

Kerrville, Texas 78028

March 30, 2017

Ms. Lucy Vovnoboy
HCCP, Senior Asset Manager
Boston Capital
One Boston Place
Boston, MA 02108

Re: *Villas at Henderson Place Apartments*
303 N. Hyde Park Blvd., Cleburne, TX
LURA Amendment Request to TDHCA

Dear Ms. Vovnoboy:

Cleburne Villas Apartments, L.P. is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will change the designated Target Population from Intergenerational Housing to Family.

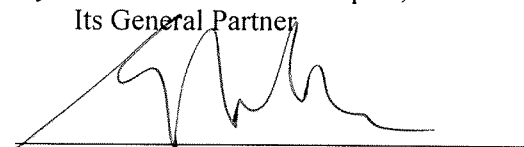
TDHCA Board rules require that notice of this request be given to the current investors of Villas at Henderson Place Apartments.

A public hearing on this issue is scheduled at:

Location: Villas of Henderson Place Apartments
303 N. Hyde Park Blvd.
Date: Thursday April 6, 2017
Time: 1:00 pm

You are invited to attend and offer your comments.

Sincerely,
Cleburne Villas Apartments, L.P.
By: Cleburne Villas Developers, L.L.C.
Its General Partner



By: G. Granger MacDonal, Manager

PUBLIC HEARING 04/06/2017

814

Apartment #	Resident Name:
#1111	MARLY MUNCY
211	Jo Ann Nancy
714	Shelia Taylor
1912	Dorothy Sherwin
4-6-17	JULIA DAMMONA
1613	Joyce Emmert
1514	John Marshall
1014	Linda Hart
1414	Steve Gottlieb
#1511	Linda Ellison
#1512	Clint Cade
1212	Roy Logdill
2011	Jerry & Jeanette Schmidt
1011	Molly Peck
614	Millie Ishmael
1813	PAT YARBROUGH + Melody Yarbrough
1014	Shirley Vaughan
811	Billie Mae Brooks
612	Bob + Mary Lou Brown
2012	Richard & Digne Hondel
1913	Carlson & Disha
813	Sam Conde
2013	Margaret Williams
1113	Yvonne Dunnington
1811	Patricia G. Martin
1312	Steve Brooks
1312	Diane Brooks
1412	Robbie Gray
1311	Shirley Calcutt
#712	Mary Frey & Richard Frey
#613	Linda D. Refner
#611	Betty Angarita
#315	CAROL MOORE
713	Debra Ward
Office	Sarah Ray
Office	Sheena Payne
Comp	Ed Partidge
Housing	Sallie Watson
Housing	Debbie Bailey

The Villas at Henderson, Cleburne, TX – Public Hearing

On April 6, 2017, a public hearing was called to order to discuss the amendment request regarding a change to the target population in the LURA.

MacDonald Property Management Employees Present

Edward Partridge- Asset Manager/VP

Sarah Ray- District Manager

Sheena Payne- Assistant Manager

Visitors Present

Sallie Watson- Cleburne Housing Agency Manager

Debbie Bailey- Cleburne Housing Agency Inspector

Resident's Present

Please see attached sign-in sheet

10:34am- Ed Partridge thanked everyone for coming, and started off by introducing himself and explaining that nothing will affect the seniors, that we will continue to operate as a Family/Senior property. He said that there is a difference between law and policy, and the refinance with the HUD loan is simply called "family" because the property is financed together in one loan. He said that there is no Fair Housing Violation, and that the units will be filled with other seniors from the waiting list that we currently have and that we plan to continue expanding the waiting list with future applicants. He also said that a public hearing is required as a part of the refinance process. After he was done explaining this, many residents clapped.

Jerry Schmidt Apt #2011 asked if someone from TDHCA was here, and Ed said no, they are not required to, and that Sarah Ray will be recording notes of the meeting. Jerry then stated that he would like to see a copy of the Land Use Restriction Application for the loan. He said there are 4 reasons that should be stated in the LURA.

Ed responded that it will be recorded with the county and will be public record, but he has not seen a copy of it yet.

Margaret Williams Apt #2013 stated that she had called the Johnson County Appraisal District and that 403 N. Hyde Park is not listed with Johnson County, and that she knows what we pay in property taxes and knows that our mortgage payments go to Minnesota.

Ed responded that is about to change and he is glad she did her homework and that is public record, and he believes the 403 is more for the fire department.

Robbie Gray, Shirley Calloway, Steve and Nancy Brooks walked in the front door, and Robbie #1412 raised his hand and said that we all moved here and signed a lease because it was a senior property and now the new company is trying to change things.

Ed then repeated that there will not be any changes to the day to day operations that the letter had to be sent out pertaining to the HUD refinance loan.

Robbie said that's good news.

Margaret Williams then stated that once the new owner came and took over, they all of the sudden require renters insurance for washing machines and satellite dishes, and that State Farm, her insurance company said that renter's insurance only protects the property and the owner. Ed explained that the MacDonald Companies built this property and has been involved in the daily operations since the property opened for business.

Sarah Ray explained that Renter's insurance does in fact cover personal property for residents, along with covering the property for liability insurance if something does happen. She also said that renters insurance \$300,000 in liability for Satellite dishes has always been required. She explained when MacDonald took over management, there was a letter sent out to all residents stating that we will require renters insurance if you have a washing machine or satellite dish, and that is MacDonald's policy. Sarah Ray also stated that MacDonald built this property, and has owned and operated it since day one, but we were managed by Orion Property Management until take over on January 15, 2016. Sarah said that we basically cut out the middle man, and now work directly with the owners.

Mary and Richard Frey #712 then walked in the front door with a few other residents and Mary said that she "thought this didn't start until 11am, I get here and it's already

half way done. Sarah asked Ed if he could catch everyone up, Ed stated again that nothing will change for the seniors.”

Mary then stated that she has lived her for 7 years and that her rent keeps going up, and she knows that some of you have been here even longer that, and she was told when they renewed last year that rent was only going up \$10, and then when this new company took over, they aren't sticking to that. She now lives on a fixed income and now understands how hard it is to make it. She doesn't understand where the money is going, besides the new building signs. She then pointed to Sarah and Sheena and said that these ladies are great and do a wonderful job for us, and then residents started clapping again.

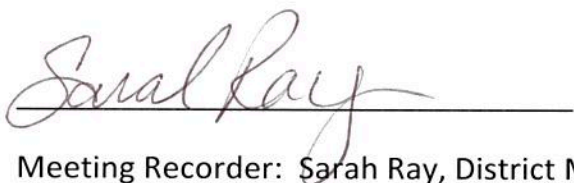
Ed said that we built this property well over 7 years ago, and have owned and operated it since then. He then turned to Sarah, and Sarah stated that at this time, renewals on the senior side are increasing by \$30, unless you are on a different program, like Cleburne Housing.

Mary Muncy #1111 said that “mine is going up more than \$100.00 dollars,” to which Sallie, Cleburne Housing Manager stated that many vouchers leased over their voucher size, and that the 2 bedroom had been very low, but she could not deny the rent increase because it is a reasonable rent amount, and there is not anything either of us can do about that.

Robbie Gray looked at Sallie and said why did my rent go up \$30, Sarah tried to explain to him that that was a different program but he stopped her, so Sallie said that she is with Cleburne Housing and does not have anything to do with his rent.

A few other residents started talking about their rents increasing, to which Sarah responded that they can come into the office individually so we can discuss.

Ed asked if there were any questions and once again thanked everyone for coming out and the meeting ended at 11:10 am.

A handwritten signature in cursive script that reads "Sarah Ray". The signature is written in black ink and is positioned above a horizontal line that extends to the right.

Meeting Recorder: Sarah Ray, District Manager

Cleburne Villas Apartments, L.P.

Villas at Henderson Place

2951 Fall Creek Road

Kerrville, Texas 78028

April 24, 2017

TO ALL RESIDENTS OF VILLAS OF HENDERSON PLACE

RE: LURA Amendment Request to TDHCA for
Villas at Henderson Place

Dear Resident(s):

Cleburne Villas Apartments, L.P. is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will change the Target Population from Intergenerational Housing to Family. TDHCA Uniform Multifamily Rules require that notice of this request be provided to all residents of the property. This letter is to inform you that there will be a public hearing to discuss the request and we invite you to attend.

The public hearing is your opportunity to discuss the amendment request and voice your concern regarding changing the Target Population. Information obtained from this meeting will be submitted for consideration by the TDHCA Board at their May 25, 2017 meeting.

If you are unable to attend the public hearing and would like to submit your concerns in writing to the Department, please send your comments via email to asset.management@tdhca.state.tx.us or you may mail them to:

Texas Department of Housing & Community Affairs
Asset Management Division
221 East 11th Street
Austin, Texas 78701

A public hearing on this issue is scheduled at

Location: Villas of Henderson Place – Senior Clubhouse
403 N. Hyde Park Blvd.
Cleburne, TX 76033
Date: Monday May 1, 2017
Time: 11:00 am

Sincerely,
MacDonald Property Management

Cleburne Villas Apartments, L.P.

Villas at Henderson Place

2951 Fall Creek Road

Kerrville, Texas 78028

April 24, 2017

Ms. Lucy Vovnoboy
HCCP, Senior Asset Manager
Boston Capital
One Boston Place
Boston, MA 02108

Re: *Villas at Henderson Place Apartments*
303 N. Hyde Park Blvd., Cleburne, TX
LURA Amendment Request to TDHCA

Dear Ms. Vovnoboy:

Cleburne Villas Apartments, L.P. is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will change the designated Target Population from Intergenerational Housing to Family.

TDHCA Board rules require that notice of this request be given to the current investors of Villas at Henderson Place Apartments.

A public hearing on this issue is scheduled at:

Location: Villas of Henderson Place Apartments – Senior's Clubhouse
403 N. Hyde Park Blvd.
Date: Monday May 1, 2017
Time: 11:00 am

You are invited to attend and offer your comments.

Sincerely,
Cleburne Villas Apartments, L.P.
By: Cleburne Villas Developers, L.L.C.
Its General Partner


By: G. Granger MacDonal, Manager

Cleburne Villas Apartments, L.P.

Villas at Henderson Place

2951 Fall Creek Road

Kerrville, Texas 78028

April 24, 2017

Mr. Kevin Kleen
Vice President
Citibank, N.A.
444 South Flower Street
Los Angeles, CA 90071

Re: ***Villas at Henderson Place Apartments
303 N. Hyde Park Blvd., Cleburne, TX
LURA Amendment Request to TDHCA***

Dear Mr. Kleen:

Cleburne Villas Apartments, L.P. is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will change the designated Target Population from Intergenerational Housing to Family.

TDHCA Board rules require that notice of this request be given to the current lender of Villas at Henderson Place Apartments.

A public hearing on this issue is scheduled at:

Location: Villas of Henderson Place Apartments – Senior's Clubhouse
403 N. Hyde Park Blvd.
Date: Monday May 1, 2017
Time: 11:00 am

You are invited to attend and offer your comments.

Sincerely,
Cleburne Villas Apartments, L.P.
By: Cleburne Villas Developers, L.L.C.
Its General Partner


By: G. Granger MacDonal, Manager

PUBLIC HEARING 05/01/2017

Apartment #	Resident Name:
# 1111	MARY MURPHY
1514	Jimm Marshall
113	PAT WARD
719	Shirley Taylor
1311	Shirley Callaway
1412	Rabbi Wash
1413	James E. Nipp
1013	JIMMY ELAK
1912	Dolores Sherry
911	Eva Whitehead
1414	Steve Kallender
1411	Linda Ellison
2013	J. W. Lee
814	Julie Diamond
711	JoAnn Yancin
611	Betty ANDRITA
1512	C. F. Cook
1913	Joane Shubert
414	Rita Barnett
2011	Jerry & Beurette Schmidt
1613	Jayce Emerson
2012	Wilma Hondel
2012	Richard Hondel
612	Mary Lou Brown
1011	Melby Beech
1712	Delora Farmer
614	Mullie Schmael
1913	Carlissa Dick
811	Bobbie Westbrook
912	W. Lee Metcalf
1414	Shirley Taylor
1811	Patricia G. Martin
1211	Pam Mathis
213	Tony Taylor
112	Phillip and Julie Holloway
1813	Pat & Mel Garbrough
413	Ferdinand Aleman
413	Bonnie Simon
303	Kelly & Morris
1511	Pat Hallquist

The Villas at Henderson, Cleburne, TX – Public Hearing

On May 1st, 2017 a public hearing was called to order to discuss the amendment request regarding a change to the target population in the LURA.

MacDonald Property Management Employees Present

Edward Partridge - Asset Manager/VP

Patricia Villarreal - Director of Compliance

Sarah Ray - District Manager

Sheena Payne - Assistant Manager

Visitors Present

Matt Smith - Cleburne Times Review

Resident's Present

Please see attached sign-in sheet

At 11:01 am Ed Partridge welcomed the residents and introduced the staff in attendance. He stated that since the last resident meeting, we have received additional information and guidance regarding the refinance of the property. We would like to keep the questions related to this issue, but if you have any questions regarding rent or work orders, please direct them to Sarah or Sheena.

Patricia Villarreal, Director of Compliance introduced herself and her roll with the company. She stated that she reviews resident move-in and recertification files and other compliance matters.

Mr. Partridge stated that the owners wish to ask the Texas Department of Housing and Community Affairs Governing Board (“TDHCA Board”) to approve the amendment to the Land Use Restrictive Agreement (“LURA”), which is the agreement that governs how this property is to be operated. We are seeking to change the target population from Intergenerational Housing to Family. This is because we are seeking to enter into a new financing arrangement that will not allow us to operate this property as an Intergenerational Housing development – where certain facilities carry age restrictions for tenants. Although the state has allowed this type of development to the extent it would not violate Fair Housing and to the extent that other federal financing would allow it, it does not appear that this mode of operation will be possible on an ongoing basis. Unfortunately, the new financing we are proposing to add to this development does not permit intergenerational housing and we’ve asked for a waiver from HUD but have not been able to grant the waiver. Therefore, we have concluded that the best way to resolve this

issue is for the Development to convert to a development that serves the general population. We would no longer use the term “elderly” or “seniors” in our name and our advertising. If you are a senior household currently living at the Development, you will continue to be eligible to live in our community. If you are a senior household and wish to live in our Development you will still be eligible. If you are not a senior household you will also be eligible to live in our Development, including those areas that were previously reserved or targeted specifically for seniors. Therefore, existing seniors will not be living in exclusively elderly in one section of the Development. There will be no distinct section limited to any specific population such as seniors or families. We will continue to provide the same amenities and services and fully intend that this will remain a great place for you to live. As we mentioned we went to the lenders and HUD to try to keep things as they are, we expected they would be at the last time we met, that’s what the lenders told us, but since that meeting, this is what they came back with.

Robbie Gray #1412- Sir, may I ask a question? Can we have a copy of those on the print out so we can read it and understand it better?

Edward Partridge- Yes, we can print that out for you. Management will get you a copy.

Pat Ward #713- So what you’re trying to do is refinance?

Edward Partridge- Yes ma’am.

Jerry Schmidt #2011- If you were to get your loan from someone other than HUD, you wouldn’t have this problem, is that right?

Edward Partridge- We might, but I do not know.

Jerry- Well, you built the property in 2008 under a rule which I understand allowed it. Do you know what that rule was?

Edward Partridge- I don’t, I wasn’t with the company at that point in time.

Jerry- It was originally designed for occupancy by both family and senior.

Edward Partridge- Yes, that’s called and intergenerational development.

Jerry- Do you know what happened to program and when it went away and why it’s no longer in effect?

Edward Partridge- I do not know if the program for intergenerational developments is still active.

Jerry- So it’s HUD that won’t allow two kinds of properties, right?

Edward Partridge- Yes sir.

Jerry- So other lenders might?

Edward Partridge- I don't know.

Pat Ward #712- You are having a lot of problems with people that are in the family area. And we have an area here where were older, but we take care of our properties, and don't have the problems you have on the other one. If you bring children in for instance, we hear them, they are out late playing at night, screaming, yelling, running in the streets, you're going to have people here that are going to get injured, and you're going to be liable for that.

Edward Partridge- We are going to do the best we can to maintain the security that you all enjoy. The access gate is not going away.

Pat Ward- It doesn't make any difference, the children are in here running and playing. They play in the streets, they play everywhere.

Edward Partridge - I need to mention, the units on this side of the fence have a waiting list for the senior residents, and we will continue to honor that waiting list.

James Nipp #1413- It might be a long while before a family type moves into this side is what you are saying?

Edward Partridge -Yes sir, the other thing I don't have a date certain when the new financing will close, but I'm confident it will not be this month.

Pat Ward -Excuse me y'all let's see what we can find out. For people like me my lease is coming up, we have to give 2 months' notice, this is awful quick for somebody like me to have to find somewhere else to live. Can something be done in our leases if children move in that we can be free to move somewhere else because I cannot live around children.

Edward Partridge - We can't modify the leases like that. I'm sorry.

James - Like he said it might be a long while there is a waiting list.

Patricia Villarreal - Ok, so let's just a little get clear here on this waiting list, We do have a wait list for this section of the community, so our hope is as you mentioned is that we can go off this wait list for months and months before you see a family move into your section. And we do offer that you can go on a month to month lease.

Pat Ward - for \$100.00 more per month.

Patricia Villarreal- That's right. We still have to honor the lease and that is the only solution to not having you leave on a whim.

Pat Ward- But some of us can't afford that cause we're seniors and we have social security. There's only so much we can make to live here is that going to change when families move in here.

Patricia Villarreal - I understand.

Edward Partridge - The rent will not change.

Jerry - Ed, is the lender going to make you take the fence down between the 2 sections

Edward Partridge – No.

Jerry- Are you sure about that?

Edward Partridge – Yes.

Pat - So our plan is to use the waitlist and maintain the environment we have right now. Again, this is a HUD requirement. We have to go by what HUD mandates us to do.

Jerry- You can choose your lender, and you chose HUD. You could choose a lender that doesn't have those restrictions.

Pat - It is the owner's discretion to select the lender that is best for the property.

Jerry - The owner built the property and marketed it to seniors, and now the owner has changed his mind. We all came here because you specialize in a senior property. I think for that reason alone, you should waive the requirement that there is any penalty or any notice required for the people that want to leave. Your changing the rules, you say you can't change the terms of the lease, but of course you can. You can honor.

Robbie Gray - The reason they are changing the rules is to get families in here so they can have more money. Bottom line. Most of us seniors, especially me that I know about, we haven't had a SS raise in years. That's not MacDonald's fault, but we live with it. We like the peace and quiet. I can come in here Saturday morning to get my mail and the boom boxes are going from across the way and we didn't move in here to hear that kind of stuff, we earned that. We moved in for peace and quiet, not somebody trying to run us off by going up on the rent every year so high that we can't afford it. We can't help what MacDonald does; they're going to do what they want to do anyway. We got two choices, and we have to satisfy our minds to that. So think about it.

Edward Partridge - We are not insensitive to your desire to maintain things as they are. We have spent a lot of money and time in an effort to have HUD grant a waiver regarding the LURA, but were not successful.

Sheila Vaughan #714 – Why can't you go back to the owner and ask them to find another lender. And yes they could find one if they wanted to.

Edward Partridge – We feel this is financing option is best for the property in the long term.

Sheila Vaughan - Not for us.

Jimmy Elam #1013- If this is financing is approved, does that means you're waiting list will be null and void. The government is going to tell you it's first come first serve.

Edward Partridge – No, we have to honor the existing waiting list applicants first. The waiting list we have is operated in compliance with HUD regulations.

Jimmy Elam - So the people on waiting list are always going to be on that waiting list if it's approved, there won't be on another waiting list. You'll be on the waiting list for the first available, regardless of your age.

Edward Partridge – The applicants on the waiting list will asked what type unit they need, or a certain unit size and type, one bedroom, two bedroom, etc. We contact waiting list applicants when units become available based on the unit type they want. The waiting list applicant can then say yes or no to the unit offered. If they say no, then we will go to the next person on the list.

Pat Ward - What is the difference between the family and senior rents?

Edward Partridge - They are actually very different rents on this side of the property.

Pat Ward - So if you rent to families you will make more money?

Edward Partridge - No the rent difference is based on the type of building and the unit type. One bedroom rents are a little lower than two bedrooms. This is true for units on the family side of the property as well. One story buildings have a little different rent rate than the two story buildings.

Patricia Villarreal – Ed is absolutely right, your rents for a 4-plex building will be totally different than that of a high rise where there are 5 units or more. Believe it or not, your rents are not what's driving this.

Edward Partridge – Also, we don't charge rent on a per person basis.

Patricia Villarreal- We don't get any more money for the number of people in your house hold. The rents are established based on your building type.

Terry Tayrien #213- Are you going to build additional buildings?

Edward Partridge – No.

Shirley Vaughn #1614 - For the people on Housing, are y'all are trying to get us out of here?

Patricia Villarreal - No, that couldn't be farther from the truth.

Margaret Williams #2013 - I have one question, I got a call from a resident the other day about y'all wanting a copy of our light bill, what does that pertain to?

Patricia Villarreal - That is a utility analysis, again this is a HUD/Tax Credit tool, and is used to help calculate Utility Allowances and your rents.

Margaret Williams- So are you fixing to make us pay water bill?

Patricia Villarreal- No, were actually trying to lower your utility so that the rents. It's simply an analysis tool to get an average of what people are paying on their utilities.

Margaret Williams- See that is none of your business what we pay on our light bill. You furnish our water bill so we pay our light bill. If when we moved here we were told we needed to pay a water bill and a light bill, then we would have known. And two, we have never had security on the senior side. I moved here almost 9 years ago and the kids on the family side would jump the fence and damage our cars over here, they did it to mine.

Joann Yancy #711- When I moved in, I moved on the family side because there wasn't one over here and this is where I wanted. 1 ½ years later I believe it was, there was a vacancy, and I moved over here, it was not cheap thing to move across because I had to have a moving van, but I moved over here because it was the senior side. Now then you're changing that? Why did I move?

Julie Hammond #814 - To get away from the kids over there to come over here where it's quiet.

Shirley Vaughan #1614 - They get to swim in our pool, this pool?

Patricia Villarreal- If and when this is said and done, this will be considered one community.

Kelly Morris #324 - I've had letters from HUD saying the rent is going up higher, and if we weren't already existing here, if we had the option to leave and our rent are going up higher. I was planning on going from this side (family) to this side (senior), will I be able to move now that you're saying you will rent to HUD people on this side.

Patricia Villarreal- When you say rent to HUD people, I think you are referring households that have a Section 8 Voucher. That's always been the case in all of our communities, so we accept housing vouchers in the family sector and the elderly sector as well. So we accept them already.

Kelly Morris #324 - That's what I'm saying; HUD was saying that these apartments were high.

Patricia Villarreal- Your vouchers are based on personal household scenario, there is a standard that they will pay for a unit, but that is a very personal item that you deal with the Housing authority. Your portion of the rent might be one amount, and her portion of rent might be a different amount. That's very personal, that is the HUD rule; we do not dictate what you're going to pay.

Kelly Morris - So it's still going to be HUD, I mean you're saying the loan is going to be from HUD?

Patricia Villarreal –Yes it will be a HUD insured loan, but that doesn't impact you though, it impact the owner.

Margaret Williams - I don't understand, why that everybody in this complex is a human being, no one is better than the other. One claims that they're not on section 8. They knew that this was Section 8 when they moved here, whether they was on it or not. So what is the problem with some that's not on Sec 8 will say Oh well I'm not on section 8 I don't want to be on that, I pay a full rent. Nobody is better than anybody out here. This is Tax credit write off government property. That's what makes me mad.

Margaret Williams - Nobody out here is any better than anybody, although we have a lot of gossip.

Billie Westbrook #811 - I pay full rent and I don't think I'm better that anyone out here.

Patricia Villarreal - Yes Ma'am.

Pat Ward - What are you going to do about security? They have police over there every day.

Kelly Morris - Yep, they do.

Sarah Ray - We have security cameras in the budget. We're putting in security cameras that should be done within in the next 2 months. I request a copy of all police reports for the property, it's not every day, it does happen, but it's not every day.

Pat Ward - I hear them over there, you see them in there just about every day.

Sheena Payne - Well, I live on that side and I don't see them.

Julie Holloway #112 - We live over there and we are happy. I see the street from my window. The cops aren't even out there. I sit where I can see out that window.

Sheena Payne - Ms. Dolores has a question.

Dolores Farmer #1712 - Yes, it may have already been answered, because I can't hear with everything that's going on, but I was interested to know why the lender is requiring this.

Ed Partridge – This is a lender requirement. We have asked for a waiver to say keep things as they are, but the request was denied.

Robbie Gray- Have you been in these apartments.

Ed Partridge - I have.

Robbie- I'm not against families, I have one. I raised three children. There's not a lot of room in these apartments. It would be very noisy.

Ed Partridge - You have a really good point.

Robbie - If you've got a family ma'am, and most of us have had, they wouldn't have any room to play and you know how children are, I do. Like I said I'm not against children, but they're apt to make noise and run and holler. And we don't have that in the current situation. I don't know why they would decide to turn this side into a family side.

Ed Partridge - That's a good point. Let's talk about that for a second. The city of Cleburne has occupancy standards, right?

Robbie -Yes, sir.

Ed Partridge- The occupancy of 2 people per bedroom, more or less, in the city of Cleburne standard. The two person bedroom standard is what the Cleburne Housing Agency uses as their occupancy standard. We not going to allow 7 people in a 1 bedroom apartment. We've never done that any where we've done business and we're not going to start now. HUD's not going to make us waive occupancy standards either, because HUD they will wish to abide by local fire code. A local Fire Chief knows what is best for the town or city they serve. And your other point is really well taken. If you had a family over here where are they going to play? There's no swing set or playground. The property playground is on the other side of the property, so the likelihood of families with little children moving in on this side is pretty low based on the access to amenities they would most enjoy. Most families are not going to want to be away from amenities they will often use.

Sarah Ray – I have one tub and I have children. I would not want to share a tub. It's a Jack and Jill arrangement, but if you have a shared tub and that might be a deterrent from moving into a smaller unit.

James Nipp - If I had a family I wouldn't live over here.

Ed Partridge - We're not going to move in too many people into one unit. We do not over house families. You can't over house families. In other words, if you have a 1 bedroom apartment, you can't have 4 people in a 1 bedroom. To over house families against HUD regulations too.

Sheila Vaughan - Why do you need a loan anyways?

Ed Partridge- The property needs updates and so forth. We will invest in the property. Sarah talked about security cameras and other things like that which will be added to the property

Sheila Vaughan - You're raising our rent, there is enough rent coming into this property, where does all that money go?

Ed Partridge – The rents go into running the property. The funds cover operating expenses, paying property taxes, paying salaries, roof repairs, or the blacktop driveway that you just received in the last few months

Robbie Gray - Another thing that is to be concerned about, they put enough water on them weeds around this place, it goes down the street. You gotta kill the weeds to have grass and it is a pitiful shame to watch all this water run going on and run down the drains.

Margaret Williams - And that aren't all, they let their dogs poop and pee in the grass out here, and when it rains that smell, just all that water runs to the street and it smells terrible out here.

Shirley Vaughan- When you see someone dog poop, you go tell them to pick the poop up.

Richard Hondel #2011 - What is your rules and policies on having security guards on property here on weekend? There is no security around here. We have children that are dumping trash out of the trash bags and the wind picks it up and it comes way over here. You have a building light out for a week, and a street light out for a week and nothings being done about it.

Edward Partridge- If you see security issues, I would really encourage you to get with the Manager and let her know.

Sarah Ray- Yes, please let me know.

Richard Hondel - Some of the children are going to get killed out here one of these days. I have a curb side view of this area over here. The kids are playing in the dark, and there are hot rod pickup coming around the corner and putting on the brakes once they see the kids. You got to have some security around here.

Kelly Morris - The kids do not want to get out of the road.

Sheena Payne - No they don't.

Shirley Vaughan- Also, I live way in the back, there are kids that don't live here and break the fence boards, and if I see them I get on to them. No matter what I say they still do it. They say I'm mean, I say "get off that fence right now." I hope you don't mind.

Sarah Ray - No, we do not mind at all.

Edward Partridge- Any other question on this topic? If you have any other question on this like security, please direct them to the Manager.

Pat Ward- Can we make signs for our little areas that say children can't play in those areas.

Edward Partridge - No you cannot.

Pat Ward - So they can play wherever they want?

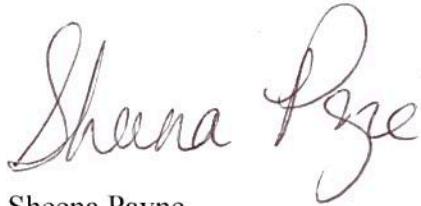
Edward Partridge – Yes. I think we are done with the meeting, if you have any other questions please contact Sarah and Sheena.

The public hearing ended at 11:32am.

Minutes recorded by Sarah Ray and Sheena Payne

A handwritten signature in cursive script that reads "Sarah Ray". The letters are fluid and connected, with a long horizontal stroke extending from the end of the word.

Sarah Ray

A handwritten signature in cursive script that reads "Sheena Payne". The letters are fluid and connected, with a long horizontal stroke extending from the end of the word.

Sheena Payne

ADDITIONAL PUBLIC
COMMENT RECEIVED

From: [carol.pennington](#)
To: [asset.management](#)
Subject: LURA Amendment Request to TDHCA for Villas at Henderson Place - Cleburne, TX
Date: Wednesday, May 10, 2017 7:49:23 PM

Let me begin by telling you I attended the first meeting held in April and was assured that although the wording was going to change from intergenerational housing to family housing absolutely **NOTHING** would be changing. The units at 403 N Hyde Park Blvd (the four-plexes currently being leased to fifty-five (55) and older residents would remain the same and no family units younger than 55 would be living on this side of the fence and there would be **no children**. At that time I felt everything had been explained as much as the gentleman from the corporate office was going to share and I was satisfied that nothing would change and the families would remain on the family side known as 303 N Hyde Park Blvd. I was sent a notification about the next meeting (5/1/2017) but wasn't able to attend due to another obligation.

I told later told by more than one resident that attended the meeting **that everything had changed** and indeed 403 would be welcoming families to it's side as well. Not only that, but the management could insist that the single residents be moved from their two bedroom apartments into a one bedroom apartment to facilitate the availability to families that wanted two bedrooms. They said the management will not only can make all these changes but *are not offering any leniency* to the residents should they choose not to want to live with younger families or anyone younger than 55 (seeing who they've rented to at the complex next to us). We still have to give a sixty (60) day notice of intent to vacate our apartment and not renew our lease (housing only requires, as do most apartments in this area a thirty day notice). It is very hard to find an apartment, duplex or individual that will hold something for 60 days and loose income on a property, so we can give 60 day notice to move.

Thinking rationally, it may be pretty dangerous for the small children and the older adults who drive and may not see a little one behind them, or trip over a toy and break their hip. There are all kinds of things to consider when you have this many senior citizens that haven't been around children in a long time. For that reason alone I'm very much against opening up this section to the families.

If nothing else, please note the how the Villas at Henderson Place's operational team has been with it's residents and the blatant disregard they've had for our feelings. Change and discord is not easily something we as senior citizens deal with. It causes anger, discord between the residents, gossip, insecurity and a host of other mind games.

Respectfully,
Carol Pennington

carolann556@yahoo.com
resident at the Villas at Henderson Place
Cleburne, TX 76033-4599

From: [Jerry Schmidt](#)
To: [asset management](#)
Subject: LURA Amendment Request of Cleburne Villas Apartments, L.P.
Date: Wednesday, May 17, 2017 1:22:08 PM
Attachments: [News1&2.jpg](#)

Herewith are comments in opposition to the referenced request:

We are senior residents of The Villas at Henderson.

On April 6, 2017, representatives of Cleburne Villas Apartments, L.P., held a “public hearing” to discuss their request to the Texas Department of Housing and Community Affairs (TDHCA) to approve an amendment to its Land Use Restrictive Agreement (LURA) changing its Target Population from Inter-generational Housing to Family. The spokesperson for MacDonald Property Management, Ed Partridge, on behalf of the owner represented that, in spite of a change in its Target Population, the status of the senior apartments would remain senior and would not be affected by the proposed amendment. He stated that the reason for the amendment was simply to satisfy requirements of a new lender. The owner’s application for this amendment contains documents showing that the lender (HUD) does not allow the property to have dual purpose housing facilities. The owner's request to HUD for waiver of this restriction was denied. Thus, it is clear that, while the owner’s agent represented that the nature of the property for seniors would not change, it will. HUD will not permit it to continue.

On May 1, 2017, a second “public hearing” was held. The purpose of this meeting was to correct the misrepresentation made at the first meeting, i.e.: that the status of the senior property would not change. This time, Mr Partridge admitted that the status of the senior property will change. If the owner’s request is granted, what is now senior property will no longer be restricted to seniors only but open to families. (In an apparent attempt to offer comfort, we were naively informed that if we are a senior household currently living in the development, we could continue to live here. That statement shows complete ignorance of the problem.)

While the owner might be free to choose a lender, he should not be allowed to choose one that will not permit the property to be operated in the manner for which it was built and represented to senior tenants since its inception. (When asked if there were lenders available who did not require a change in Target Population, Mr Partridge simply shrugged.) Residents currently living on the senior side chose it because of the relative tranquility and peace and quiet a

senior setting affords. If the owner's request is granted, we will be faced with residing in a type of community we did not choose. We can voice our concerns, but we can do little else. We are not as financially flexible or physically mobile as other people are, and most of us have few if any options in terms of finding affordable senior living facilities.

The TDHCA should have been furnished information from both meetings describing objections to this request by senior residents in attendance. Many have been residents for years, some since the very beginning over eight years ago. Their comments reflect their frustration if not fury at having chosen a senior community only to learn they could finish out their lives in surroundings not of their choosing. Attached herewith is a copy of an article that appeared in the "Cleburne Times-Review", May 2, 2017, reporting on the May 1st meeting.

While there might be circumstances in which a change in Target Population is justified, we do not believe this is one. In view of the foregoing, we urge the TDHCA not to approve the owner's request.

Jerold & Jeanette Schmidt
403 N. Hyde Park Blvd.
Apt. 2011
Cleburne, TX 76033
(956) 280-3433

Seniors unhappy with The Villas apartment's design

Officials say they are not trying to run older renters off

By MATT SMITH
MSMITH@TRCLE.COM

Change is afoot at The Villas at Henderson, a Cleburne apartment and duplex complex, and the seniors residing in the facility's south sector are none too happy.

Officials with MacDonald Companies, the owner of the com-

plex, assured the senior residents on Monday that they are welcomed and encouraged to continue living at The Villas. Several residents attending a public hearing held at the facility's clubhouse, however, remained unconvinced and/or resigned to the fact while others reasoned that it likely won't be so bad.

Rental of one-story units on the facility's south side is restricted to senior citizens 55 and older. The

multi-story units on the north end remain available to all ages. The senior side is gated and a fence separates the facility's two halves.

The facility has 140 units overall, 60 of which are on the senior side.

Much of that is about to change, said Edward Partridge, vice president of MacDonald Companies.

See CHANGE, Page 3



CHANGE

cont. from pg. 1

The property is being re-financed and, under HUD rules, the current land-use restriction reserving half of the complex for senior-only living will have to be abandoned.

"This is because of the new financing arrangement that will not allow us to operate the property as an intergenerational housing development, which carries certain age restrictions for tenants," Partridge said. "We asked for a waiver from HUD but they have not been able to grant that waiver. Therefore, we have to convert the property.

"If you are a senior living in the development you will be eligible to continue to live here. If you are not a senior household you will be able to live in those areas that were previously only targeted for seniors. Seniors will not be able to live exclusively in one section. There will be no distinction such as seniors and families."

The thought of children and younger families crossing the fence has several current residents less than thrilled.

A lot of the residents on the "other side" blast boom

boxes, hot rod about, play in the street and vandalize flower gardens, several senior residents said while adding that they take care of their properties and don't have such problems.

Others asked if the two-month notice required to move without penalty can be waived. It can't, officials said.

"The owner built this property and marketed toward seniors," resident Jerry Schmidt said. "Now the owner's changed his mind. We all live here because we're seniors. For that reason, you should waive the requirement of, if there's any penalty or notice required for people wanting to leave. So that they can leave whenever they want. You're changing the rules. You say you can't change the terms of the lease, of course you can."

Partridge and MacDonald Compliance Coordinator Patricia Villareal told attendees their rent will not change. They also said the fence and security gate will remain in place.

MacDonald said The Villas will honor the current list of senior citizens seeking housing in the south section before opening applications to younger renters.

Several residents requested increased security measures to which MacDon-

ald officials replied security cameras will soon be installed.

Given that units are smaller on the senior side, one resident said it's unlikely that many families with young children will be beating down the door to move there.

Partridge said that is likely and adding that city code restricts the number of residents allowed to live in a home based on the unit's number of bedrooms.

"That's two per bedroom," Partridge said. "So it's not like a family of seven is going to be moving here. In fact, the likelihood of families with children wanting to move to this section is probably pretty low. The swing set and playground are on the other side of the fence and there's not a whole lot for young children to do on this side."

Schmidt said he plans to file his comments with HUD in Austin concerning the matter but will probably continue to reside at The Villas, at least for now.

"I don't think there's anything we can do to stop this, unfortunately," Schmidt said. "The sad part is that a lot of the people who live here can't really afford to move even if they want to. A lot are not really flexible financially or physically."

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BOARD ACTION REQUEST

ASSET MANAGEMENT

MAY 25, 2017

Presentation, discussion, and possible action regarding an Ownership Transfer prior to IRS 8609 Form issuance or construction completion for Saralita Senior Village (HTC #16164/HOME #1002503)

RECOMMENDED ACTION

WHEREAS, Saralita Senior Village, Ltd. (the “Original Applicant”) submitted an application in 2016 and was awarded an allocation of 9% HTC and a Direct Loan award of HOME funds from the Department in the amount of \$1,140,000 to construct 36 multifamily units for seniors in Kerrville, Kerr County;

WHEREAS, the original General Partner of the Original Applicant, Saralita Senior Village GP, LLC, included principals Leslie Holleman, Evon Harris, Abigail Pfister Rue, Blake Rue, and Britt Benton;

WHEREAS, G. Granger MacDonald of MacDonald Companies is seeking approval to take over as Applicant, Developer, and Guarantor of Saralita Senior Village as a result of the Original Applicant not being in a position to complete the project;

WHEREAS, the Department’s rules under 10 TAC §10.406(e) provide that the addition of Principals into the ownership structure may be accomplished by an amendment to the Application, but otherwise requires that all parties reflected in the original ownership structure as having control must remain in the ownership structure and retain such control, and that a development sponsor, General Partner or Development Owner may not sell the Development in whole or voluntarily end their control prior to the issuance of 8609s or construction completion, unless otherwise approved by the Board;

WHEREAS, changes in the Developers and Guarantors of an Application are considered non-material amendments under 10 TAC §10.405(a)(3)(C), but are being considered together with the action requested in this item;

WHEREAS, the changes reflected in the amendment request and ownership transfer would not have changed the selection outcome of this Application;

NOW, therefore, it is hereby

RESOLVED, that the ownership transfer and amendments in the Developer and Guarantor for Saralita Senior Village is approved as presented to this meeting, and the Executive Director and his designees are hereby, authorized, empowered, and directed to take all necessary action to effectuate the foregoing contingent on confirmation that the Executive Award Review and Advisory Committee (“EARAC”) would not recommend denial or approval with conditions as a result of its previous participation review.

BACKGROUND

Saralita Senior Village (the “Development”) received an award of \$465,185 in annual 9% Housing Tax Credits (“HTC”) and a Direct Loan award of HOME funds in the form of a \$1,140,000 loan in 2016 to construct 36 multifamily units for seniors in Kerrville, Texas. The original Applicant, Saralita Senior Village, Ltd., and its General Partner and Principals, Leslie Holleman, Evon Harris, Abigail Pfister Rue, Blake Rue, and Britt Benton, are not able to move forward with the Application as proposed and approved due to recent changes in the market pricing for HTCs. To date, site acquisition has not been completed and no construction on the site has taken place. The Department received a letter dated April 5, 2017, from G. Granger MacDonald, requesting approval from the Department to purchase the Applicant’s ownership in this transaction. Mr. MacDonald also provided revised application information including revised financial exhibits, certifications from the proposed new Principals and the appropriate ownership transfer and previous participation review forms for the new ownership structure of the Applicant. The Original Applicant was required to meet the 10% Test by June 30, 2017, in order to meet the Department’s deadline.

The total number of units, number of residential buildings, site plan, architectural design and specifications remain unchanged as no new information related to these items were provided or identified in Mr. MacDonald’s amendment request or revised Application exhibits. It is worth noting that Mr. MacDonald continues to request the annual HTC allocation previously awarded to the Original Applicant of \$465,185; however, Mr. MacDonald is not seeking to keep the Department’s 1st lien HOME funds of \$1,140,000 in the transaction. Revised financial information, including the latest term sheets and/or Letters of Intent (“LOIs”) for the equity and permanent financing (now totaling \$1,149,050 at 5.47% over a 35-year amortization) were included with the request letter. Additionally, a Letter of Intent between MacDonald and Associates, Inc. and the Original Applicant for the rights, title and interest to the 2016 competitive HTC Application for Saralita Senior Village was also provided.

The Department’s Real Estate Analysis (“REA”) division has evaluated those revisions to conclude that the Application remains financially feasible with the changes proposed; however, REA’s feasibility conclusion and recommendation is conditioned upon the Developer Fee being limited to 10% as currently underwritten by the Department. This limitation on the Developer Fee exists because insufficient cash flow is anticipated to exist to pay a higher fee within the Department’s underwriting guidelines. The limitation on the Developer Fee will remain in place throughout and until the Development’s final cost certification for the Housing Tax Credits.

Changes to the ownership structure are summarized in the charts below. The change to the Developer and Guarantors do not require approval by the board but is being disclosed in this board action as it was a part of the Applicant’s request. Accordingly, the change is summarized in the chart below.

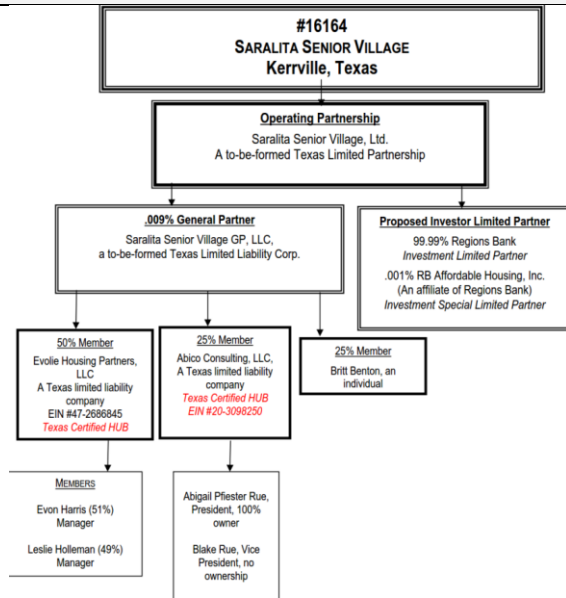
Unit Distribution at Application

UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	Income	# Units	% Total
Eff	-	0.0%	0	30%	3	8.3%
1	24	66.7%	0	40%	-	0.0%
2	12	33.3%	0	50%	7	19.4%
3	-	0.0%	0	60%	22	72.2%
4	-	0.0%	0	MR	-	0.0%
TOTAL	36	100.0%	-	TOTAL	36	100.0%

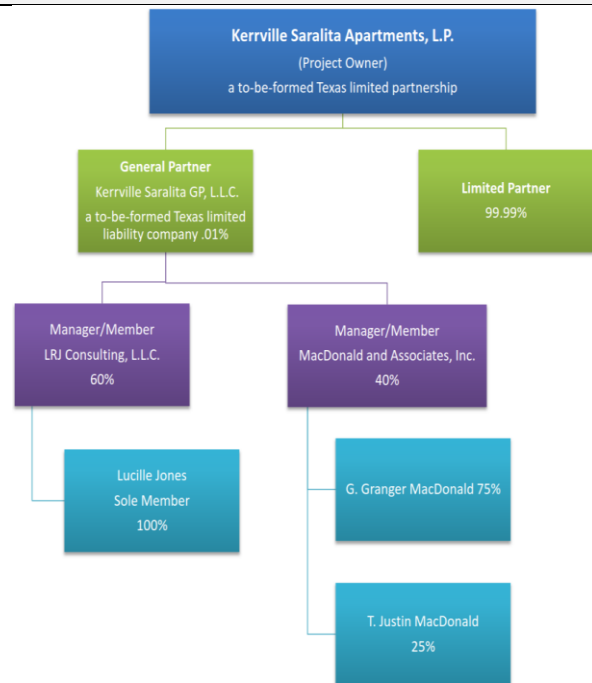
Unit Distribution after Amendment

UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	Income	# Units	% Total
Eff	-	0.0%	0	30%	3	8.3%
1	24	66.7%	0	40%	-	0.0%
2	12	33.3%	0	50%	7	19.4%
3	-	0.0%	0	60%	22	61.1%
4	-	0.0%	0	MR	4	11.1%
TOTAL	36	100.0%	-	TOTAL	36	100.0%

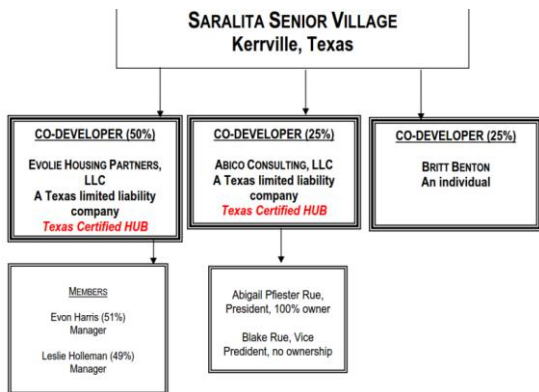
Ownership Structure Approved at Application



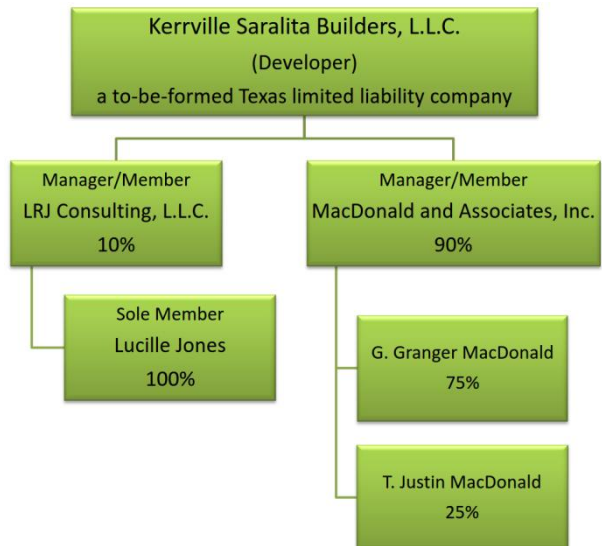
Ownership Structure after Amendment

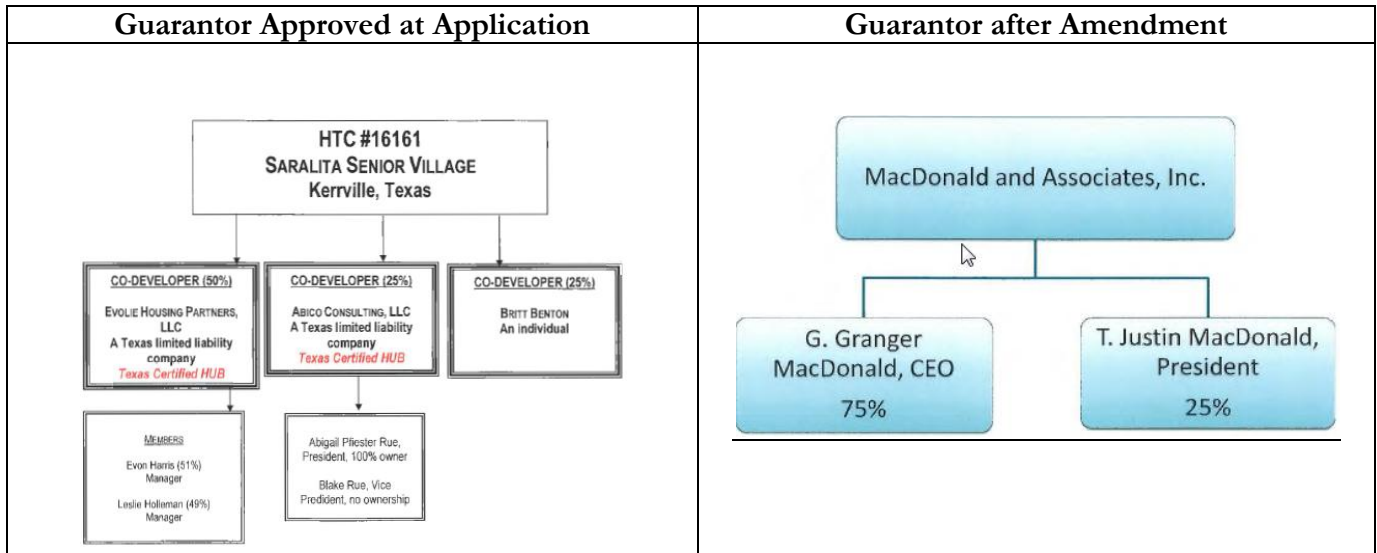


Developer Approved at Application



Developer after Amendment





While the elimination of the Department’s HOME funds in this transaction are a concern for the Department and its timely use of such funds, any action with regard to the consequences of the elimination of such funds would fall upon the Original Applicant and will be addressed separately.

Staff recommends approval of the requested ownership transfer and amendment to the Developer and Guarantor for Saralita Senior Village.



Asset Management Division

Amendment Request Form

Completed forms and supporting materials can be emailed to asset.management@tdhca.state.tx.us

TYPE OF AMENDMENT REQUESTED

Date Submitted: 4/7/2017

Amendment Requested: *Application Amendment,*

Has the change been implemented? *No*

Award Stage: *Carryover (Prior to Construction/10% Test)*

NOTE: Material Application or LURA Amendment requests must be received 45 days before the Board Meeting.

Contact your Asset Manager if you are unsure what type of Amendment to request: <https://www.tdhca.state.tx.us/asset-management/contacts.htm>

DEVELOPMENT INFORMATION

Dev. Name: Saralita Senior Village

File No. / CMTS No.: 16164 /

CONTACT INFORMATION

Request Submitted By: Granger MacDonald

Phone #/Email: (830) 257-5323 / gmacdonald@macdonald-companies.com

SECTION 1: COVER LETTER

A cover letter ***MUST*** be submitted with your request. Review your cover letter to ensure it includes:

- The change(s) requested The reason the change is necessary The good cause for the change
 An explanation of whether the amendment was reasonably foreseeable or preventable at the time of Application

SECTION 2: REQUIRED DOCUMENTATION

Entering an Amendment conveys to the Department that representations in the Application have changed. You ***MUST*** provide information about any and all changes made from the time of Application (or as last approved by the Department) in your request, including any items that will be impacted by the requested change. Failure to represent or properly document all changes may result in delays, denials, or a request for re-submission. The following is attached:

- Revised Development Financing Exhibits – if sources, terms, conditions, or amounts of financing will be impacted or changed by your amendment request, revised Application exhibits and term sheets (or executed Loan documents and LPA, if the loan has closed) must be submitted
- Signed Statement of No Financial Impact – if no sources, terms, conditions, or amount of financing will be impacted or changed by your amendment request, the Owner must sign and submit a statement to this effect
- Revised Application Exhibits/Documents Reflecting or Supporting All Requested Changes – revised site plans, surveys, Building and Unit Configuration exhibit, etc.

- Material Amendment fee of \$2,500 for first amendments, \$3,000 for second amendments, \$3,500 for third or more.
(Applicable to Non-Material Amendments only if changes have been implemented prior to Amendment approval) –
N/A for Developments only funded by a Direct Loan program (HOME, NSP, HTF)

SECTION 3A: MATERIAL APPLICATION AMENDMENT ITEMS

Check all items that have been modified from the original application (see *Subchapter E, §10.405(a)(3)*):

- Site plan Scope of tenant services Exclusion of reqs in Subchapters B & C
 Number of units* Reduction of 3%+ in unit sq ft Other
 Bedroom mix Reduction of 3%+ common area
 Architectural design Residential density (5%+ change)

If “Number of units” is selected above and the total LI units or LI units at any rent or income level will be reduced, also:

- Written confirmation from the lender *and* syndicator that the development is infeasible without the adjustment in units
 Evidence supporting the need for the adjustment in units

NOTE: *The approved amendment may carry a penalty in accordance with §10.405(a)(6)(b).

SECTION 3B: MATERIAL LURA AMENDMENT ITEMS

Check all items that require a material LURA amendment (see Subchapter E, *§10.405(b)(2)*):

- Reductions in the number of LI units Change in Target Population
 Changes to income or rent restrictions Removal of Non-profit Other
 Change in ROFR period or other ROFR provisions

The following additional items are attached for consideration or will be forthcoming:

- Draft Notice of Public Hearing* Evidence of public hearing*

NOTE: *Draft Notices of Public Hearing must be provided with the Amendment materials 45 days prior to the Board meeting. *The Public Hearing must be held at least 15 business days prior to the Board meeting and evidence in the form of attendance sheets and a summary of comments made must be submitted to TDHCA within 3 days of the hearing.

SECTION 4A: NON-MATERIAL APPLICATION AMENDMENT SUMMARY

Identify all non-material changes that have been or will be made (Contact your Asset Manager if you are unsure of whether your request is non-material):

Short Summary Regarding Application Changes

- Amendment is requesting a change in Developer(s) or Guarantor(s) and Previous Participation forms are attached.

SECTION 4B: NON-MATERIAL LURA AMENDMENT SUMMARY

Identify non-material amendments requested to the LURA:

Short Summary Regarding LURA Changes

SECTION 4C: NOTIFICATION ITEM SUMMARY

Identify any notification items from the time of application:

Short Summary Regarding LURA Changes



MacDonald
C O M P A N I E S

Affordable Lifestyles. Community Values.

April 5, 2017

Texas Department of Housing & Community Affairs
Rosalio Banuelos, Asset Management Division
221 East 11th Street
Austin, TX 78701

Re: Application Amendment Request
Saralita Senior Village LIHTC 16164

Dear Mr. Banuelos,

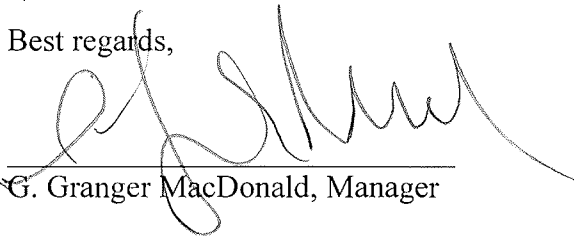
I am writing today to request an amendment to the Housing Tax Credit Application for Saralita Senior Village. The Development Owner for this Application, Saralita Senior Village, Ltd, does not feel they are in position to complete the project, therefore, we are interested in purchasing the ownership of the Applicant.

All relevant Application information that would change should this Amendment be approved is being provided, including but not limited to, Certifications, Previous Participation and Financial information.

This amendment was not reasonably foreseeable or preventable at the time of Application.

I would like this request to be presented at the May 25, 2017 Board Meeting.

Best regards,



G. Granger MacDonald, Manager

cc: Raquel Morales, Director of Asset Management



MacDonald
C O M P A N I E S

Affordable Lifestyles. Community Values.

March 27, 2017

Saralita Senior Village GP, Ltd.
c/o Blake Rue
P.O. Box 302663
Austin, Texas 78703

Via E-mail blake@rueinvestments.com

Re: Letter of Intent – Saralita Senior Village, Kerrville, Texas

Dear Blake,

Subject to the execution of a definitive and mutually acceptable purchase agreement within 45 days after execution of this letter (the “Negotiating Period”), MacDonald and Associates, Inc. offers to purchase the subject property under the following terms:

1. The Seller is Saralita Senior Village, Ltd./Oryx Capital, LLC.
2. The Buyer is MacDonald and Associates, Inc., Buyer may assign its interest to any corporation, partnership, or limited liability company in which it or its principals are the controlling party or to any other third-party without Seller approval.
3. The Subject Property is:
 - a. All of Seller’s rights, title, and interest to the 2016 Competitive Housing Tax Credit (HTC) Application for Saralita Senior Village, TDHCA Number 16164 (the “Tax Credit Application”).
 - b. All of Seller’s rights, title, and interest as purchaser under the Commercial Contract-Unimproved Property effective January 7, 2016, between Villa Saralita, Ltd. and Oryx Capital, LLC, and any amendments thereto for the purchase of 9 acres in Kerrville, Texas, as assigned by Oryx Capital, LLC to Saralita Senior Village, Ltd. in an Assignment and Assumption agreement effective February 22, 2016. This includes Seller’s rights, title, and interest to the earnest money and any monthly extension payments that are on deposit under the contract.
 - c. All of Seller’s rights, title, and interest as purchaser under the Commercial Contract-Unimproved Property effective January 7, 2016, between Villa Saralita, Ltd. and Oryx Capital, LLC, and any amendments thereto for the



MacDonald
C O M P A N I E S

Affordable Lifestyles. Community Values.

purchase of 11 acres in Kerrville, Texas, as assigned by Oryx Capital, LLC to Saralita Senior Village, Ltd. in an Assignment and Assumption agreement effective February 22, 2016. This includes Seller's rights, title, and interest to the earnest money and any monthly extension payments that are on deposit under the contract.

4. The purchase price is the total of (a) \$75,000.00, (b) all earnest money and extension payments currently on deposit under the Commercial Contract, and (c) the amount of Seller's reasonable development costs related to the Tax Credit Application and the Commercial Contracts referenced above.
5. Seller will provide Buyer with a list of its development costs prior to the parties' execution of the final purchase agreement contemplated by this letter.
6. The purchase is conditioned on TDHCA's approval of the Tax Credit Application.
7. The purchase is conditioned on closing of the land purchases under the Commercial Contracts.
8. The purchase price is payable to Seller at closing of the Commercial Contracts.

If the above outline of terms and conditions are acceptable, please indicate by signing below. The parties intend that this proposal be superseded by a final purchase agreement. In the meantime, the parties agree to proceed in accordance with the terms and conditions outlined in this letter. The parties understand the purpose of this letter is to allow further investigation by both parties into the feasibility of entering into a formal agreement. This letter is only binding on the parties during the Negotiation Period. If a purchase agreement is not mutually executed within the Negotiation Period for any reason or no reason at all, this letter shall expire and no party shall have any further rights or duties hereunder. Seller shall not solicit other offers during the Negotiation Period.

~~Agreed:~~

Authorized Representative
Saralita Senior Village, Ltd.

Date: 3-28-17

Authorized Representative
MacDonald and Associates, Inc.



2017 Multifamily Housing Application Certification
 Mailing Address: P.O. Box 13941, Austin, TX 78711-3941
 Physical Address: 221 East 11th Street, Austin, TX 78701

Development Name: Saralita Senior Village

The undersigned hereby makes an Application to Texas Department of Housing and Community Affairs. The Applicant affirms that they have read and understand the Uniform Multifamily Rules (Title 10, Texas Administrative Code, Chapter 10) and Qualified Allocation Plan (Title 10, Texas Administrative Code, Chapter 11). Specifically, the undersigned understands the requirements under 10 TAC §10.101 of the Uniform Multifamily Rules, Site and Development Requirements and Restrictions, as well as Internal Revenue Code Section 42. By signing this document, Applicant is affirming that all statements and representations made in this certification and application, including all supporting materials, are true and correct under penalty of law, including Chapter 37 of the Texas Penal Code titled Perjury and Other Falsification and subject to criminal penalties as defined by the State of Texas. Applicant is also affirming understanding of §10.2(e) of the Uniform Multifamily Rules, relating to Public Information Requests, specifically that the filing of an Application with Department is deemed as consent to release any and all information contained therein.

The undersigned further certifies that he/she has the authority to execute this certification.

Kerrville Saralita Apartments, L.P.

Applicant Entity Name

By:

Lucille Jones

Signature of Authorized Representative

Lucille Jones

Printed Name

Manager

Title

4-7-17

Date

Sworn to and subscribed before me on the

7 day of April, 2017

by Lucille Jones

(Personalized Seal)

Carrie W. Adams

Notary Public Signature

Texas

Notary Public, State of

Kerr

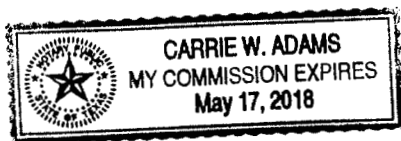
County of

May 17 2018

My Commission Expires:

4.7.2017

Date



Certification, Acknowledgement, and Consent of Development Owner- §10.204(1)

The *Certification, Acknowledgement, and Consent of Development Owner* is included behind this tab.

****The form should be executed, notarized, and included in the full application document.****

The form for the certification will be posted to the Department's website at
<http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>.

Please indicate whether any of the following required disclosure on the *Certification, Acknowledgement, and Consent of Development Owner* (to be used for data capture for application processing):

§10.101(a)(2) - Undesirable Neighborhood Characteristics

§10.202(1)(M) - Termination of Relationship in an Affordable Housing Transaction

§10.901(18) - Unused Credit or Penalty Fee

Note: If any disclosures are indicated regarding §10.101(a)(2) then submit the *Undesirable Neighborhood Characteristics Report Packet (UNCR)* located on the Department's website:

<http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>

Development Owner Certification

All defined terms used in this certification and not specifically defined herein have the meanings ascribed to them in Chapter 2306 of the Texas Government Code, §42 of the Internal Revenue Code, and §10.3 of the Uniform Multifamily Rules.

The undersigned, in each and all of the following capacities in which it may serve or exist -- Applicant, Development Owner, Developer, Guarantor of any obligation of the Applicant, and/or Principal of the Applicant and hereafter referred to as "Applicant" or "Development Owner," whether serving in one or more such capacities, is hereby submitting its Application to the Department for consideration of Department funding.

Applicant hereby represents, warrants, agrees, acknowledges and certifies to the Department and to the State of Texas that:

The Development will adhere to the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere to local building codes or, if no local building codes are in place, then to the most recent version of the International Building Code.

This Application and all materials submitted to the Department constitute records of the Department subject to Chapter 552, Texas Government Code, and the Texas Public Information Act.

The Application is in compliance with all requirements related to the eligibility of an Applicant, Application and Development as further defined in §§10.101 and 10.202 of the Uniform Multifamily Rules. Any issues of non-compliance have been disclosed.

All representations, undertakings and commitments made by Applicant in the Application process for Development assistance expressly constitute conditions to any Commitment, Determination Notice, Carryover Allocation, or Direct Loan Commitment for such Development which the Department may issue or award, and the violation of any such condition shall be sufficient cause for the cancellation and rescission of such Commitment, Determination Notice, Carryover Allocation, or Direct Loan Commitment by the Department. To the extent allowed under §2306.6720 Texas Government Code, if any such representations, undertakings and commitments concern or relate to the ongoing features or operation of the Development, they shall each and all be enforceable even if not reflected in the Land Use Restriction Agreement. All such representations, undertakings and commitments are also enforceable by the

Department and the tenants of the Development, including enforcement by administrative penalties for failure to perform, in accordance with the Land Use Restriction Agreement.

When providing a Pre-Application, Application or other materials to a state representative, local governmental body, Neighborhood Organization, or anyone else to secure support or approval that may affect the Applicant's competitive posture, an Applicant must disclose that in accordance with the Department's rules the aspects of the Development may be subject to change, including but not limited to, changes in the amenities ultimately selected and provided.

The Development Owner is and will remain in compliance with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), the Fair Housing Amendments Act of 1988 (42 U.S.C. §§3601 et seq.), the Civil Rights Act of 1964 (42 U.S.C. §§2000a et seq.), the Americans with Disabilities Act of 1990 (42 U.S.C. §§12101 et seq.), the Rehabilitation Act of 1973 (29 U.S.C. §§701 et seq.), Fair Housing Accessibility, the Texas Fair Housing Act; and the Development is designed consistent with the Fair Housing Act Design Manual produced by HUD, and the Texas Accessibility Standards. (§2306.257; §2306.6705(7))

The Development Owner has read and understands the Department's fair housing educational materials posted on the Department's website as of the beginning of the Application Acceptance Period.

The Development shall comply with the accessibility standards that are required under §504, Rehabilitation Act of 1973 (29 U.S.C. §794), specified under 24 C.F.R. Part 8, Subpart C and as further defined in 10 TAC Chapter 1 Subchapter B. (§§2306.6722; 2306.6730)

For New Construction (excluding New Construction of non-residential buildings) Developments where some Units are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each unit type of otherwise exempt units (i.e., one bedroom one bath, two bedroom one bath, two bedroom two bath, three bedroom two bath) 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 half bath at the entry level.

All Applications proposing Rehabilitation (including Reconstruction) will be treated as Substantial Alteration, in accordance with 10 TAC §1.205.

The Development Owner will establish a reserve account consistent with §2306.186 of the Texas Government Code and as further described in §10.404 of the Uniform Multifamily Rules, relating to Replacement Reserve Account requirements.

The Development will operate in accordance with the requirements pertaining to rental assistance in Chapter 10, Subchapter F.

The Development Owner agrees to implement a plan to use Historically Underutilized Businesses (HUB) in the development process consistent with the Historically Underutilized Business Guidelines for contracting with the State of Texas. The Development Owner will be required to submit a report of the success of the plan as part of the cost certification documentation, in order to receive IRS Forms 8609 or, if the Development does not have Housing Tax Credits, release of retainage.

The Applicant will attempt to ensure that at least 30% of the construction and management businesses with which the Applicant contracts in connection with the Development are Minority Owned Businesses as further described in §2306.6734 of the Texas Government Code.

The Development Owner will affirmatively market to veterans through direct marketing or contracts with veteran's organizations. The Development Owner will be required to identify how they will affirmatively market to veterans and report to the Department in the annual housing report on the results of the marketing efforts to veterans. Exceptions to this requirement must be approved by the Department.

Unused Credit or Penalty Fee (*select one box as applicable*)

The Applicant returned a full credit allocation after the Carryover Allocation deadline required for that allocation and is subject to the Unused Credit or Penalty Fee pursuant to §10.901(18) of the Uniform Multifamily Rules.

The Applicant certifies that no disclosure regarding §10.901(18) of the Uniform Multifamily Rules is necessary.

Termination of Relationship in an Affordable Housing Transaction (*select one box as applicable*)

The Applicant has disclosed, in the Application, any Principal or any entity or Person in the Development ownership structure who was or is involved as a Principal in any other affordable housing transaction, that has terminated, voluntarily or involuntarily, within the past 10 years or plans to or is negotiating to terminate their relationship with any other affordable housing development. The disclosure identified the person or persons and

development involved, the identity of each other development and contact information for the other Principals of each such development, a narrative description of the facts and circumstances of the termination or proposed termination, and any appropriate supporting documents. The Applicant has read and understands §10.202(1)(M) of the Uniform Multifamily Rules related to such disclosure.

_____The Applicant certifies that no disclosure regarding §10.202(1)(M) of the Uniform Multifamily Rules is necessary.

The Applicant certifies that, for any Development proposing New Construction or Reconstruction and located within the one-hundred (100) year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps, the Development Site will be developed in full compliance with the National Flood Protection Act and all applicable federal and state statutory and regulatory requirements so that all finished ground floor elevations are at least one foot above the floodplain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. The Applicant certifies that, floodplain maps will be used and the Development Site will comply with regulations as they exist at the time of commencement of construction. Applicant further certifies that, for any Development proposing Rehabilitation (excluding Reconstruction) that is not a HUD or TRDO-USDA assisted property, the Development Site is not located in the one-hundred year floodplain unless the existing structures already meet the requirements for New Construction or Reconstruction, as certified to by a Third Party engineer, or unless the state or local government has undertaken and can substantiate sufficient mitigation efforts and such documentation is submitted in the Application. The Development Site will be located within a one mile radius (two-mile radius for Developments located in a Rural Area) of at least six (6) community assets as described further in §10.101(a)(2) of the Uniform Multifamily Rules.

The Development is not located in an area with undesirable site features as further described in §10.101(a)(3) of the Uniform Multifamily Rules. If an undesirable site feature is present and the proposed Development is Rehabilitation (excluding Reconstruction) with ongoing and existing federal assistance from HUD, USDA, or Veterans Affairs (“VA”) and an exemption is requested at the time of or prior to the filing of an Application in accordance with §10.101(a)(3) of the Uniform Multifamily Rules.

Undesirable Neighborhood Characteristics *(select one of the main boxes as applicable)*

 X The Development Owner certifies that the Development **is not** located in an area with any of the undesirable neighborhood characteristics described in §10.101(a)(4) of the Uniform Multifamily Rules and that no disclosure is necessary;

_____The Development Owner has disclosed in the Application that the Development **is** located in an area with the following undesirable neighborhood characteristic(s) and documentation, as appropriate, is submitted (select all that apply):

_____ in a census tract with a poverty rate above 40% for individuals (or 55% for Developments in regions 11 and 13);

_____ in a census tract or within 1,000 feet of any census tract in an Urban Area and the rate of Part I violent crimes is greater than 18 per 1,000 persons (annually) as reported on neighborhoodscout.com;

_____ is located within 1,000 feet of a blighted or abandoned area as further described in §10.101(a)(4)(B)(iii) of the Uniform Multifamily Rules.

_____ is located in the attendance zones of an elementary, middle, and high school that does not have a 2015 Met Standard rating by the Texas Education Agency, unless the Development Site is subject to an Elderly Limitation.

_____ the Environmental Site Assessment for the Development Site indicates any facilities listings within the ASTM-required search distances from the approximate site boundaries on any of the databases identified in §10.101(a)(4)(B)(v) of the Uniform Multifamily Rules.

The Development will include all of the mandatory Development amenities required in §10.101(b)(4) of the Uniform Multifamily Rules at no charge to the tenants and written notice of such amenities will be provided to the tenants.

The Development will satisfy the minimum point threshold for common amenities as further described in §10.101(b)(5) of the Uniform Multifamily Rules. These amenities must be for the benefit of all tenants, meet accessibility standards, be sized appropriately to serve the proposed Target Population, be made available throughout normal business hours, and be maintained throughout the Affordability Period. The tenant must be provided written notice of the elections made by the Development Owner.

The Development will meet the minimum size of Units as further described §10.101(b)(6)(A) of the Uniform Multifamily Rules.

The Development (excluding competitive Housing Tax Credit Applications) will include enough unit and development features to meet the minimum number of points as further described in §10.101(b)(6)(B) of the Uniform Multifamily Rules.

The Development (excluding competitive Housing Tax Credit Applications) will include enough supportive services, at no charge to the tenants, be accessible to all, and maintained throughout the Affordability Period, to meet the required minimum number of points as further described in §10.101(b)(7) of the Uniform Multifamily Rules, and offered in accordance with §10.619 of the Uniform Multifamily Rules. The tenant must be provided written notice of the elections made by the Development Owner.

If the Development has an existing LURA with the Department, the Development Owner will comply with the existing restrictions.

The Development Owner will comply with any and all notices required by the Department.

None of the criteria in subparagraphs (A) – (N) of §10.202(1) of the Uniform Multifamily Rules, related to ineligible Applicants, applies to any member of the Development Team.

The individual whose name is subscribed hereto, in his or her individual capacity, on behalf of Applicant, and in all other related capacities described above, as applicable, expressly represents, warrants, and certifies that all information contained in this certification and in the Application, including any and all supplements, additions, clarifications, or other materials or information submitted to the Department in connection therewith as required or deemed necessary by the materials governing the multifamily funding programs are true and correct and the Applicant has undergone sufficient investigation to affirm the validity of the statements made. Further, the Applicant hereby expressly represents, warrants, and certifies that the individual whose name is subscribed hereto has read and understands all the information contained in this form of the Application.

By signing this document, the undersigned, in their individual capacity, on behalf of Applicant, whether formed or to be formed, and in all other related capacities described above, is affirming under penalty of Chapter 37 of the Texas Penal Code titled Perjury and Other Falsification and subject to criminal penalties as defined by the State of Texas. TEX. PENAL CODE ANN. §§37.01 et seq. (Vernon 2003 & Supp. 2007) and subject to any and all other state or federal laws regarding the making of false statements to governmental bodies or the false statements or the providing of false information in connection with the procurement of allocations or awards that the Application and all materials relating thereto constitute government documents and that the Application and all materials relating thereto are true, correct, and complete in all material respects.

2016 Development Owner Certification

By:

Lucille Jones

Signature

Lucille Jones

Printed Name

GP Manager

Title

4-6-17

Date

THE STATE OF Texas §

§

COUNTY OF Kerr §

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that name is signed to the foregoing statement, and who is known to be one in the same, has acknowledged before me on this date, that being informed of the contents of this statement, executed the same voluntarily on the date same foregoing statement bears.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 6 day of April, 2017

(Seal)



Carrie W. Adams

Notary Public Signature

10.202(1)M-Disclosure of Termination of Relationship in an Affordable Housing Transaction

The following principals and/or entities of the 2016 Applicant's ownership structure have voluntarily terminated a relationship or ownership of other affordable housing developments as described:

G. Granger MacDonald, Principal:

- 97143-Bent Tree:
 - Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., as 49% member of general partner, voluntarily transferred all ownership interest as San Angelo Bent Tree Developers, LLC, general partner, to KF Bent Tree GP, LLC, new general partner. The new general partner was owned by KF Residential Investor, LLC, and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in April, 2007.
- 98156-The Meadows:
 - Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., as 49% member of general partner, voluntarily transferred all ownership interest as Kerrville Meadows Developers, LLC, general partner, to KF Meadows GP, LLC, new general partner. The new general partner was owned by KF Residential Investor, LLC, and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner November, 2007.
- 99044-The Springs:
 - Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., as 49% member of general partner, voluntarily transferred all ownership interest as Dripping Springs Developers, LLC, general partner, to KF Dripping Springs GP, LLC, new general partner. The new general partner is owned by KF Residential Investor, LLC, and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in April, 2007.
- 00011-Heritage Oaks:
 - Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.

- G. G. MacDonald, Inc., as 49% member of general partner, voluntarily transferred all ownership interest as Kerrville Heritage Oaks Developers, LLC, general partner, to KF Heritage Oaks GP, LLC, new general partner. The new general partner is owned by KF Residential Investor, LLC, and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.
- The transfer of GP interest was voluntary and made for investment reasons.
- The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in April, 2007.

G. Granger MacDonald, Principal (Cont'd):

- 02005-Brenham Oaks:
 - Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., a Principal and Developer, voluntarily transferred all interest in Brenham Oaks Development, LLC, general partner, to KF Brenham Oaks GP, LLC, new general partner. The new general partner is owned by KF Residential Investor, LLC, and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in April, 2007.
- 02092-SA Union Pines:
 - Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., a Principal and Developer, voluntarily transferred all interest in SA Union Pines Development II, LLC, general partner, to 2008 South San Antonio Pines GP, LLC, new general partner. The new general partner is owned and controlled by Rene Campos, 5414 Maple Avenue, Suite 204, Dallas, Texas 75235.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in January, 2009.
- 02093-SA Union Park:
 - Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., a Principal and Developer, voluntarily transferred all interest in SA Union Park Development II, LLC, general partner, to 2008 South San Antonio Park GP, LLC, new general partner. The new general partner is owned and controlled by Rene Campos, 5414 Maple Avenue, Suite 204, Dallas, Texas 75235.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in January, 2009.
- 04008-Friendship Place:
 - Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., a Principal and Developer, voluntarily transferred all interest in Fredericksburg Friendship Place Developers, LLC, general partner, to KF Friendship Place

GP, LLC, new general partner. The new general partner is owned by KF Residential Investor, LLC and Resolution, Inc., and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.

- The transfer of GP interest was voluntary and made for investment reasons.
- The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in November, 2008.

G. Granger MacDonald, Principal (Cont'd):

- 04152-Bluffview Villas:

- Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
- G. G. MacDonald, Inc., a Principal and Developer, voluntarily transferred all interest in Brenham Bluffview Villas Development, LLC, general partner, to KF Bluffview Villas GP, LLC, new general partner. The new general partner is owned by KF Residential Investor, LLC, and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.
- The transfer of GP interest was voluntary and made for investment reasons.
- The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in November, 2008

- 04225-The Masters:

- Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
- G. G. MacDonald, Inc., as 30% member of general partner, voluntarily transferred all ownership interest as The Masters Apartments I, LLC, general partner, to KF Masters GP, LLC, new general partner. The new general partner is owned by KF Residential Investor, LLC, and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.
- The transfer of GP interest was voluntary and made for investment reasons.
- The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in November, 2007.

- 04433-Post Oak East:

- Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
- G. G. MacDonald, Inc., as 30% member of general partner, voluntarily transferred GP interest to Post Oak 246, LLC and took a Special Limited Partner interest in the development. The new general partner is owned and controlled Trinity River Public Facility Corporation, and instrumentality of the Fort Worth Housing Authority, P O Box 430, Fort Worth, Texas 76101.
- The transfer of GP interest was voluntary and made for investment reasons.
- The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in September, 2010.

- 04435-Aventine Tarrant Parkway:

- Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
- G. G. MacDonald, Inc., as 30% member of general partner, voluntarily transferred GP interest to Aventine 240, LLC and took a Special Limited Partner interest in the development. The new general partner is owned and controlled Trinity River Public Facility Corporation, and instrumentality of the Fort Worth Housing Authority, P O Box 430, Fort Worth, Texas 76101.
- The transfer of GP interest was voluntary and made for investment reasons.
- The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in September, 2010.

G. Granger MacDonald, Principal (Cont'd):

- 05609-St. Augustine Estates:
 - Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., as 30% member of general partner, voluntarily transferred all ownership interest as St. Augustine Estate Apartments I, LLC, general partner, to PC Augustine GP, LLC, new general partner. The new general partner is owned by PCMF, LLC and controlled by Jeff Danley and Chris Manning of Peak Capital Partners, LLC.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in May, 2016.

- 07001-Fairway Crossing dba White Rock Hills:
 - Granger MacDonald is the 75% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., as 30% member of general partner, voluntarily transferred all ownership interest as Townhomes at Fairway, LLC, general partner, to PC White Rock GP, LLC, new general partner. The new general partner is owned by PCMF, LLC and controlled by Jeff Danley and Chris Manning of Peak Capital Partners, LLC.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in May, 2016.

T. Justin MacDonald, Principal:

- **04008-Friendship Place:**
 - Justin MacDonald is the 25% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., a Principal and Developer, voluntarily transferred all interest in Fredericksburg Friendship Place Developers, LLC, general partner, to KF Friendship Place GP, LLC, new general partner. The new general partner is owned by KF Residential Investor, LLC and Resolution, Inc., and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in November, 2008.
- **04152-Bluffview Villas:**
 - Justin MacDonald is the 25% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., a Principal and Developer, voluntarily transferred all interest in Brenham Bluffview Villas Development, LLC, general partner, to KF Bluffview Villas GP, LLC, new general partner. The new general partner is owned by KF Residential Investor, LLC, and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in November, 2008
- **04225-The Masters:**
 - Justin MacDonald is the 25% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., as 30% member of general partner, voluntarily transferred all ownership interest in The Masters Apartments I, LLC, general partner, to KF Masters GP, LLC, new general partner. The new general partner is owned by KF Residential Investor, LLC, and controlled by Steve Ford, 1500 N. Post Oak Dr., Suite 190, Houston, Texas 77055.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in November, 2007.

- 04433-Post Oak East:
 - Justin MacDonald is the 25% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., as 30% member of general partner, voluntarily transferred GP interest to Post Oak 246, LLC and took a Special Limited Partner interest in the development. The new general partner is owned and controlled Trinity River Public Facility Corporation, and instrumentality of the Fort Worth Housing Authority, P O Box 430, Fort Worth, Texas 76101.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in September, 2010.

T. Justin MacDonald, Principal (Cont'd):

- 04435-Aventine Tarrant Parkway:
 - Justin MacDonald is the 25% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., as 30% member of general partner, voluntarily transferred GP interest to Aventine 240, LLC and took a Special Limited Partner interest in the development. The new general partner is owned and controlled Trinity River Public Facility Corporation, and instrumentality of the Fort Worth Housing Authority, P O Box 430, Fort Worth, Texas 76101.
 - The transfer of GP interest was voluntary and made for investment reasons. The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in September, 2010.

- 05609-St. Augustine Estates:
 - Justin MacDonald is the 25% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., as 30% member of general partner, voluntarily transferred all ownership interest as St. Augustine Estate Apartments I, LLC, general partner, to PC Augustine GP, LLC, new general partner. The new general partner is owned by PCMF, LLC and controlled by Jeff Danley and Chris Manning of Peak Capital Partners, LLC.
 - The transfer of GP interest was voluntary and made for investment reasons.
 - The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in May, 2016.

- 07001-Fairway Crossing dba White Rock Hills:
 - Justin MacDonald is the 25% owner and shareholder of G. G. MacDonald, Inc.
 - G. G. MacDonald, Inc., as 30% member of general partner, voluntarily transferred all ownership interest as Townhomes at Fairway, LLC, general partner, to PC White Rock GP, LLC, new general partner. The new general partner is owned by PCMF, LLC and controlled by Jeff Danley and Chris Manning of Peak Capital Partners, LLC.
 - The transfer of GP interest was voluntary and made for investment reasons.

- The transfer of GP interest was consented and approved by TDHCA and the Investment Limited Partner in May, 2016.

Applicant Eligibility Certification-§10.204(2)

The *Applicant Eligibility Certification(s)* is included behind this tab.

§10.202 of the Uniform Multifamily Rules identifies situations in which an Application or Applicant may be ineligible for Department funding. Applicants must provide disclosure of all potential instances of ineligibility, along with evidence of appropriate corrective action taken and accepted by the Department or mitigating factors to be considered. Documentation should be attached behind this tab.

Disclosure of all potential instances of ineligibility, along with evidence of appropriate corrective action is included behind this tab.

Applicant Eligibility Certification

All defined terms used in this certification and not specifically defined herein have the meanings ascribed to them in Chapter 2306 of the Texas Government Code, §42 of the Internal Revenue Code, and §10.3 of the Uniform Multifamily Rules.

The undersigned, in each and all of the following capacities in which it may serve or exist -- Applicant, Development Owner, Developer, Guarantor of any obligation of the Applicant, and/or Principal of the Applicant and hereafter referred to as "Applicant," whether serving in one or more such capacities, is hereby submitting its Application to the Department for consideration of multifamily funding.

Applicant hereby represents, warrants, agrees, acknowledges and certifies to the Department and to the State of Texas that:

This Application and all materials submitted to the Department constitute records of the Department subject to Chapter 552, Texas Government Code, the Texas Public Information Act.

All representations, undertakings and commitments made by Applicant in the Application process for a Development, whether with respect to Threshold Criteria, selection criteria or otherwise, expressly constitute conditions to any Commitment, Determination Notice, Carryover Allocation, or Direct Loan Commitment for such Development which the Department may issue or award, and the violation of any such condition shall be sufficient cause for the cancellation and rescission of such Commitment, Determination Notice, Carryover Allocation, or Direct Loan Commitment by the Department. To the extent allowed under §2306.6720 Texas Government Code, if any such representations, undertakings and commitments concern or relate to the ongoing features or operation of the Development, they shall each and all shall be enforceable even if not reflected in the Land Use Restriction Agreement. All such representations, undertakings and commitments are also enforceable by the Department and the tenants of the Development, including enforcement by administrative penalties for failure to perform, in accordance with the Land Use Restriction Agreement.

Applicant or any other member of the Development Team has not been or is not barred, suspended, or terminated from procurement in a state or Federal program or listed in HUD's System for Award Management (SAM).

Applicant or any other member of the Development Team has not been convicted of a state or federal felony crime involving fraud, bribery, theft, misrepresentation of material fact, misappropriation of funds, or other similar criminal offenses within fifteen (15) years preceding the Application submission.

Applicant or any other member of the Development Team is not, at the time of Application, subject to an enforcement or disciplinary action under state or federal securities law or by the NASD; is not subject to a federal tax lien; and is not the subject of a proceeding in which a Governmental Entity has issued an order to impose penalties, suspend funding, or take adverse action based on an allegation of financial misconduct or uncured violation of material laws, rules, or other legal requirements governing activities considered relevant by the Governmental Entity.

Applicant or any other member of the Development Team has not breached a contract with a public agency and failed to cure that breach within the timeframe provided or allowed by contract. If such breach is permitted to be cured under the contract, notice of the breach has been given and a reasonable opportunity to cure.

Applicant or any other member of the Development Team has not misrepresented to a subcontractor the extent to which the Developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the Developer's participation in contracts with the agency and the amount of financial assistance awarded to the Developer by the agency.

Applicant or any other member of the Development Team has not been found by the Board to be ineligible based on a previous participation review performed in accordance with 10 TAC Chapter 1 Subchapter C.

Applicant or any other member of the Development Team is not delinquent in any loan, fee, or escrow payments to the Department in accordance with the terms of the loan, as amended, and is otherwise not in default with any provisions of such loans.

Applicant or any other member of the Development Team has not failed to cure any past due fees owed to the Department at least ten (10) days prior to the Board meeting at which the decision for an award is to be made.

Applicant or any other member of the Development Team is not in violation of a state revolving door or other standard of conduct or conflict of interest statute, including §2306.6733 of the Texas Government Code, or a provision of Chapter 572 of the Texas Government Code, in making, advancing, or supporting the Application.

Applicant or any other member of the Development Team does not have previous Contracts or Commitments that have been partially or fully de-obligated during the twelve (12) months prior to the submission of the Application and through the date of final allocation due to a failure to meet contractual obligations, and the Person is not on notice that such de-obligation results in ineligibility under 10 TAC Chapter 10.

Applicant or any other member of the Development Team has not provided fraudulent information, knowingly falsified documentation, or other intentional or negligent material misrepresentation or omission in an Application or Commitment as part of a challenge to another application, or any other information provided to the Department for any reason. Such conduct could subject the Applicant to assessment of administrative penalties under Texas Government Code, Chapter 2306 and 10 TAC Chapters 2 and 10.

The Applicant or any other member of the Development team has not been the owner or Affiliate of the owner of a Department HOME or NSP-assisted rental development for which the federal affordability requirements were prematurely terminated and the affordability requirements have not re-affirmed or HOME or NSP funds repaid.

The Applicant or any other member of the Development Team has not participated in the dissemination of misinformation about affordable housing and the persons it serves or about a competing Applicant that would likely have the effect of fomenting opposition to an Application where such opposition is not based on substantive and legitimate concerns that do not implicate potential violations of fair housing laws.

The Applicant will not violate §2306.1113 of the Texas Government Code relating to Ex Parte Communication and further explained in §10.202(2)(A) of the Uniform Multifamily Rules.

For any Development utilizing Housing Tax Credit or Tax-Exempt Bonds, at all times during the two-year period preceding the date the Application Round begins (or for Tax-Exempt Bond Developments any time during the two-year period preceding the date the Application is submitted to the Department), the Applicant or a Related Party is not or has not been a member of the Board or employed by the Department as the Executive Director, Chief of Staff, General Counsel, a Deputy Executive Director, the Director of Multifamily Finance, the Chief of Compliance, the Director of Real Estate Analysis, a manager over the program for which an Application has been submitted, or any person exercising such responsibilities regardless of job title; or in violation of §2306.6733 of the Texas Government Code.

For any Development utilizing Housing Tax Credits, the Applicant will not propose to replace in less than fifteen (15) years any private activity bond financing of the Development described by the Application, unless the exceptions in §2306.6703(a)(2) of the Texas Government Code are met.

All the instances in which any Principal or any entity or Person in the Development ownership structure who was or is involved as a Principal in any other affordable housing transaction, that has terminated voluntarily or involuntarily within the past ten years or is negotiating to terminate their relationship with any other affordable housing development have been fully

disclosed pursuant to §10.202(1)(M) of the Uniform Multifamily Rules. Applicant understands that failure to disclose is grounds for termination.

All housing developments with which Applicant, Development Owner, Developer, Guarantor and/or Principal thereof participating, are in compliance with: state and federal fair housing laws, including Chapter 301, Property Code, the Texas Fair Housing Act; Title VIII of the Civil Rights Act of 1968 (42 U.S.C. Section 3601 et seq.); and the Fair Housing Amendments Act of 1988 (42 U.S.C. Section 3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. Section 2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.); and the Rehabilitation Act of 1973 (29 U.S.C. Section 701 et seq.).

The making of an allocation or award by the Department does not constitute a finding or determination that the Development is deemed qualified to receive such allocation or award. Applicant agrees that the Department or any of its directors, officers, employees, and agents will not be held responsible or liable for any representations made to the undersigned or its investors relating to the Housing Tax Credit Program; therefore, Applicant assumes the risk of all damages, losses, costs, and expenses related thereto and agrees to indemnify and hold harmless the Department and any of its officers, employees, and agents against any and all claims, suits, losses, damages, costs, and expenses of any kind and of any nature that the Department may hereinafter suffer, incur, or pay arising out of its decisions and actions concerning this Application for Housing Tax Credits or the use of information concerning the Housing Tax Credit Program.

Applicant, Development Owner, Developer, Guarantor or other Related Party is not subject to any pending criminal proceedings and if any such proceeding or any other charges which would invalidate the certifications are finally adjudicated or otherwise disposed of prior to Carryover, the Applicant will immediately notify the Department. Such notification must be presented to the Board for consideration at the next available Board meeting.

The individual whose name is subscribed hereto, in his or her individual capacity, on behalf of Applicant, and in all other related capacities described above, as applicable, expressly represents, warrants, and certifies that all information contained in this certification and in the Application, including any and all supplements, additions, clarifications, or other materials or information submitted to the Department in connection therewith as required or deemed necessary by the materials governing the multifamily funding programs are true and correct and the Applicant has undergone sufficient investigation to affirm the validity of the statements made. Further, the Applicant hereby expressly represents, warrants, and certifies that the individual whose name is subscribed hereto has read and understands all the information contained in this form of the Application.

By signing this document, the undersigned, in their individual capacity, on behalf of Applicant, whether formed or to be formed, and in all other related capacities described above, is affirming under penalty of Chapter 37 of the Texas Penal Code titled Perjury and Other Falsification and subject to criminal penalties as defined by the State of Texas. TEX. PENAL CODE ANN. §§37.01 et seq. (Vernon 2011) and subject to any and all other state or federal laws regarding the making of false statements to governmental bodies or the false statements or the providing of false information in connection with the procurement of allocations or awards that the Application and all materials relating thereto constitute government documents and that the Application and all materials relating thereto are true, correct, and complete in all material respects.

By: Lucille Jones
Signature of Authorized Representative

Lucille Jones
Printed Name

GP Manager
Title

4.6.17
Date

THE STATE OF Texas §
COUNTY OF Kerr §

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that name is signed to the foregoing statement, and who is known to be one in the same, has acknowledged before me on this date, that being informed of the contents of this statement, executed the same voluntarily on the date same foregoing statement bears.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 6 day of April, 2017.

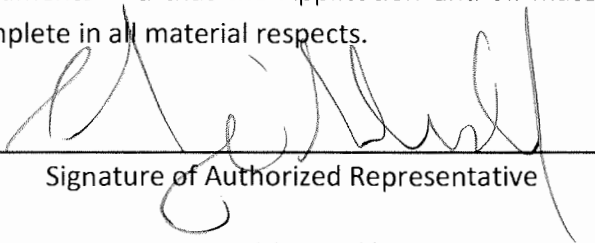
(Seal)



Carrie W Adams
Notary Public Signature

2016 Applicant Eligibility Certification

By signing this document, the undersigned, in their individual capacity, on behalf of Applicant, whether formed or to be formed, and in all other related capacities described above, is affirming under penalty of Chapter 37 of the Texas Penal Code titled Perjury and Other Falsification and subject to criminal penalties as defined by the State of Texas. TEX. PENAL CODE ANN. §§37.01 et seq. (Vernon 2011) and subject to any and all other state or federal laws regarding the making of false statements to governmental bodies or the false statements or the providing of false information in connection with the procurement of allocations or awards that the Application and all materials relating thereto constitute government documents and that the Application and all materials relating thereto are true, correct, and complete in all material respects.

By: 
Signature of Authorized Representative
G. Granger MacDonald
Printed Name
GP Manager
Title
4/6/17
Date


THE STATE OF Texas §
§
COUNTY OF Kerr §

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that name is signed to the foregoing statement, and who is known to be one in the same, has acknowledged before me on this date, that being informed of the contents of this statement, executed the same voluntarily on the date same foregoing statement bears.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 6th day of April, 2017

(Seal)




Notary Public Signature

2016 Applicant Eligibility Certification

By signing this document, the undersigned, in their individual capacity, on behalf of Applicant, whether formed or to be formed, and in all other related capacities described above, is affirming under penalty of Chapter 37 of the Texas Penal Code titled Perjury and Other Falsification and subject to criminal penalties as defined by the State of Texas. TEX. PENAL CODE ANN. §§37.01 et seq. (Vernon 2011) and subject to any and all other state or federal laws regarding the making of false statements to governmental bodies or the false statements or the providing of false information in connection with the procurement of allocations or awards that the Application and all materials relating thereto constitute government documents and that the Application and all materials relating thereto are true, correct, and complete in all material respects.

By: [Signature]
Signature of Authorized Representative

T. Justin MacDonald
Printed Name

GP Manager
Title

4.7.17
Date

THE STATE OF Texas §
§
COUNTY OF Kerr §

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that name is signed to the foregoing statement, and who is known to be one in the same, has acknowledged before me on this date, that being informed of the contents of this statement, executed the same voluntarily on the date same foregoing statement bears.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 7 day of April, 2017

(Seal)



[Signature]
Notary Public Signature

Multifamily Direct Loan Certification

n/a *Multifamily Direct Loan Certification* is included behind this tab.

****The form should be executed, notarized, and included in the full application document.****

The form for the certification will be posted to the Department's website at
<http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>.

Applicant Information Page

Provide the contact information for the Applicant and any staff responsible for Administrative Deficiencies and/or clarifications to the Application.

1. Applicant Contact Information

Name:	<u>Lucille Jones</u>	Phone:	<u>(830) 257-5323</u>	
			Office	Extension
Email:	<u>ljones@macdonald-companies.com</u>		Mobile	
Mailing Address:	<u>2951 Fall Creek Rd.</u>			
	Street			
	<u>Kerrville</u>	<u>TX</u>	<u>78028</u>	
	City	State	Zip	

2. Second Contact

Name:	<u>Carrie Adams</u>	Phone:	<u>(830) 257-5323</u>	
			Office	Extension
Email:	<u>cadams@macdonald-companies.com</u>		Mobile	

3. Consultant Contact (if applicable)

Name:	<u>Justin MacDonald</u>	Phone:	<u>(830) 257-5323</u>	
			Office	Extension
Email:	<u>tjmcDonald@macdonald-companies.com</u>		Mobile	
Mailing Address:	<u>2951 Fall Creek Rd.</u>			
	Street			
	<u>Kerrville</u>	<u>TX</u>	<u>78028</u>	
	City	State	Zip	

5. Funding Request:

Complete the table below to describe this Application's funding request.

Department Funds applying for with this Application	Requested Amount	If funds will be in the form of a Direct Loan by the Department or for Private Activity Bonds, the terms will be:		
		Interest Rate (%)	Amortization (Years)	Term (Years)
TDHCA Multifamily Direct Loan (Repayable)			30	
TDHCA Multifamily Direct Loan (Soft Repayable)		0.00%		
CHDO Operating Expenses Grant				
Housing Tax Credits	\$ 465,185			
Private Activity Mortgage Revenue				

6. §11.5 - Set-Aside (For Competitive HTC & Multifamily Direct Loan Applications Only)

Identify any and all set-asides the application will be applying under. Set-Asides can not be added or dropped from pre-application to full Application for Competitive HTC Applications.

Competitive HTC Only						Multifamily Direct Loan Only					
At-Risk		Nonprofit		USDA		CHDO			SH/SR		

By selecting the set-aside above, I, individually or as the general partner(s) or officers of the Applicant entity, confirm that I (we) are applying for the above-stated Set-Aside(s) and Allocations. To the best of my (our) knowledge and belief, the Applicant entity has met the requirements that make this Application eligible for this (these) Set-Aside(s) and Allocations and will adhere to all requirements and eligibility standards for the selected Set-Aside(s) and Allocations.

7. Previously Awarded State and Federal Funding

Has this site/activity previously received or applied for TDHCA funds? No

If "Yes" Enter Project Number: _____ and TDHCA funding source: _____

Has this site/activity previously received non-TDHCA federal funding? No

Will this site/activity receive non-TDHCA federal funding for costs described in this Application? No

8. Qualified Low Income Housing Development Election (HTC Applications only)

Pursuant to §42(g)(1)(A) & (B), the term "qualified low income housing development" means any project or residential rental property, if the Development meets one of the requirements below, whichever is elected by the taxpayer." Once an election is made, it is irrevocable. Select only one:

- At least 20% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 50% or less of the area median gross income, adjusted for family size.
- At least 40% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 60% or less of the median gross income, adjusted for family size.

Rent Schedule

Self Score Total: 1

ivate Activity Bond Priority (For Tax-Exempt Bond Developments ONLY):

Unit types must be entered from smallest to largest based on "# of Bedrooms" and "Unit Size", then within the same "# of Bedrooms" and "Unit Size" from lowest to highest "Rent Collected/Unit".

Rent Designations (select from Drop down menu)					# of Units	# of Bed-rooms	# of Baths	Unit Size (Net Rentable Sq. Ft.)	Total Net Rentable Sq. Ft.	Program Rent Limit	Tenant Paid Utility Allow.	Rent Collected /Unit	Total Monthly Rent
HTC Units	MF Direct Loan Units (HOME Rent/Inc)	State HTF Units	MRB Units	Other/ Subsidy									
TC 30%					3	1	1.0	750	2,250	320	68	252	756
TC 50%					4	1	1.0	750	3,000	534	68	466	1,864
TC 60%					15	1	1.0	750	11,250	641	68	573	8,595
MR					2	1	1.0	750	1,500	641	0	641	1,282
TC 50%					3	2	2.0	1040	3,120	641	90	551	1,653
TC 60%					7	2	2.0	1040	7,280	769	90	679	4,753
MR					2	2	2.0	1040	2,080	769	0	769	1,538
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TOTAL					36				30,480				20,441
Non Rental Income							\$15.00 per unit/month for:					<i>nsf, late, application fees, forfeit dep, damages</i>	540
Non Rental Income							0.00 per unit/month for:						
Non Rental Income							0.00 per unit/month for:						
+ TOTAL NONRENTAL INCOME							\$15.00 per unit/month						540
= POTENTIAL GROSS MONTHLY INCOME													20,981
- Provision for Vacancy & Collection Loss											% of Potential Gross Income:	7.50%	(1,574)
- Rental Concessions <i>(enter as a negative number)</i>												Enter as a negative value	
= EFFECTIVE GROSS MONTHLY INCOME													19,407
x 12 = EFFECTIVE GROSS ANNUAL INCOME													232,889

Rent Schedule (Continued)

		% of LI	% of Total	
HOUSING TAX CREDITS	TC30%	9%	8%	3
	TC40%			0
	TC50%	22%	19%	7
	TC60%	69%	61%	22
	HTC LI Total			32
	EO			0
	MR			4
	MR Total			4
	Total Units			36
	MORTGAGE REVENUE BOND	MRB30%		
MRB40%				0
MRB50%				0
MRB60%				0
MRB LI Total				0
MRBMR				0
MRBMR Total				0
MRB Total				0

		% of LI	% of Total	
HOUSING TRUST FUND	HTF30%			0
	HTF40%			0
	HTF50%			0
	HTF60%			0
	HTF80%			0
	HTF LI Total			0
	MR			0
	MR Total			0
	HTF Total			0
	DIRECT LOAN	30%		
LH/50%				0
HH/60%				0
HH/80%				0
Direct Loan LI Total				0
EO				0
MR				0
MR Total				0
Direct Loan Total			0	
OTHER	Total OT Units			0

BEDROOMS	0			0
	1			24
	2			12
	3			0
	4			0
	5			0

ACQUISITION + HARD		DO NOT USE THIS CALCULATION TO SCORE POINTS UNDER 11.9(e)(2). At the end of the Development Cost Schedule, you will have the ability to adjust your eligible costs to qualify. Points will be entered there.
Cost Per Sq Ft	\$ 112.75	
HARD		
Cost Per Sq Ft	\$ 112.75	
BUILDING		
Cost Per Sq Ft	\$ 71.69	

ANNUAL OPERATING EXPENSES

General & Administrative Expenses			
Accounting	\$	6,900	
Advertising	\$	1,500	
Legal fees	\$	120	
Leased equipment	\$	0	
Postage & office supplies	\$	500	
Telephone	\$	3,600	
Other	\$	500	
Other	\$	120	
Total General & Administrative Expenses:			\$ 13,240
Management Fee:	Percent of Effective Gross Income:	5.00%	\$ 11,644
Payroll, Payroll Tax & Employee Benefits			
Management	\$	17,680	
Maintenance	\$	16,640	
Other	\$	10,296	
Other	\$		
Total Payroll, Payroll Tax & Employee Benefits:			\$ 44,616
Repairs & Maintenance			
Elevator	\$	2,800	
Exterminating	\$	580	
Grounds	\$	9,600	
Make-ready	\$	4,500	
Repairs	\$	3,960	
Pool	\$		
Other	\$		
Other	\$		
Total Repairs & Maintenance:			\$ 21,440
Utilities (Enter Only Property Paid Expense)			
Electric	\$	4,800	
Natural gas	\$		
Trash	\$	4,800	
Water/Sewer	\$	9,800	
Other	\$		
Other	\$		
Total Utilities:			\$ 19,400
Annual Property Insurance:	Rate per net rentable square foot:	\$ 0.28	\$ 8,500
Property Taxes:			
Published Capitalization Rate:	Source:		
Annual Property Taxes	\$	13,077	
Payments in Lieu of Taxes	\$		
Total Property Taxes:			\$ 13,077
Reserve for Replacements:	Annual reserves per unit:	\$ 250	\$ 9,000
Other Expenses			
Cable TV	\$		
Supportive Services (Staffing/Contracted Services)	\$	2,160	
TDHCA Compliance fees	\$	1,280	
TDHCA Bond Administration Fees (TDHCA as Bond Issuer <u>Only</u>)	\$		
Security	\$		
Other	\$		
Other	\$		
Total Other Expenses:			\$ 3,440
TOTAL ANNUAL EXPENSES		Expense per unit: \$ 4010	\$ 144,357
		Expense to Income Ratio: 61.99%	
NET OPERATING INCOME (before debt service)			\$ 88,532
Annual Debt Service			
1st Lien Permanent Loan	\$	73,776	
	\$		
	\$		
	\$		
TOTAL ANNUAL DEBT SERVICE			\$ 73,776
		Debt Coverage Ratio: 1.20	
NET CASH FLOW			\$ 14,756

15 Year Rental Housing Operating Pro Forma (All Programs)

The pro forma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of market rents, restricted rents, rental income and expenses), and principal and interest debt service. The Department uses an annual growth rate of 2% for income and 3% for expenses. Written explanation for any deviations from these growth rates or for assumptions other than straight-line growth made during the proforma period should be attached to this exhibit.

INCOME	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
POTENTIAL GROSS ANNUAL RENTAL INCOME	\$245,292	\$250,198	\$255,202	\$260,306	\$265,512	\$293,147	\$323,658
Secondary Income	\$ 6,480	\$ 6,610	\$ 6,742	\$ 6,877	\$ 7,014	\$ 7,744	\$ 8,550
POTENTIAL GROSS ANNUAL INCOME	\$251,772	\$256,807	\$261,944	\$267,182	\$272,526	\$300,891	\$332,208
Provision for Vacancy & Collection Loss	(\$18,883)	(\$19,261)	(\$19,646)	(\$20,039)	(\$20,439)	(\$22,567)	(\$24,916)
Rental Concessions	\$0						
EFFECTIVE GROSS ANNUAL INCOME	\$232,889	\$237,547	\$242,298	\$247,144	\$252,087	\$278,324	\$307,292
EXPENSES							
General & Administrative Expenses	\$13,240	\$13,637	\$14,046	\$14,468	\$14,902	\$17,275	\$20,027
Management Fee	\$ 11,644	\$ 11,877	\$ 12,114	\$ 12,357	\$ 12,604	\$ 13,916	\$ 15,364
Payroll, Payroll Tax & Employee Benefits	\$ 44,616	\$ 45,954	\$ 47,333	\$ 48,753	\$ 50,216	\$ 58,214	\$ 67,486
Repairs & Maintenance	\$ 21,440	\$ 22,083	\$ 22,746	\$ 23,428	\$ 24,131	\$ 27,974	\$ 32,430
Electric & Gas Utilities	\$ 4,800	\$ 4,944	\$ 5,092	\$ 5,245	\$ 5,402	\$ 6,263	\$ 7,260
Water, Sewer & Trash Utilities	\$ 14,600	\$ 15,038	\$ 15,489	\$ 15,954	\$ 16,432	\$ 19,050	\$ 22,084
Annual Property Insurance Premiums	\$ 8,500	\$ 8,755	\$ 9,018	\$ 9,288	\$ 9,567	\$ 11,091	\$ 12,857
Property Tax	\$ 13,077	\$ 13,469	\$ 13,873	\$ 14,290	\$ 14,718	\$ 17,063	\$ 19,780
Reserve for Replacements	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 11,743	\$ 13,613
Other Expenses	\$ 3,440	\$ 3,543	\$ 3,649	\$ 3,759	\$ 3,872	\$ 4,488	\$ 5,203
TOTAL ANNUAL EXPENSES	\$144,357	\$148,571	\$152,910	\$157,376	\$161,973	\$187,076	\$216,104
NET OPERATING INCOME	\$88,532	\$88,976	\$89,388	\$89,768	\$90,113	\$91,248	\$91,188
DEBT SERVICE							
First Deed of Trust Annual Loan Payment	\$73,776	\$73,776	\$73,776	\$73,776	\$73,776	\$73,776	\$73,776
Second Deed of Trust Annual Loan Payment							
Third Deed of Trust Annual Loan Payment							
Other Annual Required Payment							
Other Annual Required Payment							
ANNUAL NET CASH FLOW	\$14,756	\$15,200	\$15,612	\$15,992	\$16,337	\$17,472	\$17,412
CUMULATIVE NET CASH FLOW	\$14,756	\$29,956	\$45,568	\$61,560	\$77,897	\$162,420	\$249,630
Debt Coverage Ratio	1.20	1.21	1.21	1.22	1.22	1.24	1.24
Other (Describe)							
Other (Describe)							

By signing below I (we) are certifying that the above 15 Year pro forma, is consistent with the unit rental rate assumptions, total operating expenses, net operating income, and debt service coverage based on the bank's current underwriting parameters and consistent with the loan terms indicated in the term sheet and preliminarily considered feasible pending further diligence review. The debt service for each year maintains no less than a 1.15 debt coverage ratio. (Signature only required if using this pro forma for points under §11.9(e)(1) relating to Financial Feasibility)

Phone: _____

Email: _____

Signature, Authorized Representative, Construction or
Permanent Lender

Printed Name


Date

15 Year Rental Housing Operating Pro Forma (All Programs)

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Electric & Gas Utilities	\$ 4,800	\$ 4,944	\$ 5,092	\$ 5,245	\$ 5,402	\$ 6,263	\$ 7,260
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Other Annual Required Payment							
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Debt Coverage Ratio	1.20	1.21	1.21	1.22	1.22	1.24	1.24
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 _____ Signature, Authorized Representative, Construction or Permanent Lender	_____ LESLIE HOUSTON Printed Name	Phone: _____ Email: <u>leslie.houston@wellsfargo.com</u> _____ 4/25/17 Date
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15 Year Rental Housing Operating Pro Forma (All Programs)

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Signature, Authorized Representative, Construction or
Permanent Lender

PAUL WEISSMAN
Printed Name

Phone:
Email:

303.504.6239

paul.weissman@hvtcompanies.com

4/25/17

Date

Development Cost Schedule

Self Score Total: 0

This Development Cost Schedule must be consistent with the Summary Sources and Uses of Funds Statement. All Applications must complete the total development cost column and the Tax Payer Identification column. Only HTC applications must complete the Eligible Basis columns and the Requested Credit calculation below:

TOTAL DEVELOPMENT SUMMARY		
Total Cost	Eligible Basis (If Applicable)	
	Acquisition	New/Rehab.

Scratch Paper/Notes

ACQUISITION

Site acquisition cost
 Existing building acquisition cost
 Closing costs & acq. legal fees
 Other (specify) - see footnote 1
 Other (specify) - see footnote 1

417,500		
Subtotal Acquisition Cost	\$0	\$0

OFF-SITES²

Off-site concrete
 Storm drains & devices
 Water & fire hydrants
 Off-site utilities
 Sewer lateral(s)
 Off-site paving
 Off-site electrical
 Other (specify) - see footnote 1
 Other (specify) - see footnote 1

Subtotal Off-Sites Cost	\$0	\$0

SITE WORK³

Demolition
 Asbestos Abatement (Demolition Only)
 Detention
 Rough grading
 Fine grading
 On-site concrete
 On-site electrical
 On-site paving
 On-site utilities
 Decorative masonry
 Bumper stops, striping & signs
 Other (specify) - see footnote 1

112,401		112,401
60,880		60,880
126,840		126,840
222,579		222,579
12,000		12,000
Subtotal Site Work Cost	\$0	\$534,700

SITE AMENITIES

Landscaping
 Pool and decking
 Athletic court(s), playground(s)
 Fencing
 Other (specify) - see footnote 1

80,000		80,000
36,000		36,000
Subtotal Site Amenities Cost	\$0	\$116,000

OTHER FINANCING COSTS³

Tax credit fees	25,089		
Tax and/or bond counsel			
Payment bonds			
Performance bonds			
Credit enhancement fees			
Mortgage insurance premiums			
Cost of underwriting & issuance			
Syndication organizational cost	35,000		
Tax opinion			
Other (specify) - see footnote 1			
Other (specify) - see footnote 1			
Subtotal Financing Cost	\$465,173	\$0	\$277,936

DEVELOPER FEES³

Housing consultant fees ⁴				
General & administrative				
Profit or fee	836,744		836,744	
Subtotal Developer Fees	\$836,744	\$0	\$836,744	20.00%

RESERVES

Rent-up	50,000		
Operating	115,000		
Replacement			
Escrows			
Subtotal Reserves	\$165,000	\$0	\$0

TOTAL HOUSING DEVELOPMENT COSTS⁵

\$5,797,700	\$0	\$5,020,463
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The following calculations are for HTC Applications only.

Deduct From Basis:

Federal grants used to finance costs in Eligible Basis		
Non-qualified non-recourse financing		
Non-qualified portion of higher quality units §42(d)(5)		
Historic Credits (residential portion only)		
Total Eligible Basis	\$0	\$5,020,463
**High Cost Area Adjustment (100% or 130%)		130%
Total Adjusted Basis	\$0	\$6,526,602
Applicable Fraction		88.889%
Total Qualified Basis	\$5,801,431	\$5,801,431
Applicable Percentage ⁶		9.00%
Credits Supported by Eligible Basis	\$522,129	\$522,129

(May be greater than actual request)

*11.9(c)(2) Cost Per Square Foot: DO NOT ROUND! Applicants are advised to ensure that figure is not rounding down to the maximum dollar figure to support the elected points.

Requested Score for 11.9(e)(2)

Name of contact for Cost Estimate:

Granger MacDonald

Phone Number for Contact:

(830) 257-5323

Footnotes:

¹ An itemized description of all "other" costs must be included at the end of this exhibit.

² All Off-Site costs must be justified by a Third Party engineer in accordance with the Department's format provided in the Offsite Cost Breakdown form.

³ (HTC Only) Site Work expenses, indirect construction costs, developer fees, construction loan financing and other financing costs may or may not be included in Eligible Basis. Site Work costs must be justified by a Third Party engineer in accordance with the Department's format provided in the Site Work Cost Breakdown form.

⁴ (HTC Only) Only fees paid to a consultant for duties which are not ordinarily the responsibility of the developer, can be included in Eligible Basis. Otherwise, consulting fees are included in the calculation of maximum developer fees.

⁵ (HTC Only) Provide all costs & Eligible Basis associated with the Development.

⁶ (HTC Only) Use the appropriate Applicable Percentages as defined in §10.3 of the Uniform Mutifamily Rules.

Financing Narrative and Summary of Sources and Uses

Describe all sources of funds. Information must be consistent with the information provided throughout the Application (i.e. Financing Narrative, Term Sheets and Development Cost Schedule).

Financing Participants	Funding Description	Construction Period		Lien Position	Permanent Period					Lien Position
		Loan/Equity Amount	Interest Rate (%)		Loan/Equity Amount	Interest Rate (%)	Amort - ization	Term (Yrs)	Syndication Rate	
Debt										
TDHCA	Multifamily Direct Loan (Repayable)	\$0	0.00%		\$ -	0.00%	30	0		
TDHCA	Multifamily Direct Loan (Soft Repayment)	\$0	0.00%		\$ -	0.00%	0	0		
TDHCA	Mortgage Revenue Bond	\$0	0.00%		\$ -	0.00%	0	0		
Wells Fargo	Conventional Loan	\$3,200,000	5.00%							1st
Hunt Mortgage Group	Conventional Loan				\$ 1,149,050	5.47%	35	18		1st
Third Party Equity										
Raymond James	HTC	\$ 465,185			\$ 1,600,076				0.86	
Grant										
Deferred Developer Fee										
Kerrville Saralita Builders LLC	Deferred Devp Fee Note	\$ 836,744	0.00%		\$ 648,459	0.00%				
Other										
	Direct Loan Match									
Total Sources of Funds		\$ 5,636,820			\$ 5,797,700					
Total Uses of Funds					\$ 5,797,700					

INSTRUCTIONS: Describe the sources of funds that will finance Development. The description must include construction, permanent and bridge loans, and all other types of funds to be used for development. The information must be consistent with all other documentation in this section. Provide sufficient detail to identify the source and explain the use (in terms of the timing and any specific uses) of each type of funds to be contributed. In addition, describe/explain replacement reserves. Finally, describe/explain operating items. The narrative must include rents, operating subsidies, project based assistance, and all other sources of funds for operations. In the foregoing discussion of both development and operating funds, specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments.

Describe the sources and uses of funds (specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments):

Sources are to be: Equity for purchase of tax credits of 4,651,850 from Raymond James at \$0.86 per tax credit. Equity to be paid in 20% at admission, 20% at completion, 60% at stabilization/perm loan conversion(proceeds used to pay excess construction loan); Construction loan will be provided by Wells Fargo Bank per Terms attached, with increased construction loan to cover all construction costs. Permanent loan to be provided by Hunt Mortgage Group and permanent loan to be received at stabilization of development achieving 90% occupancy for 90 days, proceeds to payoff construction loan; with balance of sources from \$648,459 developer fee deferred by developer. Uses are total development cost per schedule of \$5,797,700.

Describe the replacement reserves:

Replacement Reserves will be paid monthly with the conversion to permanent financing into a Reserve fund held with lender. Amount of annual contribution to replacement reserve fund is \$9000. Funds can be reimbursed to property operations with a request that includes evidence of capital expenditures for items such as flooring replacment, appliance replacement, exterior building repairs, paving repairs, and other like items.

Describe the operating items (rents, operating subsidies, project based assistance, etc., and specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments.:

Rents are calculated at 2017 maximum tax credit rents, less utility allowance provided in original application per rent schedule. There are no direct subsidies to the project, nor project based assistance. The City of Kerrville committed to the original applicant a contribution valued in the amount of \$100. With approval of the board at May 25, 2017, the project will close with syndicator and lender in June, 2017, and will meet deadline of July 1, 2017 for 10% test submission.

By signing below I acknowledge that the amounts and terms of all anticipated sources of funds as stated above are consistent with the assumptions of my institution as one of the providers of funds.

Signature, Authorized Representative, Construction or Permanent Lender

Printed Name

Date

Telephone: _____

Email address: _____



Leslie Houston
Senior Vice President

Wells Fargo Bank, NA
Community Lending and Investment
201 Main Street Suite 300
MAC T9639-030
Fort Worth, TX 76102
PH: 682-316-1327
leslie.houston@wellsfargo.com

Via Electronic Mail

April 14, 2017

Ms. Lucille Jones
MacDonald Companies
2951 Fall Creek Road
Kerrville, TX 78028

Re: Letter of Interest – Construction financing for Saralita Senior Village, a 36-unit affordable housing development in Kerrville, TX (the “Property”).

Dear Ms. Jones:

We are pleased to provide this term sheet for construction financing for the above referenced development; it is not to be construed as a commitment to lend. By providing this term sheet, the Bank is not obligating itself to provide financing for the proposed project. This term sheet from Wells Fargo Bank, NA (“Bank”) is made based upon the financial information and projections provided to us by you, and under the following terms and conditions:

- Developer:** **MacDonald Companies**
- Borrower:** TBD – (“Borrower”)
- Purpose:** Construction proceeds will be used to fund the construction of the project which will be developed by the Developer.
- Guarantors:** **G. Granger MacDonald and T. Justin MacDonald** personally, and/or other parties acceptable to the Bank in its sole discretion shall provide an unconditional guaranty of full repayment and performance (aka “Guarantors”).
- Collateral:** The facility will be secured by a first priority fee simple deed of trust as well as other instruments including but not limited to an assignment of leases and rents on the subject Property, assignment of all fixtures and equipment owned by the borrower, an assignment of rights to capital contributions, an assignment of all general partner interests in the Borrower, and assignments of the borrower’s agreements with the general contractor, architect, property manager, and service provider (if applicable).

**Subordinated
Debt:**

Subordinated Debt shall be prohibited, unless approved by Lender in its term, payment conditions and any recorded extended use restriction agreements. Subordinated lenders shall be required to execute a subordination and standstill agreement in form and substance approved by Wells Fargo. At this time the Bank understands that there will be no subordinated debt.

Rental Set-Aside: 3 units will serve tenants earning no more than 30% of Area Median Income ("AMI"), 8 units will serve tenants earning no more than 50% of AMI, 22 units will serve tenants earning no more than 60% of AMI, and an additional 23 units will not be income restricted. The "Area Median Income" shall mean the area median income as determined by the U.S. Department of Housing and Urban Development ("HUD") as adjusted for household size.

**Restrictive
Covenants:**

Loan, impact fees, or other agreements, Bank review and approval is required.

Financing terms herein assume that any extended use agreement or similar encumbrance affecting the property, by its terms, must terminate upon foreclosure or upon a transfer of the property in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code.

Developer Fee: The Developer's Fee will disbursement schedule will be subject to the approval of the bank. As of the date of this letter of interest, it is anticipated that \$677,004 of Developer Fee will be deferred. Except as otherwise described above, if any Developer Fee is paid by the tax credit investor limited partner prior to the payoff of the loan, proceeds shall be deposited into a restricted account with Bank and assigned to Bank as additional collateral.

CONSTRUCTION PERIOD LOAN

**Construction
Loan Facility:**

Bank funding of a Construction Period Loan in an amount equal to the lessor of:

- 1) **Up to \$3,200,000**
- 2) 75% of the appraised value, based on the stabilized rent-restricted value of the project plus the value of the low-income housing tax credits, or;
- 3) 85% of the total development cost of the project.

Usage: Funds will be disbursed monthly on a draw down basis as approved by Bank.

Funding Schedule: The Bank notes that terms included herein are based on the information provided by Developer that tax credit equity will repay the Bank on or prior to conversion or according to a schedule agreed to by the Bank.

Term: The maximum term that the loan shall be outstanding shall be twenty-four (24) months from the date of closing, plus two 3-month extensions. The first extension is contingent upon: the Property having obtained a Certificate of Occupancy, evidence of 100% lien-free completion, and the project having achieved 60% occupancy at proforma rents. The second extension is contingent upon: payment of extension fees equal to 0.25% of the outstanding construction loan amount and 25 bps on the Permanent Loan Commitment amount and the property having achieved 90% occupancy at proforma rents.

Interest Rate: During the Construction Period, the Facility shall bear interest at a rate per annum (computed on the basis of a 360-day year, actual number of days elapsed) equal to 30-day LIBOR plus 205 basis points. LIBOR will have a floor rate of 0.25%.

The above Interest Rate (spread and floor quoted) is an indicative rate if closing occurred as of the date of this letter.

While the Bank will attempt to maintain an Interest Rate that preserves feasibility for the project and for the Bank, the Bank reserves the right until closing to increase the spread over the 30-day LIBOR rate to reflect market conditions including the cost of funds.

Interest will be payable monthly from an interest reserve.

Origination Fee: The Facility origination fee will be equal to seventy five one hundredths of one percent (0.75%) of the Construction Period Facility Amount.

Repayment: Interest monthly with principal due at the earlier of project stabilization or maturity.

Prepayment: The construction loan shall be pre-payable in whole or in part without penalty or premium.

Conditions to funding the Construction Loan:

- Successful award and allocation of annual Federal Low Income Housing Tax Credits from the TDHCA that is then sold to generate a minimum total equity contribution of \$4,000,191 for the subject transaction.
- The receipt, review & approval of other financing sources, standard due diligence items with other such conditions which are reasonable and customary for a loan of this nature and amount, including a site visit and inspections prior to closing. Such reviews & approval are to be acceptable to

the Bank, in its sole discretion.

- Review and approve the Federal and Syndicator and/or equity partner.
- Review and approval of the operating agreement between the Borrower and the Syndicator and/or equity partner.
- Review and approve all equity pay-in schedules
- Review and approve the Permanent lender and terms
- Review and approval of the following items:
 - Appraisal, acceptable to Bank supporting a loan to value required herein
 - Property Conditions Report for existing units
 - Environmental and Soil Reports
 - Construction Consultant Plan and Cost Review, ordered by Bank
 - Final Project Budget
 - General Contractor
 - Plans and Specifications
 - Insurance
 - Any other item required necessary to the transaction in its sole discretion
- **Receipt, review and approval of Guarantor and Co-Developers financial statements.**

Security/Collateral:

- a.) A first priority mortgage lien on the Property,
- b.) A first priority security interest in, or collateral assignment of, as applicable:
 - all fixtures and equipment owned by the borrower,
 - leases and rents,
 - project construction and architectural documents,
 - all grant funding associated with the project,
 - the General Partner's rights and interests
 - all escrows and property reserves
 - the borrower's capital contribution, and

In addition, the Bank must receive and approve the following:

- **Review and approve the Federal and State Syndicator and/or equity partner**
- **Review and approve all equity pay-in schedules**
- **Review and approve the General Contractor**
- **Review and approve the Property Manager**
- **Review and approve the Permanent lender and terms, if not Wells Fargo**
- **Review and approval of the following items:**
 - Appraisal, acceptable to Bank supporting a loan to value required herein
 - Environmental and Soil Reports
 - Construction Consultant Plan and Cost Review, ordered by Bank
 - Final Project Budget
 - Plans and Specifications
 - Insurance
 - Existing and on-going rent restrictions that might survive foreclosure

- Review and approval of the Relocation Plan
- Any other item required necessary to the transaction in its sole discretion
- Review and approval of Agreement to enter into a Housing Assistance Payment contract with a minimum term of 15 years.

Equity Provider:

Borrower shall submit to Lender for Lender's approval prior to close of the Loan a commitment from an investor or investors acceptable to Lender ("Investor") to purchase the limited partnership interest(s) in Borrower and the Property in the approximate amount of **\$4,000,1914** ("Investor Commitment"). The Investor Commitment shall be with Investors and upon terms acceptable to Lender (including conditions for funding and any funding adjustment provisions) and shall be in full force and effect at the time of closing of the Loan and shall remain in full force and effect during the term of the Loan until such time as Investor is admitted as a limited partner of Borrower as described above. Lender reserves the right to request and verify, to the Lenders satisfaction, the names of the entities that make up the Investor that will be the end and actual users of the LIHTCs and may require written acknowledgement from these entities that they have agreed to honor the terms and pricing in the Investor Commitment. The Investor is required to enter the partnership agreement at construction loan closing with a minimum net initial investment equal to 20% and Lender may require a larger initial investment based on Investor, terms of Investment Commitment, and or changes in the overall structure of the transaction.

COSTS:

Borrower shall be responsible for and pay all costs, expenses and fees associated with this transaction; regardless of the credit decision reached by the Bank. The Bank estimates due diligence costs, which includes an appraisal, environmental review, and construction costing analysis and review, of \$25,000 plus all legal fees incurred by Bank, which is estimated at \$25,000 for the construction loan closing.

DOCUMENTS:

This term sheet does not set forth all the terms and conditions of the facility offered herein which will be included in the Bank's loan documentation.

PATRIOT ACT NOTICE:

To help fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For purposes of this section, account shall be understood to include loan accounts.

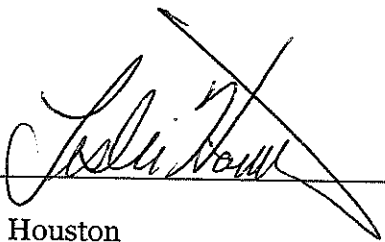
(CONTINUED ON NEXT PAGE)

This letter will expire unless it is executed on or before July 31, 2017 if not extended by Bank. If executed by that date, closing of the loan is expected to occur no later than September 15, 2017, unless extended by the Bank.

Wells Fargo wishes to thank you for the opportunity to consider financing for this much needed housing development and we look forward to working with you on this transaction.

If you should have any questions concerning these terms and conditions, please feel free to call me at (682) 316-1327, or Misty Ramsey at (682) 316-1299. We look forward to partnering with you to provide financing for this project.

Sincerely,
Wells Fargo Bank, NA

By:  _____

Leslie Houston
Senior Vice President
Community Lending & Investment

Accepted this _____ day of _____, 2017:

By: _____

Name:

Financing Narrative and Summary of Sources and Uses

Describe all sources of funds. Information must be consistent with the information provided throughout the Application (i.e. Financing Narrative, Term Sheets and Development Cost Schedule).

Financing Participants	Funding Description	Construction Period		Lien Position	Permanent Period					Lien Position
		Loan/Equity Amount	Interest Rate (%)		Loan/Equity Amount	Interest Rate (%)	Amortization	Term (Yrs)	Syndication Rate	
Debt										
PHCA	Multifamily Direct Loan (Repayable)	\$0	0.00%		\$ -	0.00%	30	0		
PHCA	Multifamily Direct Loan (Soft Repayment)	\$0	0.00%		\$ -	0.00%	0	0		
PHCA	Mortgage Revenue Bond	\$0	0.00%		\$ -	0.00%	0	0		
Wells Fargo	Conventional Loan	\$3,200,000	5.00%							1st
First Mortgage Group	Conventional Loan				\$ 1,149,050	5.47%	35	18		1st
Third Party Equity										
Raymond James	HTC	\$ 465,185	\$ 1,600,076		\$ 4,000,191				0.86	
Grant										
Deferred Developer Fee										
Marville Saralita Builders LLC	Deferred Devp Fee Note	\$ 836,744	0.00%		\$ 648,459	0.00%				
Other										
	Direct Loan Match									
	Total Sources of Funds	\$ 5,636,820			\$ 5,797,700					
	Total Uses of Funds				\$ 5,797,700					

INSTRUCTIONS: Describe the sources of funds that will finance Development. The description must include construction, permanent and bridge loans, and all other types of funds to be used for development. The information must be consistent with all other documentation in this section. Provide sufficient detail to identify the source and explain the use (in terms of the timing and any specific uses) of each type of funds to be contributed. In addition, describe/explain replacement reserves. Finally, describe/explain operating items. The narrative must include rents, operating subsidies, project based assistance, and all other sources of funds for operations. In the foregoing discussion of both development and operating funds, specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments.

Describe the sources and uses of funds (specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments):

Sources are to be: Equity for purchase of tax credits of 4,651,850 from Raymond James at \$0.86 per tax credit. Equity to be paid in 20% at admission, 20% at completion, 60% at stabilization/perm loan conversion (proceeds used to pay excess construction loan); Construction loan will be provided by Wells Fargo Bank per terms attached, with increased construction loan to cover all construction costs. Permanent loan to be provided by Hunt Mortgage Group and permanent loan to be received at stabilization of development achieving 90% occupancy for 90 days, proceeds to payoff construction loan; with balance of sources from \$648,459 developer deferred by developer. Uses are total development cost per schedule of \$5,797,700.

Describe the replacement reserves:

Replacement Reserves will be paid monthly with the conversion to permanent financing into a Reserve fund held with lender. Amount of annual contribution to replacement reserve fund is \$9000. Funds can be reimbursed to property operations with a request that includes evidence of capital expenditures for items such as flooring replacement, appliance replacement, exterior building repairs, paving repairs, and other like items.

Describe the operating items (rents, operating subsidies, project based assistance, etc., and specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments.:

Rents are calculated at 2017 maximum tax credit rents, less utility allowance provided in original application per rent schedule. There are no direct subsidies to the project, nor project based assistance. The City of Kerrville committed to the original applicant a contribution valued in the amount of \$100. With approval of the board May 25, 2017, the project will close with syndicator and lender in June, 2017, and will meet deadline of July 1, 2017 for 10% test submission.

By signing below I acknowledge that the amounts and terms of all anticipated sources of funds as stated above are consistent with the assumptions of my institution as a provider of funds.



Signature, Authorized Representative, Construction or Permanent Lender

LESLIE HOUSTON

Printed Name

4/25/17

Date

Telephone: 682-316-1327

Email address: leslie.houston@wellsfargo.com



HUNT MORTGAGE GROUP

April 24, 2017

Attn: Granger MacDonald
Phone: (830) 257-5323
E-Mail: GMacDonald@macdonald-companies.com

Re: Saralita Senior Village

Dear Mr. MacDonald,

Hunt has reviewed the information you have provided and is pleased to provide you with the attached term sheet for the Saralita Senior Village. We look forward to the opportunity to work with you on this transaction.

Very truly yours,

Hunt Mortgage Partners, LLC

A handwritten signature in blue ink, appearing to read 'Paul Weissman', with a long horizontal line extending to the right.

Paul Weissman
Senior Managing Director



Summary of Terms

Freddie Mac Capital Markets Execution

The following is a Summary of Terms for the proposed loan of the Saralita Senior Village Apartments.

- Program: Freddie Mac 9% Unfunded Forward Loan
- Loan Amount: ***\$1,150,000***
- Interest Rate: The final interest rate will be fixed at rate lock and upon execution by Borrower of a funding Commitment pursuant to the applicable Program. As of June 29, 2016, the estimated interest rate is 5.47%%, for an indicated spread of 325 bps over the yield on the 10 year United States Treasury Rate. The final interest rate will be established at the time of rate lock. Interest rates and spreads, quoted or implied herein, are based on current market conditions and are subject to change based on investor needs and treasury market fluctuations.
- Accrual Method: Interest is payable monthly based on a 360-day year and the actual number of days elapsed (actual/360).
- Term: 216 months
- Amortization: 420 months
- Interest Only Period: 0 months
- Loan to Value Ratio: A loan-to-value (“LTV”) ratio of not more than 90.00% shall apply based on an appraised “as-is” value acceptable to Lender.
- DSCR: A debt service coverage ratio (“DSCR”) of not less than 1.15 (amortizing) shall apply as determined by Lender.
- Prepayment Plan: Yield maintenance premium shall apply to prepayment in full of the loan for the first fifteen years of the loan term (1% minimum during yield maintenance period), and 1% thereafter. No premium due during the last 90 days of the loan term.

No partial prepayment or defeasance is permitted under the loan documents.

Third Party Reports

Appraisal:	Required
Engineering:	Not Required
Environmental:	Required
MMP plan:	Required
Seismic Report:	Not Required
Market Study:	Not Required
Zoning Report:	Required
Insurance Review:	Required
Plan & Cost Review:	Required
Construction Monitoring:	Required (Post-Closing)



Funded Escrows

Real Estate Taxes:	Required
Prop/Liability Insurance:	Required
Special Assessments:	Required
Ground Rents:	Waived
Replacement Reserves:	Required
Required Repairs:	N/A
Debt Service Reserve:	N/A
Gap Collateral:	N/A
Other lienable assessments or charges:	TBD

Fees

Application Fee:	\$20,000 due at time of formal application. This includes a \$3,500 processing fee that is non-refundable. The balance of the funds will be used for third party reports.
Freddie Mac Application Fee:	\$3,000 (greater of \$3,000 or .10% of the final loan amount), payable within 48 hours of Lender's notification to borrower.
Forward Deposits:	Delivery Assurance Fee- 5% of loan amount (due at closing); may be in the form of a letter of credit. The fee is refundable upon completion of the property. 12-24 month construction period- 2% of loan amount (due at closing). This deposit is refunded upon stabilization. 24-30 month construction period- free six month extension 30-36 month construction period- additional 2% of loan amount. This deposit is refunded upon stabilization.
Legal Fee Deposit:	\$5,000, due at acceptance of application. Legal Fee Deposit will be applied and used towards payment of legal fees due to Lender's counsel.
Lender Origination Fee:	Greater of \$20,000 or 1.00% of the Loan Amount, earned upon acceptance of Commitment, payable at Closing.
Assumability:	The Loan is assumable at the discretion of the Lender and Freddie Mac with payment of a 1% transfer fee, and a non-refundable fee of \$15,000. Applicant shall pay all costs of Freddie Mac's and Lender's legal counsel involved with closing the assumption.
Security:	1st Mortgage
Conversion:	90% occupancy for 90 days and achievement of stabilization at an NOI that supports the loan amount at a 1.15x DSCR.
Preferred Equity Disclosure:	Borrower and Applicant do not intend to seek or obtain preferred equity or a mezzanine loan in its capital structure. Borrower and Applicant understand that additional due diligence and underwriting are necessary to underwrite, approve and rate lock a Loan that contains preferred equity or mezzanine financing in the capital structure. Borrower and Applicant also understand that the approval of any Loan may be delayed if Borrower and Applicant initially disclose that it does



HUNT MORTGAGE GROUP

not intend to obtain preferred equity or a mezzanine loan but later notifies Lender that it will seek preferred equity or a mezzanine loan.

Special Terms and Conditions:

Special Terms and Conditions:

1. Subsequent to the closing of the Loan, Freddie Mac will require regular financial reporting from the Borrower outlining the Property's financial performance.
2. Loan is subject to all Freddie Mac 9% Unfunded Forward Loan program requirements.
3. Subordinate debt is subject to all standard Freddie Mac requirements including but not limited to execution of Freddie Mac subordination documents and payment out of 75% of available cash flow after debt service.
4. The Subject Property will also be encumbered by LURAS. The LURAS will be reviewed and underwritten accordingly.
5. Hunt Mortgage Group has conveyed to the client that any loan is subject to an acceptable appraisal, ordered by Lender, in accordance with Freddie Mac requirements.
6. Hunt Mortgage Group has conveyed to the borrower that the proposed ground leases, PILOT, special assessments and/or ad valorem taxes must be underwritten in accordance with Freddie Mac requirements.
7. Hunt Mortgage Group has conveyed to the borrower that the complete construction plans, timeline and scope of rehabilitation with projected costs must be reviewed and approved by the Lender and Freddie Mac.
8. The proposed construction of the property is anticipated to be completed within 24 months of the loan closing.
9. Freddie Mac's and Hunt Mortgage Group 's standard construction monitoring processes and requirements will apply, including and not limited to (i) Monthly third party inspection reports, (ii) Quarterly operating statements, rent rolls, and covenant compliance (DSCR covenant compliance and other covenants as applicable), (iii) Lender Servicer to verify appropriate Builders Risk Insurance policy is in place, (iv) Lender Servicer to receive copies of all building permits and Certificates of Occupancy, (v) Lender Servicer will review and confirm that all State licensing requirements are met, (vi) Lender Servicer will receive evidence of lien free completion including an updated title endorsement.
10. Insurance will be subject to Freddie Mac requirements and if required, earthquake insurance will be included in the final policy/premium.

THIS TERM SHALL NOT CONSTITUTE, OR BE CONSTRUED TO BE, A BINDING COMMITMENT BY LENDER OR AN UNDERTAKING BY LENDER OR FREDDIE MAC TO ISSUE ANY COMMITMENT.

Financing Narrative and Summary of Sources and Uses

Describe all sources of funds. Information must be consistent with the information provided throughout the Application (i.e. Financing Narrative, Term Sheets and Development Cost Schedule).

Financing Participants	Funding Description	Construction Period		Lien Position	Permanent Period					Lien Position
		Loan/Equity Amount	Interest Rate (%)		Loan/Equity Amount	Interest Rate (%)	Amort - ization	Term (Yrs)	Syndication Rate	
Debt										
TDHCA	<u>Multifamily Direct Loan (Repayable)</u>	\$0	0.00%		\$ -	0.00%	30	0		
TDHCA	<u>Multifamily Direct Loan (Soft Repayment)</u>	\$0	0.00%		\$ -	0.00%	0	0		
TDHCA	<u>Mortgage Revenue Bond</u>	\$0	0.00%		\$ -	0.00%	0	0		
Wells Fargo	Conventional Loan	\$3,200,000	5.00%							1st
Hunt Mortgage Group	Conventional Loan				\$ 1,149,050	5.47%	35	18		1st
Third Party Equity										
Raymond James	<u>HTC</u> \$ 465,185	\$ 1,600,076			\$ 4,000,191				0.86	
Grant										
Deferred Developer Fee										
Kerrville Saralita Builders LLC	Deferred Devp Fee Note	\$ 836,744	0.00%		\$ 648,459	0.00%				
Other										
	<u>Direct Loan Match</u>									
	Total Sources of Funds	\$ 5,636,820			\$ 5,797,700					
	Total Uses of Funds				\$ 5,797,700					

INSTRUCTIONS: Describe the sources of funds that will finance Development. The description must include construction, permanent and bridge loans, and all other types of funds to be used for development. The information must be consistent with all other documentation in this section. Provide sufficient detail to identify the source and explain the use (in terms of the timing and any specific uses) of each type of funds to be contributed. In addition, describe/explain replacement reserves. Finally, describe/explain operating items. The narrative must include rents, operating subsidies, project based assistance, and all other sources of funds for operations. In the foregoing discussion of both development and operating funds, specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments.

Describe the sources and uses of funds (specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments):

Sources are to be: Equity for purchase of tax credits of 4,651,850 from Raymond James at \$0.86 per tax credit. Equity to be paid in 20% at admission, 20% at completion, 60% at stabilization/perm loan conversion(proceeds used to pay excess construction loan); Construction loan will be provided by Wells Fargo Bank per Terms attached, with increased construction loan to cover all construction costs. Permanent loan to be provided by Hunt Mortgage Group and permanent loan to be received at stablization of development achieving 90% occupancy for 90 days, proceeds to payoff construction loan; with balance of sources from \$648,459 developer fee deferred by developer. Uses are total development cost per schedule of \$5,797,700.

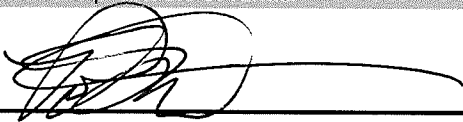
Describe the replacement reserves:

Replacement Reserves will be paid monthly with the conversion to permanent financing into a Reserve fund held with lender. Amount of annual contribution to replacment reserve fund is \$9000. Funds can be reimbursed to property operations with a request that includes evidence of capital expenditures for items such as flooring replacment, appliance replacement, exterior building repairs, paving repairs, and other like items.

Describe the operating items (rents, operating subsidies, project based assistance, etc., and specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments.:

Rents are calculated at 2017 maximum tax credit rents, less utility allowance provided in original application per rent schedule. There are no direct subsidies to the project, nor project based assistance. The City of Kerrville committed to the original applicant a contribution valued in the amount of \$100. With approval of the board at May 25, 2017, the project will close with syndicator and lender in June, 2017, and will meet deadline of July 1, 2017 for 10% test submission.

By signing below I acknowledge that the amounts and terms of all anticipated sources of funds as stated above are consistent with the assumptions of my institution as one of the providers of funds.



Signature, Authorized Representative, Construction or Permanent Lender

PAUL WEISSMAN

Printed Name

4/25/17

Date

Telephone: 303.404.6239

Email address: paul.weissman@huntcompany.com

RAYMOND JAMES®

April 25, 2017

Mr. Granger MacDonald
2951 Fall Creek Road
Kerrville, TX 78028

Re: Partnership: Kerrville Saralita Apartments, L.P.
Property Name: Saralita Senior Village
City/State: Kerrville, TX

Dear Granger:

This letter will confirm our agreement (“Agreement”) whereby Raymond James Tax Credit Funds, Inc. (“RJTCF”) shall attempt to effect a closing (“Closing”) of an investment by a Fund sponsored by RJTCF (the “RJTCF Fund”) in the above named partnership (“Partnership”) on the assumptions, terms, and conditions contained in this letter, or such other assumptions, terms and conditions as are acceptable to you, RJTCF and the RJTCF Fund.

The terms contained in this letter, including the price per credit, are based on current assumptions regarding market conditions as of the date of Closing. Market conditions are particularly uncertain at this time given the change in presidential administrations and the possibility of comprehensive tax and regulatory changes.

Raymond James Tax Credit Funds, Inc. reserves the right to alter the terms of this investment to meet market conditions. Final terms and conditions will be set forth in definitive documents proposed by Raymond James Tax Credit Funds, Inc. If the changes are unacceptable, you shall have no obligation to execute definitive documents and this letter shall terminate on the Termination Date, or, if sooner, upon receipt of written notice of termination from you citing the change in terms as the reason for termination.

CURRENT ASSUMPTIONS:

I. DESCRIPTION OF THE PROJECT AND THE INVESTMENT.

A. Project:

1. New Construction
2. Senior
3. Units: 36.

B. Tax Credit Information:

1. Requested Credits: \$465,185.
2. Assumed Partnership Annual Credits: \$465,185.
3. The RJTCF Fund’s Share of Partnership Annual Credits: 99.99%
4. Assumed the RJTCF Fund’s Annual Credits: \$465,138.
5. DDA/QCT Adjustment: 130%
6. Applicable Fraction: 89%.

Raymond James Tax Credit Funds, Inc.
A Subsidiary of Raymond James Financial, Inc.

880 Carillon Parkway • St. Petersburg, FL 33716
800-438-8088 Toll Free • 727-567-8455 Fax
Visit our Web Site at www.RJTCF.com

7. Applicable Percentage: 9%
8. First Credit Year: 2018.

C. Equity Investment:

1. Estimated \$.86 per dollar of the RJTCF Fund's Credits ("Credit Price"), subject to market conditions and availability of funds.
2. The RJTCF Fund's Estimated Total Capital: \$4,000,191.
Note that the RJTCF Fund's estimated actual contributions are based on actual credits delivered. If actual RJTCF Fund Credits are less than the assumed amount, estimated capital contributions will be reduced by the shortfall times the Credit Price. If actual The RJTCF Fund Credits are greater than the assumed amount ("Excess Credits"), then the RJTCF Fund estimated Capital Contributions will be increased by an amount equal to the Excess Credits times the Credit Price up to 105% of the Estimated Total Capital, unless such increase is attributable to an additional reservation of Credits. The RJTCF Fund will specify under which terms it will purchase any Excess Credits attributable to an additional reservation of Credits, and/or those that would otherwise cause capital contributions to exceed 105% of the Estimated Total Capital. The General Partners can accept or reject those terms. Any Excess Credits that the RJTCF Fund is unwilling to buy or that the General Partners are unwilling to sell at the price specified by the RJTCF Fund shall be allocated to the General Partners.
3. Installment Payment of Estimated Capital Contributions:
 - a. \$1,600,076 (40%) through construction completion, pursuant to a pre-determined contribution schedule mutually agreed upon in the definitive documents.
 - b. \$2,400,115 (60%) at Stabilized Operations ("Stabilization Capital Contribution").

All payments will be subject to various deliveries required by the RJTCF Fund as described in the definitive documents, including without limitation, updates of representations and warranties previously given to the RJTCF Fund.

No syndication costs or fees will be paid by the partnership.

D. Developer and Development Fee:

1. Developer: Kerrville Saralita Builders, L.L.C.
2. Estimated Development Fee: \$836,744.
3. Development Fee is currently estimated to be paid as follows:
 - a. \$836,744 at Stabilized Operations.

If necessary, part of the development fee, not to exceed \$650,000, will be deferred beyond the date of the RJTCF Fund's final capital contribution installment, without interest, and shall be paid in accordance with the terms of allocations of Cash From Operations and Cash from Sale or Refinancing or, if not paid within 12 years after placed-in-service date, from General Partners' capital as described below. It is currently estimated that there will be a deferred development fee in the amount of \$648,459.

E. Reserves:

1. Replacement Reserve: \$9,000 per year beginning at the earlier of six months after completion of construction or the first month of Stabilized Operations, increased by 3% per year thereafter. In the aggregate, no more than \$10,000 will be withdrawn from the Replacement Reserve in any calendar year without the approval of the RJTCF Fund.
2. An appropriate amount of Lease-up Reserves and Operating Reserves will be determined prior closing and mutually agreed upon according to the definitive documents. In general, the reserve accounts shall be established with a lending institution, acceptable to the Limited Partner, and such reserves shall be maintained for the duration of the Compliance Period (after which, funds on deposit may be released and distributed as Net Cash Flow) and shall be used exclusively to pay for Operating Deficits incurred by the Partnership after the date of the Stabilization Capital Contribution. All withdrawals from the Operating Reserve Account that would cause aggregate draws in any one fiscal year to exceed \$10,000.00 shall be made only with the Consent of the Limited Partner, which shall not be unreasonably withheld, delayed or conditioned.

F. Obligations of General Partners:

1. General Partners: Kerrville Saralita GP, L.L.C.
2. General Partners' Capital: \$100 (estimate).
3. The General Partners agree that to the extent any deferred development fee has not been repaid from cash flow at the end of twelve years from the date the property is placed in service (or at the time of removal of the General Partners), they will contribute sufficient capital so that the partnership can pay any amount of the deferred fee outstanding at that time.
4. Guaranties:
Guaranties will be required by the General Partners and the Guarantors. Such guaranties will include, but are not limited to, a Completion Guaranty, Operating Deficit Guaranty, and a Tax Credit Guaranty. The requirements of the Guaranties will be provided in the Definitive Documents.

G. Obligations of the Guarantors:

1. Guarantors: The General Partners and Granger MacDonald. (Subject to RJTCF approval)
2. Guarantors guarantee that the General Partners will perform all of their obligations under the partnership agreement, including, without limitation, guaranties, repurchase obligations and the obligation to make a capital contribution as and when required to pay deferred development fee.

H. Financing:

1. Construction Financing
 - a. Lender: TBD.
 - b. Amount: \$4,637,078.
 - c. Rate: 4.75%.
 - d. Terms: Interest only monthly payments.

- e. Maturity: 24 Months.
- 2. Permanent Financing - First Mortgage
 - a. Not to Exceed Amount: \$1,149,050.
 - b. Lender: TBD.
 - c. Funds at conversion.
 - d. Non-recourse.
 - e. Not tax-exempt bond financed.
 - f. Term (years): 35.
 - g. Amortization period (years): 35.
 - h. Interest rate: 5.47%.
 - i. Fixed.
 - ii. Annual payment: (Not to exceed \$73,776).
 - i. Prepayment provisions: None
 - j. Other provisions: None.

I. Definitive Documents

All of the terms and conditions of the investment shall be set forth in definitive documents to be negotiated by the parties including but not limited to an Amended and Restated Agreement of Limited Partnership, together with certain closing exhibits (including various Guaranty Agreements). Such documents shall be consistent with the terms and conditions set forth in this letter with such changes as the parties may agree are appropriate. Once executed, the definitive documents shall supersede this letter, which shall be of no further force or effect. RJTCF will begin preparation of the definitive documents upon the completion of our due diligence to our satisfaction, as determined in our sole discretion.

II. THE RJTCF FUND EXIT RIGHTS

The RJTCF Fund shall have the right to require the General Partners to acquire its interest after the end of the compliance period for a price equal to the amount the RJTCF Fund would receive if the Partnership sold the Project at fair market value, paid its debts and distributed the remaining assets in accordance with the provisions relating to distribution of sales proceeds. If the General Partners fail to acquire the RJTCF Fund's interest, then the RJTCF Fund shall have the right, without the concurrence of the General Partners, to order a sale of the Project.

III. OTHER ASSUMPTIONS TO CLOSING

1. Prior to Closing, there shall have been no changes in tax laws or Treasury pronouncements, or changes in interpretations of existing tax issues that would materially and adversely affect this investment.
2. In the event an investment in the Partnership requires HUD Previous Participation Certification (HUD Form 2530), the ability of the RJTCF Fund and its investor members to request and obtain HUD 2530 approval in accordance with the electronic filing requirements promulgated by HUD.
3. RJTCF and the RJTCF Fund's review and approval in its sole discretion of all due diligence materials, including the construction and permanent loan commitments, proposed extended use agreement, real estate, plans and specifications, market study (including any additional market studies determined by the RJTCF Fund and the fund to be necessary - at the Partnership's expense), basis for the Credits, operating budgets, construction and lease-up budgets, current financial statements of the General Partners, other guarantors and their affiliates, verification of background information to be

provided by the General Partners and their affiliates, and references to be provided by the General Partners.

4. Satisfactory inspection of the property by RJTCF and the RJTCF Fund investors.
5. Approval by the Investment Committee of RJTCF and the RJTCF Fund investors of the terms and conditions of the investment in their sole discretion based on then current market conditions.
6. Availability of investment funds.
7. The negotiation of definitive documents as described herein (and this Agreement shall terminate if all such documents are not executed and delivered by the Closing date).

IV. TERM

The initial term of this Agreement shall be for a period of 3 months from the date of this letter, with a closing (Closing Date) no later than July 31, 2017, providing that either party may terminate this Agreement by giving the other party at least 30 days written notice and both parties can agree in writing to an extension. If due diligence activities and negotiation of definitive documents continue beyond termination of this Agreement, the parties shall not be bound hereunder, but only to the extent provided in definitive documents or other written agreements that are actually executed and delivered.

V. ACCEPTANCE

If these terms and conditions are acceptable to you, please sign and return one copy of this memorandum.

By acceptance of this letter, you authorize Raymond James Tax Credit Funds, Inc. to make any credit inquiries that we may deem necessary as part of our underwriting process. These credit inquiries may be performed on the General Partners, Guarantors, or any significant business operation of General Partners or Guarantors. This authorization also applies to follow-up credit inquiries that we may deem necessary after our admission to the Partnership.

For more than 25 years Raymond James Tax Credit Funds and our affiliates have been involved with the development of affordable housing. We have provided equity for more than 1,900 properties nationwide. We look forward to working with you.

[Signatures on Next Page]

Sincerely,



Gary K. Robinson
Vice President - Director of Acquisitions
Raymond James Tax Credit Funds, Inc.

Accepted:

By: General Partner

Date

By: Guarantor

Date

Development Team Members

The requested information on all known Development Team members must be provided. In addition to the categories listed below, the "Other" category should be used to list all known Development Team members that are included in the "Development Cost Schedule." If the team member that will be utilized is not yet known, indicate "TBD." If it is anticipated that the Development Team category will not be utilized, indicate "N/A."

** If there is a direct or indirect, financial, or other interest with Applicant or other team members, provide an attachment behind this form in the Application that explains the relationship(s).*

Developer:

<u>Kerrville Saralita Builders, L.L.C.</u>	<u>Granger MacDonald</u>	<u>(830) 257-5323</u>
	Contact Name	Phone
<u>gmacdonald@macdonald-companies.com</u>	<u>\$836,744.00</u>	<u>TBD</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="Yes"/>		

Housing General Contractor:

<u>G. G. MacDonald, Inc.</u>	<u>Granger MacDonald</u>	<u>(830) 257-5323</u>
	Contact Name	Phone
<u>gmacdonald@macdonald-companies.com</u>	<u>\$180,878.00</u>	<u>74-2592505</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="Yes"/>		

Infrastructure General Contractor:

<u>N/A</u>		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text"/>		

Cost Estimator:

<u>N/A</u>		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text"/>		

Architect:

<u>Brownstone Architect & Planners, Inc.</u>	<u>William L. ("Bill") Brown</u>	<u>(713) 432-7727</u>
	Contact Name	Phone
<u>bill@thebrownstonegroup.net</u>	<u>\$207,500.00</u>	<u>76-0036739</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="No"/>		

Engineer:

<u>Austin Civil Engineering</u>	<u>Hunter Shadburne</u>	<u>(512) 306-0018</u>
	Contact Name	Phone
<u>hs@austincivil.com</u>	<u>paid through architect</u>	<u>74-2859299</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="No"/>		

Civil Engineer:

<u>Austin Civil Engineering</u>	<u>Hunter Shadburne</u>	<u>(512) 306-0018</u>
	Contact Name	Phone
<u>hs@austincivil.com</u>	<u>paid through architect</u>	<u>74-2859299</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="No"/>		

Market Analyst:

<u>Valbridge Property Advisors</u>	<u>Tim Treadway</u>	<u>(713) 467-5858</u>
	Contact Name	Phone
<u>ttreadway@valbridge.com</u>	<u>\$7,500.00</u>	<u>76-0128295</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="No"/>		

Appraiser:

<u>N/A</u>		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text"/>		

Attorney:

<u>J. Michael Pruitt</u>	<u>Mike Pruitt</u>	<u>(512) 858-2828</u>
	Contact Name	Phone
<u>mpruitt@swbell.net</u>	<u>\$30,000.00</u>	<u>Personal SSN</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="No"/>		

Accountant:

<u>CohnReznick, LLP</u>	<u>Lucy Honeycutt</u>	<u>(404) 381-1451</u>
	Contact Name	Phone
<u>lucy.honeycutt@cohnreznick.com</u>	<u>\$25,000.00</u>	<u>22-1478099</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="No"/>		

Property Manager:

<u>MacDonald Property Management, L.L.C.</u>	<u>Robyn Edwards</u>	<u>(850) 503-8729</u>
	Contact Name	Phone
<u>redwards@macdonald-companies.com</u>	<u>5% EGI</u>	<u>47-3027143</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/> No	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="checkbox"/> Yes		

Originator of Underwriter:

<u>N/A</u>		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="checkbox"/>		

Bond Issuer:

<u>N/A</u>		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="checkbox"/>		

Syndicator:

<u>Raymond James Tax Credit Funds, Inc.</u>	<u>Gary K. Robinson</u>	<u>(800) 438-8088</u>
	Contact Name	Phone
<u>gary.k.robinson@raymondjames.com</u>	<u>\$30,000.00</u>	<u>59-2869297</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/> No	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="checkbox"/> No		

Supportive Services Provider:

<u>J. C. Ventures, L.L.C.</u>	<u>Lucille Jones</u>	<u>(830) 257-5323</u>
	Contact Name	Phone
<u>ljones@macdonald-companies.com</u>	<u>\$5/unit/mo</u>	
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/> Yes	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="checkbox"/> Yes		

Supportive Services Provider:

<u>N/A</u>		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="checkbox"/>		

Application Consultant:

N/A		
Contact Name		Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?		
This is a direct or indirect, financial, or other interest with Applicant or other team members*		

ESA Provider:

Astex Environmental		Jeff Zunker	(210) 828-9800
Contact Name		Phone	
jeff.zunker@astexinc.com	\$18,000.00	20-5678892	
Email	Proposed Fee	Tax ID Number (TIN)	
Certified Texas HUB?	No		
This is a direct or indirect, financial, or other interest with Applicant or other team members*			No

PCA Provider:

N/A		
Contact Name		Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?		
This is a direct or indirect, financial, or other interest with Applicant or other team members*		

Other:

Contact Name		Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?		
This is a direct or indirect, financial, or other interest with Applicant or other team members*		

Other:

Contact Name		Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?		
This is a direct or indirect, financial, or other interest with Applicant or other team members*		

Match Funds (Multifamily Direct Loan Applications Only) [§10.204(7)(E)]

Match in the amount of at least 5% of the Multifamily Direct Loan funds requested must be documented with a letter from the anticipated provider of Match indicating the provider's willingness and ability to make a financial commitment should the Development receive an award of Multifamily Direct Loan funds. The information provided must be consistent with all other documentation in the Application.

Indicate the amount and source of Match funds in the appropriate spaces in the table below.

Generally, a Related Party contribution to the Development is not considered eligible Match. Please see 10 TAC §13.2(e) as well as the Match Guidance below.

Type of Match Pledged	Pledged Amount	Source of Funds
Non-Federal Grants		
Waived, foregone or deferred fees and charges (ex: debris removal and container fees, tap fees, building permits, other mandatory fees charged by the local municipality) **CANNOT INCLUDE DEVELOPER FEES**		
Below Market Interest Rate Loan		
Property Tax Abatement		
Donated Non-Professional Labor		
Non-Federally Funded Infrastructure		
Rental Value of Donated Use of Site Preparation or Construction Equipment		
Donated Construction Materials		
Donated Site Preparation		
Donated Demolition Services		
Donated Real Property		
Total Value of Match Pledged	\$ -	
Total Amount of MF Direct Loan funds Requested	\$ -	HOME or TCAP RF
Percentage of MF Direct Loan Funds to be Matched (Total Value of Match /MF Direct Loan Funds Requested)	#DIV/0!	

Sponsor Characteristics (Competitive HTC Only)

Self Score Total:

Pursuant to §11.9(b)(2) of the Qualified Allocation Plan, an Application may qualify to receive up to one (1) point provided the ownership structure meets one of the following requirements in parts 1 or 2 below;

1. Application is attempting to score as a Qualified Nonprofit and meets the criteria below:

No Application is applying under the Nonprofit Set-Aside, and


No The Qualified Nonprofit has some combination of ownership interest, cash flow from operations, and developer fee which taken together equal at least 80% and no less than 5% for any category.

Ownership Interest: CANNOT BE LESS THAN 5%

Cash flow from operations: CANNOT BE LESS THAN 5%

Developer Fee: CANNOT BE LESS THAN 5%

Total:

The Qualified Nonprofit will materially participate in the Development and the operation of the Development throughout the Compliance Period. 

The Qualified Nonprofit has experience directly related to the housing industry. (mark all that apply)

Property Management Construction Development Financing Compliance

No Principals of the Qualified Nonprofit are related Parties to any other Principals of the Applicant or Developer.

Evidence of experience in the housing industry and a statement regarding material participation are provided behind this tab.

Eligible Points:

2. Application is attempting to score as a HUB and meets the criteria below:

The ownership structure contains a HUB, and evidence from the Texas Comptroller of Accounts is provided behind this Tab.


Yes The HUB has some combination of ownership interest, cash flow from operations, and developer fee which taken together equal at least 80% and no less than 5% for any category.

Ownership Interest:

Cash flow from operations:


Developer Fee:

Total:

The HUB will materially participate in the Development and the operation of the Development throughout the Compliance Period. 

The HUB has experience directly related to the housing industry. (mark all that apply)

Property Management Construction Development Financing Compliance

No Principals of the HUB are related Parties to any other Principal of the Applicant or Developer. 

Evidence of experience in the housing industry and a statement regarding material participation are provided behind this tab.

Eligible Points:

Total Points Claimed:



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

The Texas Comptroller of Public Accounts (CPA) administers the Statewide Historically Underutilized Business (HUB) Program for the State of Texas, which includes certifying minority and woman-owned businesses as HUBs and is designed to facilitate the participation of minority and woman-owned businesses in state agency procurement opportunities.

We are pleased to inform you that your application for certification/re-certification as a HUB has been approved. Your company's profile is listed in the State of Texas HUB Directory and may be viewed online at <http://www.window.state.tx.us/procurement/cmb/hubonly.html>. Provided that your company continues to meet HUB eligibility requirements, the enclosed HUB certificate is valid for four years.

You must notify the HUB Program in writing of any changes affecting your company's compliance with the HUB eligibility requirements, including changes in ownership, day-to-day management, control and/or principal place of business. *Note: Any changes made to your company's information may require the HUB Program to re-evaluate your company's eligibility.*

Please reference the enclosed pamphlet for additional resources, such as the state's Centralized Master Bidders List (CMBL), that can increase your chance of doing business with the state.

Thank you for your participation in the HUB Program! If you have any questions, you may contact a HUB Program representative at 512-463-5872 or toll-free in Texas at 1-888-863-5881.

Texas Historically Underutilized Business (HUB) Certificate



Certificate/VID Number:	1271326163900
File/Vendor Number:	066249
Approval Date:	21-AUG-2015
Scheduled Expiration Date:	21-AUG-2019

The Texas Comptroller of Public Accounts (CPA), hereby certifies that

LRJ CONSULTING, L.L.C.

has successfully met the established requirements of the State of Texas Historically Underutilized Business (HUB) Program to be recognized as a HUB. This certificate printed 21-AUG-2015, supersedes any registration and certificate previously issued by the HUB Program. If there are any changes regarding the information (i.e., business structure, ownership, day-to-day management, operational control, business location) provided in the submission of the business' application for registration/certification as a HUB, you must immediately (within 30 days of such changes) notify the HUB Program in writing. The CPA reserves the right to conduct a compliance review at any time to confirm HUB eligibility. HUB certification may be suspended or revoked upon findings of ineligibility.

*Paul Gibson, Statewide HUB Program Manager
Texas Procurement and Support Services*

Note: In order for State agencies and institutions of higher education (universities) to be credited for utilizing this business as a HUB, they must award payment under the Certificate/VID Number identified above. Agencies and universities are encouraged to validate HUB certification prior to issuing a notice of award by accessing the Internet (<http://www.window.state.tx.us/procurement/cmb/cmbhub.html>) or by contacting the HUB Program at 1-888-863-5881 or 512-463-5872.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

BOARD MEMBERS
J. Paul Oxer, *Chair*
Juan S. Muñoz, PhD, *Vice Chair*
Tom H. Gann
Leslie Bingham-Escareño
Robert D. Thomas
J. Mark McWatters

January 10, 2014

Writer's direct phone # 512-475-2213
Email: cameron.dorsey@tdhca.state.tx.us

Ms. Lucille Jones
c/o Carrie Adams
2951 Fall Creek Rd.
Kerrville, Texas 78028

RE: REQUEST FOR EXPERIENCE CERTIFICATE UNDER 2014 UNIFORM MULTIFAMILY RULES

Dear Ms. Jones:

We have reviewed your request for an experience certificate, which is provided to individuals that meet the requirements of §10.204(6) of the Uniform Multifamily Rules. In order to meet the experience requirements an individual must establish that they have experience in the development and placement in service of at least 150 residential units. We find that the documentation you have provided is sufficient to establish this required experience. Additionally, you have certified to compliance with the requirements of §10.204(6)(B), including the following requirements:

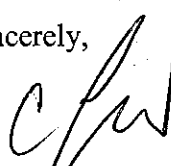
- (ii) Experience may not be established for a Person who at any time within the preceding three years has been involved with affordable housing in another state, in which the Person or Affiliate has been the subject of issued IRS Form 8823 citing non-compliance that has not been or is not being corrected with reasonable due diligence. ...
- (iv) Notwithstanding the foregoing, no person may be used to establish such required experience if that Person or an Affiliate of that Person would not be eligible to be an Applicant themselves.

Should you choose to participate as a member of the Development Team or an individual providing experience for any Application submitted for funding, a Previous Participation Review (10 TAC §1.5) may be conducted prior to any award of funds. Additionally, should it be determined at any point in time that the information provided in your request for experience is fraudulent, knowingly falsified, intentionally or negligibly materially misrepresented, or omits relevant information, this



If you have any questions or concerns regarding this certificate or the experience requirements, please contact Jean Latsha at jean.latsha@tdhca.state.tx.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Dorsey', written over a faint horizontal line.

Cameron F. Dorsey
Director of Multifamily Finance

**SPONSOR CHARACTERISTICS
HUB MATERIAL PARTICIPATION**

LRJ Consulting, L.L.C., a certified HUB, will be a 60% member of the General Partner and a 10% member of the Developer. Lucille Jones is the owner and 100% shareholder of LRJ Consulting, L.L.C. Lucille will provide regular, continuous and substantial participation in the development and continued operation of the project.

As managing member of the general partner, Lucille's participation will include, but not be limited to:

1. Review and approval of construction draws from the General Contractor.
2. Coordination with staff to submit all required reporting to TDHCA during development phase.
3. Working with Management Company during leasing and continuing operations of the property.
4. Review and approval of financials from managing agent.
5. Coordination with management to insure proper reporting for TDHCA compliance.

Development Team Members

The requested information on all known Development Team members must be provided. In addition to the categories listed below, the "Other" category should be used to list all known Development Team members that are included in the "Development Cost Schedule." If the team member that will be utilized is not yet known, indicate "TBD." If it is anticipated that the Development Team category will not be utilized, indicate "N/A."

** If there is a direct or indirect, financial, or other interest with Applicant or other team members, provide an attachment behind this form in the Application that explains the relationship(s).*

Developer:

<u>Kerrville Saralita Builders, L.L.C.</u>	<u>Granger MacDonald</u>	<u>(830) 257-5323</u>
	Contact Name	Phone
<u>gmacdonald@macdonald-companies.com</u>	<u>\$835,399.00</u>	<u>TBD</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="Yes"/>		

Housing General Contractor:

<u>G. G. MacDonald, Inc.</u>	<u>Granger MacDonald</u>	<u>(830) 257-5323</u>
	Contact Name	Phone
<u>gmacdonald@macdonald-companies.com</u>	<u>\$180,878.00</u>	<u>74-2592505</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="Yes"/>		

Infrastructure General Contractor:

<u>N/A</u>		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text"/>		

Cost Estimator:

<u>N/A</u>		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text"/>		

Architect:

<u>Brownstone Architect & Planners, Inc.</u>	<u>William L. ("Bill") Brown</u>	<u>(713) 432-7727</u>
	Contact Name	Phone
<u>bill@thebrownstonegroup.net</u>	<u>\$207,500.00</u>	<u>76-0036739</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		
<input type="text" value="No"/>		

Engineer:

<u>Austin Civil Engineering</u>	<u>Hunter Shadburne</u>	<u>(512) 306-0018</u>
	Contact Name	Phone
<u>hs@austincivil.com</u>	<u>paid through architect</u>	<u>74-2859299</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="text" value="No"/>

Civil Engineer:

<u>Austin Civil Engineering</u>	<u>Hunter Shadburne</u>	<u>(512) 306-0018</u>
	Contact Name	Phone
<u>hs@austincivil.com</u>	<u>paid through architect</u>	<u>74-2859299</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="text" value="No"/>

Market Analyst:

<u>Valbridge Property Advisors</u>	<u>Tim Treadway</u>	<u>(713) 467-5858</u>
	Contact Name	Phone
<u>ttreadway@valbridge.com</u>	<u>\$7,500.00</u>	<u>76-0128295</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="text" value="No"/>

Appraiser:

<u>N/A</u>		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="text"/>

Attorney:

<u>J. Michael Pruitt</u>	<u>Mike Pruitt</u>	<u>(512) 858-2828</u>
	Contact Name	Phone
<u>mpruitt@swbell.net</u>	<u>\$50,000.00</u>	<u>Personal SSN</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="text" value="No"/>

Accountant:

<u>CohnReznick, LLP</u>	<u>Deanne Raeshide</u>	<u>(404) 847-7646</u>
	Contact Name	Phone
<u>deanne.raeshide@cohnreznick.com</u>	<u>\$25,000.00</u>	<u>22-1478099</u>
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="text" value="No"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="text" value="No"/>

Property Manager:

MacDonald Property Management, L.L.C.	Robyn Edwards	(850) 503-8729
	Contact Name	Phone
redwards@macdonald-companies.com	5% EGI	47-3027143
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/> No	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="checkbox"/> Yes

Originator of Underwriter:

N/A		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="checkbox"/>

Bond Issuer:

N/A		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="checkbox"/>

Syndicator:

TBD		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="checkbox"/>

Supportive Services Provider:

J. C. Ventures, L.L.C.	Lucille Jones	(830) 257-5323
	Contact Name	Phone
ljones@macdonald-companies.com		
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input checked="" type="checkbox"/> Yes	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="checkbox"/> Yes

Supportive Services Provider:

N/A		
	Contact Name	Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?	<input type="checkbox"/>	
This is a direct or indirect, financial, or other interest with Applicant or other team members*		<input type="checkbox"/>

Application Consultant:

N/A		
Contact Name		Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?		
This is a direct or indirect, financial, or other interest with Applicant or other team members*		

ESA Provider:

Astex Environmental		Jeff Zunker	(210) 828-9800
Contact Name		Phone	
jeff.zunker@astexinc.com	\$7,500.00	20-5678892	
Email	Proposed Fee	Tax ID Number (TIN)	
Certified Texas HUB?	No		
This is a direct or indirect, financial, or other interest with Applicant or other team members*			No

PCA Provider:

N/A		
Contact Name		Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?		
This is a direct or indirect, financial, or other interest with Applicant or other team members*		

Other:

Contact Name		Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?		
This is a direct or indirect, financial, or other interest with Applicant or other team members*		

Other:

Contact Name		Phone
Email	Proposed Fee	Tax ID Number (TIN)
Certified Texas HUB?		
This is a direct or indirect, financial, or other interest with Applicant or other team members*		

**Development Team interests/relationships with the Applicant
Kerrville Saralita Apartments, L.P.**

Saralita Senior Village

TDHCA #16164

Developer: Kerrville Saralita Builders, L.L.C.

Direct interest: LRJ Consulting, L.L.C. is a member

Direct interest: MacDonald & Associates is a member.

Housing General Contractor: G. G. MacDonald, Inc.

Direct interest: Shareholders, G. Granger MacDonald and T. Justin MacDonald are also shareholders in MacDonald & Associates, Inc.

Property Management: MacDonald Property Management, L.L.C.

Direct interest: Members G. Granger MacDonald and T. Justin MacDonald are shareholders in MacDonald & Associates, Inc. and G. G. MacDonald, Inc.

Supportive Service Provider: J. C. Ventures, LLC (HUB)

Direct interest: LRJ Consulting, L.L.C. - Sole member Lucille Jones is the sole member of J.C. Ventures, L.L.C.



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

The Texas Comptroller of Public Accounts (CPA) administers the Statewide Historically Underutilized Business (HUB) Program for the State of Texas, which includes certifying minority and woman-owned businesses as HUBs and is designed to facilitate the participation of minority and woman-owned businesses in state agency procurement opportunities.

We are pleased to inform you that your application for certification/re-certification as a HUB has been approved. Your company's profile is listed in the State of Texas HUB Directory and may be viewed online at <http://www.window.state.tx.us/procurement/cmb/hubonly.html>. Provided that your company continues to meet HUB eligibility requirements, the enclosed HUB certificate is valid for four years.

You must notify the HUB Program in writing of any changes affecting your company's compliance with the HUB eligibility requirements, including changes in ownership, day-to-day management, control and/or principal place of business. *Note: Any changes made to your company's information may require the HUB Program to re-evaluate your company's eligibility.*

Please reference the enclosed pamphlet for additional resources, such as the state's Centralized Master Bidders List (CMBL), that can increase your chance of doing business with the state.

Thank you for your participation in the HUB Program! If you have any questions, you may contact a HUB Program representative at 512-463-5872 or toll-free in Texas at 1-888-863-5881.

Texas Historically Underutilized Business (HUB) Certificate



Certificate/VID Number:	1743021908300
File/Vendor Number:	012670
Approval Date:	14-DEC-2015
Scheduled Expiration Date:	14-DEC-2019

The Texas Comptroller of Public Accounts (CPA), hereby certifies that

J.C. VENTURES, L.L.C.

has successfully met the established requirements of the State of Texas Historically Underutilized Business (HUB) Program to be recognized as a HUB. This certificate printed 18-DEC-2015, supersedes any registration and certificate previously issued by the HUB Program. If there are any changes regarding the information (i.e., business structure, ownership, day-to-day management, operational control, business location) provided in the submission of the business' application for registration/certification as a HUB, you must immediately (within 30 days of such changes) notify the HUB Program in writing. The CPA reserves the right to conduct a compliance review at any time to confirm HUB eligibility. HUB certification may be suspended or revoked upon findings of ineligibility.

*Paul Gibson, Statewide HUB Program Manager
Texas Procurement and Support Services*

Note: In order for State agencies and institutions of higher education (universities) to be credited for utilizing this business as a HUB, they must award payment under the Certificate/VID Number identified above. Agencies and universities are encouraged to validate HUB certification prior to issuing a notice of award by accessing the Internet (<http://www.window.state.tx.us/procurement/cmb/cmbhub.html>) or by contacting the HUB Program at 1-888-863-5881 or 512-463-5872.

Evidence of Experience Must be Provided Behind this Tab

Pursuant to §10.204(6) of the Uniform Multifamily Rules, a Principal of the Developer, Development Owner, or General Partner must establish that they have experience in the development of 150 units or more.

Evidence of experience behind this tab includes:

- An Experience certificate issued by the Department under the 2014 or 2015 Uniform Multifamily Rules.
- An Application for experience and supporting documentation in accordance with §10.204(6)(A)(i) through (ix)
- Evidence from the Department that the application for experience was received and is being processed by the Department.

Alternatively, pursuant to §13.5(d)(1) of the Multifamily Direct Loan Rule, Applicants requesting MFDL as the only source of Department funds may meet the Experience Requirement by providing evidence of the successful development and operation for at least 5 years of at least twice as many affordability restricted units as requested in the Application.

- Documentation provided behind this tab meets the alternative Experience Requirement in §13.5(d)(1).



DUNS Number and System for Award Management (SAM.gov) registration (Direct Loan Applications Only)

The Office of Management and Budget (OMB) requires grant applicants to provide a Dunn and Bradstreet (D&B) Data Universal Numbering System (DUNS) number when applying for Federal grants, including Direct Loan funds, on or after October 1, 2003. To apply for a DUNS number applicants can go to the Dunn & Bradstreet website at: <http://fedgov.dnb.com/webform> The DUNS number will supplement other identifiers required by statute or regulation, such as tax identification numbers. Once applicants have obtained a DUNS number, they must register with the System for Award Management (SAM) database (<https://sam.gov/portal/public/SAM>). Applicants may provide this information upon award.

- Evidence of SAM.gov registration for the applicant entity is attached behind this tab.



Davis Bacon Labor Standards (Direct Loan Applications Only)

24 CFR §92.354, Davis-Bacon Act (40 U.S.C. §§276(a)-276(a)(5), the Davis-Bacon Related Acts, the Contract Work Hours and Safety Standards Act, and the Copeland (Anti-Kickback) Act (40 U.S.C. §276(c)) apply to developments being assisted with Direct Loan funds if (Select all that apply):

- Twelve (12) or more Direct Loan assisted units will be rehabilitated or constructed under one construction contract.
- Community Development Block Grant (CDBG) funds are being used to support the Development, which requires a lower number of units (8) be used as a threshold.

Affirmative Marketing Plan (Direct Loan Applications Only)

Complete and submit HUD's Affirmative Marketing Plan form (Form 935.2 or successors). This form may be found on the Department's website at <http://www.tdhca.state.tx.us/home-division/mf-home/index.htm>

The Affirmative Marketing Plan must comply with the Affirmative Marketing requirements in the Compliance Rules.

HUD approval is not necessary unless the property receives project-based Section 8 assistance.





TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

BOARD MEMBERS
J. Paul Oxer, *Chair*
Juan S. Muñoz, PhD, *Vice Chair*
Tom H. Gann
Leslie Bingham-Escareño
Robert D. Thomas
J. Mark McWatters

January 10, 2014

Writer's direct phone # 512-475-2213
Email: cameron.dorsey@tdhca.state.tx.us

Ms. Lucille Jones
c/o Carrie Adams
2951 Fall Creek Rd.
Kerrville, Texas 78028

RE: REQUEST FOR EXPERIENCE CERTIFICATE UNDER 2014 UNIFORM MULTIFAMILY RULES

Dear Ms. Jones:

We have reviewed your request for an experience certificate, which is provided to individuals that meet the requirements of §10.204(6) of the Uniform Multifamily Rules. In order to meet the experience requirements an individual must establish that they have experience in the development and placement in service of at least 150 residential units. We find that the documentation you have provided is sufficient to establish this required experience. Additionally, you have certified to compliance with the requirements of §10.204(6)(B), including the following requirements:

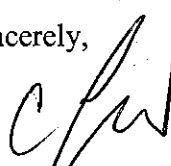
- (ii) Experience may not be established for a Person who at any time within the preceding three years has been involved with affordable housing in another state, in which the Person or Affiliate has been the subject of issued IRS Form 8823 citing non-compliance that has not been or is not being corrected with reasonable due diligence. ...
- (iv) Notwithstanding the foregoing, no person may be used to establish such required experience if that Person or an Affiliate of that Person would not be eligible to be an Applicant themselves.

Should you choose to participate as a member of the Development Team or an individual providing experience for any Application submitted for funding, a Previous Participation Review (10 TAC §1.5) may be conducted prior to any award of funds. Additionally, should it be determined at any point in time that the information provided in your request for experience is fraudulent, knowingly falsified, intentionally or negligibly materially misrepresented, or omits relevant information, this



If you have any questions or concerns regarding this certificate or the experience requirements, please contact Jean Latsha at jean.latsha@tdhca.state.tx.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Dorsey', written over a faint, illegible stamp.

Cameron F. Dorsey
Director of Multifamily Finance



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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Robert D. Thomas
J. Mark McWatters

January 10, 2014

Writer's direct phone # 512-475-2213
Email: cameron.dorsey@tdhca.state.tx.us

Mr. G. Granger MacDonald
c/o Carrie Adams
2951 Fall Creek Rd.
Kerrville, Texas 78028

RE: REQUEST FOR EXPERIENCE CERTIFICATE UNDER 2014 UNIFORM MULTIFAMILY RULES

Dear Mr. MacDonald:

We have reviewed your request for an experience certificate, which is provided to individuals that meet the requirements of §10.204(6) of the Uniform Multifamily Rules. In order to meet the experience requirements an individual must establish that they have experience in the development and placement in service of at least 150 residential units. We find that the documentation you have provided is sufficient to establish this required experience. Additionally, you have certified to compliance with the requirements of §10.204(6)(B), including the following requirements:

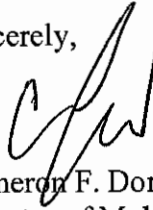
- (ii) Experience may not be established for a Person who at any time within the preceding three years has been involved with affordable housing in another state, in which the Person or Affiliate has been the subject of issued IRS Form 8823 citing non-compliance that has not been or is not being corrected with reasonable due diligence. ...
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If you have any questions or concerns regarding this certificate or the experience requirements, please contact Jean Latsha at jean.latsha@tdhca.state.tx.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Dorsey', written over a vertical line.

Cameron F. Dorsey
Director of Multifamily Finance



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

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Robert D. Thomas
J. Mark McWatters

January 10, 2014

Writer's direct phone # 512-475-2213
Email: cameron.dorsey@tdhca.state.tx.us

Mr. T. Justin MacDonald
c/o Carrie Adams
2951 Fall Creek Rd.
Kerrville, Texas 78028

RE: REQUEST FOR EXPERIENCE CERTIFICATE UNDER 2014 UNIFORM MULTIFAMILY RULES

Dear Mr. MacDonald:

We have reviewed your request for an experience certificate, which is provided to individuals that meet the requirements of §10.204(6) of the Uniform Multifamily Rules. In order to meet the experience requirements an individual must establish that they have experience in the development and placement in service of at least 150 residential units. We find that the documentation you have provided is sufficient to establish this required experience. Additionally, you have certified to compliance with the requirements of §10.204(6)(B), including the following requirements:

(ii) Experience may not be established for a Person who at any time within the preceding three years has been involved with affordable housing in another state, in which the Person or Affiliate has been the subject of issued IRS Form 8823 citing non-compliance that has not been or is not being corrected with reasonable due diligence. ...

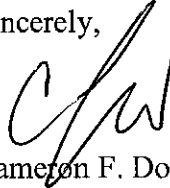
(iv) Notwithstanding the foregoing, no person may be used to establish such required experience if that Person or an Affiliate of that Person would not be eligible to be an Applicant themselves.

Should you choose to participate as a member of the Development Team or an individual providing experience for any Application submitted for funding, a Previous Participation Review (10 TAC §1.5) may be conducted prior to any award of funds. Additionally, should it be determined at any point in time that the information provided in your request for experience is fraudulent, knowingly falsified, intentionally or negligibly materially misrepresented, or omits relevant information, this



If you have any questions or concerns regarding this certificate or the experience requirements, please contact Jean Latsha at jean.latsha@tdhca.state.tx.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Dorsey', written over a horizontal line.

Cameron F. Dorsey
Director of Multifamily Finance

Ownership Transfer Information

Complete the below information concerning this transfer. Information related to this and other forms in this packet may be found in the Post Award Activities Manual on the Department's Asset Management page.

Property Information		
TDHCA ID#:	<u>16164</u>	Primary Program: <u>9% HTC</u> CMTS#: _____
Property Name:	<u>Saralita Senior Village</u>	Current Owner: <u>Saralita Senior Village, Ltd</u>
Type of Transfer:	<u>Property Sale</u>	Date of Transfer: <u>TBD</u> OR <input type="checkbox"/> Already Occurred
Have Forms 8609 been issued for this property?	<u>No</u>	Has construction been completed? <u>No</u>
Controlling parties at Application must remain in the structure and retain control. Contact your Asset Manager.		
Did this property receive points for non-profit participation?	<u>No</u>	Will the non-profit change? _____
<i>If the property received points and the non-profit will change, the new non-profit's involvement in the operation of the Development throughout the Compliance period must be described.</i>		
Did this property receive points for a HUB?	<u>Yes</u>	Will the HUB change? <u>Yes</u>
<i>Review and approval of construction draws. Work with management during leasing and continued operations. Review and approve financils. Coordination with management on TDHCA compliance.</i>		
Is this property in or past year 15 of its Compliance Period?	<u>No</u>	Does the ROFR process apply? _____
Compliance Status		
Any uncorrected issues of noncompliance beyond the Corrective Action Period?	<u>No</u>	
Any Corrective Action for noncompliance items currently in review?	<u>No</u>	Date Submitted: _____
Ownership Transfer Contact Information		
Contact Name:	<u>Lucille Jones</u>	Phone: (<u>830</u>) <u>257</u> - <u>5323</u> Extension: _____
Email:	<u>ljones@macdonald-companies.com</u>	Ownership Transfer Fee Submitted? <u>N/A</u> Check #: _____
Property Sale Information (Only if Property Sale is Occurring with Transfer)		
Title Company:	<u>TBD</u>	Title Company Contact: _____
Email:	_____	Phone: (_____) _____ - _____ Extension: _____
Sale will be:	_____	Amount of New Financing (if any): \$ _____
Lender (if any):	_____	Terms of New Financing (if any): _____ % Interest
		Terms of New Financing (if any): _____ yr Am _____ yr Term
Total Reserves:	\$ _____	Amount of Reserves to transfer: \$ _____
		If HOME, will HOME loan be paid off at time of sale? _____
New Proposed Owner Information		
Proposed Owner:	<u>Kerrville Saralita Apartments, L.P.</u>	Authorized Agent: <u>Lucille Jones</u>
Was the above or any of its members formed in a state other than Texas?		<u>No</u>
Submit Exhibit A - Appropriate documents from the Texas Secretary of State and copies of governing documents.		
Proposed Owner Experience Summary		
Does the proposed Owner or its members have experience in affordable housing operations or management?		<u>Yes</u>
Years of Cumulative Experience as indicated above:		<u>30+</u>
<i>Member have been actively involved in the ownership, development & management of tax credit properties since 1997.</i>		
New Management Agent Information		
<input type="checkbox"/> Management Agent will be replaced at the time of Transfer.		
Entity:	<u>N/A - New Construction</u>	Taxpayer ID: _____
Contact:	_____	Phone: (_____) _____ - _____ Extension: _____
Address:	_____	
Email:	_____	

Pre-Transfer and Post-Transfer Organization Charts

Two charts must be submitted, one to describe the ownership structure before the change in ownership and one to describe the structure after the change. All organizations and natural persons that did or will own and/or control the subject property must be included in the charts. Any entity shown must include ownership to the level of natural persons and include percentages of interest.

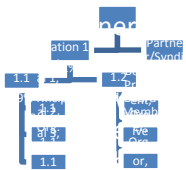
The organization charts must include:

- The names and ownership percentages of all Persons having an ownership interest in the Development Owner. If the property has not been placed in service, the Developer organization chart must also be included.
- Nonprofit entities, public housing authorities, publicly traded corporations, individual board members and executive directors must be included in the Organization charts.
- Any and all trusts must list all beneficiaries that are not just financial beneficiaries but have the legal ability to control or direct activities of the trust.

In the case of:

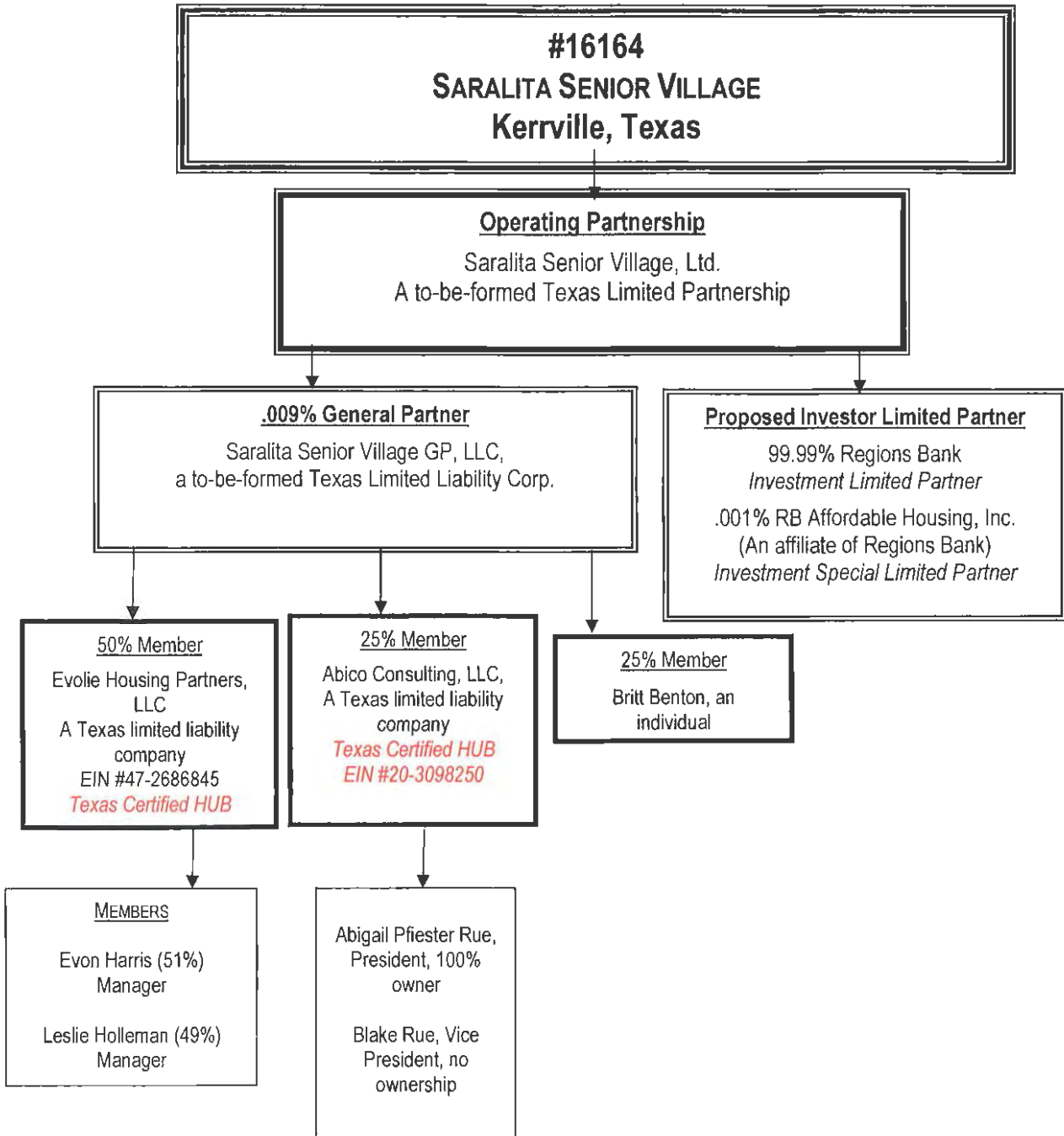
- (A) Partnerships - Principals include all general Partners and Special LPs (any LP that is not the Syndicator is a "Special LP");
- (B) Corporations - Principals include the executive director and all members of the board (with percentage of ownership reflected for each member as applicable).
- (C) Limited liability companies - Principals include all the managing members and all other members.

Org. Chart Example:

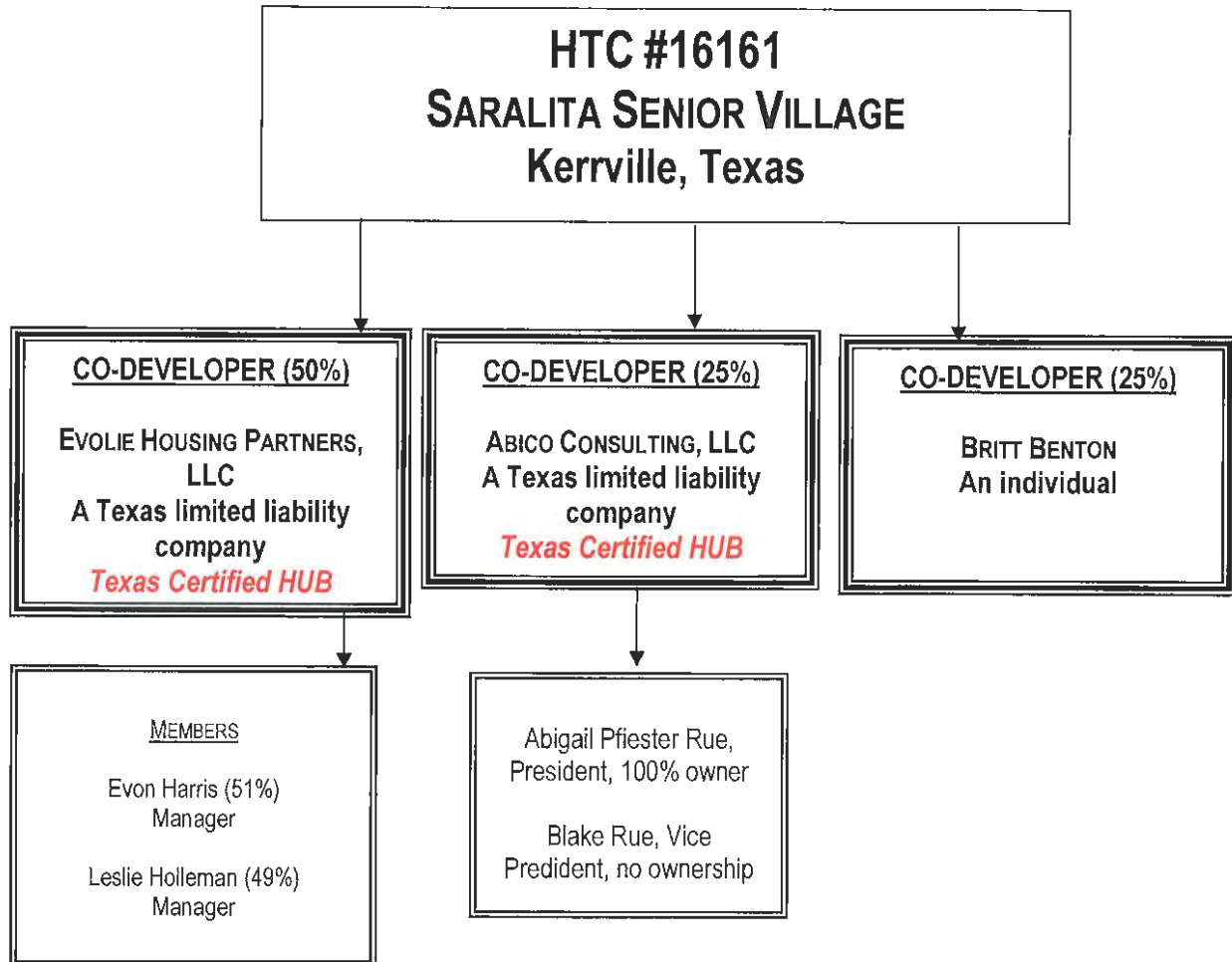


Note that the percentage refers to the entity to which the Person is directly connected, not to the whole Development Owner.

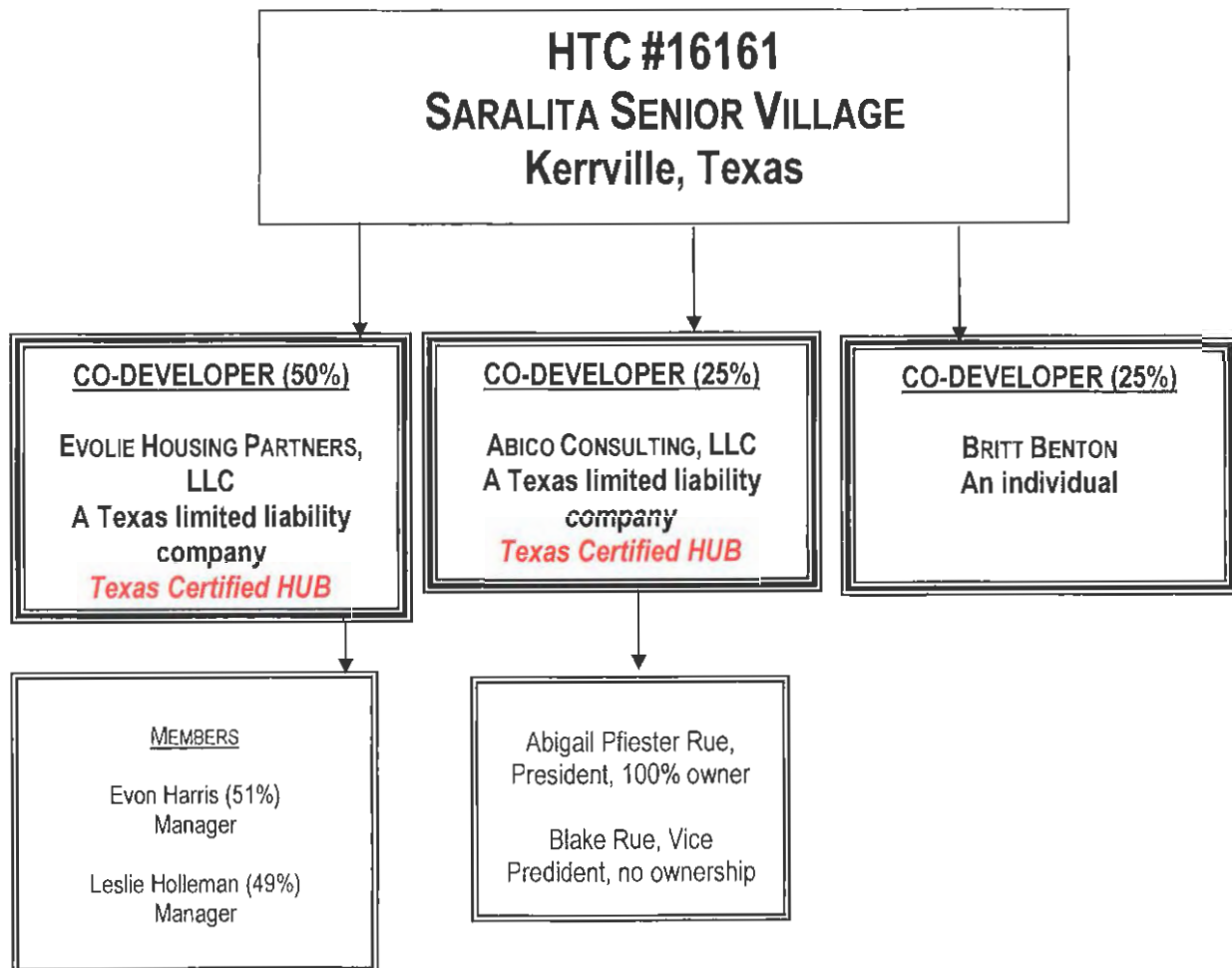
ORGANIZATION CHART



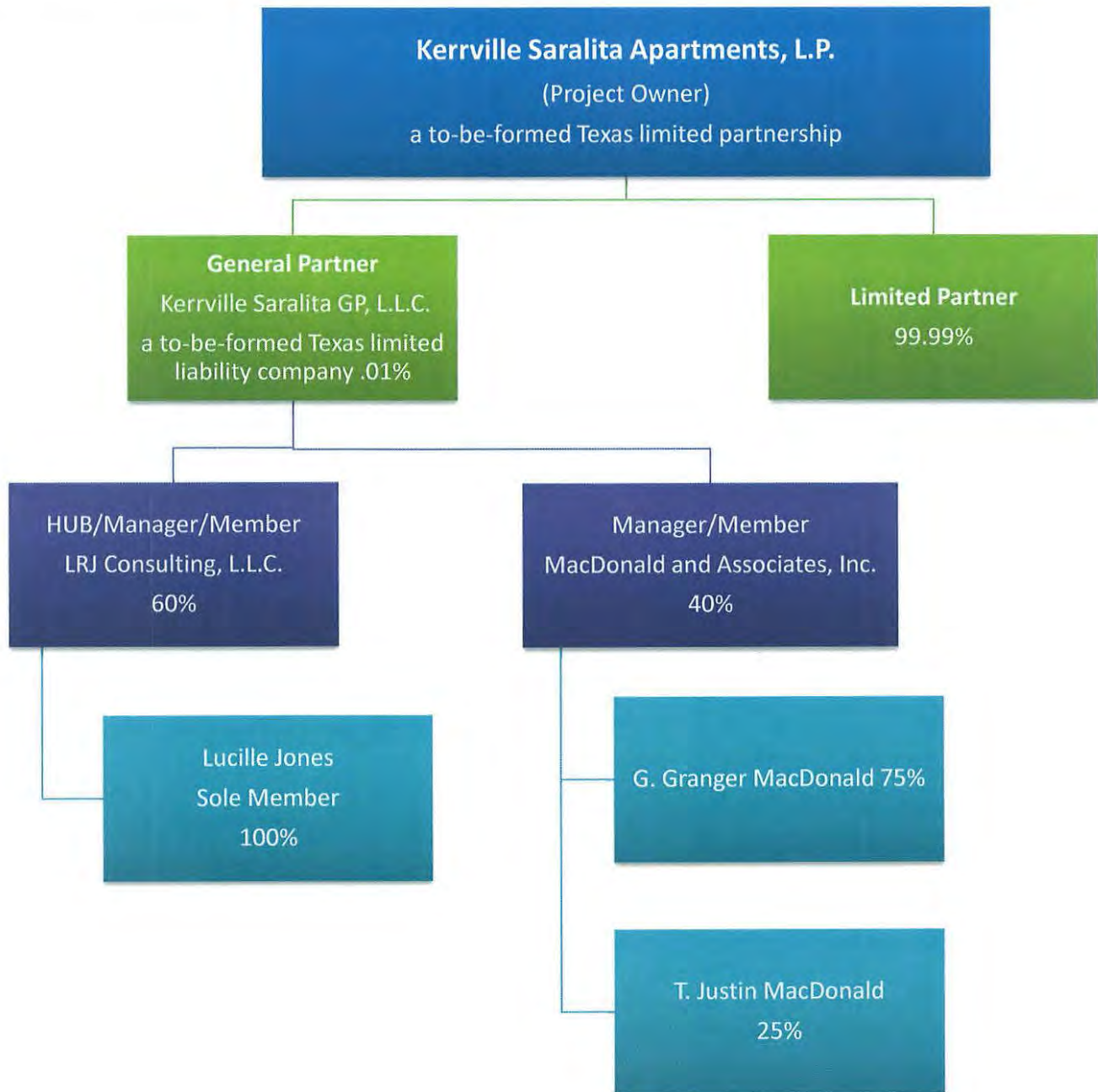
DEVELOPER ORGANIZATION CHART



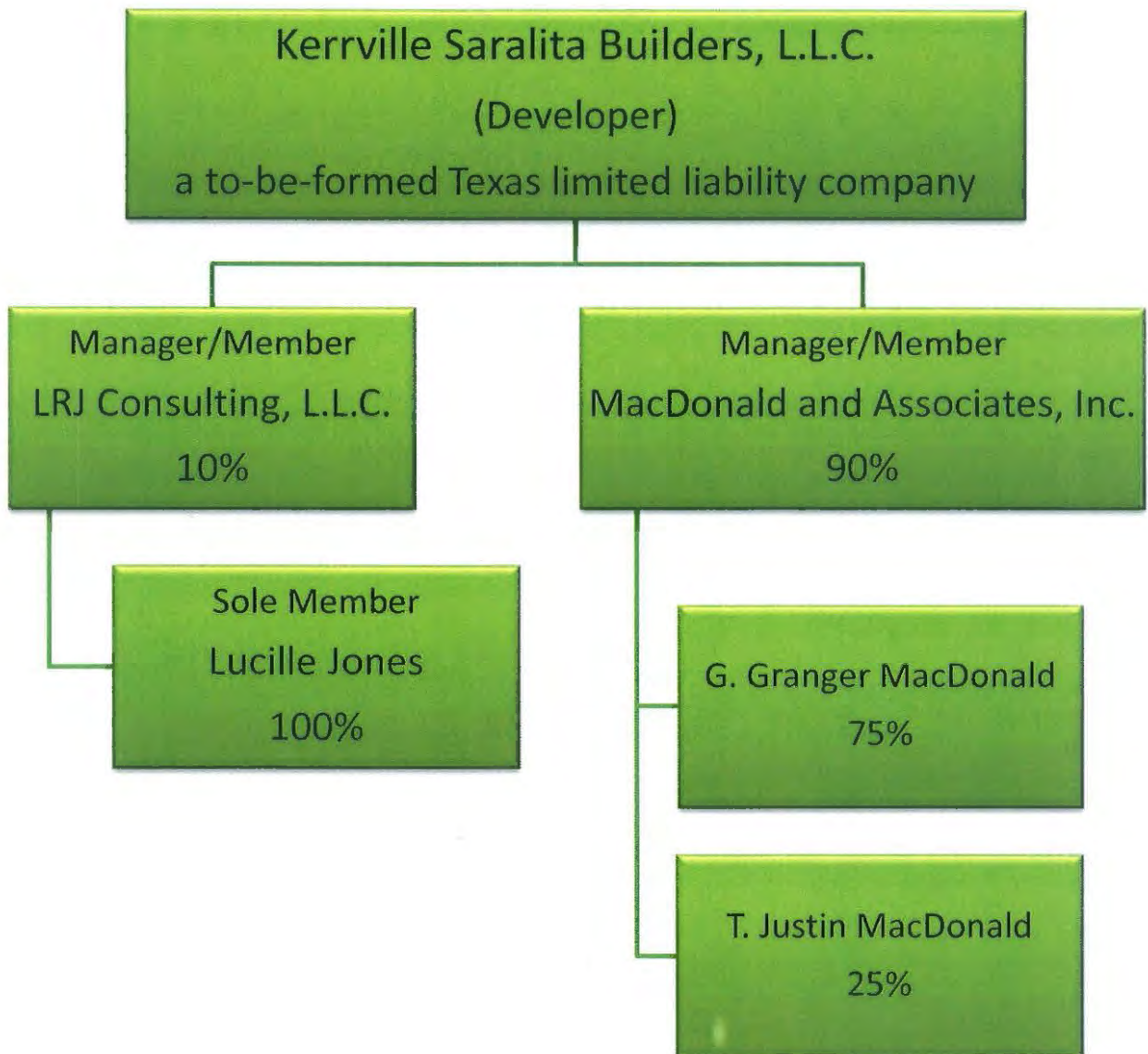
DEVELOPER/GUARANTOR ORGANIZATION CHART



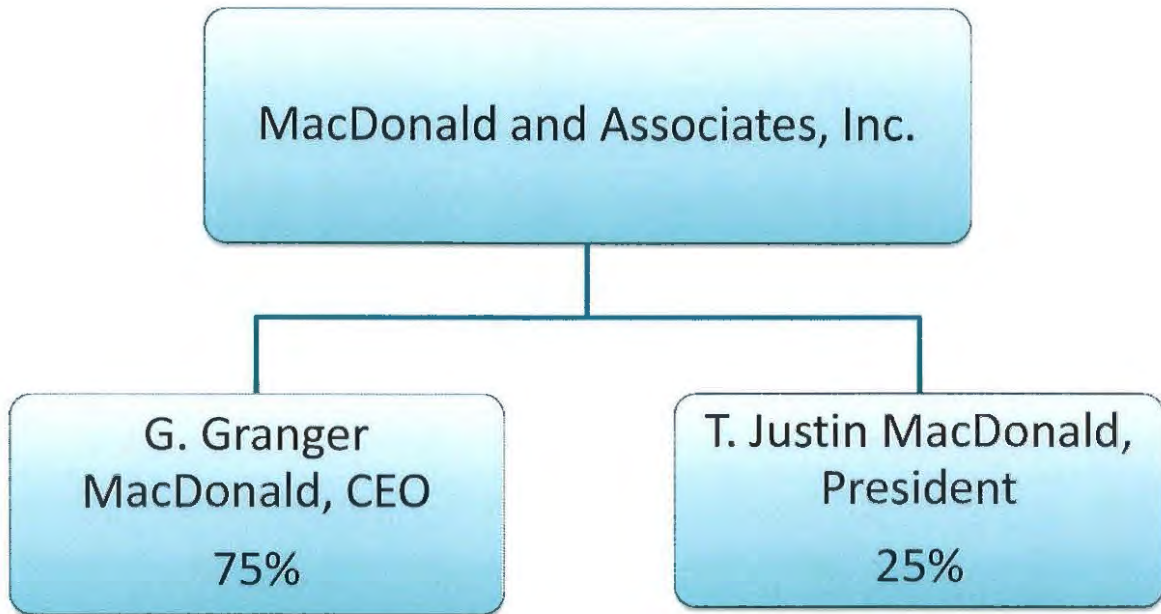
Applicant Ownership Chart



Developer Ownership Chart



GUARANTOR ORGANIZATION CHART



New Org Chart Information

Organizations & Persons with a Direct Interest in the Proposed Development Owner

Provide the requested information for all partnerships, corporations, limited liability companies, trusts, non-profits, or any other public or private entity and their Affiliates identified on the New Owner Organization Chart. Any Organization that owns or controls another organization should be identified as a separate entity. All natural persons with a percentage of ownership interest must be listed below each entity (Board members should be listed below non-profits). All new entities of the proposed Owner will be checked for Certificates of Reservation and Account Status with the Texas Secretary of State and the Texas Comptroller. If filings are foreign, cannot be found or are not current, do not represent structures as indicated, or if signatory authority cannot be verified, additional documentation will be requested. (Note - Entity Names, natural persons, and ownership percentage should coincide with the Owner and Developer Organization Charts). More space is available by un hiding cells after Row 314.

Entity # 1					
Organization Name:	Kerrville Saralita Apartments, L.P.			Entity Role:	Owner
Address:	2951 Fall Creek Rd	City:	Kerrville	State:	TX Zip: 78028
Authorized Officer:	Lucille Jones	Phone:	(830) 257-5223	Email:	ljones@macdonald-companies.cc
Taxpayer ID:	TBD	Org Type:	Limited Partnership		
Formed Outside TX?	N	Date Formed:	TBD	% Ownership:	%
				Previous TDHCA Experience?	N
Date of Last Financial Statement:	N/A		Total Liquid Assets and Cash On Hand:	\$ N/A	
List of Natural Persons (Indicate Previous TDHCA Experience by selecting "Y" or "N")					
1.	Kerrville Saralita GP, L.L.C.	2.		3.	
	TDHCA Experience?		TDHCA Experience?		TDHCA Experience?
4.		5.		6.	
	TDHCA Experience?		TDHCA Experience?		TDHCA Experience?

Entity # 2					
Organization Name:	Kerrville Saralita GP, L.L.C.			Entity Role:	General Partner
Address:	2951 Fall Creek Rd	City:	Kerrville	State:	TX Zip: 78028
Authorized Officer:	Lucille Jones	Phone:	(830) 257-5223	Email:	ljones@macdonald-companies.cc
Taxpayer ID:	TBD	Org Type:	Limited Liability Company		
Formed Outside TX?	N	Date Formed:	TBD	% Ownership:	0.01 %
				Previous TDHCA Experience?	N
All proposed new individuals and entities with a controlling interest must submit financial statements with Tab 10					
Date of Last Financial Statement:	N/A		Total Liquid Assets and Cash On Hand:	\$ N/A	
List of Natural Persons (Indicate Previous TDHCA Experience by selecting "Y" or "N")					
1.	LRI Consulting, L.L.C.	2.	MacDonald & Associates, Inc.	3.	
	TDHCA Experience?		TDHCA Experience?		TDHCA Experience?
4.		5.		6.	
	TDHCA Experience?		TDHCA Experience?		TDHCA Experience?

Entity # 3					
Organization Name:	LRI Consulting, L.L.C.			Entity Role:	HUB/Mbr/Mgr
Address:	2951 Fall Creek Rd	City:	Kerrville	State:	TX Zip: 78028
Authorized Officer:	Lucille Jones	Phone:	(830) 257-5223	Email:	ljones@macdonald-companies.cc
Taxpayer ID:	27-1326163	Org Type:	Corporation		
Formed Outside TX?	N	Date Formed:	11/13/2009	% Ownership:	60 %
				Previous TDHCA Experience?	Y
All proposed new individuals and entities with a controlling interest must submit financial statements with Tab 10					
Date of Last Financial Statement:	12/31/2016		Total Liquid Assets and Cash On Hand:	\$ 8,242	
List of Natural Persons (Indicate Previous TDHCA Experience by selecting "Y" or "N")					
1.	Lucille Jones	2.		3.	
	TDHCA Experience?		TDHCA Experience?		TDHCA Experience?
4.		5.		6.	
	TDHCA Experience?		TDHCA Experience?		TDHCA Experience?

Entity # 4					
Organization Name:	MacDonald & Associates, Inc.			Entity Role:	Mbr/Mgr/Guarantor
Address:	2951 Fall Creek Rd	City:	Kerrville	State:	TX Zip: 78028
Authorized Officer:	Granger MacDonale	Phone:	(830) 257-5223	Email:	gmacdonald@macdonald-compai
Taxpayer ID:	26-0442637	Org Type:	Corporation		
Formed Outside TX?	N	Date Formed:	4/26/2007	% Ownership:	40 %
				Previous TDHCA Experience?	Y
All proposed new individuals and entities with a controlling interest must submit financial statements with Tab 10					
Date of Last Financial Statement:	12/31/2016		Total Liquid Assets and Cash On Hand:	\$ 52,061	
List of Natural Persons (Indicate Previous TDHCA Experience by selecting "Y" or "N")					
1.	G. Granger MacDonald	2.	T. Justin MacDonald	3.	
	TDHCA Experience?		TDHCA Experience?		TDHCA Experience?
4.		5.		6.	
	TDHCA Experience?		TDHCA Experience?		TDHCA Experience?

Previous Participation Form

Form must be completed separately for each entity (i.e. person, organization, etc.) that has or will have a controlling interest or oversight in the contract, award, agreement, or ownership transfer being considered. This form should also be completed for each board member, individual with signature authority, executive director, or elected official that represents the person/entity (as applicable).

Person/Role: Kerrville Saralita Apartments, L.P. / Development Owner

Email Address: ljones@macdonald-companies.com

City & State of Home Addr: Kerrville, TX

Applicant Legal Name: Kerrville Saralita Apartments, L.P.

1. List experience with all TDHCA rental development programs (including: HTC, HTC Exchange, Direct Loan (HOME, TCAP, RHD), and BOND) that you have controlled at any time.

By selecting this box I certify that I have no prior experience with any TDHCA administered affordable rental program.

TDHCA ID#	Property Name	Property City	Program	Control began (mm/yy)	Control End (mm/yy)

2. Identify all Community Affairs and Single Family department programs that you have participated in within the last three(3) years by placing an "x" next to the program name.

By selecting this box I certify that I have no prior experience with any TDHCA Single Family or Community Affairs Programs.

Community Affairs:	CEAP		DOE		HHSP		WAP	
	CSBG		ESG		LIHEAP			
HOME:	CFDC		HBA		PWD		TBRA	
	DR		HRA		SFD			
HTF/OCI:	AYBR		Bootstrap		CFDC		Self-Help	
Other:							NSP	

Previous Participation Form

Form must be completed separately for each entity (i.e. person, organization, etc.) that has or will have a controlling interest or oversight in the contract, award, agreement, or ownership transfer being considered. This form should also be completed for each board member, individual with signature authority, executive director, or elected official that represents the person/entity (as applicable).

Person/Role: LRJ Consulting, L.L.C. / GP Member

Email Address: ljones@macdonald-companies.com

City & State of Home Addr: Kerrville, TX

Applicant Legal Name: Kerrville Saralita Apartments, L.P.

1. List experience with all TDHCA rental development programs (including: HTC, HTC Exchange, Direct Loan (HOME, TCAP, RHD), and BOND) that you have controlled at any time.

By selecting this box I certify that I have no prior experience with any TDHCA administered affordable rental program.

TDHCA ID#	Property Name	Property City	Program	Control began (mm/yy)	Control End (mm/yy)
08135	Gardens at Cleareater (TCE 09918)	Kerrville	HTC Exchange	07/08	
11165	Playa Del Pueblo	Midland	HTC	07/11	
12145	Comfort Place	Comfort	HTC	08/12	
04105	Preston Place	Dallas	HTC	07/04	6/13

2. Identify all Community Affairs and Single Family department programs that you have participated in within the last three(3) years by placing an "x" next to the program name.

By selecting this box I certify that I have no prior experience with any TDHCA Single Family or Community Affairs Programs.

Community Affairs:	CEAP		DOE		HHSP		WAP	
	CSBG		ESG		LIHEAP			
HOME:	CFDC		HBA		PWD		TBRA	
	DR		HRA		SFD			
HTF/OCI:	AYBR		Bootstrap		CFDC		Self-Help	
Other:							NSP	

Previous Participation Form

Form must be completed separately for each entity (i.e. person, organization, etc.) that has or will have a controlling interest or oversight in the contract, award, agreement, or ownership transfer being considered. This form should also be completed for each board member, individual with signature authority, executive director, or elected official that represents the person/entity (as applicable).

Person/Role: MacDonald & Associates, Inc. / GP Member, Guarantor

Email Address: gmacdonald@macdonald-companies.com

City & State of Home Addr: Kerrville, TX

Applicant Legal Name: Kerrville Saralita Apartments, L.P.

1. List experience with all TDHCA rental development programs (including: HTC, HTC Exchange, Direct Loan (HOME, TCAP, RHD), and BOND) that you have controlled at any time.

By selecting this box I certify that I have no prior experience with any TDHCA administered affordable rental program.

TDHCA ID#	Property Name	Property City	Program	Control began (mm/yy)	Control End (mm/yy)
08138	River Place Apartments (TCAP 09713)	San Angelo	HTC, TCAP	07/08	
10000	Mustang Heights	Sweetwater	HTC	01/10	
10131	Guadalupe Crossing (TCE 09366)	Comfort	HTC Exchange	08/10	
11027	Brookview Village	Copperas Cove	HTC	08/11	
08135	Gardens at Clearwater (TCEP 09918)	Kerrville	HTC Exchange	07/08	

2. Identify all Community Affairs and Single Family department programs that you have participated in within the last three(3) years by placing an "x" next to the program name.

By selecting this box I certify that I have no prior experience with any TDHCA Single Family or Community Affairs Programs.

Community Affairs:	CEAP		DOE		HHSP		WAP	
	CSBG		ESG		LIHEAP			
HOME:	CFDC		HBA		PWD		TBRA	
	DR		HRA		SFD			
HTF/OCI:	AYBR		Bootstrap		CFDC		Self-Help	
Other:							NSP	

Agreements Among Parties to Transfer

Provide copies of all *executed* agreements among parties to transfer behind this tab. If drafts will be submitted, provide an explanation of why executed agreements are not available.



MacDonald
C O M P A N I E S

Affordable Lifestyles. Community Values.

March 27, 2017

Saralita Senior Village GP, Ltd.
c/o Blake Rue
P.O. Box 302663
Austin, Texas 78703

Via E-mail blake@rueinvestments.com

Re: Letter of Intent – Saralita Senior Village, Kerrville, Texas

Dear Blake,

Subject to the execution of a definitive and mutually acceptable purchase agreement within 45 days after execution of this letter (the “Negotiating Period”), MacDonald and Associates, Inc. offers to purchase the subject property under the following terms:

1. The Seller is Saralita Senior Village, Ltd./Oryx Capital, LLC.
2. The Buyer is MacDonald and Associates, Inc., Buyer may assign its interest to any corporation, partnership, or limited liability company in which it or its principals are the controlling party or to any other third-party without Seller approval.
3. The Subject Property is:
 - a. All of Seller’s rights, title, and interest to the 2016 Competitive Housing Tax Credit (HTC) Application for Saralita Senior Village, TDHCA Number 16164 (the “Tax Credit Application”).
 - b. All of Seller’s rights, title, and interest as purchaser under the Commercial Contract-Unimproved Property effective January 7, 2016, between Villa Saralita, Ltd. and Oryx Capital, LLC, and any amendments thereto for the purchase of 9 acres in Kerrville, Texas, as assigned by Oryx Capital, LLC to Saralita Senior Village, Ltd. in an Assignment and Assumption agreement effective February 22, 2016. This includes Seller’s rights, title, and interest to the earnest money and any monthly extension payments that are on deposit under the contract.
 - c. All of Seller’s rights, title, and interest as purchaser under the Commercial Contract-Unimproved Property effective January 7, 2016, between Villa Saralita, Ltd. and Oryx Capital, LLC, and any amendments thereto for the



MacDonald
C O M P A N I E S

Affordable Lifestyles. Community Values.

purchase of 11 acres in Kerrville, Texas, as assigned by Oryx Capital, LLC to Saralita Senior Village, Ltd. in an Assignment and Assumption agreement effective February 22, 2016. This includes Seller's rights, title, and interest to the earnest money and any monthly extension payments that are on deposit under the contract.

4. The purchase price is the total of (a) \$75,000.00, (b) all earnest money and extension payments currently on deposit under the Commercial Contract, and (c) the amount of Seller's reasonable development costs related to the Tax Credit Application and the Commercial Contracts referenced above.
5. Seller will provide Buyer with a list of its development costs prior to the parties' execution of the final purchase agreement contemplated by this letter.
6. The purchase is conditioned on TDHCA's approval of the Tax Credit Application.
7. The purchase is conditioned on closing of the land purchases under the Commercial Contracts.
8. The purchase price is payable to Seller at closing of the Commercial Contracts.

If the above outline of terms and conditions are acceptable, please indicate by signing below. The parties intend that this proposal be superseded by a final purchase agreement. In the meantime, the parties agree to proceed in accordance with the terms and conditions outlined in this letter. The parties understand the purpose of this letter is to allow further investigation by both parties into the feasibility of entering into a formal agreement. This letter is only binding on the parties during the Negotiation Period. If a purchase agreement is not mutually executed within the Negotiation Period for any reason or no reason at all, this letter shall expire and no party shall have any further rights or duties hereunder. Seller shall not solicit other offers during the Negotiation Period.

~~Agreed:~~

Authorized Representative
Saralita Senior Village, Ltd.

Date: 3-28-17

Authorized Representative
MacDonald and Associates, Inc.

Credit Limit Certification (Only 9% HTC developments awarded in the last 5 yrs)

This form must be completed for each person that will be a new member of the development owner after the ownership change and for any new developer, guarantor or related party.

Name of subject property: Saralita Senior Village

Name and role of Person or Entity completing this form: LRJ Consulting, L.L.C.

- Which is:
- a new member of the Development Owner after ownership change or transfer
 - a new related party with respect to a new member of the Development Owner
 - a new Developer
 - an Affiliate to the Development Owner
 - a new Guarantor

The Rules of the Texas Department of Housing and Community Affairs ("the Department") stipulates that, for the specified year, the Department shall not allocate more than the amount of tax credits stated in the applicable QAP to any Applicant (which includes Affiliates), Developer, or entity that provides, or is anticipated to provide, for a fee, a guarantee to secure equity or financing for development or mortgage of the subject property. The undersigned represents to the Department that the following is a list of all developments that would be affected by the rules just stated with respect to the subject property.

Development Name:	Region:	City:	% Ownership:	% of Dev. Fee:
None				

I hereby certify that the foregoing is a complete list of Developments in Texas that are governed by the Qualified Allocation Plan and Rules of the same year as the subject property, the Developments named being all those in which I seek or currently possess an ownership, developer, guarantor or related party interest. I certify that the transfer under consideration does not violate the limitation stated in the applicable QAP.

I acknowledge that if the Department determines that a Development Owner, Developer, Related Party or Guarantor has interests that violate the credit limitation of any year, the Department may refuse to issue an approval for an ownership change or transfer and notify the Internal Revenue Service of any noncompliance with the terms of an allocation.

Under penalty of perjury, I certify that this information and these statements are true, complete, and accurate:

Kerrville Saralita Apartments, L.P.
Proposed Development Owner Entity Name

By: 
Signature of Authorized Representative

Lucille Jones
Printed Name

Member
Title

4/27/2017
Date

Credit Limit Certification (Only 9% HTC developments awarded in the last 5 yrs)

This form must be completed for each person that will be a new member of the development owner after the ownership change and for any new developer, guarantor or related party.

Name of subject property: Saralita Senior Village

Name and role of Person or Entity completing this form: Lucille Jones

- Which is:
- a new member of the Development Owner after ownership change or transfer
 - a new related party with respect to a new member of the Development Owner
 - a new Developer
 - an Affiliate to the Development Owner
 - a new Guarantor

The Rules of the Texas Department of Housing and Community Affairs ("the Department") stipulates that, for the specified year, the Department shall not allocate more than the amount of tax credits stated in the applicable QAP to any Applicant (which includes Affiliates), Developer, or entity that provides, or is anticipated to provide, for a fee, a guarantee to secure equity or financing for development or mortgage of the subject property. The undersigned represents to the Department that the following is a list of all developments that would be affected by the rules just stated with respect to the subject property.

Development Name:	Region:	City:	% Ownership:	% of Dev. Fee:
None				

I hereby certify that the foregoing is a complete list of Developments in Texas that are governed by the Qualified Allocation Plan and Rules of the same year as the subject property, the Developments named being all those in which I seek or currently possess an ownership, developer, guarantor or related party interest. I certify that the transfer under consideration does not violate the limitation stated in the applicable QAP.

I acknowledge that if the Department determines that a Development Owner, Developer, Related Party or Guarantor has interests that violate the credit limitation of any year, the Department may refuse to issue an approval for an ownership change or transfer and notify the Internal Revenue Service of any noncompliance with the terms of an allocation.

Under penalty of perjury, I certify that this information and these statements are true, complete, and accurate:

Kerrville Saralita Apartments, L.P.
Proposed Development Owner Entity Name

By: Lucille Jones
Signature of Authorized Representative

Lucille Jones
Printed Name

Manager
Title

4/27/2017
Date

Credit Limit Certification (Only 9% HTC developments awarded in the last 5 yrs)

This form must be completed for each person that will be a new member of the development owner after the ownership change and for any new developer, guarantor or related party.

Name of subject property: Saralita Senior Village

Name and role of Person or Entity completing this form: MacDonald & Associates, Inc.

- Which is:
- a new member of the Development Owner after ownership change or transfer
 - a new related party with respect to a new member of the Development Owner
 - a new Developer
 - an Affiliate to the Development Owner
 - a new Guarantor

The Rules of the Texas Department of Housing and Community Affairs ("the Department") stipulates that, for the specified year, the Department shall not allocate more than the amount of tax credits stated in the applicable QAP to any Applicant (which includes Affiliates), Developer, or entity that provides, or is anticipated to provide, for a fee, a guarantee to secure equity or financing for development or mortgage of the subject property. The undersigned represents to the Department that the following is a list of all developments that would be affected by the rules just stated with respect to the subject property.

Development Name:	Region:	City:	% Ownership:	% of Dev. Fee:
None				

I hereby certify that the foregoing is a complete list of Developments in Texas that are governed by the Qualified Allocation Plan and Rules of the same year as the subject property, the Developments named being all those in which I seek or currently possess an ownership, developer, guarantor or related party interest. I certify that the transfer under consideration does not violate the limitation stated in the applicable QAP.

I acknowledge that if the Department determines that a Development Owner, Developer, Related Party or Guarantor has interests that violate the credit limitation of any year, the Department may refuse to issue an approval for an ownership change or transfer and notify the Internal Revenue Service of any noncompliance with the terms of an allocation.

Under penalty of perjury, I certify that this information and these statements are true, complete, and accurate:

Kerrville Saralita Apartments, L.P.
Proposed Development Owner Entity Name

By: 
Signature of Authorized Representative

G. Granger MacDonald
Printed Name

CEO
Title

4/26/2017
Date

Credit Limit Certification (Only 9% HTC developments awarded in the last 5 yrs)

This form must be completed for each person that will be a new member of the development owner after the ownership change and for any new developer, guarantor or related party.

Name of subject property: Saralita Senior Village

Name and role of Person or Entity completing this form: G. Granger MacDonald

- Which is:
- a new member of the Development Owner after ownership change or transfer
 - a new related party with respect to a new member of the Development Owner
 - a new Developer
 - an Affiliate to the Development Owner
 - a new Guarantor

The Rules of the Texas Department of Housing and Community Affairs ("the Department") stipulates that, for the specified year, the Department shall not allocate more than the amount of tax credits stated in the applicable QAP to any Applicant (which includes Affiliates), Developer, or entity that provides, or is anticipated to provide, for a fee, a guarantee to secure equity or financing for development or mortgage of the subject property. The undersigned represents to the Department that the following is a list of all developments that would be affected by the rules just stated with respect to the subject property.

Development Name:	Region:	City:	% Ownership:	% of Dev. Fee:

I hereby certify that the foregoing is a complete list of Developments in Texas that are governed by the Qualified Allocation Plan and Rules of the same year as the subject property, the Developments named being all those in which I seek or currently possess an ownership, developer, guarantor or related party interest. I certify that the transfer under consideration does not violate the limitation stated in the applicable QAP.

I acknowledge that if the Department determines that a Development Owner, Developer, Related Party or Guarantor has interests that violate the credit limitation of any year, the Department may refuse to issue an approval for an ownership change or transfer and notify the Internal Revenue Service of any noncompliance with the terms of an allocation.

Under penalty of perjury, I certify that this information and these statements are true, complete, and accurate:

Kerrville Saralita Apartments, L.P.
Proposed Development Owner Entity Name

By: 
Signature of Authorized Representative

G. Granger MacDonald
Printed Name

Manager
Title

4/26/2017
Date

Credit Limit Certification (Only 9% HTC developments awarded in the last 5 yrs)

This form must be completed for each person that will be a new member of the development owner after the ownership change and for any new developer, guarantor or related party.

Name of subject property: Saralita Senior Village

Name and role of Person or Entity completing this form: T. Justin MacDonald

- Which is:
- a new member of the Development Owner after ownership change or transfer
 - a new related party with respect to a new member of the Development Owner
 - a new Developer
 - an Affiliate to the Development Owner
 - a new Guarantor

The Rules of the Texas Department of Housing and Community Affairs ("the Department") stipulates that, for the specified year, the Department shall not allocate more than the amount of tax credits stated in the applicable QAP to any Applicant (which includes Affiliates), Developer, or entity that provides, or is anticipated to provide, for a fee, a guarantee to secure equity or financing for development or mortgage of the subject property. The undersigned represents to the Department that the following is a list of all developments that would be affected by the rules just stated with respect to the subject property.

Development Name:	Region:	City:	% Ownership:	% of Dev. Fee:
None				

I hereby certify that the foregoing is a complete list of Developments in Texas that are governed by the Qualified Allocation Plan and Rules of the same year as the subject property, the Developments named being all those in which I seek or currently possess an ownership, developer, guarantor or related party interest. I certify that the transfer under consideration does not violate the limitation stated in the applicable QAP.

I acknowledge that if the Department determines that a Development Owner, Developer, Related Party or Guarantor has interests that violate the credit limitation of any year, the Department may refuse to issue an approval for an ownership change or transfer and notify the Internal Revenue Service of any noncompliance with the terms of an allocation.

Under penalty of perjury, I certify that this information and these statements are true, complete, and accurate:

Kerrville Saralita Apartments, L.P.
Proposed Development Owner Entity Name

By: 
Signature of Authorized Representative

T. Justin MacDonald
Printed Name

Manager
Title

4/26/2017
Date

Credit Limit Certification (Only 9% HTC developments awarded in the last 5 yrs)

This form must be completed for each person that will be a new member of the development owner after the ownership change and for any new developer, guarantor or related party.

Name of subject property: Saralita Senior Village

Name and role of Person or Entity completing this form: Kerrville Saralita Builders, L.L.C.

- Which is:
- a new member of the Development Owner after ownership change or transfer
 - a new related party with respect to a new member of the Development Owner
 - a new Developer
 - an Affiliate to the Development Owner
 - a new Guarantor

The Rules of the Texas Department of Housing and Community Affairs ("the Department") stipulates that, for the specified year, the Department shall not allocate more than the amount of tax credits stated in the applicable QAP to any Applicant (which includes Affiliates), Developer, or entity that provides, or is anticipated to provide, for a fee, a guarantee to secure equity or financing for development or mortgage of the subject property. The undersigned represents to the Department that the following is a list of all developments that would be affected by the rules just stated with respect to the subject property.

Development Name:	Region:	City:	% Ownership:	% of Dev. Fee:
None				

I hereby certify that the foregoing is a complete list of Developments in Texas that are governed by the Qualified Allocation Plan and Rules of the same year as the subject property, the Developments named being all those in which I seek or currently possess an ownership, developer, guarantor or related party interest. I certify that the transfer under consideration does not violate the limitation stated in the applicable QAP.

I acknowledge that if the Department determines that a Development Owner, Developer, Related Party or Guarantor has interests that violate the credit limitation of any year, the Department may refuse to issue an approval for an ownership change or transfer and notify the Internal Revenue Service of any noncompliance with the terms of an allocation.

Under penalty of perjury, I certify that this information and these statements are true, complete, and accurate:

Kerrville Saralita Apartments, L.P.
Proposed Development Owner Entity Name

By: 
Signature of Authorized Representative

Lucille Jones
Printed Name

Manager
Title

4/27/2017
Date

Owner Certification & Agreement to Comply with the LURA

Development Name: Saralita Senior Village

As a Principal or authorized officer of the Development Owner, acting on behalf of the Development Owner, the undersigned hereby requests approval from the Texas Department of Housing and Community Affairs (TDHCA) for the sale, transfer, or exchange of the Development or any portion of or controlling interest for the Development listed above. The undersigned certifies that all new and existing Principals or authorized officers have read, understand, and agree to abide by TDHCA's Uniform Multifamily Rules (Title 10, Texas Administrative Code, Chapter 10) and all provisions under which the application and allocation of Department funds were made, including but not limited to the Qualified Allocation Plan, applicable Federal program rules and guidance (such as Internal Revenue Code Section 42, the HOME Final Rule, etc.) and the Declaration of Land Use Restrictive Covenants/Agreements (LURA) to which the Development is or will be subject. The undersigned certifies that all new and existing Principals or authorized officers understand and agree to abide by tenant protection provisions and rent restrictions as required by the Declaration and State and Federal program rules as amended, including but not limited to Section 42 provisions for Housing Tax Credit properties that entitle tenants of any low income unit, upon termination of the Declaration, to occupy such unit in accordance with the provisions of the Declaration for a period of three years following such termination unless tenancy is terminated upon a showing of good cause or eviction. The undersigned certifies that all statements and representations made in this certification and application for ownership transfer, including all supporting materials and statements concerning organizational structures and financial capacity for all entities, are true and correct under penalty of law, including Chapter 37 of the Texas Penal Code titled Perjury and Other Falsification, and are subject to criminal penalties as defined by the State of Texas. The undersigned certifies that none of the criteria in subparagraphs (A)-(M) of 10 TAC §10.202(1) of the Uniform Multifamily Rules, related to ineligible applicants, applies to any current or proposed applicant entity or Principal of the proposed Ownership Transfer.

The undersigned further certifies that he/she has the authority to execute this certification.

Kerrville Saralita Apartments, L.P.

Proposed Development Owner Entity Name

By:

Lucille Jones

Signature of Authorized Representative

Lucille Jones

Printed Name

Manager

Title

4/27/2017

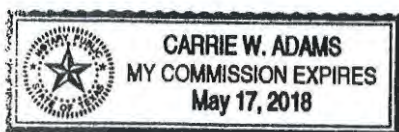
Date

Sworn to and subscribed before me on the 27 day of April, 2017

by

Lucille Jones

(Personalized Seal)



Carrie W. Adams

Notary Public Signature

Texas

Notary Public, State of

Kerr

County of

5/17/2018

My Commission Expires:

4/27/2017

Date

Release of Credit Information Certification

I have applied to become a Principal of the Development Owner of a property that has received or will receive funding from the Texas Department of Housing and Community Affairs ("TDHCA"). As part of this transfer application, I understand that TDHCA will investigate my financial position and status as a new applicant entering into this arrangement. I understand that verification of eligible applicant status under Section 10.202(1)(A)-(M) may include an investigation into my credit history, criminal background, employment status, and other information gathered by credit institutions or law enforcement agencies, as is necessary to determine my eligibility for participation in TDHCA's programs.

I hereby specifically authorize TDHCA to obtain information on my credit history and further authorize the release of any and all information needed to verify or confirm my eligible applicant status and experience. Furthermore, I hereby authorize the use of a photocopy of this authorization to be used for all legal purposes for which the original may be used, and request that it be honored as if it were the original. I understand that further authorizations for release of specific information may be required. I authorize the State to verify any of the information contained in this application or in any financial statement from any source that would have a reasonable expectation to be able to verify any of the information provided or my ability to fulfill potential obligations under a future agreement with the State. I also agree to provide the State with audited financial statements if it is deemed necessary to reconcile or verify the statements made herein.

I hereby certify that the figures and the statements contained herein, submitted by me for the purposes of becoming a participant in the ownership and/or control of property that has received or will receive funding from the Texas Department of Housing and Community Affairs, are true and give a correct representation of my financial condition and applicant eligibility as of this date.

By: Lucille Jones
Signature

Lucille Jones
Printed Name

456-31-3411
Social Security Number

2951 Fall Creek Rd.
Street Address

Kerrville, TX 78028
City, State, Zip

4/27/2017
Date

Financial statements are attached for all new proposed entities/individuals with a controlling interest.

Release of Credit Information Certification

I have applied to become a Principal of the Development Owner of a property that has received or will receive funding from the Texas Department of Housing and Community Affairs ("TDHCA"). As part of this transfer application, I understand that TDHCA will investigate my financial position and status as a new applicant entering into this arrangement. I understand that verification of eligible applicant status under Section 10.202(1)(A)-(M) may include an investigation into my credit history, criminal background, employment status, and other information gathered by credit institutions or law enforcement agencies, as is necessary to determine my eligibility for participation in TDHCA's programs.

I hereby specifically authorize TDHCA to obtain information on my credit history and further authorize the release of any and all information needed to verify or confirm my eligible applicant status and experience. Furthermore, I hereby authorize the use of a photocopy of this authorization to be used for all legal purposes for which the original may be used, and request that it be honored as if it were the original. I understand that further authorizations for release of specific information may be required. I authorize the State to verify any of the information contained in this application or in any financial statement from any source that would have a reasonable expectation to be able to verify any of the information provided or my ability to fulfill potential obligations under a future agreement with the State. I also agree to provide the State with audited financial statements if it is deemed necessary to reconcile or verify the statements made herein.

I hereby certify that the figures and the statements contained herein, submitted by me for the purposes of becoming a participant in the ownership and/or control of property that has received or will receive funding from the Texas Department of Housing and Community Affairs, are true and give a correct representation of my financial condition and applicant eligibility as of this date.

By:



Signature
G. Granger MacDonal

Printed Name
456-02-5168

Social Security Number
2951 Fall Creek Rd.

Street Address
Kerrville, TX 78028

City, State, Zip
4/26/2017

Date



Financial statements are attached for all new proposed entities/individuals with a controlling interest.

Release of Credit Information Certification

I have applied to become a Principal of the Development Owner of a property that has received or will receive funding from the Texas Department of Housing and Community Affairs ("TDHCA"). As part of this transfer application, I understand that TDHCA will investigate my financial position and status as a new applicant entering into this arrangement. I understand that verification of eligible applicant status under Section 10.202(1)(A)-(M) may include an investigation into my credit history, criminal background, employment status, and other information gathered by credit institutions or law enforcement agencies, as is necessary to determine my eligibility for participation in TDHCA's programs.

I hereby specifically authorize TDHCA to obtain information on my credit history and further authorize the release of any and all information needed to verify or confirm my eligible applicant status and experience. Furthermore, I hereby authorize the use of a photocopy of this authorization to be used for all legal purposes for which the original may be used, and request that it be honored as if it were the original. I understand that further authorizations for release of specific information may be required. I authorize the State to verify any of the information contained in this application or in any financial statement from any source that would have a reasonable expectation to be able to verify any of the information provided or my ability to fulfill potential obligations under a future agreement with the State. I also agree to provide the State with audited financial statements if it is deemed necessary to reconcile or verify the statements made herein.

I hereby certify that the figures and the statements contained herein, submitted by me for the purposes of becoming a participant in the ownership and/or control of property that has received or will receive funding from the Texas Department of Housing and Community Affairs, are true and give a correct representation of my financial condition and applicant eligibility as of this date.

By:



Signature
T. Justin MacDonald

Printed Name
467-57-3377

Social Security Number
2951 Fall Creek Rd.

Street Address
Kerrville, TX 78028

City, State, Zip
4/26/2017

Date



Financial statements are attached for all new proposed entities/individuals with a controlling interest.

Exhibit A. Organizational Documents

Provide a Certificate of Authority from the Texas Secretary of State to do business in Texas if foreign filed and copies of governing documents such as articles of incorporation or organization, bylaws, and/or partnership agreements verifying the relationship and authority indicated in this packet. Refer to the Post Award Activities Manual for specific requirements.

The proposed owner and general partner are to be formed entities,
based on the Board's decision



Office of the Secretary of State

CERTIFICATE OF RESERVATION OF ENTITY NAME OF

Kerrville Saralita Apartments, L.P.

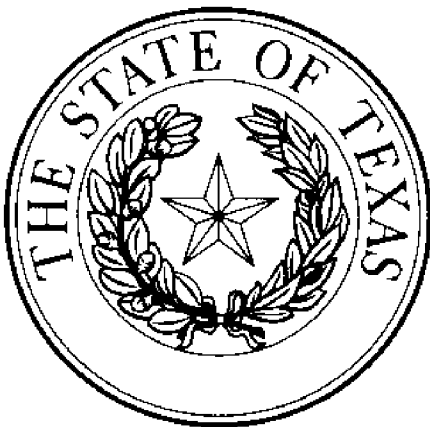
The undersigned, as Secretary of State of Texas, hereby certifies that the above entity name has been reserved in this office pursuant to the provisions of Section 5.101 of the Texas Business Organizations Code for the exclusive use of

MacDonald & Associates, Inc
2951 Fall Creek Rd, Kerrville , TX 78028

for a period of one hundred twenty days after the date hereof.

This name reservation does not authorize the use of a name in this state in violation of the rights of another under the federal Trademark Act of 1946, the Texas trademark law, the Assumed Business or Professional Name Act, or the common law.

Dated: 03/28/2017



A handwritten signature in black ink, appearing to read "Rolando B. Pablos".

Rolando B. Pablos
Secretary of State



Office of the Secretary of State

CERTIFICATE OF RESERVATION OF ENTITY NAME OF

Kerrville Saralita GP, L.L.C.

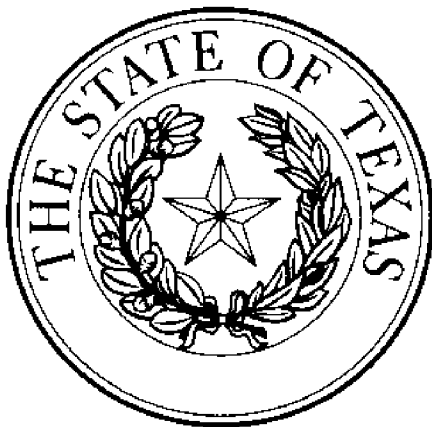
The undersigned, as Secretary of State of Texas, hereby certifies that the above entity name has been reserved in this office pursuant to the provisions of Section 5.101 of the Texas Business Organizations Code for the exclusive use of

MacDonald & Associates, Inc
2951 Fall Creek Rd, Kerrville , TX 78028

for a period of one hundred twenty days after the date hereof.

This name reservation does not authorize the use of a name in this state in violation of the rights of another under the federal Trademark Act of 1946, the Texas trademark law, the Assumed Business or Professional Name Act, or the common law.

Dated: 03/28/2017



A handwritten signature in black ink, appearing to read "Rolando B. Pablos".

Rolando B. Pablos
Secretary of State

Exhibit C. Historically Underutilized Business (HUB) Participation

If applicable, provide a current HUB Certificate behind this tab and a copy of the agreement that outlines the role and responsibility of the HUB in managing or co-managing the property. Refer to the Post Award Activities Manual for specific requirements. If requesting a HUB removal, you may submit the Amendment Cover sheet, copy of fee payment, and amendment request under this tab or can include a short summary regarding when such information will be provided.



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

The Texas Comptroller of Public Accounts (CPA) administers the Statewide Historically Underutilized Business (HUB) Program for the State of Texas, which includes certifying minority and woman-owned businesses as HUBs and is designed to facilitate the participation of minority and woman-owned businesses in state agency procurement opportunities.

We are pleased to inform you that your application for certification/re-certification as a HUB has been approved. Your company's profile is listed in the State of Texas HUB Directory and may be viewed online at <http://www.window.state.tx.us/procurement/cmb/hubonly.html>. Provided that your company continues to meet HUB eligibility requirements, the enclosed HUB certificate is valid for four years.

You must notify the HUB Program in writing of any changes affecting your company's compliance with the HUB eligibility requirements, including changes in ownership, day-to-day management, control and/or principal place of business. *Note: Any changes made to your company's information may require the HUB Program to re-evaluate your company's eligibility.*

Please reference the enclosed pamphlet for additional resources, such as the state's Centralized Master Bidders List (CMBL), that can increase your chance of doing business with the state.

Thank you for your participation in the HUB Program! If you have any questions, you may contact a HUB Program representative at 512-463-5872 or toll-free in Texas at 1-888-863-5881.

Texas Historically Underutilized Business (HUB) Certificate



Certificate/VID Number:	1271326163900
File/Vendor Number:	066249
Approval Date:	21-AUG-2015
Scheduled Expiration Date:	21-AUG-2019

The Texas Comptroller of Public Accounts (CPA), hereby certifies that

LRJ CONSULTING, L.L.C.

has successfully met the established requirements of the State of Texas Historically Underutilized Business (HUB) Program to be recognized as a HUB. This certificate printed 21-AUG-2015, supersedes any registration and certificate previously issued by the HUB Program. If there are any changes regarding the information (i.e., business structure, ownership, day-to-day management, operational control, business location) provided in the submission of the business' application for registration/certification as a HUB, you must immediately (within 30 days of such changes) notify the HUB Program in writing. The CPA reserves the right to conduct a compliance review at any time to confirm HUB eligibility. HUB certification may be suspended or revoked upon findings of ineligibility.

*Paul Gibson, Statewide HUB Program Manager
Texas Procurement and Support Services*

Note: In order for State agencies and institutions of higher education (universities) to be credited for utilizing this business as a HUB, they must award payment under the Certificate/VID Number identified above. Agencies and universities are encouraged to validate HUB certification prior to issuing a notice of award by accessing the Internet (<http://www.window.state.tx.us/procurement/cmb/cmbhub.html>) or by contacting the HUB Program at 1-888-863-5881 or 512-463-5872.

**SPONSOR CHARACTERISTICS
HUB MATERIAL PARTICIPATION**

LRJ Consulting, L.L.C., a certified HUB, will be a 60% member of the General Partner and a 10% member of the Developer. Lucille Jones is the owner and 100% shareholder of LRJ Consulting, L.L.C. Lucille will provide regular, continuous and substantial participation in the development and continued operation of the project.

As managing member of the general partner, Lucille's participation will include, but not be limited to:

1. Review and approval of construction draws from the General Contractor.
2. Coordination with staff to submit all required reporting to TDHCA during development phase.
3. Working with Management Company during leasing and continuing operations of the property.
4. Review and approval of financials from managing agent.
5. Coordination with management to insure proper reporting for TDHCA compliance.

BOARD ACTION REQUEST

ASSET MANAGEMENT

MAY 25, 2017

Presentation, discussion, and possible action regarding an Ownership Transfer prior to IRS Form 8609 issuance or construction completion for The Providence (f/k/a The Villas), Housing Tax Credit (“HTC”) No. 16370

RECOMMENDED ACTION

WHEREAS, The Providence (the “Development”) received an award of 9% Housing Tax Credits (“HTC”) in 2016 to construct 108 multifamily units in Lubbock;

WHEREAS, a request has been received for approval of a change in the ownership structure of the managing member of the General Partner, SH Lubbock 98th MM, LLC (the “GP Managing Member”), that involves the withdrawal of one of the original principals, Steve Hunt (“Hunt”), but does not involve the addition of new principals or entities;

WHEREAS, Hunt is transitioning towards retirement and is seeking to transfer his interest to the remaining principal members, Paul D. Stell (“Stell”), Drew Gray (“Gray”), and Micah Paxton (“Paxton”);

WHEREAS, Hunt was not used to meet the Experience Requirement in the Application; and

WHEREAS, the transfer of ownership is being requested prior to the issuance of IRS Form(s) 8609 and 10 TAC §10.406(e) requires that parties reflected in the Application that have control must remain in the ownership structure and retain such control, unless approved otherwise by the Board, and changes in Developers or Guarantors are considered amendments under 10 TAC §10.405(a)(3)(C) requiring approval.

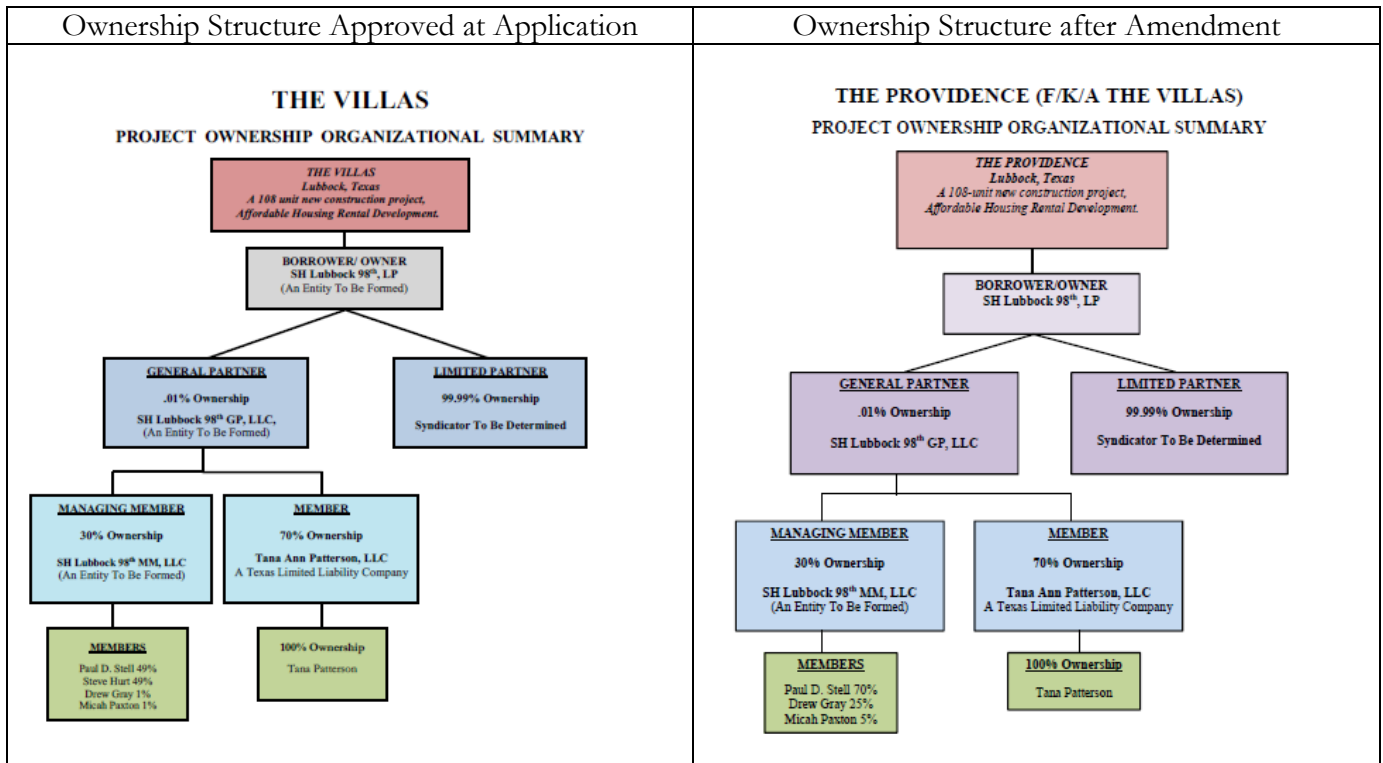
NOW, therefore, it is hereby

RESOLVED, that the ownership transfer and the change in the Developer and Guarantors for The Providence is approved as presented to this meeting, and the Executive Director and his designees are hereby, authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

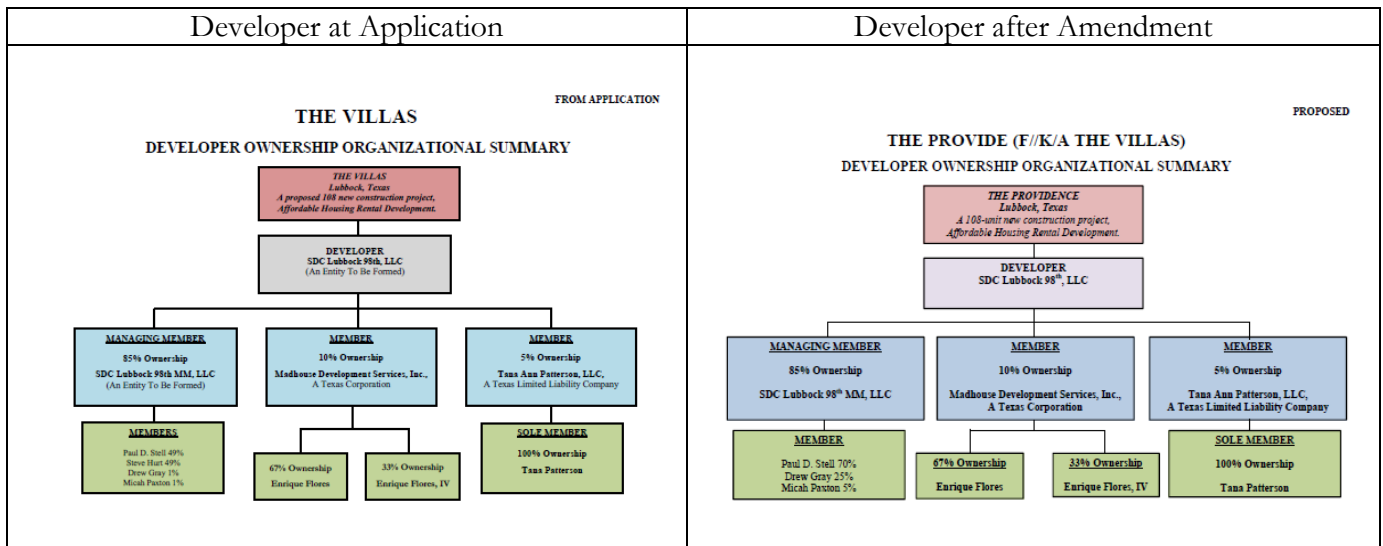
BACKGROUND

The Providence (f/k/a The Villas) was approved for 9% Housing Tax Credits in 2016 to construct 108 multifamily units in Lubbock, Lubbock County. On April 25, 2017, Christine Richardson of Locke Lord, the representative for SH Lubbock 98th, LP (the “Development Owner”), submitted a request for a change in the ownership, Developer, and Guarantor structures. Currently, the GP Managing Member is the 30% owner of the General Partner and is owned by principals, Stell (49%), Hunt (49%), Gray (1%), and Paxton

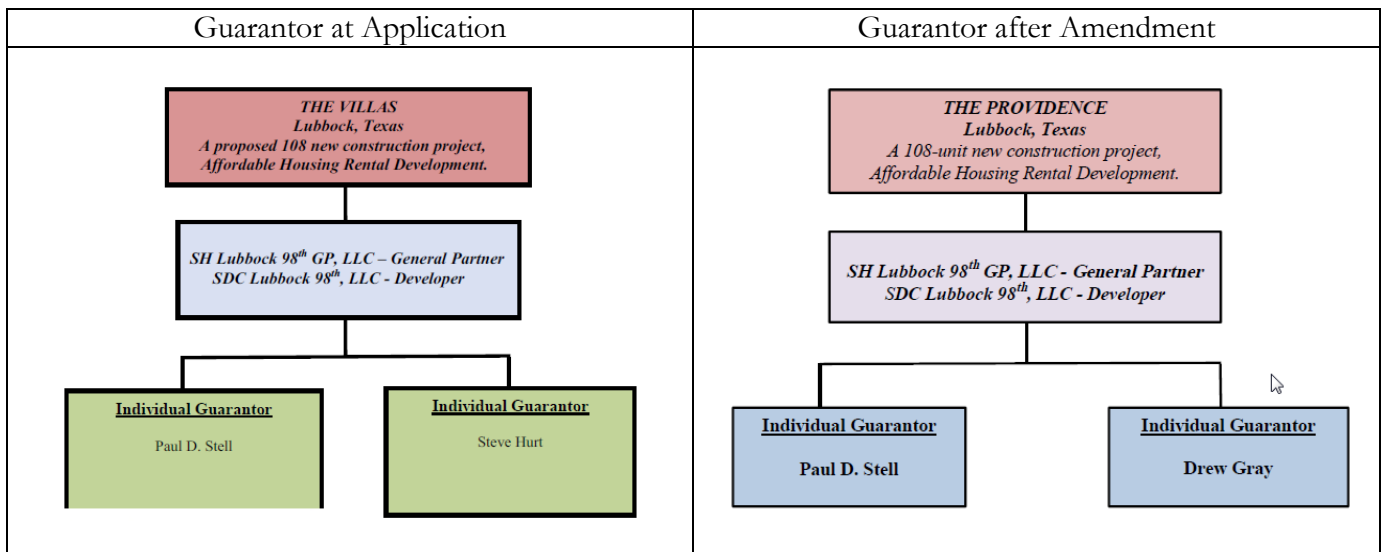
(1%). Ms. Richardson explains that Hunt is transitioning towards retirement and no longer wishes to participate in future tax credits in order to reduce his ongoing liabilities. The principals of the GP Managing Member have agreed to the withdrawal of Hunt and have drafted an assignment and amendment document to effect the transfer of his interest to the remaining principals, to be finalized upon approval by the Department. Hunt's interest will be distributed to Stell (70%), Gray (25%), and Paxton (5%). No new principals or entities will be added. Ms. Richardson states that Hunt's decision to retire was not made at the time of application submission, and therefore, his withdrawal from the GP Managing Member was not reasonably foreseeable at that time. Additionally, a review of the application confirms that Hunt was not used to meet the evidence of experience required in §10.204(6).



Hunt is also withdrawing from the ownership structure of the Developer. Currently, SDC Lubbock 98th MM, LLC, the managing member of the Developer, SDC Lubbock 98th, LLC, is owned by members, Stell (49%), Hunt (49%), Gray (1%), and Paxton (1%). Hunt's interest will be distributed to Stell (70%), Gray (25%), and Paxton (5%). No new principals or entities will be added.



Finally, Hunt will be removed as a principal of the Guarantor and will be replaced by Gray. No new Guarantors will be added.



Staff recommends approval of the requested changes in ownership structures for the Development Owner, the Developer, and the Guarantors for The Providence as presented herein.



Asset Management Division

Amendment Request Form

Completed forms and supporting materials can be emailed to asset.management@tdhca.state.tx.us

TYPE OF AMENDMENT REQUESTED

Date Submitted: 4/25/2017

Amendment Requested: *Application Amendment,*

Has the change been implemented? *No*

Award Stage: *Carryover (Prior to Construction/10% Test)*

NOTE: Material Application or LURA Amendment requests must be received 45 days before the Board Meeting.

Contact your Asset Manager if you are unsure what type of Amendment to request: <https://www.tdhca.state.tx.us/asset-management/contacts.htm>

DEVELOPMENT INFORMATION

Dev. Name: The Providence (f/k/a The Villas)

File No. / CMTS No.: 16370 /

CONTACT INFORMATION

Request Submitted By: Locke Lord LLP

Phone #/Email: (512) 305-4754 / crichardson@lockelord.com

SECTION 1: COVER LETTER

A cover letter ***MUST*** be submitted with your request. Review your cover letter to ensure it includes:

- The change(s) requested
- The reason the change is necessary
- The good cause for the change
- An explanation of whether the amendment was reasonably foreseeable or preventable at the time of Application

SECTION 2: REQUIRED DOCUMENTATION

Entering an Amendment conveys to the Department that representations in the Application have changed. You ***MUST*** provide information about any and all changes made from the time of Application (or as last approved by the Department) in your request, including any items that will be impacted by the requested change. Failure to represent or properly document all changes may result in delays, denials, or a request for re-submission. The following is attached:

- Revised Development Financing Exhibits – if sources, terms, conditions, or amounts of financing will be impacted or changed by your amendment request, revised Application exhibits and term sheets (or executed Loan documents and LPA, if the loan has closed) must be submitted
- Signed Statement of No Financial Impact – if no sources, terms, conditions, or amount of financing will be impacted or changed by your amendment request, the Owner must sign and submit a statement to this effect
- Revised Application Exhibits/Documents Reflecting or Supporting All Requested Changes – revised site plans, surveys, Building and Unit Configuration exhibit, etc.
- Material Amendment fee of \$2,500 for first amendments, \$3,000 for second amendments, \$3,500 for third or more. (Applicable to Non-Material Amendments only if changes have been implemented prior to Amendment approval) – *N/A for Developments only funded by a Direct Loan program (HOME, NSP, HTF)*

SECTION 3A: MATERIAL APPLICATION AMENDMENT ITEMS

Check all items that have been modified from the original application (see *Subchapter E, §10.405(a)(3)*):

- Site plan Scope of tenant services Exclusion of reqs in Subchapters B & C
 Number of units* Reduction of 3%+ in unit sq ft Other
 Bedroom mix Reduction of 3%+ common area
 Architectural design Residential density (5%+ change)

If “Number of units” is selected above and the total LI units or LI units at any rent or income level will be reduced, also:

- Written confirmation from the lender *and* syndicator that the development is infeasible without the adjustment in units
 Evidence supporting the need for the adjustment in units

NOTE: **The approved amendment may carry a penalty in accordance with §10.405(a)(6)(b).*

SECTION 3B: MATERIAL LURA AMENDMENT ITEMS

Check all items that require a material LURA amendment (see Subchapter E, *§10.405(b)(2)*):

- Reductions in the number of LI units Change in Target Population
 Changes to income or rent restrictions Removal of Non-profit Other
 Change in ROFR period or other ROFR provisions

The following additional items are attached for consideration or will be forthcoming:

- Draft Notice of Public Hearing* Evidence of public hearing*

NOTE: **Draft Notices of Public Hearing must be provided with the Amendment materials 45 days prior to the Board meeting. *The Public Hearing must be held at least 15 business days prior to the Board meeting and evidence in the form of attendance sheets and a summary of comments made must be submitted to TDHCA within 3 days of the hearing.*

SECTION 4A: NON-MATERIAL APPLICATION AMENDMENT SUMMARY

Identify all non-material changes that have been or will be made (Contact your Asset Manager if you are unsure of whether your request is non-material):

One of the Principals of the Developer is exiting the ownership and will no longer be a guarantor. No new Principals are being added as a result of these changes; consequently, Previous Participation forms are not provided.

- Amendment is requesting a change in Developer(s) or Guarantor(s) and Previous Participation forms are attached.

SECTION 4B: NON-MATERIAL LURA AMENDMENT SUMMARY

Identify non-material amendments requested to the LURA:

Short Summary Regarding LURA Changes

SECTION 4C: NOTIFICATION ITEM SUMMARY

Identify any notification items from the time of application:

Short Summary Regarding LURA Changes



600 Congress Avenue, Suite 2200
Austin, Texas 78701-3055
Telephone: 512-305-4700
Fax: 512-305-4800
www.lockelord.com

April 25, 2017

Texas Department of Housing
and Community Affairs
P.O. Box 13941
221 East 11th Street
Austin, Texas 78711-3941
Attn: Lee Ann Chance, Asset Manager

RE: The Providence (f/k/a TheVillas) (the "**Development**")
TDHCA Development Number: 16370

Request for Ownership Change Approval
and
Amendment Request for Change in Developer and Guarantor

Dear Ms. Chance:

We represent SH Lubbock 98th, LP, a Texas limited partnership (the "**Partnership**"), which is the owner of the Development. On behalf of the Partnership, we are submitting this request to obtain the Department's approval for an ownership change and an amendment to the application to reflect a change in the Developer and Guarantor, all as more fully described below.

1. Ownership Change – Exit by Principal Prior to 8609s

In the Partnership's tax credit application (the "**Application**"), Steve Hurt was identified as a Principal, having a 49% interest in the managing member (the "**GP Managing Member**") of the Partnership's general partner. Since the time that the Application was submitted, Mr. Hurt has started transitioning towards retirement and does not wish to continue participating in future tax credit transactions so that he will not have ongoing liabilities for these transactions into retirement. This decision was made by Mr. Hurt voluntarily and has been mutually agreed to by the remaining principals in the transaction. In furtherance of this decision, Mr. Hurt and the other principals have agreed that Mr. Hurt will withdraw as a member of the GP Managing Member. For reference, a draft of the assignment and amendment document that will effect

Mr. Hurt's withdrawal from the GP Managing Member is attached hereto as Exhibit A. Mr. Hurt's withdrawal will not be implemented until the Department's approval is received. Consequently, the assignment/amendment document has not been executed yet.

Mr. Hurt's withdrawal will not impact the continued participation by the other principals in the ownership, and no new principals are being added as a result of this change. Paul Stell, who is the manager and the other major member of the GP Managing Member, will continue in this role. In addition, Mr. Hurt was not relied upon as the party with experience in the Application, so this element of the Application is also unchanged. At the time that the Application was submitted, Mr. Hurt had not made a decision regarding retirement; consequently, this change was not reasonably foreseeable at the time of Application submission.

Notwithstanding the fact that Mr. Hurt's withdrawal will not introduce any new principals into the ownership, we are seeking the Department's approval for this change in accordance with Section 10.406(e) of the Multifamily Rules, as the change is occurring prior to the issuance of 8609s.

2. Non-Material Amendment Request – Change in Developer and Guarantor

We respectfully request the Department's approval for changes in the Developer and Guarantor as further described below. These changes are related to Mr. Hurt's withdrawal from this transaction, as explained above.

1. Change in Developer – Similar to his interest in the GP Managing Member, Mr. Hurt was also listed in the Application as a 49% member of the managing member of the Developer (the "**Developer Managing Member**"). Mr. Hurt is withdrawing as a member of the Developer Managing Member for the same reasons noted above. For reference, a draft of the assignment and amendment document that will effect Mr. Hurt's withdrawal from the Developer Managing Member is attached hereto as Exhibit B. This document will also not be signed and implemented until the Department's approval is received. As with the change in the GP Managing Member, no other principals are changing and no new principals are being added to the Developer Managing Member.
2. Change in Guarantor – As part of his withdrawal from this transaction, Mr. Hurt will also no longer be acting as a guarantor. The guarantees will be provided by Paul Stell, who was originally disclosed in the tax credit application as a guarantor. Drew Gray will also be added as a guarantor. Mr. Gray is already a member of the GP Managing Member and the Developer Managing Member; consequently, his previous participation was already disclosed in the Application.

3. Additional Documentation

In further support of the foregoing requests, we have enclosed as Exhibit C organizational charts showing the current organizational structures for owner, developer, and guarantor as disclosed in the Application, as well as charts to show the proposed organizational structures after implementation of the changes described above. Also, a Statement of No Financial Impact is attached hereto as Exhibit D to confirm that the above-described changes will not have a material impact on the proposed financing or the sources and uses. Finally, a check in the amount of \$2,500 is enclosed for payment of the amendment processing fee.

We appreciate the Department's consideration of these requests. If there is any additional information that is needed, please do not hesitate to let us know.

Sincerely,



Christine R. Richardson

Encl.

cc: Drew Gray
Stellar Development

EXHIBIT A

Assignment/Amendment Agreement for GP Managing Member

**SH LUBBOCK 98TH MM, LLC,
A TEXAS LIMITED LIABILITY COMPANY**

**ASSIGNMENT OF MEMBERSHIP INTEREST AND FIRST AMENDMENT TO
COMPANY AGREEMENT**

This Assignment of Membership Interest and First Amendment to Company Agreement (this "**Assignment/Amendment**") is executed to be effective as of _____, 2017 by and among the undersigned parties.

Recitals:

A. Paul Stell ("**Stell**"), Steve Hurt ("**Hurt**"), Drew Gray ("**Gray**"), and Micah Paxton ("**Paxton**") previously executed a Company Agreement of SH Lubbock 98th MM, LLC, a Texas limited liability company (the "**Company**"), dated as of September 9, 2016 (the "**Agreement**"), with each of the foregoing parties being a member of the Company.

B. Hurt is the owner of 49% of the Percentage Interests in the Company and now desires to transfer a portion of such Interests (the "**Assigned Interest**") to each of Stell, Gray, and Paxton, and upon such transfer, Hurt desires to withdraw as a Member of the Company.

C. The parties are entering into this Assignment/Amendment to effect and consent to the assignment of the Assigned Interest, Hurt's withdrawal from the Company, and the amendment of the Agreement to reflect the changes referenced herein.

Agreement:

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Assignments.**

(a) Hurt hereby assigns, transfers, conveys and sets over to Stell 21% of the Percentage Interests in the Company and all right, title and interest of Hurt in and to such Assigned Interest, including but not limited to all of Hurt's interest in allocations of profits, losses, credits, gain, and cash flow with respect thereto.

(b) Stell hereby accepts the assignment of such portion of the Assigned Interest referenced in Section 1(a), and agrees to be bound by all terms, provisions and conditions of the Agreement, which pertain to such Assigned Interest.

(c) Hurt hereby assigns, transfers, conveys and sets over to Gray 24% of the Percentage Interests in the Company and all right, title and interest of Hurt in and to such

Assigned Interest, including but not limited to all of Hurt's interest in allocations of profits, losses, credits, gain, and cash flow with respect thereto.

(d) Gray hereby accepts the assignment of such portion of the Assigned Interest referenced in Section 1(c), and agrees to be bound by all terms, provisions and conditions of the Agreement, which pertain to such Assigned Interest.

(e) Hurt hereby assigns, transfers, conveys and sets over to Paxton 4% of the Percentage Interests in the Company and all right, title and interest of Hurt in and to such Assigned Interest, including but not limited to all of Hurt's interest in allocations of profits, losses, credits, gain, and cash flow with respect thereto.

(f) Paxton hereby accepts the assignment of such portion of the Assigned Interest referenced in Section 1(e), and agrees to be bound by all terms, provisions and conditions of the Agreement, which pertain to such Assigned Interest.

2. Amendments.

(a) The Agreement is hereby amended to reflect the withdrawal of Hurt as a Member of the Company. By execution of this Assignment/Amendment, Hurt acknowledges that, from and after the date of this Agreement, he has no further right, title, or interest in the Company as a member thereof.

(b) Exhibit A to the Agreement is hereby replaced with Exhibit A attached to this Assignment/Amendment.

3. Consent to Assignment. By its execution of this Assignment/Amendment, Stell, Gray, and Paxton each hereby consent to Hurt's withdrawal from the Company. Each of the parties hereto further acknowledge and agree that any provisions of Article VI of the Agreement that are contrary to or inconsistent with the assignments described herein are hereby waived as to such assignments..

4. Capitalized Terms. All capitalized terms used herein shall have the meaning assigned to such terms in the Agreement.

5. No Other Changes. Except as expressly amended or modified by this Assignment/Amendment, (a) all of the terms and provisions of the Agreement are unchanged and remain in full force and effect, and (b) the Members and the Manager hereby confirm and ratify the Agreement's existence and every term, condition, and covenant therein contained, to the same extent and as though the same were set out herein in full.

6. Burden and Benefit. The covenants and agreements contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

7. Applicable Law. This Assignment/Amendment shall be construed and enforced in accordance with the laws of the State of Texas.

8. Counterparts. This Assignment/Amendment may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart. Facsimiles shall be deemed originals.

9. Entire Agreement. The Agreement and this Assignment/Amendment set forth all (and is intended by all parties to be an integration of all) of the representations, promises, agreements and understandings among the parties hereto with respect to the Company and the business and the property of the Company, and there are no representations, promises, agreements or understandings, oral or written, express or implied, among them other than as set forth or incorporated in the Agreement and herein.

[Signature page follows.]

SIGNATURE PAGE

STELL
(in his capacity as
member and manger):

Paul D. Stell

HURT:

Steve Hurt

GRAY:

Drew H. Gray

PAXTON:

Micah Paxton

EXHIBIT A

<u>Members and Addresses</u>	<u>Date of Admission</u>	<u>Capital Contribution</u>	<u>Percent of Ownership</u>
Paul D. Stell Stellar Development Company, LLC Platinum Bank Building 6502 Slide Road, Suite 404 Lubbock, Texas 79424	September 13, 2016	\$700.00	70.0%
Drew H. Gray Stellar Development Company, LLC Platinum Bank Building 6502 Slide Road, Suite 404 Lubbock, Texas 79424	September 13, 2016	\$250.00	25.0%
Micah Paxton Stellar Development Company, LLC Platinum Bank Building 6502 Slide Road, Suite 404 Lubbock, Texas 79424	September 13, 2016	\$50.00	5.0%

Managers

**Paul D. Stell
Stellar Development Company, LLC
Platinum Bank Building
6502 Slide Road, Suite 404
Lubbock, Texas 79424**

EXHIBIT B

Assignment/Amendment Agreement for Developer Managing Member

**SDC LUBBOCK 98TH MM, LLC,
A TEXAS LIMITED LIABILITY COMPANY**

**ASSIGNMENT OF MEMBERSHIP INTEREST AND FIRST AMENDMENT TO
COMPANY AGREEMENT**

This Assignment of Membership Interest and First Amendment to Company Agreement (this "**Assignment/Amendment**") is executed to be effective as of _____, 2017 by and among the undersigned parties.

Recitals:

A. Paul Stell ("**Stell**"), Steve Hurt ("**Hurt**"), Drew Gray ("**Gray**"), and Micah Paxton ("**Paxton**") previously executed a Company Agreement of SDC Lubbock 98th MM, LLC, a Texas limited liability company (the "**Company**"), dated as of September 9, 2016 (the "**Agreement**"), with each of the foregoing parties being a member of the Company.

B. Hurt is the owner of 49% of the Percentage Interests in the Company and now desires to transfer a portion of such Interests (the "**Assigned Interest**") to each of Stell, Gray, and Paxton, and upon such transfer, Hurt desires to withdraw as a Member of the Company.

C. The parties are entering into this Assignment/Amendment to effect and consent to the assignment of the Assigned Interest, Hurt's withdrawal from the Company, and the amendment of the Agreement to reflect the changes referenced herein.

Agreement:

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Assignments.**

(a) Hurt hereby assigns, transfers, conveys and sets over to Stell 21% of the Percentage Interests in the Company and all right, title and interest of Hurt in and to such Assigned Interest, including but not limited to all of Hurt's interest in allocations of profits, losses, credits, gain, and cash flow with respect thereto.

(b) Stell hereby accepts the assignment of such portion of the Assigned Interest referenced in Section 1(a), and agrees to be bound by all terms, provisions and conditions of the Agreement, which pertain to such Assigned Interest.

(c) Hurt hereby assigns, transfers, conveys and sets over to Gray 24% of the Percentage Interests in the Company and all right, title and interest of Hurt in and to such

Assigned Interest, including but not limited to all of Hurt's interest in allocations of profits, losses, credits, gain, and cash flow with respect thereto.

(d) Gray hereby accepts the assignment of such portion of the Assigned Interest referenced in Section 1(c), and agrees to be bound by all terms, provisions and conditions of the Agreement, which pertain to such Assigned Interest.

(e) Hurt hereby assigns, transfers, conveys and sets over to Paxton 4% of the Percentage Interests in the Company and all right, title and interest of Hurt in and to such Assigned Interest, including but not limited to all of Hurt's interest in allocations of profits, losses, credits, gain, and cash flow with respect thereto.

(f) Paxton hereby accepts the assignment of such portion of the Assigned Interest referenced in Section 1(e), and agrees to be bound by all terms, provisions and conditions of the Agreement, which pertain to such Assigned Interest.

2. Amendments.

(a) The Agreement is hereby amended to reflect the withdrawal of Hurt as a Member of the Company. By execution of this Assignment/Amendment, Hurt acknowledges that, from and after the date of this Agreement, he has no further right, title, or interest in the Company as a member thereof.

(b) Exhibit A to the Agreement is hereby replaced with Exhibit A attached to this Assignment/Amendment.

3. Consent to Assignment. By its execution of this Assignment/Amendment, Stell, Gray, and Paxton each hereby consent to Hurt's withdrawal from the Company. Each of the parties hereto further acknowledge and agree that any provisions of Article VI of the Agreement that are contrary to or inconsistent with the assignments described herein are hereby waived as to such assignments..

4. Capitalized Terms. All capitalized terms used herein shall have the meaning assigned to such terms in the Agreement.

5. No Other Changes. Except as expressly amended or modified by this Assignment/Amendment, (a) all of the terms and provisions of the Agreement are unchanged and remain in full force and effect, and (b) the Members and the Manager hereby confirm and ratify the Agreement's existence and every term, condition, and covenant therein contained, to the same extent and as though the same were set out herein in full.

6. Burden and Benefit. The covenants and agreements contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

7. Applicable Law. This Assignment/Amendment shall be construed and enforced in accordance with the laws of the State of Texas.

8. Counterparts. This Assignment/Amendment may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart. Facsimiles shall be deemed originals.

9. Entire Agreement. The Agreement and this Assignment/Amendment set forth all (and is intended by all parties to be an integration of all) of the representations, promises, agreements and understandings among the parties hereto with respect to the Company and the business and the property of the Company, and there are no representations, promises, agreements or understandings, oral or written, express or implied, among them other than as set forth or incorporated in the Agreement and herein.

[Signature page follows.]

SIGNATURE PAGE

STELL
(in his capacity as
member and manger):

Paul D. Stell

HURT:

Steve Hurt

GRAY:

Drew H. Gray

PAXTON:

Micah Paxton

EXHIBIT A

<u>Members and Addresses</u>	<u>Date of Admission</u>	<u>Capital Contribution</u>	<u>Percent of Ownership</u>
Paul D. Stell Stellar Development Company, LLC Platinum Bank Building 6502 Slide Road, Suite 404 Lubbock, Texas 79424	September 13, 2016	\$700.00	70.0%
Drew H. Gray Stellar Development Company, LLC Platinum Bank Building 6502 Slide Road, Suite 404 Lubbock, Texas 79424	September 13, 2016	\$250.00	25.0%
Micah Paxton Stellar Development Company, LLC Platinum Bank Building 6502 Slide Road, Suite 404 Lubbock, Texas 79424	September 13, 2016	\$50.00	5.0%

Managers

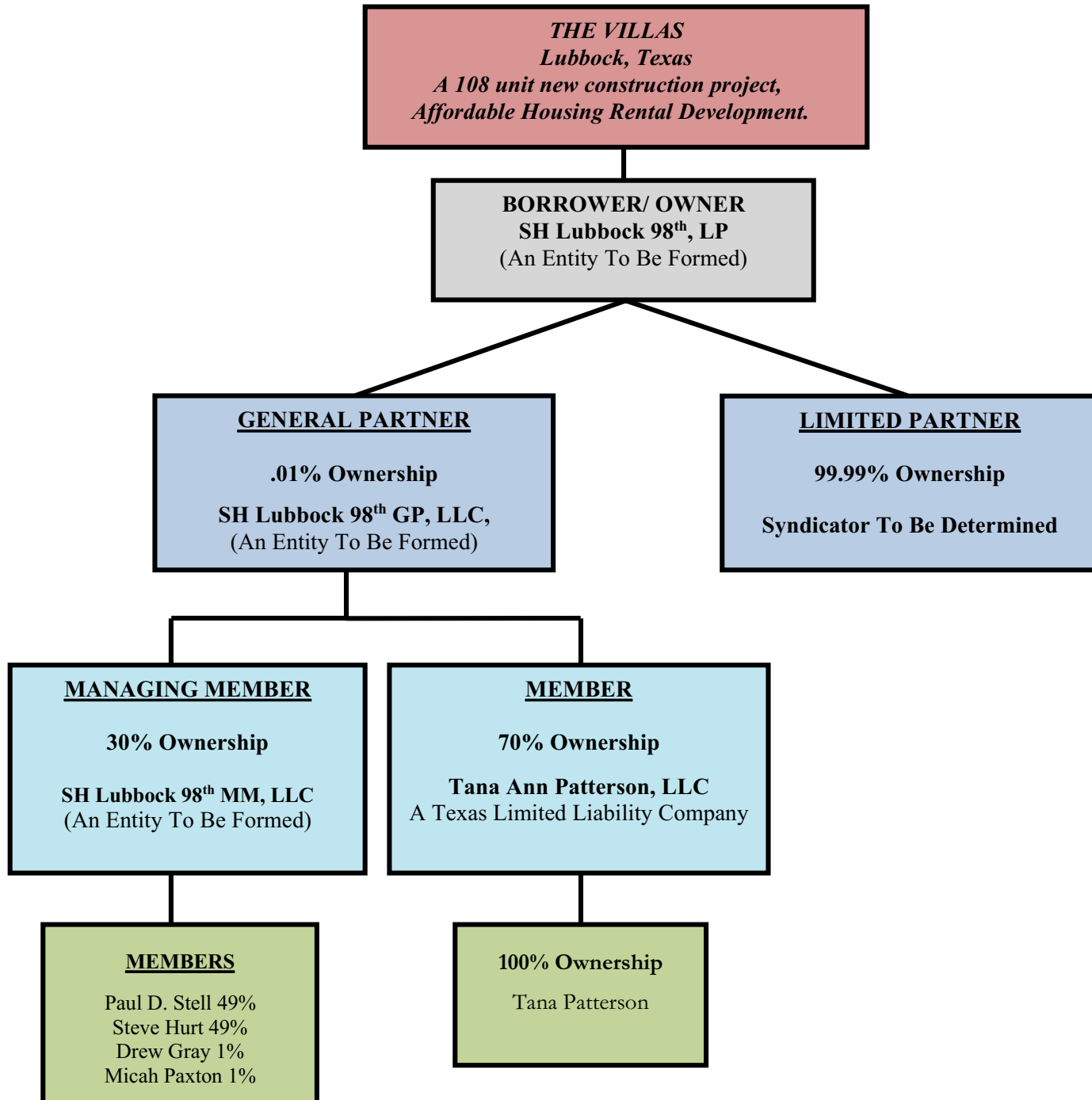
**Paul D. Stell
Stellar Development Company, LLC
Platinum Bank Building
6502 Slide Road, Suite 404
Lubbock, Texas 79424**

EXHIBIT C

Organizational Charts (From Application and Proposed)

THE VILLAS

PROJECT OWNERSHIP ORGANIZATIONAL SUMMARY

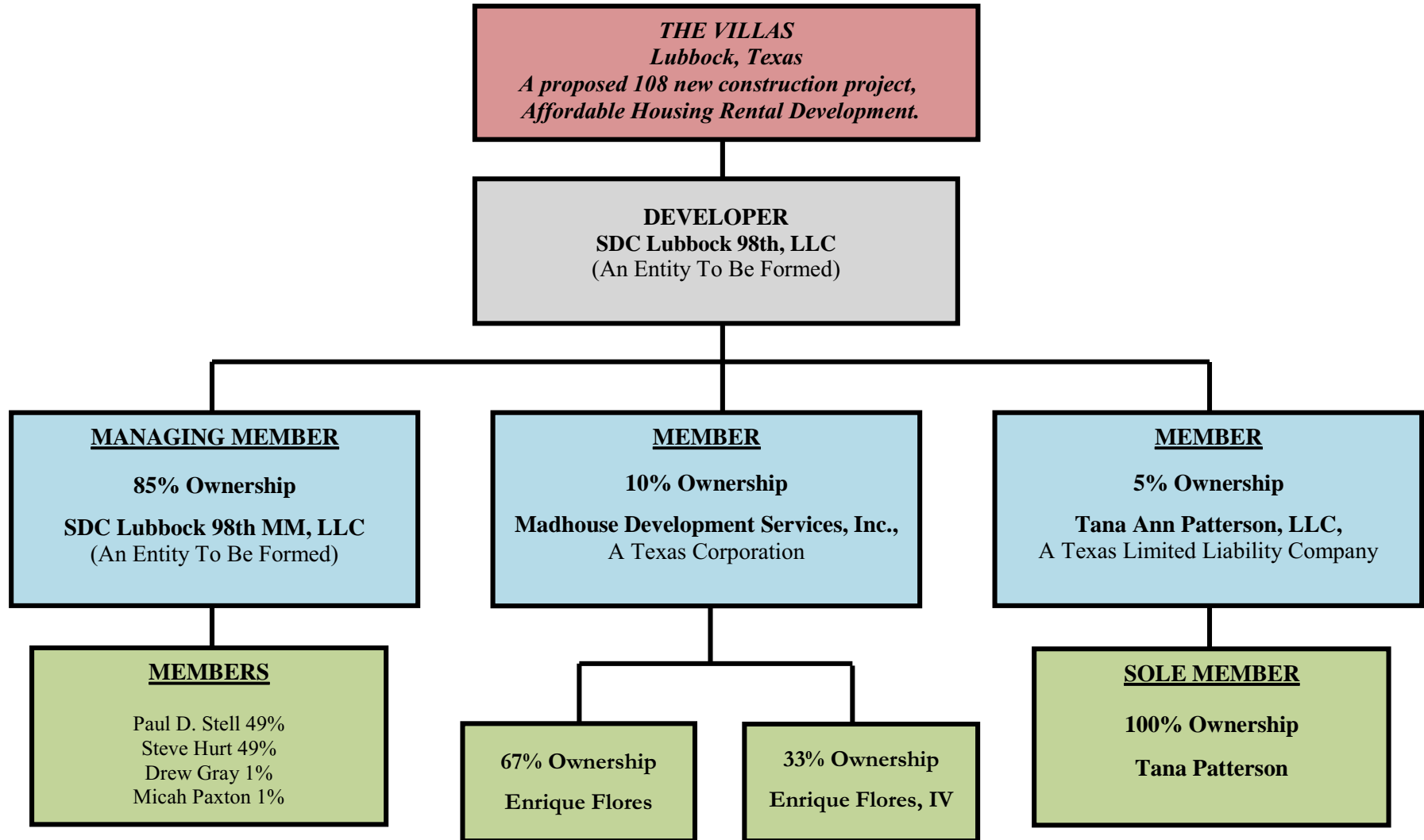


✓ **Deficiency 3: Organization Charts:** Confirm that Paul Stell and Paul D. Stell are one in the same. Confirm that Drew Gray and Drew H. Gray are one in the same.

Response 3: Please accept this response as confirmation that Paul Stell and Paul D. Stell are one in the same and that Drew Gray and Drew H. Gray are one in the same.

THE VILLAS

DEVELOPER OWNERSHIP ORGANIZATIONAL SUMMARY

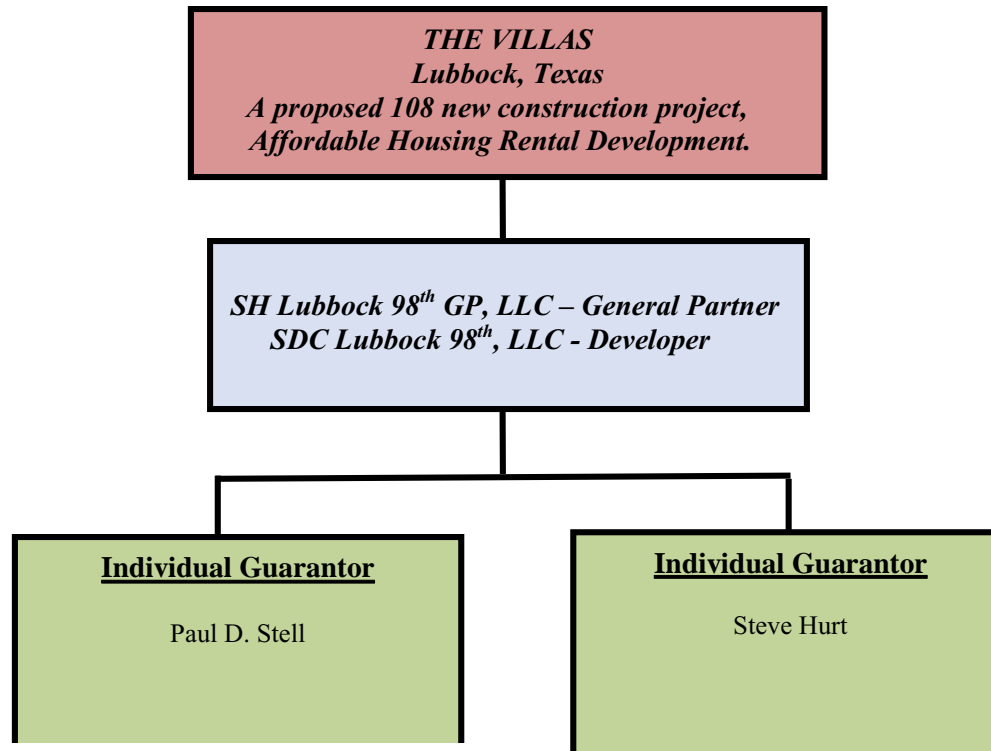


Deficiency 3: **Organization Charts:** Confirm that Paul Stell and Paul D. Stell are one in the same. Confirm that Drew Gray and Drew H. Gray are one in the same.

Response 3: Please accept this response as confirmation that Paul Stell and Paul D. Stell are one in the same and that Drew Gray and Drew H. Gray are one in the same.

THE VILLAS

GUARANTOR ORGANIZATIONAL SUMMARY



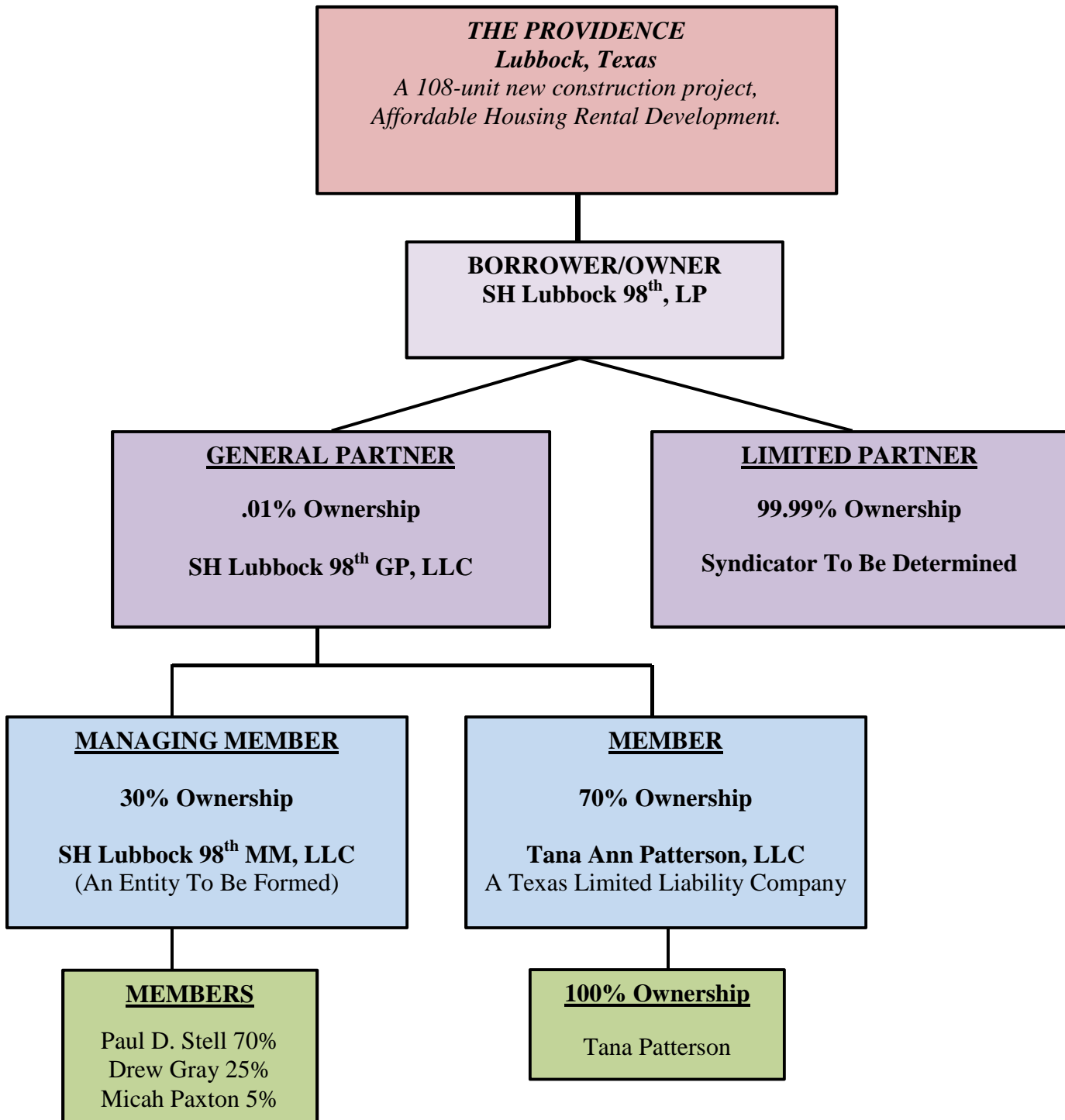
Deficiency 3: Organization Charts: Confirm that Paul Stell and Paul D. Stell are one in the same. Confirm that Drew Gray and Drew H. Gray are one in the same.

Response 3: Please accept this response as confirmation that Paul Stell and Paul D. Stell are one in the same and that Drew Gray and Drew H. Gray are one in the same.

Response 4: Please accept this letter as confirmation that Stellar Development should not be included in the Guarantor Organization chart since it is not considered a Guarantor. _____

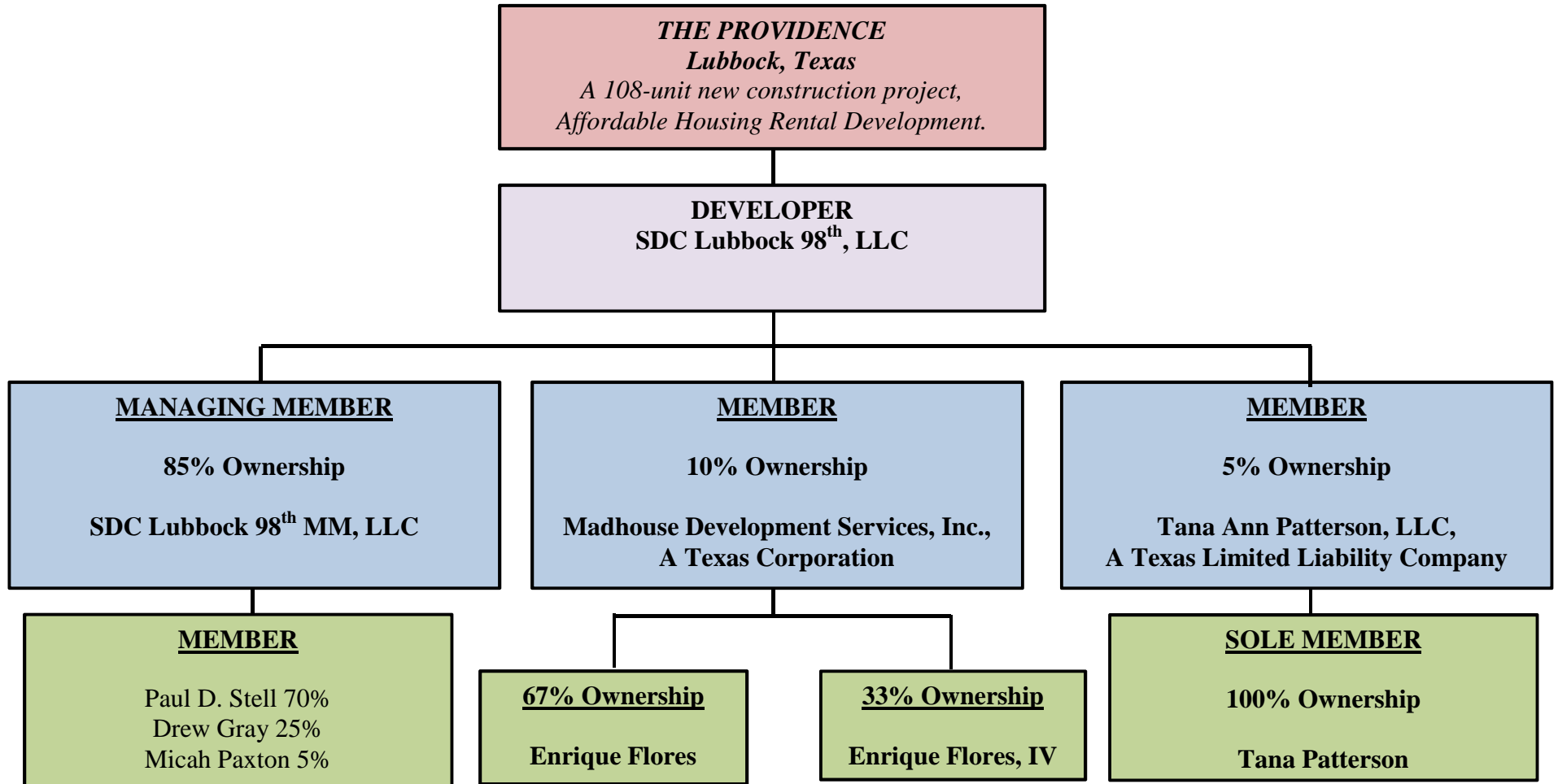
THE PROVIDENCE (F/K/A THE VILLAS)

PROJECT OWNERSHIP ORGANIZATIONAL SUMMARY



THE PROVIDE (F//K/A THE VILLAS)

DEVELOPER OWNERSHIP ORGANIZATIONAL SUMMARY



THE PROVIDENCE (F/K/A THE VILLAS)

GUARANTOR ORGANIZATIONAL SUMMARY

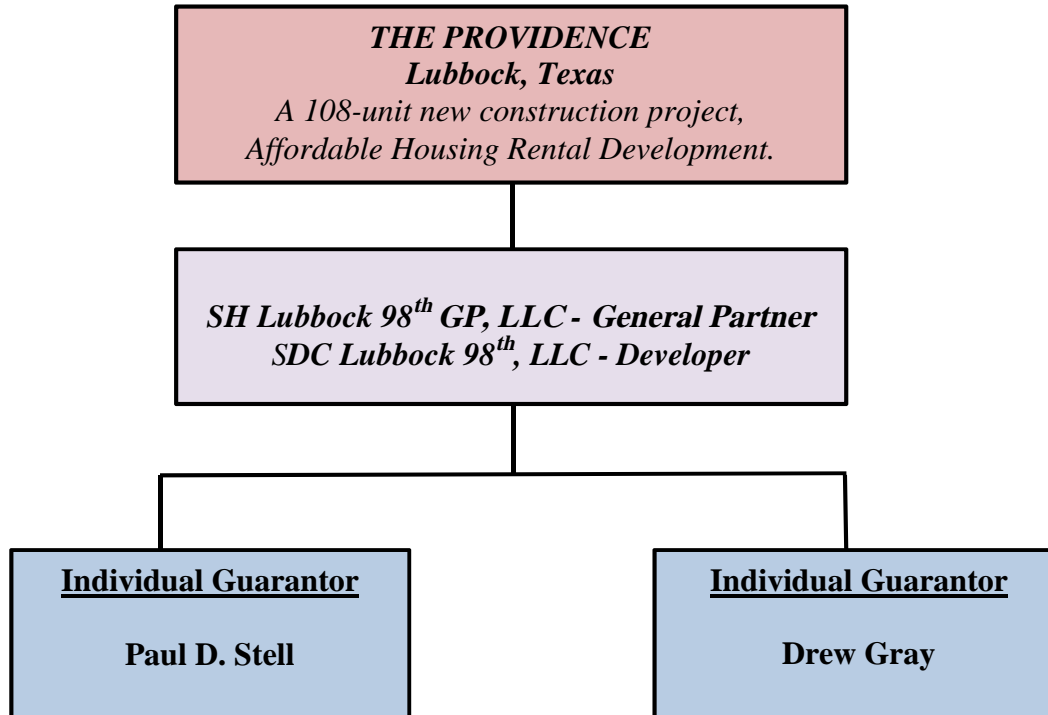


EXHIBIT D

Statement of No Financial Impact

STATEMENT OF NO FINANCIAL IMPACT

The undersigned is the Manager of SH Lubbock 98th MM, LLC, which is the managing member of SH Lubbock 98th GP, LLC, the general partner of SH Lubbock 98th, LP ("**Owner**"). By execution of this statement, the undersigned confirms on behalf of the Owner that the organizational changes described in the Owner's change of ownership and amendment request to the Department will not have any financial impact on the transaction.



By: _____

Paul D. Stell, Manager of SH Lubbock
98th MM, LLC, managing member of SH
Lubbock 98th GP, LLC, general partner of
SH Lubbock 98th, LP

Date: April 25, 2017

1k

BOARD ACTION REQUEST

ASSET MANAGEMENT

MAY 25, 2017

Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Application for Lumberton Senior Village in Lumberton (#16172)

RECOMMENDED ACTION

WHEREAS, Lumberton Senior Village (the “Development”) received an award of 9% Housing Tax Credits in 2016 to construct 76 new units in Lumberton;

WHEREAS, a representative for Lumberton Senior Village, Ltd. (the “Applicant”) has requested approval to make material amendments to the Application due to unforeseen and negative trends in tax credit equity markets in recent months, which have resulted in a reduced credit price for the subject Development (falling from \$1.03 to \$0.85) and impacting the feasibility of the Development as originally proposed;

WHEREAS, as a result of the reduced credit pricing, increased construction costs and in an effort to keep the Development viable the Applicant has requested approval to decrease the number of residential buildings from five to one, reduce the number of units from 76 to 56, which modifies the residential density by more than five percent and also results in a significant modifications to the site plan, and finally reduce the number of low income units from 55 to 52;

WHEREAS, the Applicant is also requesting a four month extension to the 10% Test submission deadline, without penalty, until October 31, 2017, and an amended Carryover Allocation Agreement reflecting a lower Taxpayer’s Reasonably Expected Basis (“TREB”) as a result of the reduced development costs for the Development;

WHEREAS, the changes proposed represent material alterations requiring Board approval, including a significant modification of the site plan, modification of the number of units or bedroom mix of units and a modification of the residential density of at least 5 percent as described in Tex. Gov’t Code §2306.6712 and 10 TAC §10.405(a)(4)(A), (B) and (F);

WHEREAS, amendments that involve a reduction in the total number of Low-Income Units, or a reduction in the number of Low-Income Units at any rent or income level must include evidence supporting the need for the change, including written confirmation from the lender and syndicator that the Development is infeasible without the adjustment in Units, and staff’s evaluation of the change that

concludes and concurs that the unit adjustment is necessary for the continued financial feasibility of the Development as required by 10 TAC §10.405(a)(7);

WHEREAS, staff has evaluated the requested reduction in the number of low income units, found it to be unnecessary and received verbal concurrence from the Applicant to maintain the original 55 low income units;

WHEREAS, the Applicant has complied with the amendment requirements in 10 TAC §10.405(a); and

WHEREAS, the reduction in the total number of units and the change in residential density are necessary for the financial feasibility given the reduction in equity pricing; and the changes described do not negatively impact the viability of the transaction or reduce the amount of tax credits awarded at this time;

NOW, therefore, it is hereby

RESOLVED, that the material application amendment for Lumberton Senior Village is approved as presented to this meeting and the Executive Director and his designees are each authorized, directed, and empowered to take all necessary action to effectuate the foregoing.

BACKGROUND

Lumberton Senior Village was submitted and approved for a 9% HTC allocation during the 2016 competitive cycle to construct 76 new multifamily units in Lumberton, Hardin County. The representative for the Development Owner, Leslie Holleman (Evolie Housing Partners, LLC), has submitted a request seeking approval for several changes to the HTC Application.

The Application for Lumberton Senior Village was underwritten and approved at a credit price of \$1.03 offered by Hudson Housing. The amendment request letter explains that in recent months there has been an unforeseen negative impact on the tax credit equity markets and the development team has done everything they can to move this transaction forward; however, Hudson Housing has stated that they are unable to honor the originally offered price of \$1.03 and re-issue a new term sheet at this level. The Applicant received a new equity commitment from Regions Bank for \$0.85 per tax credit, which is \$0.18 price drop per tax credit, resulting in a loss of \$1.3 million in equity previously anticipated to be used for funding this property. As a result of this price reduction, the development as rendered at Application is infeasible without substantial reduction in the development costs.

The Applicant explained that, in order to make the Development feasible with equity pricing at \$0.85, a reduction in the unit count was necessary to get the capital sources to align with the capital uses. This amendment would reduce the total unit count from 76 to 56 by reducing the number of residential buildings from five to one, which changes the site plan but lessens the unit density. The Applicant elected to remove the four small residential buildings from the original site plan that totaled 20 residential units and of those 20 units lost, 17 were unrestricted market rate units. The size of the site remains the same (6.761 acres), the unit floor plans, building plans and elevations for the one residential building and clubhouse remain unchanged, and the number of parking spaces is

unchanged at 137 spaces. It should be noted that the parking spaces in the new site plan have one centralized parking lot instead of the parking spaces being dispersed around the “U” drive of the property in the original site plan. The clubhouse was also moved from the north to the south side of the main drive/entrance. The table on the next page summarizes the proposed changes to the Development.

Material Amendment as defined in Tex. Gov’t Code §2306.6712 and 10 TAC §10.405(a)(4)(A),(B) and (F)

Original

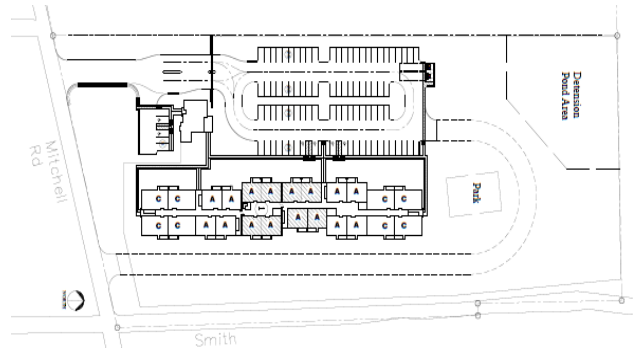
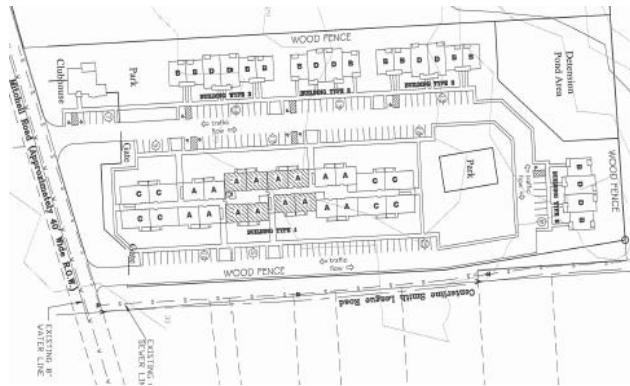
Amended

Site acreage = 6.761 acres
Density = 11.2 units/acre

Site acreage = 6.761 acres
Density = 8.28 units/acre (-26%)

5 residential buildings
76 units
63,800 Net Rentable Square Feet

1 residential building
56 units
46,560 Net Rentable Square Feet (-27%)



UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	Income	# Units	% Total
Eff	-	0.0%	0	30%	6	7.9%
1	52	68.4%	0	40%	-	0.0%
2	24	31.6%	0	50%	11	14.5%
3	-	0.0%	0	60%	38	50.0%
4	-	0.0%	0	MR	21	27.6%
TOTAL	76	100.0%	-	TOTAL	76	100.0%

UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	Income	# Units	% Total
Eff	-	0.0%	0	30%	-	0.0%
1	40	71.4%	0	40%	-	0.0%
2	16	28.6%	0	50%	11	19.6%
3	-	0.0%	0	60%	44	78.6%
4	-	0.0%	0	MR	1	1.8%
TOTAL	56	100.0%	-	TOTAL	56	100.0%

The Applicant's amendment request included a revised Rent Schedule, Operating Expense Schedule, Development Cost Schedule, Sources and Uses, and updated Lender and Syndicator commitments based upon the current structure of the Development. The Applicant determined that all units at 30% AMI had to be eliminated from development because the property is unable to carry enough debt to meet the long-term feasibility requirements pursuant to §10.302(i)(2); therefore, the deferred developer fee would not be repayable within the 15-year Compliance Period. The Applicant indicated that the elimination of the 30% units, coupled with timing adjustments, would produce cost savings of approximately \$2.2 million and the Development would be able to produce enough cash flow to support an additional \$150,000 in debt. Therefore, without an amendment to the original Application, Lumberton Senior Village would no longer be financially feasible. The Applicant also submitted letters from Hudson Housing (syndicator at Application) and Regions Bank (current syndicator), stating that the Development is not feasible in today's market without the reducing the number of units to 56. The Department's original underwriting analysis indicated that, all else held equal, the Development would be characterized as infeasible at a credit price below \$1.00.

Staff has reviewed the original Application, underwriting report, and the information provided with the amendment request and has concluded that the changes identified would have resulted in a 14-point total reduction to the score of the Application. The Application originally qualified for 11-points as a result of having at least 10% of all low income units restricted at 30% or less of AMGI for Rent Level of Tenants scoring item. In addition, the Application originally qualified for three points as a result of having at least 5% of total units at or below 30% of AMGI for Leveraging of Private, State, and Federal Resources scoring item. Therefore, by eliminating all 30% units, the Application lost 11 points for Rent Level of Tenants and three points for Leveraging of Private, State, and Federal Resources, a combined 14 point loss. However, as pointed out by the Applicant in their amendment request, the Development was the only Application awarded in Region 5 Urban and, therefore, the 14-point reduction would not have adversely affected the selection of this Development for funding in the 2016 HTC Application Round. It must also be mentioned that the reduction of units from 76 to 56 does not affect the amount of common amenities that must be provided for the Development.

The Applicant is requesting to reduce the number of affordable units by three units due to the elimination of the 30% units. Staff evaluated the potential economic impact of keeping these units as 30% units and found that they would reduce Net Operating Income ("NOI") by approximately \$17,000 per year and drop the Debt Coverage Ratio ("DCR") to a marginally acceptable level; however, the project's expense to income ratio would rise to an unacceptable level concluding the project infeasible. Alternatively, staff analyzed converting three units from 30% units to 60% units and thus maintaining the same number of tax credit eligible units as was presented and approved in the original Application. This has the marginal effect of reducing NOI by approximately \$2,000 and a negligible impact on DCR while maintaining an acceptable expense to income ratio. Staff discussed this alternative with the Applicant and the Applicant indicated they would be agreeable to this alternative structure. The Department's Real Estate Analysis ("REA") division has performed a re-evaluation of the proposed changes, including staff's alternative to keep the same number of low income units and maintain one market rate unit, and has concluded the Development remains financially feasible and eligible for the previously awarded HTC allocation.

Staff recommends approval of the material amendment for Lumberton Senior Village as presented herein.



Addendum to Underwriting Report

TDHCA Application #: 16172 Program(s): 9% HTC

Lumberton Senior Village

Address/Location: NW Corner of Mitchell Rd and Smith League Rd

City: Lumberton County: Hardin Zip: 77657

APPLICATION HISTORY	
Report Date	PURPOSE
05/09/17	Amendment Request - Reduction in Units
07/21/17	Original Underwriting Report

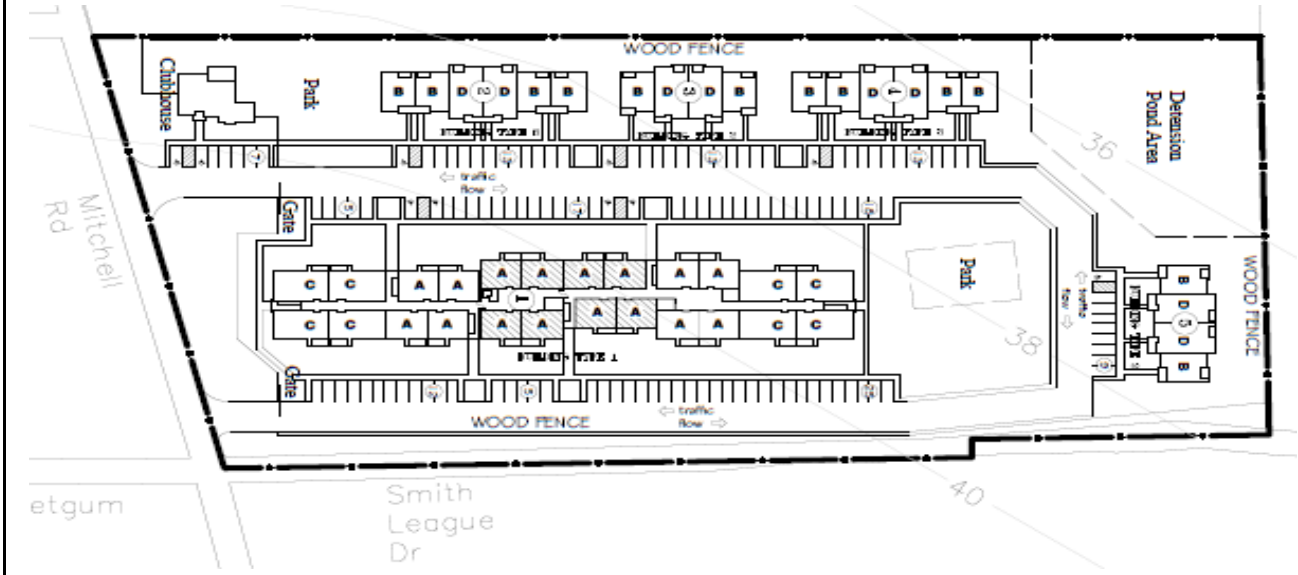
ALLOCATION

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
LIHTC (Annual)	\$735,000				\$735,000				

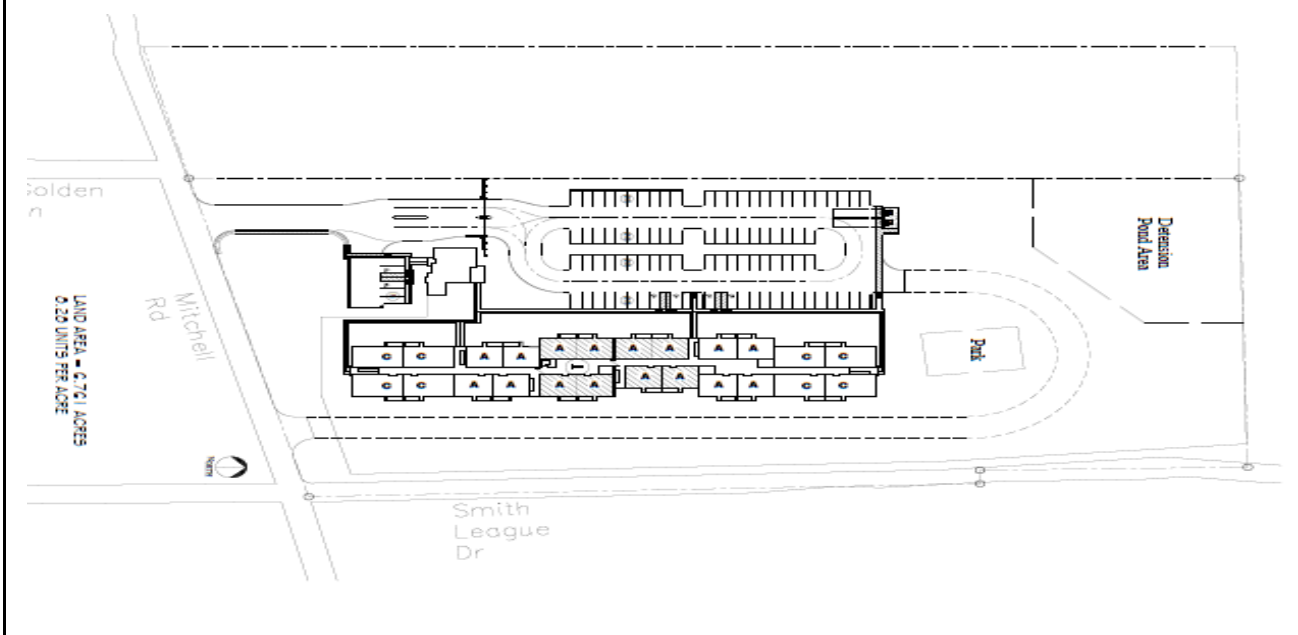
CONDITIONS STATUS

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

ORIGINAL SITE PLAN



PROPOSED SITE PLAN



ANALYSIS

Since original underwriting in July 2016 the tax credit pricing being offered for this development has been reduced \$0.18 from \$1.03 to \$0.85. This has resulted in a loss of \$1.3M in equity previously anticipated to be used for funding this property; however, this reduction in pricing has rendered the development infeasible at this point. Accordingly, Applicant is now requesting an amendment to allow a reduction in the number of units from 76 units to 56 units. Under this proposal, the four small residential buildings containing the 20 units will be eliminated leaving only the one large building which contains 56 units and the unit mix will be adjusted eliminating the six previously approved 30% AMI units so that the development will produce enough cash flow to support the proposed debt structure.

In accordance with the amendment request, Applicant has provided revised Rent Schedule, Operating Expense Schedule, Development Cost Schedule, Sources & Uses Schedule, and updated Lender and Syndicator commitments based upon the current structure of the development.

Operating Pro Forma

Applicant provided updated LIHTC rents based upon 2016 levels; however, the one remaining market rate unit rent remain at 2016 gross 60% AMI rent levels, as rents did not increase sufficiently for the market rate unit to be revised. Both income and operating expenses have been adjusted based upon the reduced number of units with a resulting underwritten NOI of \$139K.

The Underwriter's total expense to income ratio exceeds the normal maximum 65% at 65.77%; however, the underwritten ratio using Applicant's analysis is below 65% at 64.42%.

Development Cost

Applicant's and Underwriter's total development costs have decreased \$2.24M since original underwriting based upon the reduced number of units from 76 to 56. Applicant's direct construction costs decreased \$1.15M while the Underwriter's direct construction cost decreased \$1.10M.

In addition to direct construction costs there are also reductions in financing and other soft costs due to the reduction in units.

Sources of Funds

The current analysis based upon a reduction in units from 76 to 56 units continue to support the Department's original tax credit allocation of \$735,000 due to the drop in tax credit pricing since original approval in 2016; however, final determination of the credits will be made at Cost Certification.

Underwriter:	<u>D.P. Burrell</u>
Manager of Real Estate Analysis:	<u>Thomas Cavanagh</u>
Director of Real Estate Analysis:	<u>Brent Stewart</u>

UNIT MIX/RENT SCHEDULE
Lumberton Senior Village, Lumberton, 9% HTC #16172

LOCATION DATA	
CITY:	Lumberton
COUNTY:	Hardin
PROGRAM REGION:	5

UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	Income	# Units	% Total
Eff	-	0.0%	0	30%	-	0.0%
1	40	71.4%	0	40%	-	0.0%
2	16	28.6%	0	50%	11	19.6%
3	-	0.0%	0	60%	44	78.6%
4	-	0.0%	0	MR	1	1.8%
TOTAL	56	100.0%	-	TOTAL	56	100.0%

Applicable Programs
9% Housing Tax Credits

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	97.78%
APP % Acquisition	3.37%
APP % Construction	9.00%
Average Unit Size	831 sf

UNIT MIX / MONTHLY RENT SCHEDULE																			
HTC		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten	Mrkt Analyst	
TC 50%	\$548	9	1	1	750	\$548	\$47	\$501	\$0	\$0.67	\$501	\$4,509	\$4,509	\$501	\$0.67	\$0	\$775	\$1.03	\$775
TC 60%	\$657	31	1	1	750	\$657	\$47	\$610	\$0	\$0.81	\$610	\$18,910	\$18,910	\$610	\$0.81	\$0	\$775	\$1.03	\$775
TC 50%	\$657	2	2	2	1,035	\$657	\$61	\$596	\$0	\$0.58	\$596	\$1,192	\$1,192	\$596	\$0.58	\$0	\$1,000	\$0.97	\$1,000
TC 60%	\$789	13	2	2	1,035	\$789	\$61	\$728	\$0	\$0.70	\$728	\$9,464	\$9,464	\$728	\$0.70	\$0	\$1,000	\$0.97	\$1,000
MR		1	2	2	1,035	\$0	\$61		NA	\$0.76	\$789	\$789	\$789	\$789	\$0.76	NA	\$1,000	\$0.97	\$1,000
TOTALS/AVERAGES:		56			46,560				\$0	\$0.75	\$623	\$34,864	\$34,864	\$623	\$0.75	\$0	\$839	\$1.01	\$839

ANNUAL POTENTIAL GROSS RENT:	\$418,368	\$418,368
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STABILIZED PRO FORMA

Lumberton Senior Village, Lumberton, 9% HTC #16172

STABILIZED FIRST YEAR PRO FORMA

	COMPARABLES		APPLICANT				PRIOR REPORT			TDHCA			VARIANCE	
	Database		% EGI	Per SF	Per Unit	Applicant - April 2017	Applicant - Original	TDHCA - Original	TDHCA - April 2017	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT				\$0.75	\$623	\$418,368	\$600,372	\$602,892	\$418,368	\$623	\$0.75		0.0%	\$0
app fees, late fees, cleaning/damages, rele					\$8.13	\$5,460	5,460							
					\$0.00	\$0	0							
					\$0.00	\$0	0							
Total Secondary Income					\$8.13			5,460	\$5,460	\$8.13			0.0%	\$0
POTENTIAL GROSS INCOME						\$423,828	\$605,832	\$608,352	\$423,828				0.0%	\$0
Vacancy & Collection Loss				7.5% PGI		(31,787)	(45,437)	(45,626)	(31,787)	7.5% PGI			0.0%	-
Rental Concessions						-	0	0	-				0.0%	-
EFFECTIVE GROSS INCOME						\$392,041	\$560,395	\$562,726	\$392,041				0.0%	\$0

General & Administrative	\$24,388	\$435/Unit	\$0	6.05%	\$0.51	\$423	\$23,708	\$33,160	\$33,283	\$24,388	\$435	\$0.52	6.22%	-2.8%	(680)
Management	\$25,838	6.7% EGI	\$0	5.02%	\$0.42	\$352	\$19,688	\$28,020	\$28,136	\$19,602	\$350	\$0.42	5.00%	0.4%	86
Payroll & Payroll Tax	\$56,017	\$1,000/Unit	\$0	17.21%	\$1.45	\$1,205	\$67,462	\$79,887	\$76,023	\$67,462	\$1,205	\$1.45	17.21%	0.0%	-
Repairs & Maintenance	\$40,996	\$732/Unit	\$0	7.75%	\$0.65	\$543	\$30,384	\$48,024	\$55,637	\$33,600	\$600	\$0.72	8.57%	-9.6%	(3,216)
Electric/Gas	\$13,018	\$232/Unit	\$0	2.14%	\$0.18	\$150	\$8,400	\$18,900	\$11,724	\$8,568	\$153	\$0.18	2.19%	-2.0%	(168)
Water, Sewer, & Trash	\$26,396	\$471/Unit	\$0	7.32%	\$0.62	\$512	\$28,680	\$46,032	\$37,422	\$27,419	\$490	\$0.59	6.99%	4.6%	1,261
Property Insurance	\$24,692	\$0.53/sf	\$0	4.32%	\$0.36	\$303	\$16,940	\$23,560	\$22,192	\$16,352	\$292	\$0.35	4.17%	3.6%	588
Property Tax (@ 100%) 3.2102	\$23,122	\$413/Unit	\$0	10.20%	\$0.86	\$714	\$40,000	\$48,000	\$66,077	\$43,074	\$769	\$0.93	10.99%	-7.1%	(3,074)
Reserve for Replacements	\$18,135	\$324/Unit	\$0	3.57%	\$0.30	\$250	\$14,000	\$22,800	\$22,800	\$14,000	\$250	\$0.30	3.57%	0.0%	-
Cable TV			\$0	0.15%	\$0.01	\$11	\$600	\$600	\$600	\$600	\$11	\$0.01	0.15%	0.0%	-
Supportive Services			\$0	0.00%	\$0.00	\$0	\$0	\$6,960	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
TDHCA LIHTC/HOME Compliance Fees			\$0	0.53%	\$0.04	\$37	\$2,080	\$2,200	\$2,200	\$2,200	\$39	\$0.05	0.56%	-5.5%	(120)
Security			\$0	0.15%	\$0.01	\$11	\$600	\$900	\$900	\$600	\$11	\$0.01	0.15%	0.0%	-
3rd party compliance fee @ \$40/HTC unit			\$0	0.00%	\$0.00	\$0	\$0	\$2,200	\$2,200	\$0	\$0	\$0.00	0.00%	0.0%	-
Fidelity Bond, Insurance Placement			\$0	0.00%	\$0.00	\$0	\$0	\$940	\$940	\$0	\$0	\$0.00	0.00%	0.0%	-
TOTAL EXPENSES				64.42%	\$5.42	\$4,510	\$ 252,542	\$362,183	\$360,134	\$ 257,864	\$4,605	\$5.54	65.77%	-2.1%	\$ (5,322)
NET OPERATING INCOME ("NOI")				35.58%	\$3.00	\$2,491	\$139,499	\$198,212	\$202,592	\$134,177	\$2,396	\$2.88	34.23%	4.0%	\$ 5,322

CONTROLLABLE EXPENSES						\$2,833/Unit					\$2,883/Unit				
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Lumberton Senior Village, Lumberton, 9% HTC #16172

DEBT / GRANT SOURCES																	
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE									Prior Underwriting		AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
DEBT (Must Pay)	Fee	Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Prior Underwriting		Principal	Term	Amort	Rate	Pmt	Cumulative	
		UW	App						Applicant	TDHCA						DCR	LTC
BBVA Compass Bank		1.26	1.31	106,187	6.50%	30	18	\$1,400,000	\$2,100,000	\$2,100,000	\$1,400,000	18	30	6.50%	\$106,187	1.31	17.8%
				\$106,187	TOTAL DEBT / GRANT SOURCES			\$1,400,000			\$1,400,000	TOTAL DEBT SERVICE			\$106,187	1.31	17.8%
NET CASH FLOW		\$27,990	\$33,312					APPLICANT		NET OPERATING INCOME		\$139,499	\$33,311	NET CASH FLOW			

EQUITY SOURCES													
APPLICANT'S PROPOSED EQUITY STRUCTURE						Prior Underwriting		AS UNDERWRITTEN EQUITY STRUCTURE					
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Prior Underwriting		Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
						Applicant	TDHCA						
Hudson Housing	LIHTC Equity	79.3%	\$735,000	0.8499	\$6,246,875	\$7,569,743	\$7,569,743	\$6,246,875	\$0.8499	\$735,000	79.3%	\$13,125	Previous Allocation
Evolie Housing & Mears Dev	Deferred Developer Fees	2.9%	(25% Deferred)		\$227,586	\$446,252	\$446,252	\$227,586	(25% Deferred)		2.9%		Total Developer Fee: \$905,065
Additional (Excess) Funds Req'd		0.0%			\$0	\$0	\$0	\$0			0.0%		
TOTAL EQUITY SOURCES		82.2%			\$6,474,461	\$8,015,995	\$8,015,995	\$6,474,461			82.2%	15-Year Cash Flow:	\$515,611
TOTAL CAPITALIZATION						\$7,874,461	\$10,115,995	\$10,115,995	\$7,874,461			15-Yr Cash Flow after Deferred Fee:	\$288,025

DEVELOPMENT COST / ITEMIZED BASIS													
APPLICANT COST / BASIS ITEMS				Prior Underwriting		TDHCA COST / BASIS ITEMS				COST VARIANCE			
Acquisition	New Const. Rehab	Total Costs		Applicant	TDHCA	Total Costs		Eligible Basis		%	\$		
								New Const. Rehab	Acquisition				
Land Acquisition		\$6,250 / Unit	\$350,000	\$350,000	\$350,000	\$350,000	\$6,250 / Unit			0.0%	\$0		
Building Acquisition	\$0	\$ / Unit	\$0	\$0	\$0	\$0	\$ / Unit		\$0	0.0%	\$0		
Closing costs & acq. legal fees			\$750	\$750	\$750	\$750					\$0		
Off-Sites		\$ / Unit	\$0	\$0	\$0	\$0	\$ / Unit			0.0%	\$0		
Site Work	\$839,943	\$14,999 / Unit	\$839,943	\$1,138,100	\$1,138,100	\$839,943	\$14,999 / Unit	\$839,943		0.0%	\$0		
Site Amenities	\$318,000	\$5,679 / Unit	\$318,000	\$270,000	\$270,000	\$318,000	\$5,679 / Unit	\$318,000		0.0%	\$0		
Building Cost	\$3,323,177	\$71.37 /sf	\$59,342/Unit	\$3,323,177	\$4,476,306	\$4,484,291	\$3,380,422	\$60,365/Unit	\$72.60 /sf	\$3,380,422	-1.7%	(\$57,245)	
Contingency	\$100,000	2.23%	5.70%	\$255,424	\$337,777	\$337,777	\$255,424	5.63%	2.20%	\$100,000	0.0%	\$0	
Contractor Fees	\$627,356	13.69%	13.25%	\$627,356	\$871,106	\$871,106	\$627,356	13.09%	13.53%	\$627,356	0.0%	\$0	
Soft Costs	\$465,000	\$9,107 / Unit	\$510,000	\$625,500	\$625,500	\$510,000	\$9,107 / Unit	\$465,000		\$0	0.0%	\$0	
Financing	\$360,290	\$8,221 / Unit	\$460,370	\$532,744	\$532,744	\$460,370	\$8,221 / Unit	\$360,290		\$0	0.0%	\$0	
Developer Fee	\$905,065	15.00%	14.62%	\$905,065	\$1,205,040	\$1,205,040	\$905,065	14.49%	14.86%	\$905,065	\$0	0.0%	\$0
Reserves		\$5,078 / Unit	\$284,376	\$308,672	\$257,647	\$182,026	\$3,250 / Unit				56.2%	\$102,350	
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED B/A)		\$0	\$6,938,831	\$140,615 / Unit	\$7,874,461	\$10,115,995	\$10,072,955	\$7,829,356	\$139,810 / Unit	\$6,996,076	\$0	0.6%	\$45,105
Acquisition Cost	\$0			\$0									
Contingency		\$0		\$0									
Contractor's Fee		\$0											
Interim Interest		\$0											
Developer Fee	\$0	(\$0)		\$0									
Reserves				\$0									
ADJUSTED BASIS / COST		\$0	\$6,938,831	\$140,615/unit	\$7,874,461	\$10,115,995	\$10,072,955	\$7,829,356	\$139,810/unit	\$6,996,076	\$0	0.6%	\$45,105
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):						\$7,874,461							

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Lumberton Senior Village, Lumberton, 9% HTC #16172

CREDIT CALCULATION ON QUALIFIED BASIS				
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	\$0	\$6,938,831	\$0	\$6,996,076
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$6,938,831	\$0	\$6,996,076
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$9,020,480	\$0	\$9,094,899
Applicable Fraction	97.78%	97.78%	97.78%	97.78%
TOTAL QUALIFIED BASIS	\$0	\$8,819,960	\$0	\$8,892,725
Applicable Percentage	3.37%	9.00%	3.37%	9.00%
ANNUAL CREDIT ON BASIS	\$0	\$793,796	\$0	\$800,345
CREDITS ON QUALIFIED BASIS		\$793,796		\$800,345

Method	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
	Annual Credits	Proceeds	Credit Price \$0.8499	Variance to Request	
			Credit Allocation	Credits	Proceeds
Eligible Basis	\$793,796	\$6,746,595	----	----	----
Needed to Fill Gap	\$761,778	\$6,474,461	----	----	----
Previous Allocation	\$735,000	\$6,246,875	\$735,000	\$0	\$0

Development Cost/SF		
	Application	TDHCA
Acquisition & Hard Costs	\$111.04	\$116.43
Hard Costs	\$111.04	\$116.43
Building Costs	\$70.07	\$72.60
Total Points Claimed:		0

BUILDING COST ESTIMATE				
CATEGORY	FACTOR	UNITS/SF	PER SF	AMOUNT
Base Cost: Elevator Served		46,560 SF	\$65.24	3,037,403
Adjustments				
Exterior Wall Finish	0.00%		0.00	\$0
Elderly	3.00%		1.96	91,122
9-Ft. Ceilings	3.00%		1.96	91,122
Roof Adjustment(s)			1.20	56,000
Subfloor			(0.15)	(7,139)
Floor Cover			2.56	119,194
Breezeways	\$27.41	9,754	5.74	267,315
Balconies	\$27.28	5,313	3.11	144,955
Plumbing Fixtures	\$990	48	1.02	47,520
Rough-ins	\$485	112	1.17	54,320
Built-In Appliances	\$1,725	56	2.07	96,600
Exterior Stairs	\$2,250	11	0.53	24,750
Heating/Cooling			2.14	99,638
Enclosed Corridors	\$48.43	0	0.00	0
Carports	\$11.94	0	0.00	0
Garages		0	0.00	0
Comm &/or Aux Bldgs	\$93.52	1,638	3.29	153,181
Elevators	\$89,550	1	1.92	89,550
Other:			0.00	0
Fire Sprinklers	\$2.47	57,952	3.07	143,141
SUBTOTAL			96.84	4,508,672
Current Cost Multiplier	1.01		0.97	45,087
Local Multiplier	0.87		(12.59)	(586,127)
TOTAL BUILDING COSTS			85.22	\$3,967,631
Plans, specs, survey, bldg permits	3.30%		(2.81)	(\$130,932)
Contractor's OH & Profit	11.50%		(9.80)	(456,278)
NET BUILDING COSTS		\$60,365/unit	\$72.60/sf	\$3,380,422

Long-Term Pro Forma

Lumberton Senior Village, Lumberton, 9% HTC #16172

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 30
EFFECTIVE GROSS INCOME	2.00%	\$392,041	\$399,882	\$407,879	\$416,037	\$424,358	\$468,525	\$517,290	\$571,130	\$696,204
TOTAL EXPENSES	3.00%	\$252,542	\$259,921	\$267,518	\$275,339	\$283,390	\$327,351	\$378,190	\$436,993	\$583,699
NET OPERATING INCOME ("NOI")		\$139,499	\$139,960	\$140,361	\$140,698	\$140,968	\$141,175	\$139,099	\$134,137	\$112,505
MUST -PAY DEBT SERVICE										
TOTAL DEBT SERVICE		\$106,187	\$106,187	\$106,187	\$106,187	\$106,187	\$106,187	\$106,187	\$106,187	\$106,187
ANNUAL CASH FLOW		\$33,311	\$33,773	\$34,174	\$34,511	\$34,780	\$34,987	\$32,912	\$27,950	\$6,318
CUMULATIVE NET CASH FLOW		\$33,311	\$67,084	\$101,258	\$135,769	\$170,549	\$345,876	\$515,611	\$666,573	\$841,893
DEBT COVERAGE RATIO		1.31	1.32	1.32	1.32	1.33	1.33	1.31	1.26	1.06
EXPENSE/INCOME RATIO		64.4%	65.0%	65.6%	66.2%	66.8%	69.9%	73.1%	76.5%	83.8%
Deferred Developer Fee Balance		\$194,275	\$160,502	\$126,328	\$91,817	\$57,037	\$0	\$0	\$0	\$0

Lumberton Senior Village, Ltd.
404 E. Worth Street
Grapevine, TX 76051

April 10, 2017

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

Re: #16172 Lumberton Senior Village: Material Amendment Request

Dear Kent:

As you are aware, pricing in the housing tax credit market has taken a substantial downward turn since the November election, and consequently, Lumberton Senior Village, Application #16172 located in Region 5 Urban, is no longer financially viable as originally submitted. The development team has done everything within its power to move this transaction forward, however the \$0.18 drop in credit pricing is insurmountable without a substantial reduction in development costs. Therefore, pursuant to §10.405(a)(1) of the Uniform Multifamily Rule, please accept this letter and its enclosures as a "formal, written request" to amend the Application.

Enclosed, you will find all the relevant Application pages which are affected by this proposed amendment. As you can see from the Regions Letter of Intent, credit pricing for this transaction is now \$0.85; pre-election pricing was \$1.03. In order to remedy the equity loss of more than \$1.3 million, the development team is proposing a number of changes.

On the cost side of the equation, the proposal includes eliminating the four small residential buildings from the original site plan, thereby reducing the overall number of units from 76 to 56. This reduction along with some timing adjustments produces a proposed cost savings of approximately \$2.2 million. It should be noted that of the 20 units lost, 17 were unrestricted market rate units.

On the operational side, in addition to reducing the total number of units, the income mix has been adjusted by eliminating the 30% units. The development team attempted to maintain 10% of the units at 30% AMI, in order to maintain the Application's original score. However, with these units, the property is unable to carry enough debt to meet the long-term feasibility requirement pursuant to §10.302(i)(2), as the amount of deferred fee necessary to balance sources and uses would not be repayable within the first 15 years of operation. Eliminating the 30% restriction produces enough cash flow to support an additional \$150,000 in debt.

The change in income levels does affect score; however, pursuant to §10.405(a)(4), this change would not have "adversely affected the selection of the Application in the Application Round" because Lumberton Senior Village was the only Application in Region 5 Urban.

Furthermore, this Material Amendment request meets the requirement for an affirmative staff recommendation outlined in the Board Resolution passed on March 23, 2017: 1.) the proposed changes do not affect eligibility, 2.) the revised score would still have supported the award, and 3.) the adjusted capital structure meets all the requirements of the Department's underwriting rules.

Due to these circumstances, the development team also request, without penalty, an extension to the 10% Test deadline through October 31, 2017. Assuming a favorable recommendation on the Material Amendment request, the Carryover Allocation Agreement will also need to be amended to adjust the Taxpayer's Reasonably Expected Basis ("TREB") amount for 10% Test purposes.

Should you have any question, or need additional information, please contact me at (970) 731-9797 or by email at leslie@holleman-associates.com.

Sincerely,



Leslie Holleman
Manager of the General Partner

enclosure

Competitive Housing Tax Credit Selection Self-Score

Criteria Promoting Development of High Quality Housing		
Point Item Description	QAP Reference	Points Selected
Unit Sizes	§11.9(b)(1)(A)	8
Unit Features	§11.9(b)(1)(B)	7
Sponsor Characteristics	§11.9(b)(2)	1
High Quality Housing Total		16
Criteria to Serve and Support Texans Most In Need		
Point Item Description	QAP Reference	Points Selected
Income Levels of Tenants	§11.9(c)(1)	16
Rent Levels of Tenants	§11.9(c)(2)	0
Tenant Services	§11.9(c)(3)	10
Opportunity Index	§11.9(c)(4)	6
Educational Excellence	§11.9(c)(5)	5
Underserved Area	§11.9(c)(6)	1
Tenant Populations with Special Needs	§11.9(c)(7)	2
Proximity to Important Services	§11.9(c)(8)	0
Serve and Support Texans Most in Need Total		40
Criteria Promoting Community Support and Engagement		
Point Item Description	QAP Reference	Points Selected
Local Government Support	§11.9(d)(1)	
Commitment of Development Funding by Local Political Subdivision	§11.9(d)(2)	1
Declared Disaster Area	§11.9(d)(3)	10
Quantifiable Community Participation	§11.9(d)(4)	
Community Support from State Representative	§11.9(d)(5)	
Input from Community Organizations	§11.9(d)(6)	
Concerted Revitalization Plan	§11.9(d)(7)	N/A
Community Support and Engagement Total		11
Criteria Promoting the Efficient Use of Limited Resources and Applicant Accountability		
Point Item Description	QAP Reference	Points Selected
Financial Feasibility	§11.9(e)(1)	18
Cost of Development per Square Foot	§11.9(e)(2)	12
Pre-application Participation	§11.9(e)(3)	6
Leveraging of Private, State, and Federal Resources	§11.9(e)(4)	0
Extended Affordability	§11.9(e)(5)	2
Historic Preservation	§11.9(e)(6)	0
Right of First Refusal	§11.9(e)(7)	1
Funding Request Amount	§11.9(e)(8)	1
Point Deductions	§11.9(f)	
Efficient Use of Limited Resources and Applicant Accountability Total		40
Total Application Self Score		107

Development Narrative

1. The proposed Development is: *(Check all that apply)*

New Construction

and/or:

Previous TDHCA #

If applicable

If Acquisition/Rehab or Rehab, original construction year:

If Reconstruction,

Units Demolished

Units Reconstructed

If Adaptive Reuse, Additional Phase, or Scattered Site, include detailed information in the Narrative (4.) below.

2. The Target Population will be:

Elderly Limitation

§10.3(47) If Elderly Preference, complete the statement below and submit supporting documentation behind this tab.

My property receives funding from:

program that requires an Elderly Preference.

3. Staff Determinations regarding definitions of development activity obtained?

If a determination under §10.3(b) of the Uniform Multifamily Rules was made prior to Application submission, provide a copy of such determination behind this tab.

4. Narrative

Briefly describe the proposed Development, including any relevant information not already identified above.

Lumberton Senior Village proposes the new construction of 56 apartment units containing a mix of 1 and 2 bedrooms for elderly residency (under Elderly Limitation definition). Although the property has a Lumberton address, it is located in Hardin County in the Beaumont ETJ. The rent schedule will contain 30%, 50%, 60% HTC and market rate units priced to attract to a wide array of residents. The land is located within Hardin County which has voiced support for the development, as evidenced by formal resolution. The Partnership will obtain interim-perm financing consisting of a first lien conventional loan originated by BBVA Compass. Hudson Housing Capital will provide syndicated equity consistent with the terms described in their letter of interest. The Co-Developers will defer developer fee sufficient to balance the sources and uses, which will be repaid within the 15 year compliance period.

5. Funding Request:

Complete the table below to describe this Application's funding request.

Department Funds applying for with this Application	Requested Amount	If funds will be in the form of a Direct Loan by the Department or for Private Activity Bonds, the terms will be:		
		Interest Rate (%)	Amortization (Years)	Term (Years)
TDHCA Multifamily Direct Loan (Repayable)			30	
TDHCA Multifamily Direct Loan (Deferred Forgivable)		0.00%		
CHDO Operating Expense				
Housing Tax Credits	\$ 735,000			
Private Activity Mortgage Revenue				

6. §11.5 - Set-Aside (For Competitive HTC & Multifamily Direct Loan Applications Only)

Identify any and all set-asides the application will be applying under. Set-Asides can not be added or dropped from pre-application to full Application for Competitive HTC Applications.

Competitive HTC Only				Multifamily Direct Loan Only					
At-Risk		Nonprofit		USDA		CHDO		Deferred Forgivable	

By selecting the set-aside above, I, individually or as the general partner(s) or officers of the Applicant entity, confirm that I (we) are applying for the above-stated Set-Aside(s) and Allocations. To the best of my (our) knowledge and belief, the Applicant entity has met the requirements that make this Application eligible for this (these) Set-Aside(s) and Allocations and will adhere to all requirements and eligibility standards for the selected Set-Aside(s) and Allocations.

7. Previously Awarded State and Federal Funding

Has this site/activity previously received or applied for TDHCA funds? No

If "Yes" Enter Project Number: _____ and TDHCA funding source: _____

Has this site/activity previously received non-TDHCA federal funding? No

Will this site/activity receive non-TDHCA federal funding for costs described in this Application? No

8. Qualified Low Income Housing Development Election (HTC Applications only)

Pursuant to §42(g)(1)(A) & (B), the term “qualified low income housing development” means any project or residential rental property, if the Development meets one of the requirements below, whichever is elected by the taxpayer.” Once an election is made, it is irrevocable. Select only one:

- At least 20% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 50% or less of the area median gross income, adjusted for family size.
- At least 40% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 60% or less of the median gross income, adjusted for family size.

Development Activities (Continued)

self score 107

1. Size and Quality of Units (Competitive HTC Applications only) [§11.9(b)]

Development is Rehabilitation and either Supportive Housing or USDA financed **OR** meets the minimum size requirements identified below: Points claimed: 8

Bedroom Size	0	1	2	3	4
Square Footage	550	650	850	1,050	1,250

Specific amenities and quality features will be provided in every Unit at no extra charge to the tenant; Development will maintain the points selected and associated with those amenities as outlined in §10.101(b)(6)(B) of the Uniform Multifamily Rules. Points claimed: 7

2. Income Levels of Tenants (Competitive HTC Applications only) [§11.9(c)(1)]

- 11 Total Number of Units at 50% or less of AMGI
- 0 Number of 30% Units used to score points under §11.9(c)(2)*
- 0 Number of 30% Units used under §11.4(c)(3)(D) regarding an Increase in Eligible Basis (30% boost)
- 11 Number of Units at 50% or less of AMGI available to use for points under §11.9(c)(1)
- 21.15% Percentage used for calculation of eligible points under §11.9(c)(1)

Mark **only one** box below:

Development is located within a Non-Rural Area of the Dallas, Fort Worth, Houston, San Antonio or Austin MSA; or 0

Developments proposed in all other areas. 16

** Applicants electing the 30% boost for additional 30% units are advised to ensure the units used to support the boost are not included in the units needed to achieve the Application's scoring elections.* Points Claimed: 16

3. Rent Levels of Tenants (Competitive HTC Applications only) [§11.9(c)(2)]

Mark **only one** box below:

At least 20% (less Units used for eligibility for boost) of all low-income Units are restricted at 30% or less of AMGI; development is Supportive Housing proposed by a Qualified Nonprofit Organization. 0

Development is urban and at least 10% (less Units used for eligibility for boost) of all low-income Units are restricted at 30% or less of AMGI; or 0

Development is located in a Rural Area and 7.5% (less Units used for eligibility for boost) of all low-income Units are restricted at 30% or less of AMGI; or 0

At least 5% of all low-income Units at 30% or less of AMGI 0

Points Claimed: 0

4. Tenant Services (Competitive HTC Applications only) [§11.9(c)(3)]

Development will provide a combination of supportive services as identified in §10.101(b)(7) and those services will be recorded in the Development's LURA.

Supportive Housing Development proposed by a Qualified Nonprofit or a Development participating in the Houston Permanent Supportive Housing (HPSH) program 0

All other Developments. 10

Points Claimed: 10

5. Tenant Populations with Special Housing Needs (Competitive HTC Applications only) [§11.9(c)(7)]

Applicant elects 2 points under part (A) or (B) of this scoring item, or under part (C) only if not qualified for (A) or (B).

Section 811 PRA Program: A or B below regard the Department's Section 811 Project Rental Assistance Program (Section 811 PRA Progra

A. Application contains TDHCA approval for the participation of an existing Development (other than the Development applying for tax credits) in the Section 811 PRA Program. The existing Development must provide the Section 811 PRA Program with the greater of 10 units or the number of units that would be applicable under "B" below; **OR**

B. The development applying for tax credits commits to participate in Section 811 PRA Program and will provide at least 10 units, or less if limited to less than 10 units by the Integrated Housing Rule (10 TAC §1.15) or Section 811 PRA Program guidelines.

Mark **any** of the following factors that disqualify the development applying for tax credits from participation in the Section 811 PRA Program (some fields will auto-populate):

Application is an Elderly Limitation Development or Supportive Housing (as defined by 10 TAC §10.3).

Development was originally constructed before 1978.

Development does not have units available that do not have other sources of project-based rental or long-term operating assistance within six months of receiving Section 811 PRA Program assistance.

Development does not have units available that are not restricted for persons with disabilities.

Development is not located in Austin-Round Rock MSA, Brownsville-Harlingen MSA, Corpus Christi MSA, Dallas-Fort Worth-Arlington MSA, El Paso MSA, Houston-The Woodlands-Sugar Land MSA, McAllen-Edinburg-Mission MSA, San Antonio-New Braunfels MSA.

Development Site is located in the mapped 100-year or 500-year floodplain.

Other disqualifying factor

Attached behind this tab is the executed Certification for Section 811 PRA Program Participation



Development qualifies to participate in Section 811 PRA Program:

C. Application does not qualify for participation in Section 811 PRA Program and elects to set aside at least 5% of the Units for Persons with Special Needs as identified in §11.9(c)(7)(C) of the QAP.

Development elects to set aside at least 5% of Units:

Points Claimed:

6. Pre-Application Participation (Competitive HTC Applications only) [§11.9(e)(3)]

Development is requesting Pre-Application Points.

7. Extended Affordability (Competitive HTC Applications only) [§11.9(e)(5)]

Development will maintain a 35 year Affordability Period.

8. Historic Preservation (Competitive HTC Applications only) [§11.9(e)(6)]

- Application requests points for Historic Preservation.
- Application contains a letter from the Texas Historical Commission (THC) determining preliminary eligibility for federal or state historic (rehabilitation) tax credits.
- Application includes documentation from the Texas Historical Commission that the property is currently a Certified Historic Structure or determining preliminary eligibility for status as a Certified Historic Structure.
- Development will be able to document receipt of historic tax credits by the time Forms 8609 are issued.
- At least 75% of the residential units will be within the Certified Historic Structure.

Attached behind this tab are the THC letter and other documentation described above.

Application not qualifying for one (1) or three (3) points under Educational Excellence §11.9(c)(5) is eligible for five (5) points. **OR**

Application qualifying for one (1) or three (3) points under Educational Excellence is eligible for three (3) points.



Points Claimed:

9. Right of First Refusal (Competitive HTC Applications only) [§11.9(e)(7)]

Development Owner agrees to provide a Right of First Refusal to purchase the Development upon or following the end of the Compliance Period.

10. Funding Request Amount (Competitive HTC Applications only) [§11.9(e)(8)]

Application reflects funding request for no more than 100% of the amount available in the subregion or set-aside as of 12/1/2015.

Architectural Drawings Must be Submitted Behind this Tab [§10.204(b)(9)]

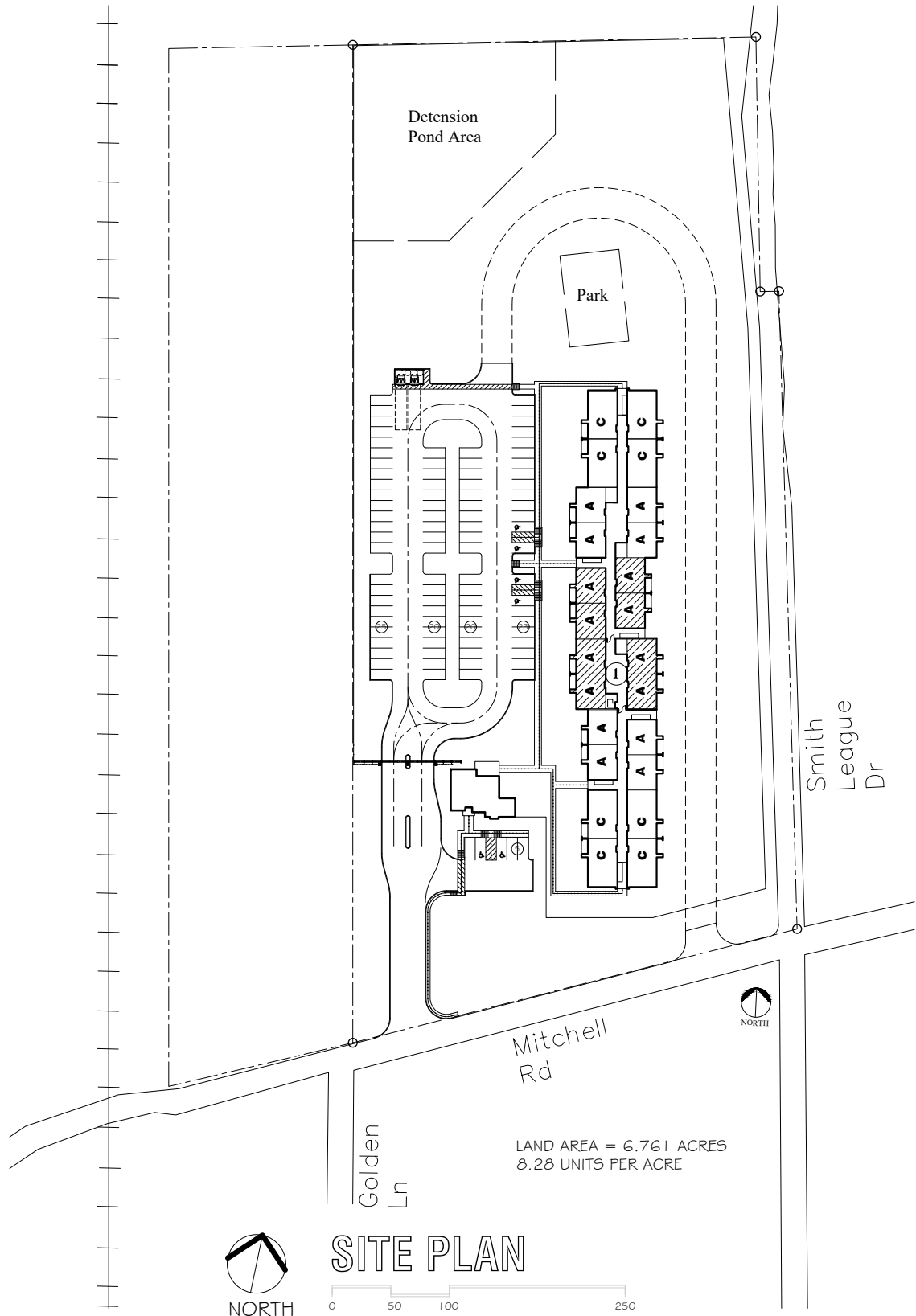
- Site Plan which:
 - includes a unit and building type table matrix that is consistent with the Rent Schedule and Building/Unit Configuration forms
 - identifies all residential and common buildings
 - clearly delineates the flood plain boundary lines
 - identifies all easements
 - if applicable, indicates probable placement of detention/retention pond(s)
 - indicates the location of parking spaces
 - includes information regarding local parking requirements
- Building Floor Plans - including a separate tabulation of the square footages of each of these areas: breezeways, corridors, utility closets, porches and patios, and any other square footage not included in NRA
- Unit Floor Plans for each type of Unit
- Elevations for each side of each building type and must include:
 - a percentage estimate of the exterior composition of each elevation
 - roof pitch
- Photos of building elevations (for Rehab and Adaptive Reuse developments that will not alter the unit configuration)



Lumberton Village Apartments - Lumberton, Texas

UNIT TYPE	NO.	NET AREA	TOTAL NET AREA	GROSS AREA	TOTAL GROSS AREA	BUILDING	NET AREA	GROSS AREA
A 1 BR / 1 BA	40	750 S.F.	30,000 S.F.	840 S.F.	33,600 S.F.	BUILDING 1	46,560 S.F.	61,842 S.F.
C 2 BR / 2 BA	16	1,035 S.F.	16,560 S.F.	1,123 S.F.	17,968 S.F.	COMMUNITY	1,638 S.F.	1,943 S.F.
APARTMENT BLDG BREEZEWAY AND BACK OF HOUSE				10,274 S.F.	10,274 S.F.			
COMMUNITY BUILDING			1,638 S.F.		1,943 S.F.	TOTAL	48,198 S.F.	63,785 S.F.
TOTAL		56	48,198 S.F.		63,785 S.F.			

93 PARKING SPACES PROVIDED (1.66 SPACES PER UNIT)



SITE PLAN

Rent Schedule

Self Score Total: **107**

Private Activity Bond Priority (For Tax-Exempt Bond Developments ONLY):

Unit types must be entered from smallest to largest based on "# of Bedrooms" and "Unit Size", then within the same "# of Bedrooms" and "Unit Size" from lowest to highest "Rent Collected/Unit".

Rent Designations (select from Drop down menu)					# of Units	# of Bedrooms	# of Baths	Unit Size (Net Rentable Sq. Ft.)	Total Net Rentable Sq. Ft.	Program Rent Limit	Tenant Paid Utility Allow.	Rent Collected /Unit	Total Monthly Rent	
HTC Units	MF Direct Loan Units (HOME Rent/Inc)	HTF Units	MRB Units	Other/Subsidy										(A)
TC 50%					9	1	1.0	750	6,750	548	47	501	4,509	
TC 60%					29	1	1.0	750	21,750	657	47	610	17,690	
MR					2	1	1.0	750	1,500			657	1,314	
TC 50%					2	2	2.0	1035	2,070	657	61	596	1,192	
TC 60%					12	2	2.0	1035	12,420	789	61	728	8,736	
MR					2	2	2.0	1035	2,070			789	1,578	
									0				-	
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TOTAL					56				46,560				35,019	
Non Rental Income							\$8.13	per unit/month for:	<i>app fees, late fees, cleaning/damages, reletting</i>				455	
Non Rental Income							0.00	per unit/month for:						
Non Rental Income							0.00	per unit/month for:						
+ TOTAL NONRENTAL INCOME							\$8.13	per unit/month					455	
= POTENTIAL GROSS MONTHLY INCOME													35,474	
- Provision for Vacancy & Collection Loss										% of Potential Gross Income:	7.50%			(2,661)
- Rental Concessions (<i>enter as a negative number</i>)										Enter as a negative value				
= EFFECTIVE GROSS MONTHLY INCOME													32,813	
x 12 = EFFECTIVE GROSS ANNUAL INCOME													393,761	

Rent Schedule (Continued)

		% of LI	% of Total	
HOUSING TAX CREDITS	TC30%			0
	TC40%			0
	TC50%	21%	20%	11
	TC60%	79%	73%	41
	HTC LI Total			52
	EO			0
	MR			4
	MR Total			4
	Total Units			56
	MORTGAGE REVENUE BOND	MRB30%		
MRB40%				0
MRB50%				0
MRB60%				0
MRB LI Total				0
MRBMR				0
MRBMR Total				0
MRB Total				0

		% of LI	% of Total	
HOUSING TRUST FUND	HTF30%			0
	HTF40%			0
	HTF50%			0
	HTF60%			0
	HTF80%			0
	HTF LI Total			0
	MR			0
	MR Total			0
	HTF Total			0
	HOME	30%		
LH/50%				0
HH/60%				0
HH/80%				0
HOME LI Total				0
EO				0
MR				0
MR Total				0
HOME Total			0	
OTHER	Total OT Units			0

BEDROOMS	0			0
	1			40
	2			16
	3			0
	4			0
	5			0

ACQUISITION + HARD			
Cost Per Sq Ft	\$ 115.20		
HARD			
Cost Per Sq Ft	\$ 115.20		
BUILDING			
Cost Per Sq Ft	\$ 71.37		
		Total Points claimed:	12

Applicants are advised to ensure that figure is not rounding down to the maximum dollar figure to support the elected points.

Utility Allowances [§10.614]

Applicant must attach to this form documentation from the source of the "Utility Allowance" estimate used in completing the Rent Schedule provided in the Application Packet. Where the Applicant uses any method that requires Department review, such review must have been requested prior to submission of the Application. This exhibit must clearly indicate which utility costs are included in the estimate.

Note: If more than one entity (Sec. 8 administrator, public housing authority) is responsible for setting the utility allowance(s) in the area of the development location, then the selected utility allowance must be the one which most closely reflects the actual expenses.

If an independent utility cost evaluation is conducted it must include confirming documentation from all the relevant utility providers.

If other reductions to the tenant rent is required such as the cost of flood insurance for the tenant's contents, documentation for these reductions to gross rent should also be attached.

Utility	Who Pays	Energy Source	OBR	1BR	2BR	3BR	4BR	Source of Utility Allowance & Effective Date
Heating	Tenant	Electric		\$ 8	\$ 10			Beaumont HA 10/01/2016
Cooking	Tenant	Electric		\$ 3	\$ 4			Beaumont HA 10/01/2016
Other Electric	Tenant			\$ 11	\$ 14			Beaumont HA 10/01/2016
Air Conditioning	Tenant	Electric		\$ 12	\$ 16			Beaumont HA 10/01/2016
Water Heater	Tenant	Electric		\$ 13	\$ 17			Beaumont HA 10/01/2016
Water	Landlord			\$ 17	\$ 26			Beaumont HA 10/01/2016
Sewer	Landlord			\$ 12	\$ 20			Beaumont HA 10/01/2016
Trash	Landlord			\$ 16	\$ 16			Beaumont HA 10/01/2016
Flat Fee								
Other								
Total Paid by Tenant			\$ -	\$ 47	\$ 61	\$ -	\$ -	

Other (Describe)



Allowances for Tenant-Furnished Utilities and Other Services

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0169
(exp. 04/30/2018)

See Public Reporting Statement and Instructions on back

Locality Beaumont, TX	Unit Type Multi-Family/Apts.	Date (mm/dd/yyyy) 10/01/2016
---------------------------------	--	--

Utility or Service	Monthly Dollar Allowances						
	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	
Heating	a. Natural Gas	3	4	6	7	8	10
	b. Bottle Gas	10	15	20	25	30	35
	c. Oil / Electric	6	8	10	14	19	23
	d. Coal / Other						
Cooking	a. Natural Gas	1	2	2	3	4	4
	b. Bottle Gas	2	4	5	6	8	10
	c. Oil / Electric	2	3	4	5	6	7
	d. Coal / Other						
Other Electric	8	11	14	18	22	27	
Air Conditioning	9	12	16	19	24	26	
Water Heating	a. Natural Gas	5	6	8	10	12	13
	b. Bottle Gas	15	20	27	35	43	48
	c. Oil / Electric	9	13	17	22	25	28
	d. Coal / Other						
Water	13	17	26	34	42	50	
Sewer	8	12	20	27	35	43	
Trash Collection	16	16	16	16	16	16	
Range/Microwave	10	10	10	10	10	10	
Refrigerator	10	10	10	10	10	10	
Other -- specify							

Actual Family Allowances To be used by the family to compute allowance.
Complete below for the actual unit rented.

Name of Family	Utility or Service	per month cost	
	Heating	\$	
	Cooking		
	Other Electric		
	Air Conditioning		
	Address of Unit	Water Heating	
		Water	
		Sewer	
		Trash Collection	
		Range/Microwave	
Number of Bedrooms	Refrigerator		
	Other		
	Total	\$	

ANNUAL OPERATING EXPENSES

General & Administrative Expenses			
Accounting	\$	9,300	
Advertising	\$	900	
Legal fees	\$	120	
Leased equipment	\$		
Postage & office supplies	\$	2,700	
Telephone	\$	4,800	
Other	\$	4,548	
Other	\$	1,340	
Total General & Administrative Expenses:			\$ 23,708
Management Fee:	Percent of Effective Gross Income:	5.00%	\$ 19,688
Payroll, Payroll Tax & Employee Benefits			
Management	\$	30,000	
Maintenance	\$	23,400	
Other	\$	14,062	
Other	\$		
Total Payroll, Payroll Tax & Employee Benefits:			\$ 67,462
Repairs & Maintenance			
Elevator	\$	2,400	
Exterminating	\$	1,344	
Grounds	\$	14,400	
Make-ready	\$	4,500	
Repairs	\$	7,740	
Pool	\$		
Other	\$		
Other	\$		
Total Repairs & Maintenance:			\$ 30,384
Utilities (Enter Only Property Paid Expense)			
Electric	\$	8,400	
Natural gas	\$		
Trash	\$	5,376	
Water/Sewer	\$	23,304	
Other	\$		
Other	\$		
Total Utilities:			\$ 37,080
Annual Property Insurance:	Rate per net rentable square foot:	\$ 0.36	\$ 16,940
Property Taxes:			
Published Capitalization Rate:	10.00%	Source:	Hardin County CAD
Annual Property Taxes	\$	40,000	
Payments in Lieu of Taxes	\$	0	
Total Property Taxes:			\$ 40,000
Reserve for Replacements:	Annual reserves per unit:	\$ 250	\$ 14,000
Other Expenses			
Cable TV	\$	600	
Supportive Services (Staffing/Contracted Services)	\$		
TDHCA Compliance fees	\$	2,080	
TDHCA Bond Administration Fees (TDHCA as Bond Issuer Only)	\$		
Security	\$	600	
Other	\$		
Other	\$		
Total Other Expenses:			\$ 3,280
TOTAL ANNUAL EXPENSES			\$ 252,542
Expense per unit:			\$ 4510
Expense to Income Ratio:			64.14%
NET OPERATING INCOME (before debt service)			\$ 141,219
Annual Debt Service			
	\$	106,187	
	\$		
	\$		
	\$		
TOTAL ANNUAL DEBT SERVICE			\$ 106,187
Debt Coverage Ratio:			1.33
NET CASH FLOW			\$ 35,032

15 Year Rental Housing Operating Pro Forma

All Programs Must Complete the following:

The pro forma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of market rents, restricted rents, rental income and expenses), and principal and interest debt service. The Department uses an annual growth rate of 2% for income and 3% for expenses. Written explanation for any deviations from these growth rates or for assumptions other than straight-line growth made during the proforma period should be attached to this exhibit.

INCOME	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
POTENTIAL GROSS ANNUAL RENTAL INCOME	\$420,228	\$428,633	\$437,205	\$445,949	\$454,868	\$502,211	\$554,482
Secondary Income	\$ 5,460	\$ 5,569	\$ 5,681	\$ 5,794	\$ 5,910	\$ 6,525	\$ 7,204
POTENTIAL GROSS ANNUAL INCOME	\$425,688	\$434,202	\$442,886	\$451,744	\$460,778	\$508,737	\$561,686
Provision for Vacancy & Collection Loss	(\$31,927)	(\$32,565)	(\$33,216)	(\$33,881)	(\$34,558)	(\$38,155)	(\$42,126)
Rental Concessions	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EFFECTIVE GROSS ANNUAL INCOME	\$393,761	\$401,637	\$409,669	\$417,863	\$426,220	\$470,581	\$519,560
EXPENSES							
General & Administrative Expenses	\$23,708	\$24,419	\$25,152	\$25,906	\$26,684	\$30,934	\$35,860
Management Fee	\$ 19,688	\$ 20,082	\$ 20,483	\$ 20,893	\$ 21,311	\$ 23,529	\$ 25,978
Payroll, Payroll Tax & Employee Benefits	\$ 67,462	\$ 69,486	\$ 71,570	\$ 73,718	\$ 75,929	\$ 88,023	\$ 102,042
Repairs & Maintenance	\$ 30,384	\$ 31,296	\$ 32,234	\$ 33,201	\$ 34,197	\$ 39,644	\$ 45,959
Electric & Gas Utilities	\$ 8,400	\$ 8,652	\$ 8,912	\$ 9,179	\$ 9,454	\$ 10,960	\$ 12,706
Water, Sewer & Trash Utilities	\$ 28,680	\$ 29,540	\$ 30,427	\$ 31,339	\$ 32,280	\$ 37,421	\$ 43,381
Annual Property Insurance Premiums	\$ 16,940	\$ 17,448	\$ 17,972	\$ 18,511	\$ 19,066	\$ 22,103	\$ 25,623
Property Tax	\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709	\$ 45,020	\$ 52,191	\$ 60,504
Reserve for Replacements	\$ 14,000	\$ 14,420	\$ 14,853	\$ 15,298	\$ 15,757	\$ 18,267	\$ 21,176
Other Expenses	\$ 3,280	\$ 3,378	\$ 3,480	\$ 3,584	\$ 3,692	\$ 4,280	\$ 4,961
TOTAL ANNUAL EXPENSES	\$252,542	\$259,921	\$267,518	\$275,339	\$283,390	\$327,351	\$378,191
NET OPERATING INCOME	\$141,219	\$141,715	\$142,151	\$142,524	\$142,830	\$143,231	\$141,369
DEBT SERVICE							
First Deed of Trust Annual Loan Payment	\$106,187	\$106,187	\$106,187	\$106,187	\$106,187	106,187	106,187
Second Deed of Trust Annual Loan Payment	0	0	0	0	0	0	0
Third Deed of Trust Annual Loan Payment	0	0	0	0	0	0	0
Other Annual Required Payment	0	0	0	0	0	0	0
Other Annual Required Payment	0	0	0	0	0	0	0
ANNUAL NET CASH FLOW	\$35,032	\$35,528	\$35,964	\$36,336	\$36,642	\$37,043	\$35,182
CUMULATIVE NET CASH FLOW	\$35,032	\$70,560	\$106,523	\$142,860	\$179,502	\$363,716	\$544,278
Debt Coverage Ratio	1.33	1.33	1.34	1.34	1.35	1.35	1.33
Other (Describe)							
Other (Describe)							

By signing below I (we) are certifying that the above 15 Year pro forma, is consistent with the unit rental rate assumptions, total operating expenses, net operating income, and debt service coverage based on the bank's current underwriting parameters and consistent with the loan terms indicated in the term sheet and preliminarily considered feasible pending further diligence review. The debt service for each year maintains no less than a 1.15 debt coverage ratio. (Signature only required if using this pro forma for points under §11.9(e)(1) relating to Financial Feasibility)

Phone: 601-790-8269
 Email: davidn.payne@regions.com

David Payne

Printed Name

Date

Signature, Authorized Representative, Construction or Permanent Lender

Site Work Cost Breakdown

This form must be submitted with the Development Cost Schedule as justification of Site Work costs.

Column A: The Site Work activity reflected here must match the Site Work activity reflected in the Development Cost Schedule.

Columns B and C: In determining actual construction cost, two different methods may be used:

The construction costs may be broken into labor (Column B) and materials (Column C) for the activity; **OR**

The use of unit price (Column B) and the number of units (Column C) data for the activity.

Column D: To arrive at total construction costs in Column D:

If based on labor and materials, add Column B and Column C together to arrive at total construction costs.

If based on unit price measures, Column B is multiplied by Column C to arrive at total construction costs.

Column E: Any proposed activity involving the acquisition of real property, easements, rights-of-way, etc., must have the projected costs of this acquisition for the activity

Column F: Engineering/architectural costs must be broken out by the Site Work activity.

Column G: Figures for Column G, Total Activity Cost, are obtained by adding together Columns D, E, and F to get the total costs.

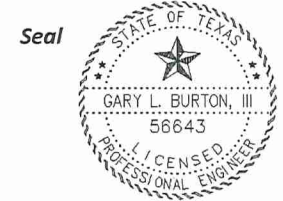
****This form must be completed by a Third-Party engineer licensed to practice in the State of Texas. His or her signature and registration seal must be on the form.****
For Site Work costs that exceed \$15,000 per Unit and are included in Eligible Basis, a CPA letter allocating which portions of those site costs should be included in Eligible Basis and which ones may be ineligible must be submitted behind this tab.

A. Activity	B. Labor or Unit Price	C. Materials or # of Units	D. Total Construction Costs	E. Acquisition Costs	F. Engineering / Architectural Costs	G. Total Activity Costs
Demolition			\$ -			\$ -
Asbestos Abatement (Demolition Only)			\$ -			\$ -
Detention			\$ -			\$ -
Rough grading			\$ 101,236.00			\$ 101,236.00
Fine grading			\$ -			\$ -
On-site concrete			\$ 452,743.00			\$ 452,743.00
On-site electrical			\$ -			\$ -
On-site paving			\$ -			\$ -
On-site utilities			\$ 203,024.00			\$ 203,024.00
Decorative masonry			\$ -			\$ -
Bumper stops, striping & signs			\$ 9,758.00			\$ 9,758.00
SWPP/Material Test / Staking			\$ 73,182.00			\$ 73,182.00
Total						\$ 839,943


 Signature of Registered Engineer

Gary L. Burton, III
 Printed Name

3/23/2017
 Date



BUILDING COSTS*:					
Concrete	408,864		408,864		
Masonry	79,603		79,603		
Metals	90,096		90,096		
Woods and Plastics	800,732		800,732		
Thermal and Moisture Protection	38,232		38,232		
Roof Covering	67,081		67,081		
Doors and Windows	150,042		150,042		
BUILDING COSTS (Continued):					
Finishes	694,338		694,338		
Specialties			0		
Equipment	88,457		88,457		
Furnishings	14,311		14,311		
Special Construction			0		
Conveying Systems (Elevators)	70,000		70,000		
Mechanical (HVAC; Plumbing)	464,200		464,200		
Electrical	357,221		357,221		
Individually itemize costs below:					
Detached Community Facilities/Building	incl above		incl above		
Carports and/or Garages	0		0		
Lead-Based Paint Abatement	0		0		
Asbestos Abatement (Rehabilitation Only)	0		0		
Structured Parking	0		0		
Commercial Space Costs	0		0		
Other (specify) - see footnote 1	0		0		
Subtotal Building Costs	\$3,323,177	\$0	\$3,323,177		
TOTAL BUILDING COSTS & SITE WORK	\$4,481,120	\$0	\$4,481,120		
(including site amenities)					
Contingency	5.70%	\$255,424	100,000		
TOTAL HARD COSTS		\$4,736,544	\$0	\$4,581,120	
OTHER CONSTRUCTION COSTS					
General requirements (<6%)	5.68%	268,867		268,867	5.87%
Field supervision (within GR limit)		0			
Contractor overhead (<2%)	1.89%	89,622		89,622	1.96%
G & A Field (within overhead limit)		0			
Contractor profit (<6%)	5.68%	268,867		268,867	5.87%
TOTAL CONTRACTOR FEES		\$627,357	\$0	\$627,357	
TOTAL CONSTRUCTION CONTRACT		\$5,363,901	\$0	\$5,208,477	

Financing Narrative and Summary of Sources and Uses

Describe all sources of funds. Information must be consistent with the information provided throughout the Application (i.e. Financing Narrative, Term Sheets and Development Cost Schedule).

Financing Participants	Funding Description	Construction Period		Lien Position	Permanent Period					Lien Position
		Loan/Equity Amount	Interest Rate (%)		Loan/Equity Amount	Interest Rate (%)	Amort - ization	Term (Yrs)	Syndication Rate	
Debt										
TDHCA	Multifamily Direct Loan (Repayable)	\$0	0.00%		\$ -	0.00%	30	0		
TDHCA	Multifamily Direct Loan (Deferred Forgivable)	\$0	0.00%		\$ -	0.00%	0	0		
TDHCA	Mortgage Revenue Bond	\$0	0.00%		\$ -	0.00%	0	0		
BBVA Compass Bank	Conventional Loan	\$5,850,000	5.25%	1st	\$ 1,400,000	6.50%	30	18		1st
Third Party Equity										
Hudson Housing	HTC	\$ 735,000	\$ 937,031		\$ 6,246,875				0.85	
Grant										
Deferred Developer Fee										
Evolie Housing & Mears Dev		\$ 655,065			\$ 227,587					
Other										
Total Sources of Funds		\$ 7,442,096			\$ 7,874,462					
Total Uses of Funds					\$ 7,874,462					

Briefly describe the complete financing plan for the Development, including a discussion of the sources of funds. The information must be consistent with all other documentation in this section. Provide sufficient detail so that the reader can understand all terms related to each source that are not readily apparent above or in the term sheets.

The financing plan is comprised of a conventional interim-to-permanent loan from BBVA/Compass with an 18-year term and 30-year amortization. The underwriting rate is based on 10 Year Treasury +350 bps, to be locked at initial closing, however the bank is utilizing an underwriting rate of 6.5%. The interim loan amount will be paid down to the permanent amount with progressive equity installments.

Equity will be from Hudson Housing Capital at \$.85 per tax credit dollar with a pay-in as follows: 10% at admission, 65% at construction completion and final retainage release, 15% at 90% initial occupancy and submission of the cost certification, 9% concurrent with the permanent loan conversion and the final 1% at receipt of Forms 8609 from TDHCA.

The remaining of funding needed to balance the sources and uses will be Deferred Developer Fee which is projected to be repaid by year 8.

Finance Scoring (for Competitive HTC Applications ONLY)

Self Score Total: 107

1. Commitment of Development Funding by Local Political Subdivision (§11.9(d)(2))

Name of the Local Political Subdivision providing the funding:

Hardin County

A letter from an official of the political subdivision stating that the political subdivision will provide a loan, grant, reduced fees or contribution of other value is in the application.

Yes

Total Points Claimed:

1

2. Financial Feasibility (§11.9(e)(1))

Eligible Pro-Forma and letter stating the Development is financially feasible.

16

Eligible Pro-Forma and letter stating Development **and** Principals are acceptable.

18

Total Points Claimed:

18

3. Leveraging of Private, State, and Federal Resources (§2306.6725(a)(3); §11.9(e)(4))

Percent of Units restricted to serve households at or below 30% of AMGI

0.00%

HTC funding request as a percent of Total Housing Development Cost

9.33%

eligible for points:

Development Leverages CDBG Disaster Recovery, HOPE VI, RAD or Choice Neighborhood Funding

0

Housing Tax Credit Request 8% of Total Housing Development Cost

0

Housing Tax Credit Request 9% of Total Housing Development Cost

0

Housing Tax Credit Request 10% of Total Housing Development Cost

0

* Be sure no more than 50% of Developer fees are deferred.

Total Points Claimed:

0

Supporting Documents Should be Included Behind this Tab

- n/a Executed Pro Forma from Permanent or Construction Lender
- n/a Letter from lender regarding approval of Principals
- x Evidence of Permanent and Construction Financing (term sheets, loan agreements)
- n/a Evidence of any Gap Financing
- n/a Evidence of any Owner Contributions
- x Evidence of Equity Financing (HTC applications only)
- n/a Letter from Texas Historical Commission (THC) indicating preliminary eligibility for historic (rehabilitation) tax credits and documentation of Certified Historic Structure status as detailed in QAP §11.9(e)(6) was submitted behind TAB 19.
- n/a Letter from Local Political Subdivision evidencing a loan, grant, reduced fees or contribution of other value to benefit the Development. [QAP §11.9(d)(2)]
- n/a Evidence of Rental Assistance/Subsidy



April 5, 2017



Leslie Holleman and Jeremy Mears
Lumberton Senior Village, Ltd.
6517 Mapleridge
Houston, Texas 77081

Re: Potential Equity Investment for Lumberton Senior Village, a 56-unit Affordable Housing property to be located in Lumberton, Hardin County, Texas

Dear Mrs. Holleman and Mr. Mears:

This letter sets forth the business terms under which Regions Bank, an Alabama banking corporation or its assignee (the "Investment Limited Partner") and RB Affordable Housing, Inc., an Alabama corporation or its assignee (the "Special Limited Partner") is considering acquiring a limited partnership interest in Lumberton Senior Village, Ltd., a Texas limited partnership (the "Partnership"). Lumberton Senior Village GP, LLC, a Texas limited liability company will serve as the General Partner of the Partnership. The Partnership owns, or expects to own, certain property upon which will be located a 56-unit apartment complex in Lumberton, Hardin County, Texas named Lumberton Senior Village (the "Project"). The Project will be on a site (the "Land"), which will be acquired from Aaron Plaunty, Mary Mott and Loretta Howard (collectively, the "Land Transferor") for a purchase price of \$350,750 which amount is not greater than the appraised value of the Land. The Land Transferor is not a related person to the General Partner. The Partnership has received a reservation of \$735,000 in low income housing tax credits under Section 42 of the Internal Revenue Code of 1986 (the "Federal Housing Tax Credits") from the Texas Department of Housing and Community Affairs (the "Texas Housing Tax Credit Agency").

The business terms are based on information you have supplied to us and are subject to additional validation and verification. This letter is not, and should not be, construed as a binding commitment upon the Investment Limited Partner and the Special Limited Partner, and the Investment Limited Partner and the Special Limited Partner reserve the right to amend or withdraw this letter at any time. This letter supersedes any prior understanding or agreement, or perceived prior understanding or agreement, with respect to the matters described herein.

Investment Limited Partner Capital Contribution – The Investment Limited Partner will contribute to the capital of the Partnership an amount which is estimated to be approximately \$6,246,875 (calculated as follows: $[(\$735,000 \times 10) \times 99.99\%] \times 85\% = \$6,246,875$), in the manner as provided below. Of the amount set forth in the preceding sentence \$100 will be allocated to the Special Limited Partner. The Investment Limited Partner and the Partnership shall agree on a construction schedule prior to closing the partnership investment. The admission of the Investment Limited Partner and the terms of its capital contribution shall be evidenced by an Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") to be drafted by counsel to the Investment Limited Partner. The Investment Limited

Partner and the Special Limited Partner will have the option to sell a participation of the limited partnership interest of the Investment Limited Partner and the Special Limited Partner to a third party investor.

Capital Contribution Schedule of the Investment Limited Partner – Subject to revision after CPA and other due diligence review by the Investment Limited Partner and its counsel of the proposed investment, the following sets forth the anticipated pay-in of the Capital Contribution of the Investment Limited Partner:

A. Subject to the provisions of the last paragraph of this Section, \$937,031 or 15.00% of the capital contribution (the “First Installment”) upon the latest of:

(i) fully executed Partnership Agreement and Equity Indemnity and Guaranty Agreement;

(ii) the property and partnership due diligence documents, including but not limited to, (a) valid tax credit reservation, (b) carryover allocation agreement and written certification from an independent accountant/CPA of carryover basis and backup documentation evidencing costs, if applicable (the “Carryover Certification”), (c) the title policy, (d) fully executed credit agreement, other financing documents and closing documents for a Construction Mortgage Loan and Bridge Loan to be made by Regions Bank to the Partnership, (e) [intentionally omitted], (f) proper issuance of building permits, stormwater discharge permits, other environmental permits and wetlands permits, to the extent applicable, and all regulatory approvals necessary for commencement of construction, (g) receipt and Consent by the Special Limited Partner of the Construction Consultant Report, (h) [intentionally omitted], (i) evidence that the Project Budget contains the Minimum Contingency, (j) [intentionally omitted], (k) [intentionally omitted] and (l) all other documents identified on the closing checklist prepared by the Investment Limited Partner’s counsel (the “Closing Checklist”) other than those identified as post-closing; and

(iii) receipt of the most recent prior year paid property tax receipt that is actually available; and

(iv) an opinion issued by the Partnership’s counsel, no earlier than the date of closing.

B. Subject to the provisions of the last paragraph of this Section, \$4,060,469 or 65.00% of the capital contribution (the “Second Installment”) upon the following:

(i) satisfaction of all conditions of the First Installment;

(ii) (a) lien-free construction completion, (b) receipt of a Certificate of Occupancy for each building in the Project and each Low-Income Unit and (c) receipt of a Certificate of Substantial Completion, AIA Form G704-2000 signed by all parties thereto;

(iii) the Bridge Loan is fully satisfied, if required to be fully satisfied at such time pursuant to the Bridge Loan Note and the terms of the Partnership Agreement;

(iv) verification that the Partnership and Project are covered by insurance;

(v) receipt of the most recent prior year paid property tax receipt that is actually available;

(vi) verification that the Partnership and Project are covered by insurance in accordance with the requirements of the Partnership Agreement;

(vii) no event giving rise to the obligation of the Partnership to repurchase the interest of the Investment Limited Partner or the Special Limited Partner under the Partnership Agreement shall have occurred and not been waived by the Investment Limited Partner or the Special Limited Partner;

(viii) receipt of certificate of the General Partner that all of its representations and warranties set forth in the Partnership Agreement are true and correct in all material respects and no event of default with respect to the Construction Mortgage Loan and the Bridge Loan has occurred and is continuing; and

(ix) receipt of a "date down" endorsement of the title policy showing no new liens and/or encumbrances unless the same were previously approved by the Special Limited Partner.

C. Subject to the provisions of the last paragraph of this Section, \$624,688 or 10.00% the capital contribution (the "Third Installment") upon the latest of:

(i) satisfaction of all conditions of the Second Installment;

(ii) the Bridge Loan will be paid off in full;

(iii) receipt of an "as-built" ALTA survey;

(iv) the final development cost and qualified basis certification prepared by an accountant/CPA for submission to the Texas Housing Tax Credit Agency, and an executed and a recorded copy of the Extended Low-Income Housing Commitment, if not previously furnished;

(v) 95% physical occupancy by tax credit qualified tenants;

(vi) receipt of the Initial Certification Package required by the Partnership Agreement;

(vii) receipt of the most recent prior year paid property tax receipt that is actually available;

(viii) verification that the Partnership and Project are covered by insurance in accordance with the requirements of the Partnership Agreement;

(ix) no event giving rise to the obligation of the Partnership to repurchase the interest of the Investment Limited Partner or the Special Limited Partner under the Partnership Agreement shall have occurred and not been waived by the Investment Limited Partner or the Special Limited Partner;

(x) receipt of certificate of the General Partner that all of its representations and warranties set forth in the Partnership Agreement are true and correct in all material respects and no event of default with respect to the Construction Mortgage Loan has occurred and is continuing; and

(xi) receipt of a "date down" endorsement of the title policy showing no new liens and/or encumbrances unless the same were previously approved by the Special Limited Partner.

D. Subject to the provisions of the last paragraph of this Section, \$562,219 or 9.00% the capital contribution (the "Fourth Installment") upon the latest of:

(i) satisfaction of all conditions of the Third Installment;

(ii) the reserves required to be funded pursuant to the Partnership Agreement have been fully funded, if required by such time;

(iii) Achievement of Required Debt Service Coverage Ratio (as hereinafter defined) for three (3) consecutive months before payment of the Fourth Installment;

(iv) Permanent Mortgage Loan closing;

(v) Debt Sizing has occurred;

(vi) any reserves required to be funded by such time pursuant to the Partnership Agreement have been fully funded;

(vii) the Construction Mortgage Loan has been repaid in full;

(viii) receipt of the most recent prior year paid property tax receipt that is actually available;

(ix) verification that the Partnership and Project are covered by insurance in accordance with the requirements of the Partnership Agreement;

(x) no event giving rise to the obligation of the Partnership to repurchase the interest of the Investment Limited Partner or the Special Limited Partner under the Partnership Agreement shall have occurred and not been waived by the Investment Limited Partner or the Special Limited Partner;

(xi) receipt of certificate of the General Partner that all of its representations and warranties set forth in the Partnership Agreement are

true and correct in all material respects and no event of default with respect to the indebtedness of the Partnership has occurred and is continuing; and

(xii) receipt of a “date down” endorsement of the title policy showing no new liens and/or encumbrances unless the same were previously approved by the Special Limited Partner.

E. Subject to the provisions of the last paragraph of this Section, the balance of the capital contribution (the “Final Installment”) upon the latest of:

- (i) satisfaction of all conditions of the Fourth Installment;
- (ii) IRS Form(s) 8609 issued by Texas Housing Tax Credit Agency for each residential building in the Project;
- (iii) receipt of the Reconciliation Document;
- (iv) the Tax Certification Letter with the blanks completed and any additions, deletions or modifications as necessary to make the statements contained therein true and correct in all material respects;
- (v) receipt of the most recent prior year paid property tax receipt that is actually available;
- (vi) verification that the Partnership and Project are covered by insurance in accordance with the requirements of the Partnership Agreement;
- (vii) no event giving rise to the obligation of the Partnership to repurchase the interest of the Investment Limited Partner or the Special Limited Partner under the Partnership Agreement shall have occurred and not been waived by the Investment Limited Partner or the Special Limited Partner;
- (viii) receipt of certificate of the General Partner that all of its representations and warranties set forth in the Partnership Agreement are true and correct in all material respects and no event of default with respect to the indebtedness of the Partnership has occurred and is continuing; and
- (ix) receipt of a “date down” endorsement of the title policy showing no new liens and/or encumbrances unless the same were previously approved by the Special Limited Partner.

Payment of each Installment will be conditioned upon a “date-down” of the Owner’s Title Insurance Policy and, with the exception of the amount set forth on the Closing Statement to be paid at closing from the First Installment, upon submission of a draw request in such form and content as shall be determined by the Investment Limited Partner to be paid on a draw basis as needed for costs incurred. Notwithstanding the foregoing, a final “date-down” endorsement of the Title Insurance Policy, “dating-down” the effective date of the Title Insurance Policy and all endorsements attached thereto together with the issuance of an ALTA 3.1 endorsement and an ALTA “as-built” survey shall be provided to the Special Limited Partner prior to the payment of the Final Installment.

Ownership Entity and Allocation of Profits and Losses – A Texas limited partnership. As stated above, the Investment Limited Partner’s legal counsel will draft the Partnership Agreement and such other ancillary documents as are needed.

99.990% Partnership Interest – To be held by the Investment Limited Partner or its assignees, as a limited partner;

0.001% Partnership Interest – To be held by RB Affordable Housing, Inc., an affiliate of the Investment Limited Partner (the “Special Limited Partner”), as a limited partner; and

0.009% Partnership Interest – To be held by the General Partner, as a general partner.

Subject to certain special allocation provisions, Profits and Losses of the Partnership shall be allocated in accordance with the foregoing percentage interests.

Federal Housing Tax Credit Delivery – The proposed investment by the Investment Limited Partner is based upon the anticipated allocation of Federal Housing Tax Credits to it in accordance with a schedule to be agreed upon by the parties.

Guaranty – Leslie Holleman and Jeremy Mears, and with respect to completion only, William L. Brown, Doak D. Brown, Jed A. Brown, Wil C. Brown, Brownstone Construction, Ltd. (together, the “Equity Guarantor”) shall provide the following indemnities and warranties to the Investment Limited Partner:

(1) Operating Deficit Guaranty – Equity Guarantor shall for the period beginning with the Closing Date initially through the five (5) year period beginning with the latter to occur of (i) Achievement of Required Debt Service Coverage Ratio (3 months at 1.20 to 1), (ii) Permanent Mortgage Loan closing or (iii) receipt of Internal Revenue Service Forms 8609 for all buildings in the Project (the “Guaranty Modification Date”) provide an operating deficit guaranty (the “Operating Deficit Guaranty”) for all operating deficits. At no time after the Guaranty Modification Date shall the Operating Deficit Guaranty exceed an amount equal to six (6) months of actual operating expenses for the prior ninety (90) days, replacement reserves (to the extent not included in operating expenses) and debt service based on the permanent loan terms. Thereafter, the Operating Deficit Guaranty will be eliminated on the date that is five (5) years after the Guaranty Modification Date, but only if (a) the Operating Deficit Reserve Account is fully funded and (b) the Project has maintained a 1.20 to 1 Debt Service Coverage Ratio for the last twelve (12) months in such five (5) year period. The Operating Deficit Guaranty is in addition to an Operating Deficit Reserve Account to be established as hereafter provided.

(2) Tax Indemnity – Should the Tax Credits be reduced for any reason after the pay-in period described above, the Equity Guarantor shall reimburse Investment Limited Partner 96% for every dollar reduction. The Equity Guarantor shall reimburse the Investment Limited Partner for all amounts, including interest and penalties, should the Partnership become obligated to recapture the Tax Credits due to violation of the Partnership Agreement, the Construction Mortgage Loan, the Bridge Loan or the Permanent Mortgage Loan or applicable law by the General Partner. Any payment required as provided above shall be known as an “Adjustment Amount.” This guaranty shall expire seven (7) years after Achievement of Required Debt Service Coverage Ratio.

(3) Guaranty of Completion – The Equity Guarantor shall guaranty that the Project is built on budget and on time, and in accordance with the plans and specifications. The Guaranty of Completion shall expire upon payment of the Final Installment.

(4) **Guaranty of General Partner's Obligation** – The Equity Guarantor shall guarantee certain obligations of the General Partner under the Partnership Agreement to contribute capital to pay any unpaid, deferred development fee and to fulfill the repurchase obligation under certain circumstances.

Property Management – The General Partner agrees that UAH Property Management, L.P. will serve as the property manager of Lumberton Senior Village, Ltd. and cannot, without prior approval of the Investment Limited Partner, transfer its property management obligation. UAH Property Management, L.P. shall assess a property management fee consistent with standards established by the Texas Housing Tax Credit Agency, but not in excess of 5.00% of gross rental receipts.

Distribution of Net Cash Flow - Net Cash Flow (as will be defined in the Partnership Agreement) shall be distributed not later than forty-five (45) days after the end of each fiscal year, or, if later, within fourteen (14) days of the receipt of any required authorization from the Construction Mortgage lender, the lender of the Permanent Mortgage Loan (the "Permanent Mortgage Lender") or the Texas Housing Tax Credit Agency to distribute such Net Cash Flow, as follows:

(a) First, to the payment of any Adjustment Amount, together with any accrued interest thereon, with respect to the Partnership;

(b) Second, to the Developer (as hereafter defined) an amount equal to the Deferred Development Fee (as hereafter defined) until such time as the Deferred Development Fee shall be satisfied;

(c) Third, to the Special Limited Partner or any affiliate thereof, for payment of any other fees, debts, liabilities, or obligations owed to any such person including Special Additional Capital Contribution (as will be defined in the Partnership Agreement) and Limited Partner Advances (as will be defined in the Partnership Agreement);

(d) Fourth, to replenish the Operating Deficit Reserve Account and then to the General Partner or Equity Guarantor for repayment of any outstanding Operating Deficit Loans (as will be defined in the Partnership Agreement) and GP Loans (as will be defined in the Partnership Agreement) made with respect to the Partnership;

(e) Fifth, to the Investment Limited Partner, an amount equal to 40% of the taxable income, if any, reflected on the total of lines 1 through 7 of the Form K-1 received by the Investment Limited Partner with respect to such year as a result of an allocation hereof, and any amount which would have been distributed in prior years but for there being insufficient Net Cash Flow;

(f) Sixth, in an amount equal to 84.990% of Net Cash Flow for such year remaining after the payment of any items under (a) through (e) hereof for such year, to the General Partner for the Partnership Management Fee (as to be defined in the Partnership Agreement);

(g) Seventh, any remaining Net Cash Flow shall be distributed to 99.990% to the Investment Limited Partner, 0.001% to the Special Limited Partner and 0.009% to the General Partner.

Notwithstanding the foregoing, (i) Net Cash Flow shall not be distributed to either the General Partner or any of its Affiliates if either the General Partner or any of its Affiliates is subject to removal hereunder or has failed to perform any of its obligations under any of the Project Documents and (ii) Net Cash Flow shall not be distributed in amounts greater than permitted by the financing documents anticipated to be entered between the Partnership and any applicable Lender or Texas Housing Tax Credit Agency requirement. Notwithstanding anything to the contrary, in no event shall less than ten percent (10%) of the any Net Cash

Flow paid pursuant to clauses (f) and (g) above, in the aggregate from any Net Cash Flow paid or distributed to the Investment Limited Partner and Special Limited Partner, and clauses (f) and (g) above shall be modified to the extent necessary so that the Investment Limited Partner and Special Limited Partner in the aggregate will receive ten percent (10%) of any Net Cash Flow paid or distributed pursuant to clauses (f) and (g) above. Finally, if Net Cash Flow for any Fiscal Year is not sufficient to pay the Partnership Management Fee for such Fiscal Year, such fee shall lapse to the extent not paid.

Distribution of Net Cash Proceeds from a Sale or Refinancing. In the event of a liquidating distribution, the Net Cash Proceeds resulting from a Refinancing or from a Sale (as to be defined in the Partnership Agreement) in excess of the amount applied to Partnership mortgage obligations encumbering the property refinanced or sold shall be distributed and applied in the following order of priority:

(a) To the payment of the expenses of the Sale or Refinancing (as to be defined in the Partnership Agreement) and the debts and liabilities of the Partnership then due, excluding obligations to any Partner or Affiliates thereof other than accrued Investor Services Fee (as hereafter defined).

(b) To the setting up of any required reserves for any contingent or unforeseen liabilities or obligations of the Partnership; provided, however, that said reserves shall be deposited with a bank or trust company designated by the General Partner (or other Person(s) conducting the winding up of the Partnership) in escrow at interest for the purpose of disbursing such reserves for the payment of any of the aforementioned contingencies and, at the expiration of such period as the General Partner (or other Person(s) conducting the winding up of the Partnership) shall deem advisable, for the purpose of distributing the balance remaining thereafter as provided for hereinafter.

(c) To the payment, of any Adjustment Amount, together with any accrued interest thereon, with respect to the Partnership.

(d) To the General Partner for payment of Special Additional Capital Contribution and to the Investment Limited Partner for payment of Special Additional Capital Contribution and Limited Partner Advances and to any other advances or expenses incurred by the Special Limited Partner, the Investment Limited Partner, or any Affiliates thereof on behalf of the Partnership then due and payable.

(e) To the payment of any outstanding Operating Deficit Loans and/or GP Loans made with respect to the Partnership.

(f) To the General Partner, the amount, if any, of its Capital Contributions made to the Partnership in accordance with the terms of the Guaranty of Completion, or relating to unpaid Deferred Development Fees, reduced by the amount, if any, of prior distributions.

(g) To the Investment Limited Partner and the Special Limited Partner, an amount equal to any Federal income tax incurred as a result of a Sale or Refinancing.

(h) To the Partners with positive Capital Account balances (calculated prior to the allocation of Net Profit from Sale), pro-rata in accordance with their respective positive Capital Account balances until the Capital Accounts of all Partners with positive Capital Accounts shall have been reduced to zero.

(i) Finally, any remaining Net Cash Proceeds shall be distributed 14.990% to the Investment Limited Partner, 0.010% to the Special Limited Partner and 85.000% to the General Partner.

Notwithstanding anything to the contrary set forth in Section 4.5 of the Agreement, in no event shall less than ten percent (10%) of the any Net Cash Proceeds paid pursuant to clauses (h) and (i) above in the aggregate from shall be paid or distributed to the Investment Limited Partner and Special Limited Partner, and

clauses (h) and (i) above shall be modified to the extent necessary so that the Investment Limited Partner and Special Limited Partner in the aggregate will receive ten percent (10%) of any Net Cash Proceeds paid or distributed pursuant to clauses (h) and (i) above. Except as will be otherwise provided in the Partnership Agreement, the other agreements entered in connection with the Partnership Agreement or by law, the General Partner shall have no personal liability with respect to a return of the Capital Contributions of the Investment Limited Partner.

Sale of Project – At the end of the Compliance Period (as to be defined in the Partnership Agreement), the Investment Limited Partner shall have the right to market the Project. Should the General Partner object to any proposed sale, it shall have a right of first refusal and may purchase the Project at the same price and on the same terms as set forth in any offer that the Investment Limited Partner might receive, with the Investment Limited Partner entitled to proceeds as noted above. In addition, the Partnership Agreement will grant to the Investment Limited Partner and Special Limited Partner the right to “put” their partnership interest to the General Partner at the end of both the Credit Period (as to be defined in the Partnership Agreement) and the Compliance Period for a payment of \$1,000. The Investment Limited Partner acknowledges that the Partnership shall grant a right of first refusal to the Texas Housing Tax Credit Agency.

Financial Accounting – Among other reports, the General Partner shall provide the following reports to the Investment Limited Partner and Special Limited Partner:

- (1) By October 31, an annual budget for the upcoming year.
- (2) By March 15, the Partnership tax return and Schedule K-1 for the prior fiscal year.
- (3) By March 15, audited financial statements for the prior fiscal year.
- (4) Such other reports as the Investment Limited Partner or Special Limited Partner shall require.

Legal Review – The Partnership agreements, all guaranty agreements and other legal documents referencing the investment by the Limited Partner are subject to review by the Investment Limited Partner and preparation by Liles & Rushin, LLC as legal counsel for the Investment Limited Partner. The Partnership Agreement will contain representations, warranties and covenants typical to limited partnership agreements for national syndication for investment in Federal Housing Tax Credit transactions.

Due Diligence – From the date of the receipt of *all* due diligence items, set forth on the Due Diligence Checklist to be prepared by legal counsel for the Investment Limited Partner, the Investment Limited Partner shall have thirty (30) days to complete its due diligence review. The Investment Limited Partner’s due diligence shall include, *but not be limited to*, a review of the market study, an appraisal prepared by a third party independent appraiser, an ALTA survey with such survey certificate as the Investment Limited Partner may require, title commitment for an owner’s policy in the amount of the sum of the Investment Limited Partner’s capital contribution plus the amount of the permanent debt of the Partnership with such endorsements as the Investment Limited Partner may require, and a Phase I Environmental Review, all of which shall be paid for by the Partnership and shall be in form and substance acceptable to the Investment Limited Partner.

Federal Housing Tax Credit Adjuster – Should the final Federal Housing Tax Credits earned by the Project be greater than, or less than, \$735,000 per annum the capital contribution by the Investment Limited Partner shall be increased or decreased accordingly by 85% for each dollar of Federal Housing Tax Credit increased or decreased, utilizing the same formula as set forth above for calculation of the capital contribution; provided, however, in no event will any additional capital contribution exceed \$624,688.

Development Fee – Evolie Housing Partners, LLC and Mears Development and Construction, Inc. shall be the co-developers for the Project. A fee to be paid the Developer (the “Development Fee”) shall be payable in accordance with the following schedule: (i) \$50,000 or 5.52% to be paid at the First Installment, (ii) \$100,000 or 11.05% to be paid at the Second Installment, (iii) \$100,000 or 11.05% to be paid at the Third Installment, (iv) \$365,010 or 40.33% to be paid at the Fourth Installment, (v) \$62,469 or 6.90% to be paid at the Final Installment and (vi) the remainder to be deferred and payable out of Net Cash Flow. In the event that the sources of funds are not sufficient to pay all of the Development Fee (as is presently contemplated) such portion (the “Deferred Development Fee”) shall be deferred and paid out of Net Cash Flow as hereinbefore provided. Any Deferred Development Fee not paid by the thirteenth (13th) anniversary of the Completion Date (as such term will be defined in the Partnership Agreement) will be paid from a special contribution of capital to the Partnership by the General Partner.

Required Reserves – The greater of \$179,376 or six (6) months of operating expenses and debt service (the “Operating Deficit Reserve”) shall be paid from the Fourth Installment into an Operating Deficit Reserve Account, which Operating Deficit Reserve Account shall be established with the Investment Limited Partner. If funds are withdrawn from the Operating Deficit Reserve Account, such funds must be restored from that portion of Net Cash Flow that would otherwise be paid to the General Partner as the Partnership Management Fee. A replacement reserve (the “Replacement Reserve”) in an amount of \$250 per residential rental unit, per year will be established with the Investment Limited Partner. The Partnership will establish with Permanent Mortgage Lender on the Permanent Mortgage Loan closing date a tax and insurance reserve account to which the Partnership will deposit on the tenth (10th) day of each month an amount equal to one twelfth of the annual property tax and insurance premium, which tax and insurance premium will be paid from such account to the extent of funds then on deposit.

Financing – The amount, terms and conditions of the construction and permanent financing, if not provided by Regions Bank, must be acceptable to Investment Limited Partner.

Investor Service Fee – The Investment Limited Partner will receive an Investment Limited Partner service fee of (i) \$4,200 for each of the years 2019-2023, (ii) \$4,800 for each of the years 2024-2028, (iii) \$5,500 for each of the years 2029-2033, (iv) \$6,300 for each of the years 2034-2038 and (v) \$7,200 for the years 2039, which shall have payment priority after the payment of operating expenses, debt service and funding of required reserves.

Further Documents – The General Partner and the Investment Limited Partner intend to enter into definitive written agreements acceptable to each incorporating therein all of the terms, provisions and conditions of this transaction, as stated herein, together with the customary representations, warranties, covenants and indemnities which shall survive the closing, including but not limited to warranties of title; absence of defaults, litigation, liens, and undisclosed liabilities, existence of insurance; full compliance with applicable laws, regulatory agreements and environmental regulations; defect-free construction of the Project; authority of the General Partner, and the truth and accuracy and completeness of all assumptions expressed by the General Partner.

The Partnership shall be responsible for all costs incurred in the preparation of the Partnership Agreement and related documents, the Investment Limited Partner’s legal counsel, due diligence efforts, recording fees and similar matters.

CUSTOMER IDENTIFICATION PROGRAM - IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

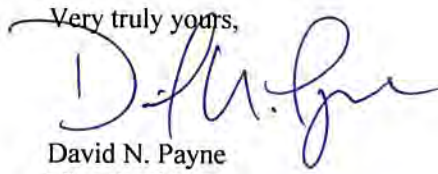
To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask you for your name, address, date

of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

THIS LETTER OF INTENT DOES NOT, NOR DOES IT INTEND TO CONTAIN ALL OF THE TERMS AND CONDITIONS OF THE PROPOSED TRANSACTION. THIS LETTER OF INTENT IS SUBJECT TO THE NORMAL APPROVAL AND DUE DILIGENCE PROCESS OF THE INVESTMENT LIMITED PARTNER AND ITS LEGAL COUNSEL, LILES & RUSHIN, LLC. THE INVESTMENT LIMITED PARTNER RESERVES THE RIGHT TO REQUIRE OTHER INFORMATION AND DOCUMENTS AS OUR COUNSEL AND THE INVESTMENT LIMITED PARTNER REASONABLY REQUIRE. THE INVESTMENT LIMITED PARTNER RESERVES THE RIGHT TO MAKE MODIFICATIONS TO THE CLOSING CHECKLIST. FURTHERMORE, CHANGES MAY BE MADE TO THIS LETTER OF INTENT DURING THE INVESTMENT APPROVAL PROCESS OR AT THE REQUEST OF OR RECOMMENDATION OF THE INVESTMENT LIMITED PARTNER'S COUNSEL OR CERTIFIED PUBLIC ACCOUNTANT. THIS LETTER OF INTENT IS NOT A COMMITMENT TO INVEST, BUT A FRAMEWORK THAT HAS BEEN INITIALLY APPROVED BY THE INVESTMENT LIMITED PARTNER'S INVESTMENT COMMITTEE.

THIS LETTER OF INTENT WILL EXPIRE IF NOT ACCEPTED BY THE GENERAL PARTNER ON BEHALF OF THE PARTNERSHIP AND THE EQUITY GUARANTORS BY JUNE 30, 2017. IF THIS LETTER OF INTENT IS ACCEPTED BY JUNE 30, 2017, IT WILL TERMINATE IF THE TRANSACTIONS CONTEMPLATED HEREBY ARE NOT CLOSED BY JULY 31, 2017.

We appreciate having the opportunity to invest in this Partnership. Please feel free to give me a call if you have any questions or comments about this proposal. If the terms of this letter are satisfactory, please sign and return to me and I will proceed with getting the final approval of the Investment Limited Partner's investment committee.

Very truly yours,

David N. Payne
Vice President
Regions Bank

Accepted by: Lumberton Senior Village, Ltd., a Texas limited partnership

By: Lumberton Senior Village GP, LLC, a Texas limited liability company
Its: General Partner

By: U Holleman
Its: Manager
Date: 4/10/17

EQUITY GUARANTORS:

U Holleman
Leslie Holleman

Jeremy Mears

Brownstone Construction, Ltd. (Guaranty of Completion *only*)

By: _____
Name: Doak Brown
Its: Vice President

William L. Brown (Guaranty of Completion *only*)

Doak D. Brown (Guaranty of Completion *only*)

Jed A. Brown (Guaranty of Completion *only*)

Wil C. Brown (Guaranty of Completion *only*)

Accepted by: Lumberton Senior Village, Ltd., a Texas limited partnership

By: Lumberton Senior Village GP, LLC, a Texas limited liability company
Its: General Partner

By: _____
Its: _____
Date: _____

EQUITY GUARANTORS:

Leslie Holleman



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Wil C. Brown (Guaranty of Completion *only*)

Accepted by: Lumberton Senior Village, Ltd., a
Texas limited partnership

By: Lumberton Senior Village GP, LLC, a Texas
limited liability company
Its: General Partner


By: _____
Its: _____
Date: _____


EQUITY GUARANTORS:


Leslie Holleman


Jeremy Mears

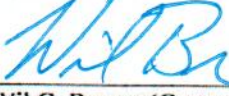
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April 5, 2017



Leslie Holleman and Jeremy Mears
Lumberton Senior Village, Ltd.
6517 Mapleridge
Houston, Texas 77081

RE: Potential Construction and Bridge Loan for Lumberton Senior Village, a 56-unit Affordable Housing property to be located in Lumberton, Hardin County, Texas

Dear Mrs. Holleman and Mr. Mears:

This letter sets forth the business terms under which Regions Bank (the "Bank") is considering making available a construction loan (the "Construction Mortgage Loan") and a bridge loan (the "Bridge Loan") on the terms and conditions specified in this letter to Lumberton Senior Village, Ltd., a Texas limited partnership (the "Company"), the general partner of which is Lumberton Senior Village GP, LLC, a Texas limited liability company that has been organized to develop, construct and operate a 56-unit apartment complex in Lumberton, Hardin County, Texas, to be known as Lumberton Senior Village (the "Project").

CONSTRUCTION MORTGAGE LOAN AMOUNT: \$1,400,000

BRIDGE LOAN AMOUNT: \$4,450,000

INTEREST RATE: With respect to the Construction Mortgage Loan, a variable interest rate equal to three percent (3.00%) above the 30-day LIBOR rate. With respect to the Bridge Loan, a variable interest rate equal to three percent (3.00%) above the 30-day LIBOR.

LOAN TERM: With respect to the Construction Mortgage Loan, up to twenty-four (24) months from the closing. With respect to the Bridge Loan, up to twenty-four (24) months from the closing.

ORIGINATION FEES: One percent (1.00%) of the Construction Mortgage Loan Amount, or \$14,000 for the Construction Mortgage Loan payable at closing of the Construction Mortgage Loan. One percent (1.00%) of the Bridge Loan Amount, or \$44,500 for the Bridge Loan payable at the closing of the Bridge Loan. Such fees shall be fully earned and non-refundable when paid.

COMPUTATION OF INTEREST: Interest shall be computed on the basis of a 360 day year for the actual number of days elapsed.

INTEREST PAYMENTS: Payment of accrued interest on the Construction Mortgage Loan and Bridge Loan will be required monthly.

PRINCIPAL PAYMENTS: The principal of the Construction Mortgage Loan shall be payable in full on or before the maturity date of the Construction Mortgage Loan, which will be for a period not to exceed twenty-four (24) months from the closing date. The principal of the Bridge Loan shall be payable in full on or before the maturity date of the Bridge Loan, which will be for a period not to exceed twenty-four (24) months from the closing date.

PREPAYMENT: The Construction Mortgage Loan and the Bridge Loan may be prepaid at any time in an amount equal to the entire principal balance, plus any accrued interest and fees, without premium or penalty.

GUARANTEES: Leslie Holleman, Jeremy Mears, and with respect to completion only, William L. Brown, Doak D. Brown, Jed A. Brown, Wil C. Brown, Brownstone Construction, Ltd. (the "Credit Guarantors") will provide joint and several completion and repayment guaranties (the "Credit Guaranty Agreement"). The Bank's obligations hereunder are conditioned on there being no material adverse change in the financial condition of any Credit Guarantor.

USE OF PROCEEDS: All proceeds of the Construction Mortgage Loan and the Bridge Loan will be used in the development of the Project on a site in Lumberton, Hardin County, Texas (the "Land") for the Project.

CONSTRUCTION CONSULTANT: The Bank shall commission, at the expense of the Company, a preliminary review of the Project and all related contracts and plans and specifications by the Bank's construction consultant (the "Construction Consultant") to confirm, in an upfront cost and plan review, that the Company's budget is sufficient to complete the Project. The Bank shall, at the expense of the Company, have the Project inspected by the Construction Consultant from time-to-time during construction, at such intervals as may be acceptable to the Bank. All requests for advances of Construction Mortgage Loan and Bridge Loan proceeds will be reviewed and approved by the Construction Consultant.

AVAILABILITY OF PROCEEDS: Except for the initial draw of Construction Mortgage Loan and Bridge Loan proceeds, advances of Construction Mortgage Loan and the Bridge Loan proceeds shall be made at the written request of the Company, but only on the certificate of, and after inspection of the Project by, the supervising architect and the Construction Consultant, which certificates shall be attached as the estimate of the Construction Consultant of the items to be paid out of proceeds of each advance.

SECURITY: In addition to the guarantees of the Credit Guarantors, the Construction Mortgage Loan and the Bridge Loan shall be secured by the following:

- (a) A first priority deed of trust, security agreement and fixture filing (the "Mortgage") on the Land and the improvements to be constructed thereon (the "Mortgaged Property"), the legal description of which shall be provided by the Company as soon as possible.
- (b) A first priority security interest and lien on all equipment, furniture, fixtures and other personal property located on the Land, used or intended to be used in connection with, in the Project, or any part thereof.
- (c) A first priority assignment of the construction contract, architect contract and plans and specifications for the Project, property management agreement, development agreement and any other loan commitments along with the rights of the Company under all other contracts relating to the construction, ownership, use, management or operation of the Project.
- (d) A first priority assignment of rents and leases.
- (e) An environmental indemnity agreement entered into by the Company and the Credit Guarantors.

- (f) A first priority assignment of general partnership interest.
- (g) A first priority assignment of the capital contribution to be made by the limited partner.

REQUIREMENTS RELATED TO SECURITY AND COLLATERAL:

1. The Company agrees to furnish to the Bank, at the Company's expense, an ALTA 2006 title insurance policy in the principal amount of the Construction Mortgage Loan and Bridge Loan, along with such endorsements as shall be required by the Bank, issued by a title insurance company acceptable to the Bank, insuring that the Mortgage is a valid first priority lien on the Mortgaged Property, subject only to (i) current year ad valorem taxes and (ii) such exceptions as shall be acceptable to the Bank. The title policy shall be updated with each request for an advance with respect to the Construction Mortgage Loan and Bridge Loan.

2. Prior to the closing, the Bank shall be furnished an ALTA survey of the Mortgaged Property, certified by a registered surveyor to the Bank and to the title insurance company, showing (i) the location of all present improvements, (ii) boundaries, (iii) means of public ingress and egress, (iv) building set-back lines, (v) rights-of-way, (vi) easements, (vii) encroachments and (viii) such other matters as shall be required by the Bank. The matters set forth on the survey must be satisfactory to the Bank. The survey must contain the Bank's required form of certification and be in form and substance satisfactory to the Bank. The Company shall provide foundation surveys as construction progresses and an "as-built" survey upon completion of construction.

3. The Company shall provide (i) builders risk/extended multi-peril on, and with respect to, the Mortgaged Property, (ii) general liability insurance for the Company, contractor and property manager and professional liability insurance for the architect and environmental consultant and (iii) workmen's compensation insurance for the contractor and property manager, underwritten by companies approved by the Bank, in form and substance and containing such coverage as shall be required by the Bank. The builder's risk/extended multi-peril policies shall cover all risks, pursuant to 100% non-reporting policies in form and substance acceptable to the Bank and shall provide thirty (30) days written notice of cancellation to the Bank. The Bank shall be named as Mortgagee and "Lender's Loss Payee" in all builders' risk/multi-peril hazard insurance policies. The Bank will order a flood certificate at the Company's cost. Flood insurance will be required if it is determined that any improvements constituting part of the Project lie within a designated flood hazard area.

4. Prior to the closing, the Bank shall receive, and approve, (i) a Phase I Environmental Report and (ii) soil or geotechnical report in form and content satisfactory to the Bank. Additionally, as part of the Phase I Environmental Report, or in a separate report, the Bank shall receive a report, which shall certify the results related to toxic and other hazardous substances on the Mortgaged Property. Any Phase I Environmental Reports and soil or geotechnical report must be acceptable to the Bank. A review of the Phase I Environmental Report is required and review fee will be paid by the Company.

5. The Bank's letter of intent is subject to the Bank's receipt, and approval, of (i) the developer, contractor, architect and property manager selected by the Company, (ii) the executed development, construction, architectural and property management contracts, (iii) assignments thereof, (iv) lien waivers of the contractor and architect and a subordination from the property manager and developer, (v) building permits and such other permits as may be required for the development of the Project by the applicable governmental authorities and (vi) the final plans and specifications approved by the Bank and the Construction Consultant. Any changes in the construction, architect, property manager or developer contracts and plans and specifications shall be subject to the Bank's prior approval.

6. During the term of the Construction Mortgage Loan and the Bridge Loan, the Company will not further encumber or convey the Mortgaged Property in any manner, without the prior written approval of the Bank.

7. The Bank's letter of intent is subject to receipt, review and approval by the Bank of a current appraisal and market study (including information on capture rate, absorption rate and demand rate) of the Project addressed to the Bank or Texas Department of Housing and Community Affairs (the "Texas Housing Tax Credit Agency") and prepared (within the last six months) by an independent appraiser/market study professional approved by the Bank or the Texas Housing Tax Credit Agency. Such appraisal and market study shall be in form and content satisfactory to the Bank. The Construction Mortgage Loan cannot exceed 80.00% of the appraised value of the Project, without considering the value of the federal low-income tax credits ("Federal Housing Tax Credits") under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). An appraisal review fee shall be paid by the Company to the Bank.

8. The Bank's letter of intent is contingent upon receipt of a copy of the Texas Housing Tax Credit Agency's reservation letter (the "Housing Tax Credit Reservation Letter") reflecting total Federal Housing Tax Credits available to the Company in a minimum amount of \$735,000 per annum. The terms, conditions and contents of the Housing Tax Credit Reservation Letter shall be acceptable to the Bank in its sole discretion. The Company shall provide to the Bank and its legal counsel copies of the Housing Tax Credit application, Housing Tax Credit Reservation Letter, carryover allocation agreement and all related documents. Additionally, the Company shall provide copies of such other documents as may be requested by the Bank or its legal counsel, including, but not limited to those set forth on a closing or due diligence checklist provided by the Bank's legal counsel.

9. The Bank's letter of intent is subject to the Company obtaining, and accepting, a commitment from Regions Bank or other Investment Limited Partner for the investment in the limited partnership interest in the Company entitled to an allocation of Federal Housing Tax Credits such that the combination of the amount of the Construction Mortgage Loan, other financing sources and the equity will allow for a viable project. All equity proceeds shall be used for the Project and related expenses in accordance with the development budget.

10. The Company shall provide an opinion of its counsel, covering such matters as shall be required, to the Bank.

11. It is expected that the Partnership will enter into a Permanent Mortgage Loan after the maturity date of the Bank's Construction Mortgage Loan. At this time, the Permanent Mortgage Loan will fund and pay off the Construction Mortgage Loan, at which time the Permanent Mortgage Loan will receive first lien priority. Such Permanent Mortgage Loan documents shall be in form and substance acceptable to the Bank.

12. [Intentionally Omitted].

13. Construction must commence within thirty (30) days from the date of the closing of the Construction Mortgage Loan and the Bridge Loan. Construction must be pursued with reasonable diligence and shall be completed within fifteen (15) months from such closing or November 1, 2018, whichever is sooner. Time is of the essence.

14. The greater of \$179,376 or six (6) months of operating expenses and debt service (the "Operating Deficit Reserve") shall be paid from the Fourth Installment (as such term will be defined in the Partnership Agreement) into an Operating Deficit Reserve Account, which Operating Deficit Reserve Account shall be established with the Bank. A replacement reserve (the "Replacement Reserve") in an amount of \$250 per residential rental unit per year (the "Replacement Reserve Amount") will be established with the Bank.

15. No later than nine (9) months from completion of construction, the Company must have achieved a Debt Service Coverage Ratio of 1.20:1 based on the previous three (3) months operations. The Debt Service Coverage Ratio is defined as the ratio of Net Operating Income to Debt Service. Net Operating Income shall be defined as the Effective Gross Income of the Project less Operating Expenses and shall include the Replacement Reserve Amount and the *greater* of (i) the actual vacancy rate or (ii) seven percent (7.00%) and a deduction for the *greater* of (i) proforma operating expenses or (ii) actual Operating Expenses. Effective Gross Income shall mean the gross receipts of the Company. Operating Expenses shall include a minimum property management fee of five percent (5%) of Effective Gross Income. Debt Service will be determined using a thirty (30) year amortization of principal at an interest rate of six and one-half percent (6.50%) per annum, and the actual financing costs of the Construction Mortgage Loan, including and all other costs. In the case of the Construction Mortgage Loan, it will be assumed that the Permanent Mortgage Loan has closed.

16. The Company must maintain a ratio of the remaining principal amount of the Construction Mortgage Loan to Value of no more than eighty percent (80%) during the term of the Construction Mortgage Loan. Value shall mean the fair market value of the Project without considering the value of the Federal Housing Tax Credits as determined by an appraiser selected by the Bank, which appraisal shall be subject to the review and approval of the Bank. The Bank shall have the right to order a new appraisal at any time during the term of the Construction Mortgage Loan and the Bridge Loan, and the Company will agree to pay for one additional appraisal during the term. In the event that the ratio of the remaining principal amount of the Construction Mortgage Loan to Value ever exceeds eighty percent (80%), the Company shall immediately deposit with the Bank, as additional collateral, an amount which will bring the remaining principal amount of the Construction Mortgage Loan into compliance with this covenant.

DOCUMENTATION OF THE LOAN: The Bank shall be furnished with such loan and security instruments, as the Bank shall deem necessary for its protection under this letter of intent including representations and warranties and covenants (affirmative and negative) customary for transactions of this type. All documentation shall be satisfactory to the Bank and its legal counsel, Liles & Rushin, LLC. Without limiting the generality of the foregoing, the Bank and the Company will enter into a Credit Agreement that will provide for financial reporting and tax returns for the Company, and each Credit Guarantor will execute and deliver to the Bank the Credit Guaranty Agreement that will provide for financial reporting and tax returns as required by the Bank.

INFORMATION: The Bank has issued this letter of intent based upon the information supplied by the Company. The Bank has the right to cancel this letter of intent, whereupon the Bank shall have no obligations hereunder, in the event of: (i) a material adverse change in the financial condition, operations, management, prospects or ownership of (A) the Company, (B) the General Partner or (C) any Credit Guarantor; (ii) a material adverse change in the accuracy of the information, representations, exhibits or other materials submitted by the Company in connection with its request for financing; or (iii) (A) loss of, (B) damage to, (C) a taking of, (D) or the presence of any hazardous substances at, or on, the Mortgaged Property. The requirements of this letter of intent include, but are not limited to: (i) receipt of satisfactory financial statements of (A) the General Partner, (B) the Company and (C) the Credit Guarantors (not more than six months old); (ii) receipt of a satisfactory third party market study setting forth (A) capture rate, (B) absorption rate and (C) demand analysis consistent with the Bank's underwriting standards; (iii) satisfactory site inspection by the Bank and the Construction Consultant; (iv) satisfactory review of the background and credit worthiness of (A) the General Partner and (B) the Credit Guarantors; and (v) [intentionally omitted].

EXPENSES: By the Company's acceptance of this letter of intent, the Company and each Credit Guarantor, unconditionally agrees to pay all expenses incurred by the Bank in connection with the underwriting, closing, servicing or collection of the Construction Mortgage Loan and Bridge Loan including, but not limited to, legal fees of the Bank's legal counsel, loan origination fees, appraisal fees, insurance premiums, survey costs, title insurance premiums, other insurance premiums, intangible taxes, other taxes, mortgage taxes, transfer taxes,

recording costs and all license and permit fees, whether or not the Construction Mortgage Loan and the Bridge Loan actually closes.

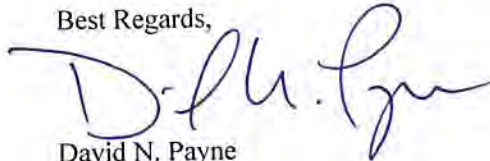
CUSTOMER IDENTIFICATION PROGRAM - IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask you for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

THIS LETTER OF INTENT DOES NOT, NOR DOES IT INTEND TO CONTAIN, ALL OF THE TERMS AND CONDITIONS OF THE PROPOSED TRANSACTION, INCLUDING, BUT NOT LIMITED TO, RESERVE REQUIREMENTS. THIS LETTER OF INTENT IS SUBJECT TO THE CUSTOMARY DUE DILIGENCE PROCESS OF THE BANK AND ITS LEGAL COUNSEL. THE BANK RESERVES THE RIGHT TO REQUIRE OTHER INFORMATION AND DOCUMENTS AS OUR COUNSEL AND THE BANK REQUIRE. THE BANK RESERVES THE RIGHT TO MAKE MODIFICATIONS TO THE CLOSING OR DUE DILIGENCE CHECKLIST. FURTHERMORE, CHANGES MAY BE MADE TO THIS LETTER OF INTENT DURING THE DUE DILIGENCE REVIEW PROCESS OR AT THE REQUEST OF, OR RECOMMENDATION OF, THE BANK'S COUNSEL, LILES & RUSHIN, LLC.

THIS LETTER OF INTENT WILL EXPIRE IF NOT ACCEPTED BY THE GENERAL PARTNER, ON BEHALF OF THE COMPANY, AND THE CREDIT GUARANTORS BY JUNE 30, 2017. IF THIS LETTER OF INTENT IS ACCEPTED BY JUNE 30, 2017, IT WILL TERMINATE IF THE TRANSACTIONS CONTEMPLATED HEREBY ARE NOT CLOSED BY JULY 31, 2017.

Best Regards,



David N. Payne
Vice President
Regions Bank

Accepted by: Lumberton Senior Village, Ltd., a Texas limited partnership

By: Lumberton Senior Village GP, LLC, a Texas limited liability company
Its: General Partner

By: LHolleman
Its: Manager
Date: 4/10/17

CREDIT GUARANTORS:

 LHolleman
Leslie Holleman

Jeremy Mears

Brownstone Construction, Ltd. (Guaranty of Completion *only*)

By: _____
Name: Doak Brown
Its: Vice President

William L. Brown (Guaranty of Completion *only*)

Doak D. Brown (Guaranty of Completion *only*)

Jed A. Brown (Guaranty of Completion *only*)

Wil C. Brown (Guaranty of Completion *only*)

Accepted by: Lumberton Senior Village, Ltd., a Texas limited partnership

By: Lumberton Senior Village GP, LLC, a Texas limited liability company
Its: General Partner

By: _____
Its: _____
Date: _____

CREDIT GUARANTORS:

Leslie Holleman



Jeremy Mears

Brownstone Construction, Ltd. (Guaranty of Completion *only*)

By: _____
Name: Doak Brown
Its: Vice President

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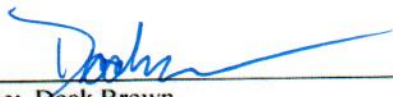
By: _____
Its: _____
Date: _____

CREDIT GUARANTORS:


Leslie Holleman

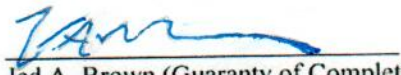
Jeremy Mears


Brownstone Construction, Ltd. (Guaranty of Completion only)

By: 
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Its: Vice President


William L. Brown (Guaranty of Completion only)


Doak D. Brown (Guaranty of Completion only)


Jed A. Brown (Guaranty of Completion only)


Wil C. Brown (Guaranty of Completion only)

Regions Bank
1180 West Peachtree St.
Atlanta, GA 30309



April 3, 2017

Leslie Holleman
Lumberton Senior Village, Ltd.
404 East Worth Street
Grapevine, TX 76051

Re: Lumberton Senior Village

Dear Ms. Holleman,

Regions' Real Estate Capital Markets (RECM) is pleased to offer you the following preliminary permanent take-out based on information received to date. We appreciate the opportunity to work with you as a provider of non-recourse debt products. The purpose of this preliminary take-out is to generally describe a loan Regions' RECM is considering. These terms are subject to change upon the completion of the Bank's due diligence, and as may be required pursuant to the Bank's applicable investment criteria, credit policies, or underwriting standards as may be in effect from time to time, along with other factors relevant to making a lending decision. This correspondence is not a commitment to lend, and no commitment to lend will exist prior to the receipt of all due diligence, formal credit approval and other conditions set forth below.

Purpose:	Immediate funding for the refinance of a stabilized multifamily property with 9% LIHTC under the Fannie Mae DUS Program.
Property:	Lumberton Senior Village, a proposed 56-unit affordable housing property in Lumberton, TX.
Borrower:	Lumberton Senior Village, Ltd.
Loan Amount:	Up to \$1,400,000
Loan Term:	18 Years
Loan Amortization:	30 Years
Minimum DSCR:	1.15x (based on underwritten Net Cash Flow as determined by lender)
Maximum LTV:	85%
Interest Rate:	6.50%

These terms are subject to change upon the completion of the Bank's due diligence, and as may be required pursuant to the Bank's applicable investment criteria, credit policies, or underwriting standards as may be in effect from time to time, along with other factors relevant to making a lending decision. This correspondence is not a commitment to lend, and no commitment to lend will exist prior to the receipt of all due diligence, formal credit approval and other conditions set forth above.

- Origination Fee:** 1.00%
- Reserves:**
- 1/12 of annual insurance and taxes escrow, funded monthly
 - Replacement Reserve Escrow – Minimum \$250 per unit per year. Final amount to be determined based on the Physical Needs Assessment and Lender’s Site Inspection
 - Repair Reserve – 150% of the estimated cost of any maintenance and repairs recommended in the Physical Needs Assessment obtained by Lender
 - Other such reserves required by Lender as a result of its due diligence review
- Prepayment:** Yield Maintenance. Loan is open for prepayment for the last 90 days of the loan term.
- Assumption:** Permitted subject to customary restrictions and a 1.00% fee.
- Non-Recourse:** The loan will be non-recourse, and Borrower and Guarantor(s) will be liable for certain exceptions to non-recourse liability contained in Mortgage Loan Documents

Special Stipulations

- Subject to Lender inspection of the property
- Subject to Lender underwriting and credit review process
- Subject to property reaching a minimum of 90% occupancy for 90 consecutive days.

Again, thank you for your time and we appreciate the opportunity to work with you.

Very much appreciated,



Graham Dozier
Vice President
Regions Bank



May 3, 2017

Marni Holloway
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

RE: Lumberton Senior Village (16172)

Ms. Holloway,

Regions Bank has been asked to review the construction debt and equity opportunities related to the development of Lumberton Senior Village. While Regions did not provide the letters of intent for the development's February 2016 application, the pricing the bank is able to offer for equity investments, like most other direct investors, has fallen since last year. Between the 9% award date last July and today, the tax credit industry has faced pressures on equity pricing due to the likelihood of tax reform and increases in the cost of capital. The increases in the cost of capital has also increased permanent loan interest rates, too, which has reduced permanent loan sizing across the board. As it relates to Lumberton Senior Village, as a result of these market changes, the equity pricing Regions Bank is able to offer on a tax credit dollar basis has fallen to \$0.85. Furthermore, this adjusted equity pricing assumes the scope of the Lumberton Senior Village development will be reduced to 56 units. Given the current market conditions and the fact the market rate units do not generate any tax credits and thus no tax credit equity, reducing the number of units is essential to make the development feasible. Without the reduction in project scope, the development is not feasible in today's market. If I can be of assistance, feel free to call me at (601) 605-5594 or email me at davidn.payne@regions.com.

Regards,

A handwritten signature in blue ink, appearing to read "D. Payne".

David N. Payne
Vice President

CC: Leslie Holleman, Leslie Holleman and Associates

HUDSON

HOUSING CAPITAL

May 2, 2017

Leslie Holleman
Lumberton Senior Village, Ltd.
404 E. Worth Street
Grapevine, TX 76051

Re: **Lumberton Senior Village, Lumberton, Texas (16172)**

Dear Leslie:

In February 22, 2016, Hudson Housing Capital issued a letter of intent to purchase the limited partnership interest in the Partnership that would own a 76-unit senior development known as Lumberton Senior Village (the "Property") in Lumberton, TX. Since that time there has been significant downward pressure in equity pricing due to potential tax reform. Due to these market changes we are unable re-issue a new term sheet at the pricing level of \$1.03 as initially indicated in our letter of intent from February. We understand you are seeking an amendment from TDHCA to reduce the number of market rate units. Doing so would allow you to preserve the full LIHTC allocation while reducing the total development costs. This modification would allow the Property to be feasible at a lower credit price.

Please let us know if you need any additional information.

Sincerely,



Joshua Lappen
Vice President

11

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
MAY 25, 2017

Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits with another Issuer (#17406 Heights on Parmer Phase II, Austin)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Heights on Parmer Phase II, sponsored by the Strategic Housing Finance Corporation of Travis County, was submitted to the Department on February 10, 2017;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on March 6, 2017, and will expire on August 3, 2017;

WHEREAS, the proposed issuer of the bonds is the Strategic Housing Finance Corporation of Travis County; and

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as a Category 2 and deemed acceptable by the Executive Award and Review Advisory Committee (“EARAC”);

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$448,636 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for Heights on Parmer Phase II is hereby approved as presented to this meeting.

BACKGROUND

General Information: Heights on Parmer Phase II, proposed to be located at 1524 East Parmer Lane in Austin, Travis County, involves the new construction of 80 units, of which 79 units will be income restricted at 60% of Area Median Family Income (“AMFI”) and the remaining unit will be income restricted at 50% AMFI. The development will serve the general population and is currently zoned appropriately. The census tract (0018.39) has a median household income of \$57,215, is in the third quartile, and has a poverty rate of 10.2%.

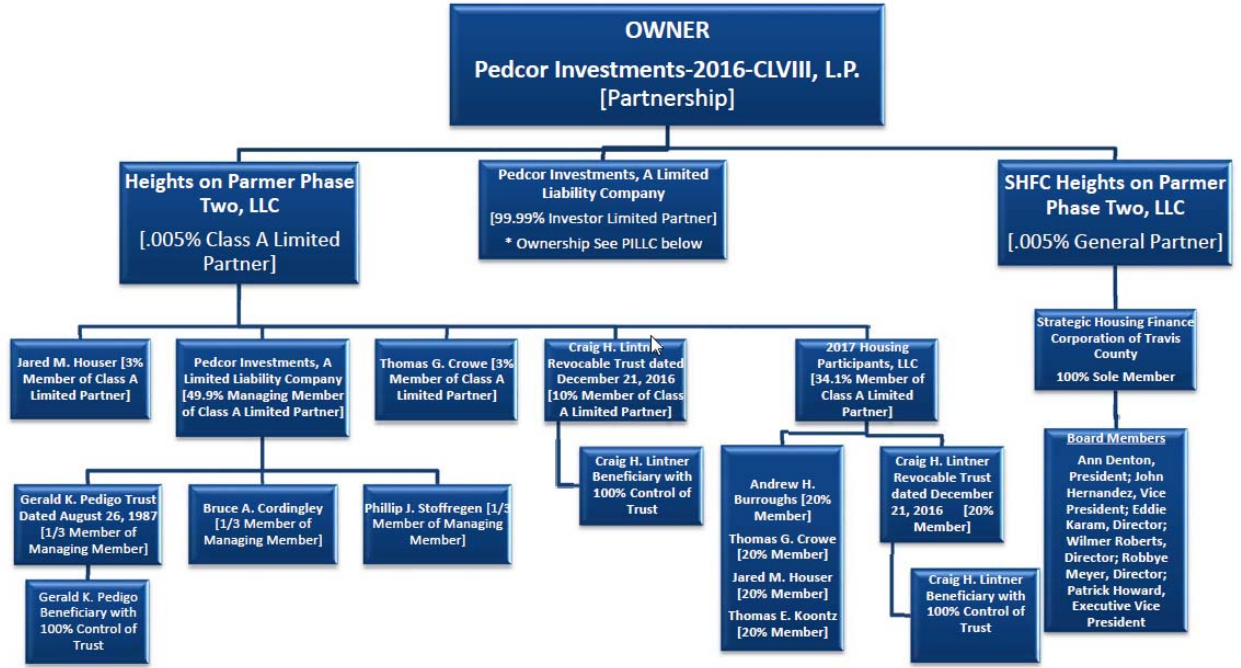
The proposed development is a second phase to Heights on Parmer (aka Parmer Place) that was approved by the Governing Board in November 2014, and subsequently closed in March 2015. In June 2016, a waiver was granted by the Executive Director relating to §11.3(e) of the Qualified Allocation Plan for additional phase developments. Specifically, the rule requires the first phase of the development to have been completed and maintained occupancy of at least 90 percent for a minimum six month period. Based on the information provided by the applicant at the time regarding the construction progress of Heights on

Parmer and demand in the area for the additional units under this request, staff recommended the waiver be granted.

Organizational Structure and Previous Participation: The Borrower is Pedcor Investments-2016-CLVIII, L.P., and includes the entities and principals as illustrated in Exhibit A. The applicant's portfolio is considered a Category 2 and the previous participation was deemed acceptable by EARAC without further review or discussion. EARAC also reviewed the proposed financing and the underwriting report, and recommends issuance of a Determination Notice.

Public Comment: There have been no letters of support or opposition submitted to the Department.

EXHIBIT A



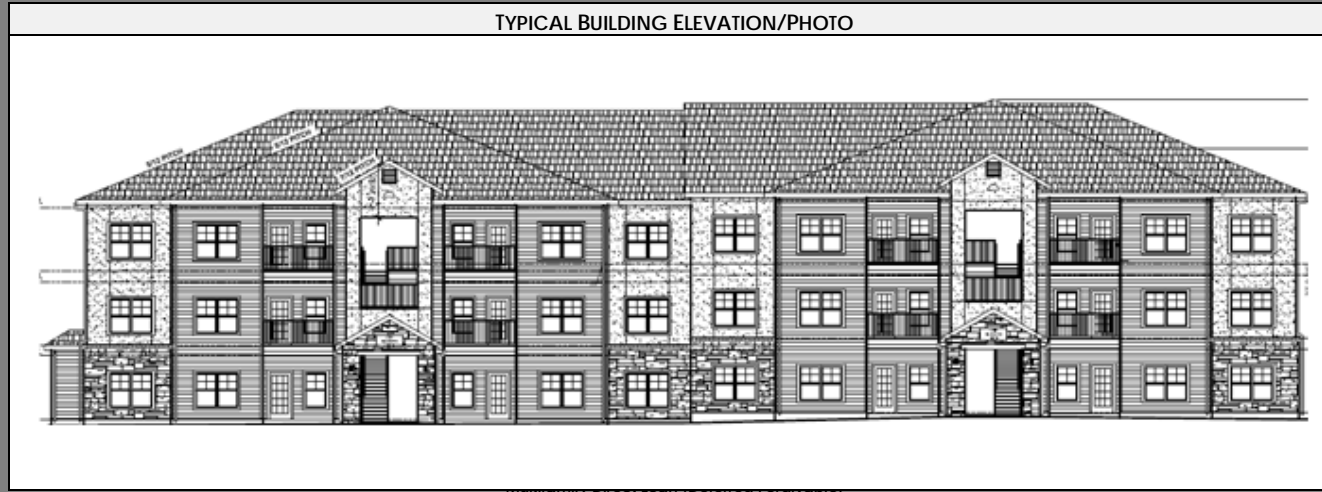
17406 Heights on Parmer - Phase II - Application Summary

REAL ESTATE ANALYSIS DIVISION

May 15, 2017

PROPERTY IDENTIFICATION		RECOMMENDATION					
Application #	17406	TDHCA Program	Request	Recommended			
Development	Heights on Parmer - Phase II	LIHTC (4% Credit)	\$448,636	\$448,636	\$5,608/Unit	\$0.91	
City / County	Austin / Travis		Amount	Rate	Amort	Term	Lien
Region/Area	7 / Urban	Private Activity Bonds					
Population	General	MDLP (Repayable)					
Set-Aside	General	MDLP (Non-Repayable)					
Activity	New Construction	CHDO Expenses					

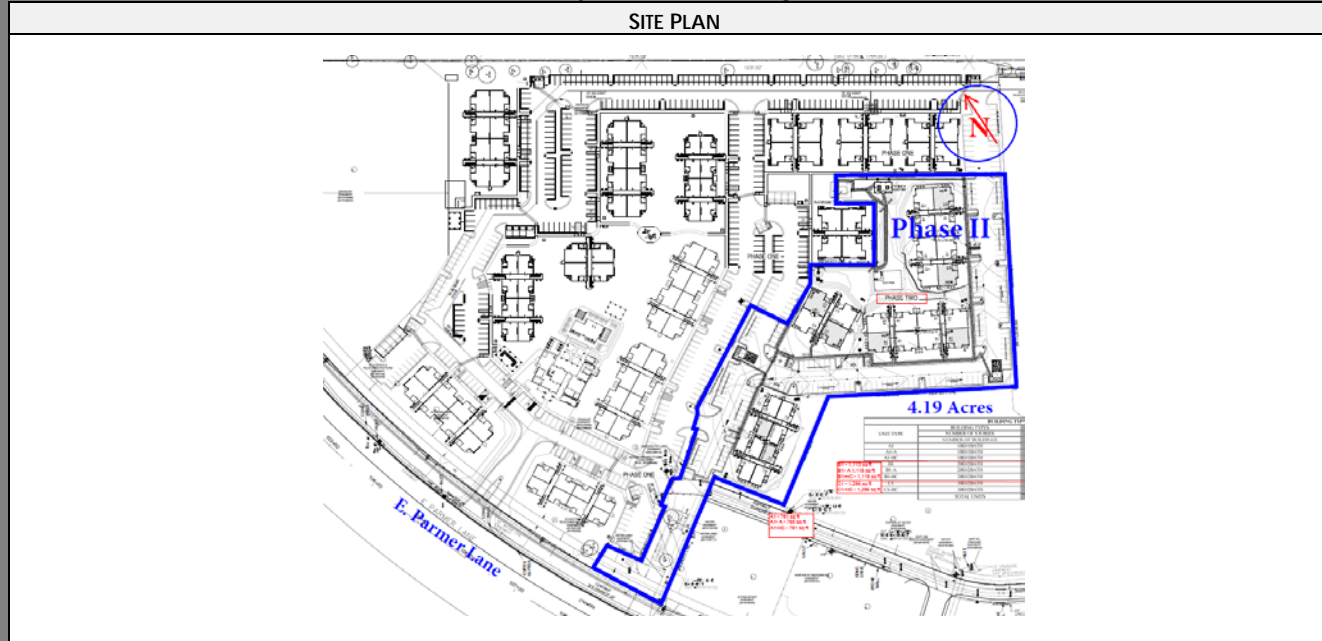
KEY PRINCIPAL / SPONSOR		
Pedcor: Craig Lintner Tom Crowe		
Related-Parties	Contractor - Yes	Seller - Yes



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	24	30%	40%	-	0%
2	44	55%	50%	1	1%
3	12	15%	60%	79	99%
4	-	0%	MR	-	0%
TOTAL	80	100%	TOTAL	80	100%

PRO FORMA FEASIBILITY INDICATORS

Pro Forma Underwritten	Applicant's Pro Forma	
Debt Coverage	1.16	Expense Ratio 34.7%
Breakeven Occ.	84.4%	Breakeven Rent \$857
Average Rent	\$941	B/E Rent Margin \$84
Property Taxes	Exempt	Exemption/PILOT 100%
Total Expense	\$3,704/unit	Controllable \$2,916/unit



MARKET FEASIBILITY INDICATORS

Gross Capture Rate (10% Maximum)	9.7%
Highest Unit Capture Rate	59% (2 BR/60%) 44
Dominant Unit Cap. Rate	59% (2 BR/60%) 44
Premiums (↑60% Rents)	N/A
Rent Assisted Units	N/A

DEVELOPMENT COST SUMMARY

Costs Underwritten	Applicant's Costs	
Avg. Unit Size	1,043 SF	Density 19.1/acre
Acquisition	\$07K/unit	\$550K
Building Cost	\$79.13/SF	\$83K/unit \$6,600K
Hard Cost	\$108K/unit	\$8,645K
Total Cost	\$192K/unit	\$15,361K
Developer Fee	\$1,793K (15% Deferred)	Paid Year: 4
Contractor Fee	\$1,210K	30% Boost No

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
P/R Mortgage & Investment Corp	40/40	2.75%	\$11,029,336	1.16						Pedcor Funding Corp.	\$4,062,178
										Pedcor Development Associates, LLC	\$269,478
TOTAL DEBT (Must Pay)			\$11,029,336		CASH FLOW DEBT / GRANTS			\$0		TOTAL EQUITY SOURCES	\$4,331,656
										TOTAL DEBT SOURCES	\$11,029,336
										TOTAL CAPITALIZATION	\$15,360,992

CONDITIONS

- 1 Receipt and acceptance by Cost Certification:
 - a: Certification from Appraisal District that the property qualifies for 100% property tax exemption.
- 2 Documentation at Cost Certification clearing environmental issues identified in the ESA report, specifically:
 - Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER

Issuer	Strategic Housing Finance Corp of Travis County
Expiration Date	8/3/2017
Bond Amount	\$12,500,000
BRB Priority	N/A
Expected Close	By 7/31/2017
Bond Structure	Private Placement

AERIAL PHOTOGRAPH(S)



RISK PROFILE

STRENGTHS/MITIGATING FACTORS

- Affordable properties in the PMA are at 95% to 100% occupancy
- Rapid absorption exhibited in PMA mitigates high capture rates
- High traffic in-fill location
- Concentration of employment opportunities
- Experienced Developer

WEAKNESSES/RISKS

- Gross Capture Rate exceeds 10% without designating a 50% unit.
- Individual unit capture rates (24% to 59%)
- Feasibility relies on 100% property tax exemption, achieving maximum 60% rents and a 3% management Fee
- Access limited to one-way traffic on northbound E. Parmer Lane

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
MAY 25, 2017

Presentation, discussion and possible action on a Determination Notice for Housing Tax Credits with another Issuer (#17410 Lakecrest Village, Houston)

RECOMMENDED ACTION

WHEREAS, an application for 4% Housing Tax Credits, for Lakecrest Village, sponsored by the Dominion Holdings I, LLC, was submitted to the Department on March 8, 2017;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on March 29, 2017, and will expire on August 26, 2017;

WHEREAS, the proposed issuer of the bonds is the Houston Housing Finance Corporation;

WHEREAS, pursuant to 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules related to Undesirable Neighborhood Characteristics, applicants are required to disclose to the Department the presence of certain undesirable characteristics of a proposed development site;

WHEREAS, the applicant has disclosed the presence of such undesirable neighborhood characteristics, specifically, the public schools in the attendance zone of the proposed development did not achieve a Met Standard rating based on the 2016 Accountability Ratings by the Texas Education Agency (“TEA”);

WHEREAS, based on the professional opinions of several school officials that provide an assessment of school performance, staff recommends the proposed site be found eligible under 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules; and

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as a Category 4 and deemed acceptable by the Executive Award and Review Advisory Committee (“EARAC”) after review and discussion and subject to the conditions as noted herein;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$985,684 in 4% Housing Tax Credits subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for Lakecrest Village is hereby approved as presented to this meeting and subject to the following conditions from EARAC:

1. All Texas Dominion site staff who work on tenant files will attend TDHCA training annually (either First Thursday or HTC Training, depending on job duties of the site staff).
2. All Texas operations' Vice Presidents and Regional Managers will attend TDHCA HTC training annually.
3. Dominion will not apply for a 9% transaction until Dominion becomes a Category 2 status under the Previous Participation rules.
4. Upon request, from the Department, the management company will provide documentation that reflects the implementation of these measures.

BACKGROUND

General Information: Lakecrest Village is located at 9393 Tidwell Road in Houston, Harris County, and involves the acquisition and rehabilitation of 224 units, all of which will be rent and income restricted at 60% of Area Median Family Income ("AMFI"). The development will serve the general population and is located in an area that does not have a zoning ordinance. The census tract (2312.00) has a median household income of \$27,636, is in the fourth quartile, and has a poverty rate of 38.3%.

The development was previously awarded an allocation of competitive housing tax credits in 1997 and has an existing Land Use Restriction Agreement ("LURA") in place that requires 75% of the units to be restricted and 50% and 60% of AMFI, and the remaining 25% of the units are market rate with no rent and income restrictions. The initial Tax Credit Compliance Period expired on December 31, 2014; however there is an extended use restriction agreement in place until December 31, 2029. On November 25, 2015, a letter was issued by the Department confirming that the Development had successfully undergone the Right of First Refusal process; allowing the sale of the property. Under this new tax credit allocation the applicant intends to convert all of the market rate units to 60% of AMFI and convert all of the 50% units to serve 60% of AMFI households. The applicant understands that the original LURA requires the development serve 50% AMFI households through the end of the extended use period associated with the original credit allocation. Moreover, the applicant has indicated that of the 25% that are market rate almost half of those tenants have vouchers and will continue to qualify at the 60% of AMFI level. For those tenants who are over-income, the applicant has indicated that they'll be provided notice upon taking ownership of the property and will work with them to find alternative housing in the area.

Site Analysis: The presence of an undesirable neighborhood characteristic under §10.101(a)(3) requires additional site analysis and the characteristic attributable to the Lakecrest Village includes an elementary, middle school, and high school for the attendance zone containing the proposed development that did not achieve a Met Standard rating based on the 2016 Accountability Ratings by TEA.

The proposed development is to be located in the Houston Independent School District ("HISD"). Hilliard Elementary, North Brook Middle School, and North Forest High School did not achieve a Met Standard rating based on the 2016 Accountability Ratings by TEA. All three of these schools were also identified as Improvement Required in 2015; they were not rated in 2014 because they were annexed from the North Forest ISD to HISD in 2013. In examining the improvement between the two years based on the

Accountability Reports for each of the schools, there were positive trends among the performance index indicators.

A letter was submitted from Grenita Lathan, P.h.D., Chief Academic Officer with HISD, which expressed support of the efforts outlined in the school improvement plans and the progress that has been made by the three schools on state accountability standards. A letter was also submitted by Julia Dimmitt, Chief Academic Officer for HISD that noted several distinct improvements made by each of the subject schools based on initiatives implemented at other struggling schools in the district. Moreover, a letter from Wanda Adams, HISD Board President, was submitted that expressed confidence in the experience of the team in place to improve the performance of the aforementioned schools. Worth noting is that of the seven schools within the North Forest ISD that were annexed into HISD, four have already achieved Met Standard.

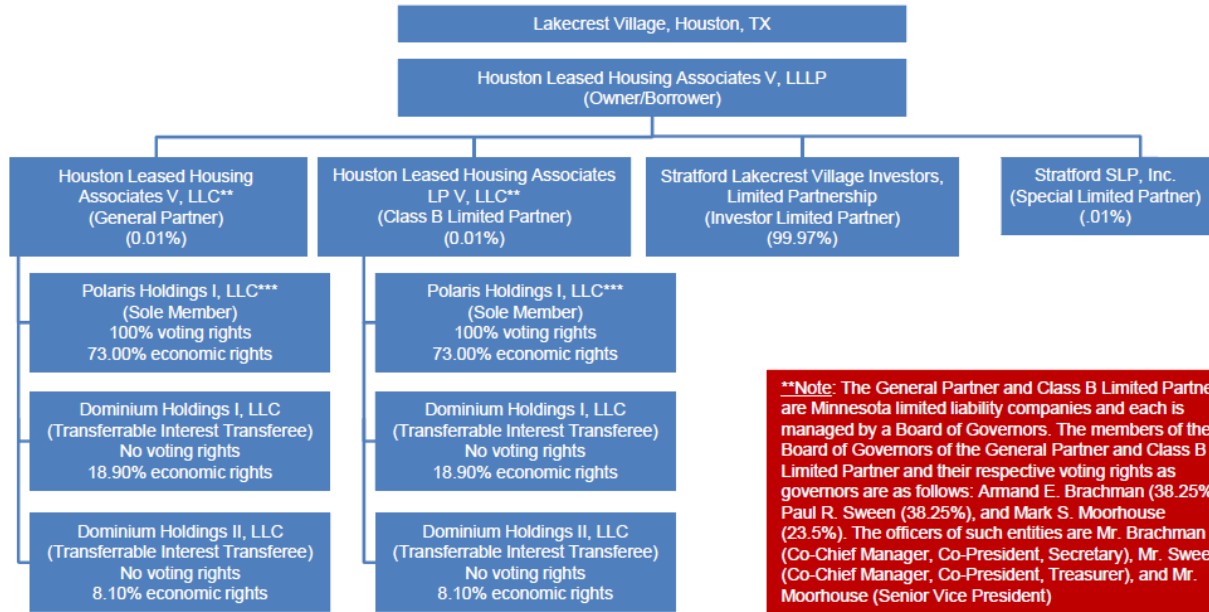
The applicant also provided information regarding supportive services and external partnerships that will help augment school performance, including a new clubhouse with designated space for computers, a library, seating, after-school activities and other initiatives for the supportive service providers. The property currently lacks adequate space for such activities. The applicant has experience in partnering with nonprofit supportive service providers and collaborating with them regarding the needs of the residents at their properties.

After reviewing all of the aforementioned facts relating to performance trends and external partnerships, combined with the professional opinions of the HISD officials, staff believes it leads to a supported conclusion that the development site should be considered eligible under §10.101(a)(3) of the Uniform Multifamily Rules.

Organizational Structure and Previous Participation: The Borrower is Houston Leased Housing Associates V, LLLP, and includes the entities and principals as illustrated in Exhibit A. The applicant's portfolio is considered a Category 4 and the previous participation was deemed acceptable by EARAC, subject to conditions. EARAC also reviewed the proposed financing and the underwriting report, and recommends issuance of a Determination Notice.

Public Comment: The Department received letters of support from the Jerry V. Davis, Mayor Pro-Tem of the City of Houston, Julia Dimmitt, Chief School Officer, HISD, Wanda Adams, President, HISD Board of Education, Grenita Lathan, Chief Academic Officer, HISD and from one supportive service organization, With Helping Hands.

EXHIBIT A



****Note:** The General Partner and Class B Limited Partner are Minnesota limited liability companies and each is managed by a Board of Governors. The members of the Board of Governors of the General Partner and Class B Limited Partner and their respective voting rights as governors are as follows: Armand E. Brachman (38.25%), Paul R. Sween (38.25%), and Mark S. Moorhouse (23.5%). The officers of such entities are Mr. Brachman (Co-Chief Manager, Co-President, Secretary), Mr. Sween (Co-Chief Manager, Co-President, Treasurer), and Mr. Moorhouse (Senior Vice President)

*****Note:** Polaris Holdings I, LLC is a Minnesota limited liability company managed by a Board of Governors. The members of the Board of Governors are as follows: Armand E. Brachman (38.25%), Paul R. Sween (38.25%), and Mark S. Moorhouse (23.5%). The officers are Mr. Brachman (Co-Chief Manager, Co-President, Secretary), Mr. Sween (Co-Chief Manager, Co-President, Treasurer), and Mr. Moorhouse (Senior Vice President)

17410 Lakecrest Village - Application Summary

REAL ESTATE ANALYSIS DIVISION
January 0, 1900

PROPERTY IDENTIFICATION	
Application #	17410
Development	Lakecrest Village
City / County	Houston / Harris
Region/Area	6 / Urban
Population	General
Set-Aside	General
Activity	Acquisition/Rehab (Built in 1999)

RECOMMENDATION					
TDHCA Program		Request	Recommended		
LIHTC (4% Credit)		\$985,684	\$985,684	\$4,400/Unit	\$1.15
		Amount	Rate	Amort	Term
					Lien

KEY PRINCIPAL / SPONSOR		
Dominium, Inc.		
Related-Parties	Contractor - No	Seller - No

TYPICAL BUILDING ELEVATION/PHOTO



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	-	0%	40%	-	0%
2	80	36%	50%	38	17%
3	91	41%	60%	186	83%
4	53	24%	MR	-	0%
TOTAL	224	100%	TOTAL	224	100%

PRO FORMA FEASIBILITY INDICATORS					
Pro Forma Underwritten			Applicant's Pro Forma		
Debt Coverage	1.15	Expense Ratio	57.8%		
Breakeven Occ.	89.8%	Breakeven Rent	\$847		
Average Rent	\$898	B/E Rent Margin	\$51		
Property Taxes	\$866/unit	Exemption/PILOT	0%		
Total Expense	\$6,061/unit	Controllable	\$3,775/unit		

SITE PLAN



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)	13.4%		
Highest Unit Capture Rate	91%	2 BR/60%	64
Dominant Unit Cap. Rate	76%	3 BR/60%	70
Premiums (↑60% Rents)	N/A	N/A	
Rent Assisted Units	N/A		

DEVELOPMENT COST SUMMARY			
Costs Underwritten	TDHCA's Costs - Based on PCA		
Avg. Unit Size	1,020 SF	Density	12.1/acre
Acquisition		\$46K/unit	\$10,200K
Building Cost	\$32.04/SF	\$33K/unit	\$7,318K
Hard Cost		\$40K/unit	\$9,050K
Total Cost		\$122K/unit	\$27,269K
Developer Fee	\$3,345K	(61% Deferred)	Paid Year: 13
Contractor Fee	\$1,155K	30% Boost	Yes

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
Citibank Permanent Loan	35/35	5.20%	\$13,860,000	1.15						Stratford Capital	\$11,382,372
										Houston Leased Housing Dev. V, LLC	\$2,027,034
										TOTAL EQUITY SOURCES	\$13,409,406
										TOTAL DEBT SOURCES	\$13,860,000
TOTAL DEBT (Must Pay)			\$13,860,000		CASH FLOW DEBT / GRANTS			\$0		TOTAL CAPITALIZATION	\$27,269,406

CONDITIONS

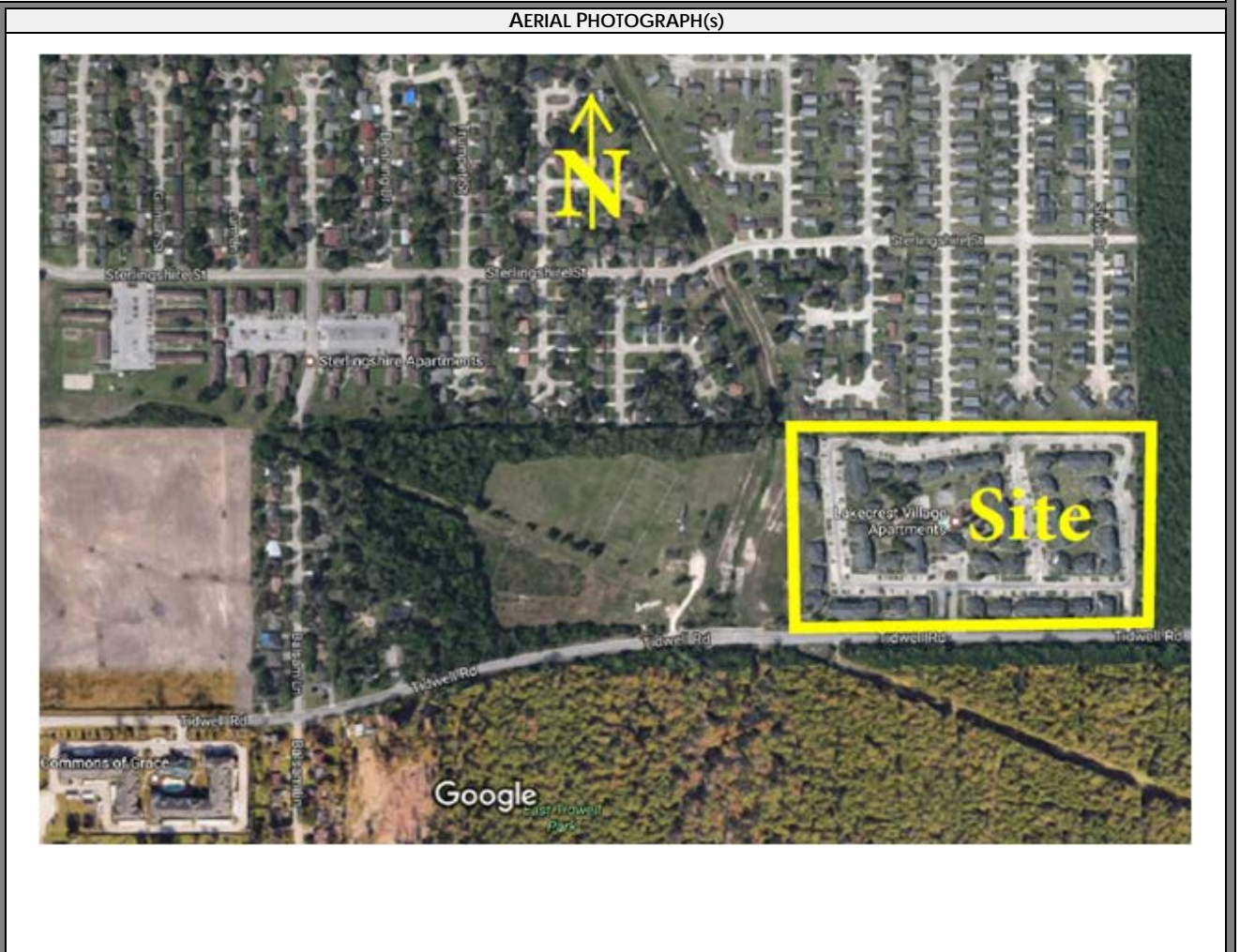
- 1 Documentation at Cost Certification clearing environmental issues identified in the ESA report, specifically:
 - a: Evidencing the implementation of Operations and Maintenance Programs for managing both asbestos and lead based paint.
 - b: Evidencing the implementation of a Moisture Management Plan to control and prevent mold.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Houston Housing Finance Corporation
Expiration Date	8/26/2017
Bond Amount	\$16,500,000
BRB Priority	Priority 3
Close Date	
Bond Structure	

RISK PROFILE	
STRENGTHS/MITIGATING FACTORS	
◦	Renovated units more likely to command program rents
◦	No tenant relocation anticipated
◦	Proximity to schools, medical services and potential employers
◦	Experienced Developer

WEAKNESSES/RISKS	
◦	Existing rents are below net 60% limits
◦	Occupancy at 90% (89% on affordable family developments in PMA)
◦	Possibility of unforeseen deferred maintenance



BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
MAY 25, 2017

Presentation, discussion and possible action on a Determination Notice for Housing Tax Credits with another Issuer (#17418 Alton Park, Fort Worth)

RECOMMENDED ACTION

WHEREAS, Alton Park, sponsored by Fort Worth Affordability, Inc., was previously approved by the Board on December 15, 2016;

WHEREAS, the applicant was unable to close on the bond financing prior to the expiration of the prior Certificate of Reservation and due to changes in the financing terms was required to re-submit the application for 4% Housing Tax Credits to be re-evaluated by staff;

WHEREAS, the current Certification of Reservation from the Texas Bond Review Board was issued on March 21, 2017, and will expire on August 18, 2017;

WHEREAS, the proposed issuer of the bonds is the Trinity River Public Facility Corporation; and

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as a Category 3 and deemed acceptable by the Executive Award and Review Advisory Committee (“EARAC”) after review and discussion and subject to the conditions as noted herein;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,226,649 in 4% Housing Tax Credits subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for Alton Park is hereby approved as presented to this meeting and subject to the following conditions from EARAC:

1. Fort Worth Housing Solutions ("FWHS") f/k/a Fort Worth Housing Authority shall have an employee who is specifically tasked with responding to physical deficiencies on existing properties and who conducts periodic property inspections to continually monitor property conditions.
2. FWHS shall bring Compliance Quality Assurance in-house through a department whose responsibility is to provide further compliance oversight over internal processes. It is the goal of FWHS to formalize the Compliance Quality Assurance protocol for housing tax credit developments to address and correct issues before they become findings of noncompliance.
3. FWHS shall require its property managers and Asset Management staff to attend annual compliance workshops.

4. FWHS shall task its Asset Management Department with the reporting function for responses to TDHCA inspection and monitoring reports. This places a single point of responsibility for such events at a level that can be monitored and maintained.
5. FWHS shall initiate a system by which the FWHS Asset Management Department monitors property level compliance communications.
6. FWHS shall require its Asset Management Department to monitor CMTS accounts regularly to provide oversight to its property management companies' communications with the TDHCA.
7. To further facilitate the timeliness of responses to TDHCA, a single email distribution group will be set up which includes as many people within your organization that you would like. The email address will be updated in CMTS and would allow everyone in that group to receive notification of any uploads to each property's CMTS account.
8. Close-out the open Cost Certification for Villas on the Hill (01426/MF042/7709000265) prior to BOND closing.
9. Upon request, from the Department, the management company will provide documentation that reflects the implementation of these measures.

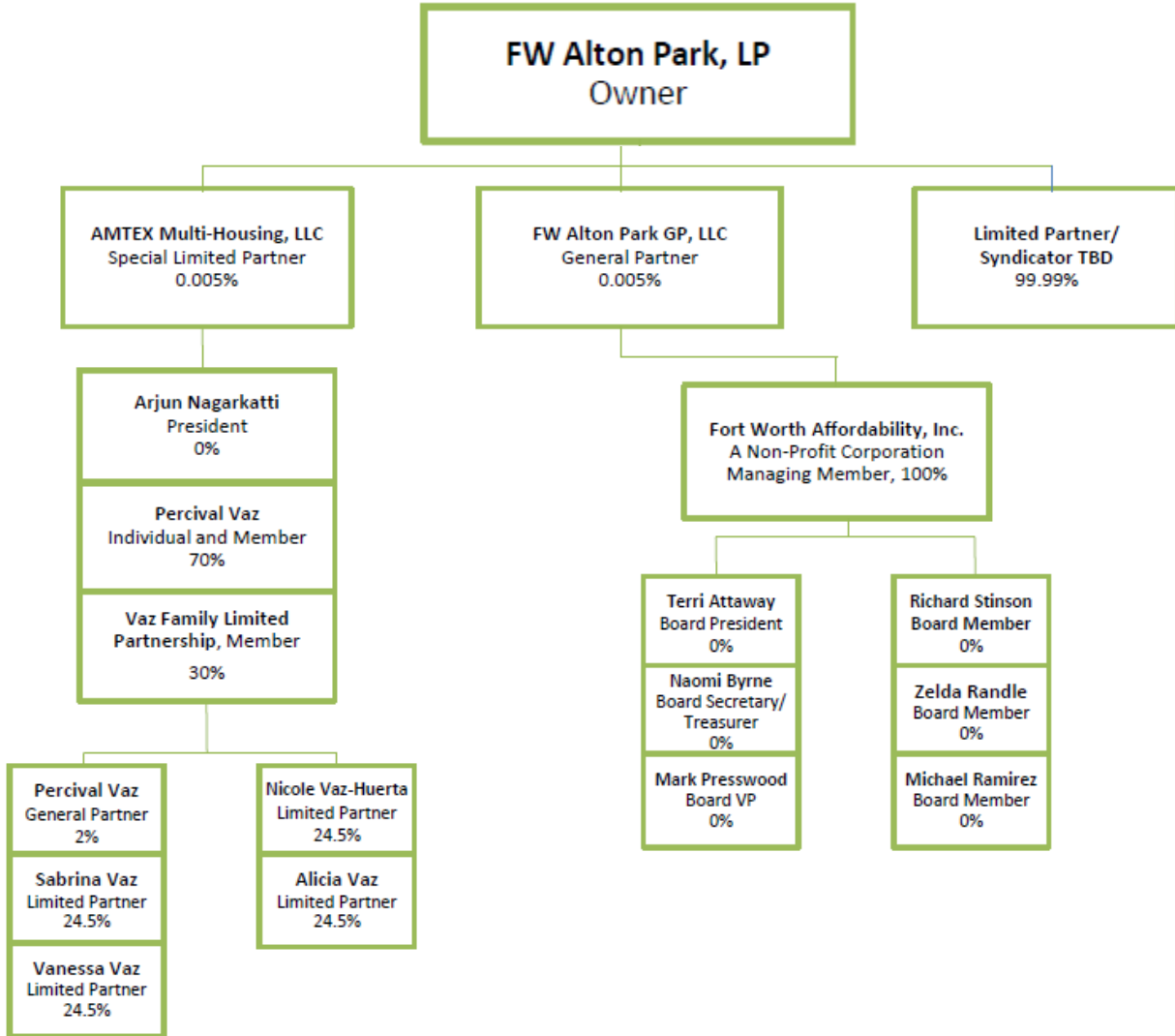
BACKGROUND

General Information: Alton Park, proposed to be located at 5608 and 5650 Azle Avenue in Fort Worth, Tarrant County, involves the new construction of 195 units of which 28 will be rent and income restricted at 30% of Area Median Family Income (“AMFI”) and 157 will be rent and income restricted at 60% of AMFI (of which 18 will have project based vouchers through HUD’s Rental Assistance Demonstration (“RAD”) program.) The remaining 10 units will be market rate with no rent and income restrictions. The development will serve the general population and is currently zoned appropriately. The census tract (1005.01) has a median household income of \$33,208, is in the fourth quartile, and has a poverty rate of 21%.

Organizational Structure and Previous Participation: The Borrower is FW Alton Park, LP, and includes the entities and principals as indicated in Exhibit A. The applicant’s portfolio is considered a Large Category 3 and the previous participation was deemed acceptable by EARAC, subject to conditions. EARAC also reviewed the proposed financing and the underwriting report, and recommends issuance of a Determination Notice.

Public Comment: There have been no letters of support or opposition received by the Department.

EXHIBIT A



17418 Alton Park - Application Summary

REAL ESTATE ANALYSIS DIVISION
May 15, 2017

PROPERTY IDENTIFICATION	
Application #	17418
Development	Alton Park
City / County	Fort Worth / Tarrant
Region/Area	3 / Urban
Population	General
Set-Aside	General
Activity	New Construction

RECOMMENDATION			
TDHCA Program	Request	Recommended	
LIHTC (4% Credit)	\$1,226,649	\$1,226,649	\$6,291/Unit \$0.88

KEY PRINCIPAL / SPONSOR		
AMTEX Multi-Housing LLC		
David Yarden		
Lisa Davis		
Fort Worth Affordability, Inc. (FWHA)		
Related-Parties	Contractor - No	Seller - 0

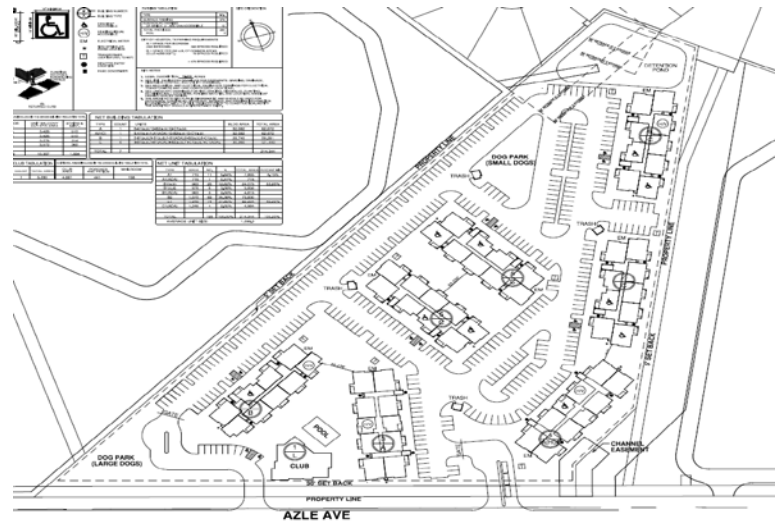
TYPICAL BUILDING ELEVATION/PHOTO



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	28	14%
1	12	6%	40%	-	0%
2	105	54%	50%	157	81%
3	78	40%	60%	1	1%
4	-	0%	MR	9	5%
TOTAL	195	100%	TOTAL	195	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	1.15	Expense Ratio	40.4%
Breakeven Occ.	85.3%	Breakeven Rent	\$877
Average Rent	\$952	B/E Rent Margin	\$76
Property Taxes	Exempt	Exemption/PILOT	100%
Total Expense	\$4,362/unit	Controllable	\$3,119/unit

SITE PLAN



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)			9.1%
Highest Unit Capture Rate	66%	3 BR/60%	46
Dominant Unit Cap. Rate	64%	2 BR/60%	84
Premiums (↑60% Rents)	Yes (Yes, "No")		
Rent Assisted Units	47	24% Total Units	

DEVELOPMENT COST SUMMARY			
Costs Underwritten		Applicant's Costs	
Avg. Unit Size	1,099 SF	Density	17.9/acre
Acquisition		\$16K/unit	\$3,118K
Building Cost	\$70.26/SF	\$77K/unit	\$15,060K
Hard Cost		\$98K/unit	\$19,019K
Total Cost		\$180K/unit	\$35,136K
Developer Fee	\$3,820K	(62% Deferred)	Paid Year: 10
Contractor Fee	\$2,491K	30% Boost	Yes

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
Citibank	15/35	4.68%	\$19,006,117	1.14						Hudson Housing Capital	\$10,794,515
Adjustment to Debt Per §10.302(c)(2)	15/35	4.68%	(\$250,000)	1.15						AMTEX Development, LLC	\$2,366,024
					Fort Worth Housing Solutions	0/0	3.00%	\$3,219,037	1.15	TOTAL EQUITY SOURCES	\$13,160,539
TOTAL DEBT (Must Pay)			\$18,756,117		CASH FLOW DEBT / GRANTS			\$3,219,037		TOTAL DEBT SOURCES	\$21,975,154
										TOTAL CAPITALIZATION	\$35,135,693

CONDITIONS

- 1 Receipt and acceptance before Determination Notice:
 - a: Updated CHAP Agreement. Status: Condition Satisfied with Letter from Fort Worth Housing Authority clarifying the rents.
- 2 Receipt and acceptance by Cost Certification:
 - a: Fully executed HAP Contract.
 - b: Documentation clearing environmental issues contained in the ESA report, specifically:
 - i: Documentation that an Environmental Site Investigation was completed to determine the soil and groundwater impacts for environmental contaminants as a result of potential release associated with the on-site abandoned pipeline and off-site automobile repair/gasoline station facilities.
 - ii: Documentation that a noise study was completed and all noise assessment recommendations were implemented.
 - c: Clarification from FWHA of exact payment standard for HAP units (e.g. Metro Area FMR vs. SAFMR), and appropriate utility allowance applicable to those units.
 - d: Unit/building matrix indicating the distribution of all RAD and HAP units among the residential buildings, and a utility allowance scheme for all buildings approved by TDHCA Compliance.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER

Issuer	Trinity River PFC
Expiration Date	8/17/2017
Bond Amount	\$20,000,000
BRB Priority	Priority 3
Close Date	6/9/2017
Bond Structure	Private Placement

RISK PROFILE

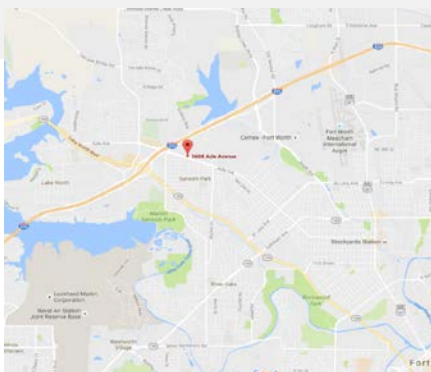
STRENGTHS/MITIGATING FACTORS

- Partnership with Fort Worth Housing Authority
- Will receive 18 RAD vouchers from FWHA
- 28 units will have a HAP contract

WEAKNESSES/RISKS

- High unit and gross capture rates
- Findings from Environmental Site Investigation could cause cost overruns
- Abandoned pipeline will be removed from the site

AERIAL PHOTOGRAPH(S)



BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
MAY 25, 2017

Presentation, discussion and possible action on a Determination Notice for Housing Tax Credits with another Issuer (#17415 Campus Apartments, Fort Worth)

RECOMMENDED ACTION

WHEREAS, an application for 4% Housing Tax Credits for Campus Apartments, sponsored by Fort Worth Affordability, Inc., was submitted to the Department on March 22, 2017;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on March 21, 2017, which will expire on August 18, 2017;

WHEREAS, the proposed issuer of the bonds is the Trinity River Public Facility Corporation;

WHEREAS, pursuant to 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules related to Undesirable Neighborhood Characteristics, applicants are required to disclose to the Department the presence of certain undesirable characteristics of a proposed development site;

WHEREAS, the applicant has disclosed the presence of such undesirable neighborhood characteristics, specifically relating to the poverty rate that exceeds 40%, and the elementary and middle school in the attendance zone of the proposed development did not achieve a Met Standard rating based on the 2016 Accountability Ratings by the Texas Education Agency (“TEA”);

WHEREAS, staff has conducted a further review of the proposed development site and surrounding neighborhood and based on the mitigation provided that includes an assessment of school performance from a school official and an analysis of the poverty rate and trends, recommends the proposed site be found eligible under 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules; and

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as a Category 3 and deemed acceptable by the Executive Award and Review Advisory Committee (“EARAC”) after review and discussion and subject to the conditions as noted herein;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,254,609 in 4% Housing Tax Credits subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for Campus Apartments is hereby

approved as presented to this meeting and subject to the following conditions from EARAC;

1. Fort Worth Housing Solutions ("FWHS") f/k/a Fort Worth Housing Authority shall have an employee who is specifically tasked with responding to physical deficiencies on existing properties and who conducts periodic property inspections to continually monitor property conditions.
2. FWHS shall bring Compliance Quality Assurance in-house through a department whose responsibility is to provide further compliance oversight over internal processes. It is the goal of FWHS to formalize the Compliance Quality Assurance protocol for housing tax credit developments to address and correct issues before they become findings of noncompliance.
3. FWHS shall require its property managers and Asset Management staff to attend annual compliance workshops.
4. FWHS shall task its Asset Management Department with the reporting function for responses to TDHCA inspection and monitoring reports. This places a single point of responsibility for such events at a level that can be monitored and maintained.
5. FWHS shall initiate a system by which the FWHS Asset Management Department monitors property level compliance communications.
6. FWHS shall require its Asset Management Department to monitor CMTS accounts regularly to provide oversight to its property management companies' communications with the TDHCA.
7. To further facilitate the timeliness of responses to TDHCA, a single email distribution group will be set up which includes as many people within your organization that you would like. The email address will be updated in CMTS and would allow everyone in that group to receive notification of any uploads to each property's CMTS account.
8. Closeout open Cost Certification for Villas on the Hill (01426/MF042/7709000265) prior to BOND closing.
9. Upon request, from the Department, the management company will provide documentation that reflects the implementation of these measures.

BACKGROUND

General Information: Campus Apartments, proposed to be located at 4651 – 4701 Campus Drive in Fort Worth, Tarrant County, involves the new construction of 224 units, of which 22 units will be rent and income restricted at 30% of Area Median Family Income ("AMFI"), 190 units will be rent and income restricted at 60% of AMFI and the remaining 12 units will be market rate with no rent and income restrictions. The development will serve the general population and the site is currently zoned appropriately. The census tract (1059.02) has a median household income of \$23,103, is in the fourth quartile, and has a poverty rate of 42.7%.

Site Analysis: The presence of undesirable neighborhood characteristics under §10.101(a)(3) requires additional site analysis and those characteristics attributable to the Campus Apartments include a poverty rate above 40%, and the elementary and middle school for the attendance zone containing the proposed development did not achieve a Met Standard rating based on the 2016 TEA Accountability Ratings.

The development is located in a census tract that has a poverty rate of 42.70% which exceeds the threshold allowed under 10 TAC §10.101(a)(3). The poverty rate for the subject tract was 48.50% in 2016,

demonstrating a decrease over the prior year. An assessment of the percentage of households residing in the census tract with incomes greater than \$50,000 (median income for the Dallas-Fort Worth-Arlington MSA is \$59,946) reflected an increase from 19% in 2011 to 32% in 2015. Moreover, the applicant has represented that the mixed-income development utilizing the Housing Assistance Program and Rental Assistance Demonstration vouchers is an integral part of the City of Fort Worth's Strategic Plan to meet their housing needs.

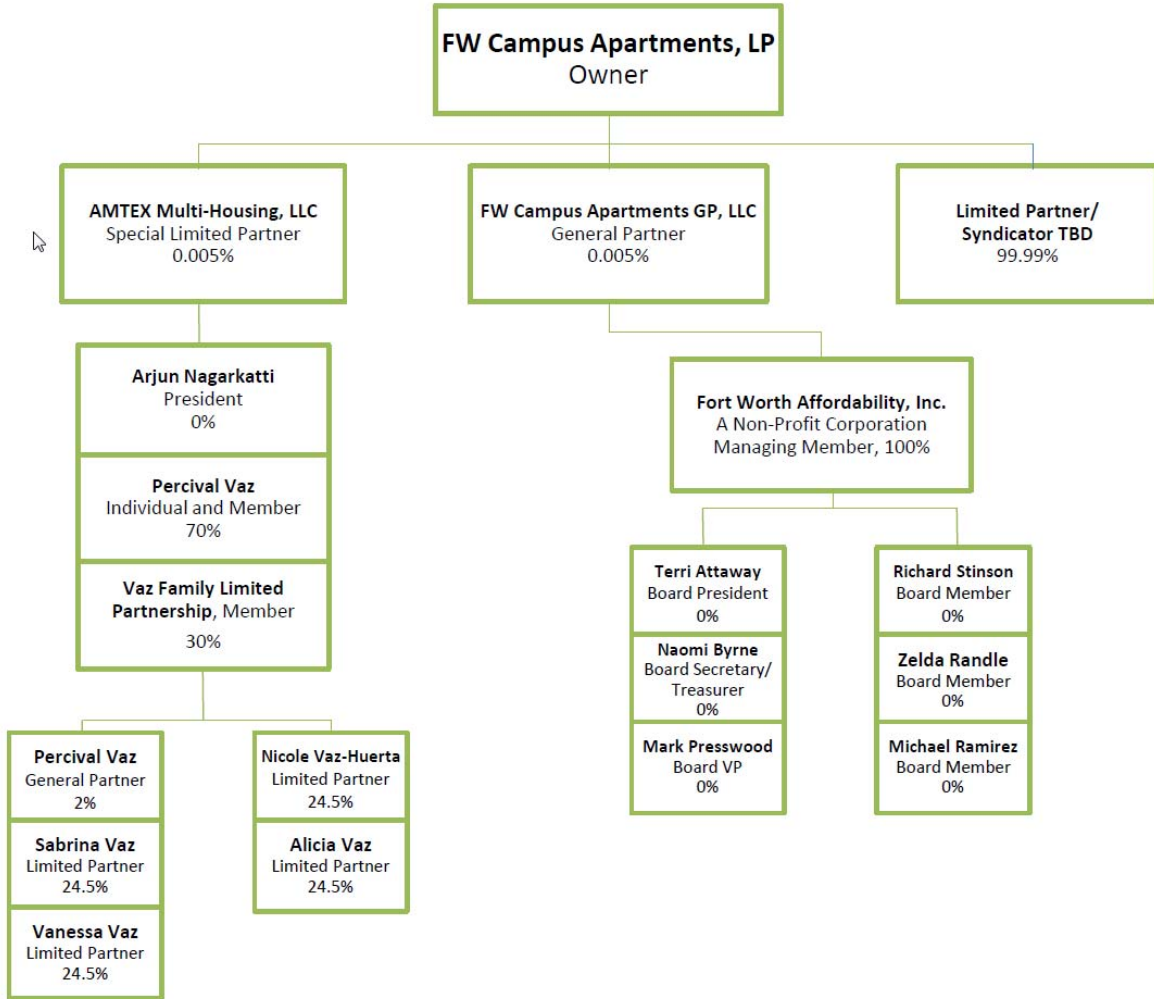
The proposed development is to be located in the Fort Worth Independent School District ("ISD"). The Forest Oak Middle School and Glencrest 6th Grade School did not achieve a Met Standard rating based on the 2016 TEA Accountability Ratings. Glencrest achieved a Met Standard rating in 2015 and their 2016 Accountability Report indicated they missed the target score on Index 2 (relating to Student Progress) by three points. Forest Oak Middle School was identified as Improvement Required in 2014, 2015 and 2016. A letter was submitted from Deborah Traylor, Director of Secondary School Leadership with Fort Worth ISD in which she expressed her familiarity with the student data and school improvement plans in place for Glencrest and Forest Oak and further explained the measures to be implemented that, in her professional opinion, will demonstrate the improvement necessary so that the schools will achieve the Met Standard rating by the time the proposed Campus Apartments is placed into service. Recognizing that 10 TAC 10.101(a)(4) states that a school that has been Improvement Required for three consecutive years must demonstrate an imminent trend of improvement, staff notes that the Accountability Reports for the past three years revealed that Forest Oak fell shy of achieving Met Standard by one or two points on various Indices. This, combined with the letter provided by Fort Worth ISD, staff believes leads to a supporting conclusion that Forest Oak could achieve Met Standard by the time the proposed development is placed into service.

Staff believes that considering the aforementioned characteristics and mitigation provided as evidenced by the income trends in the census tract, decrease in poverty rate, and the letter provided by Fort Worth ISD that speaks to the middle school performance, the undesirable neighborhood characteristics are not of a nature and severity that should render the site ineligible under 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules.

Organizational Structure and Previous Participation: The Borrower is FW Campus Apartments, LP, and includes the entities and principals as indicated in Exhibit A. The applicant's portfolio is considered a Category 3 and the previous participation was deemed acceptable by EARAC, subject to conditions. EARAC also reviewed the proposed financing and the underwriting report, and recommends issuance of a Determination Notice.

Public Comment: The Department has not received any letters of support or opposition.

EXHIBIT A



17415 Campus Apartments - Application Summary

REAL ESTATE ANALYSIS DIVISION

May 15, 2017

PROPERTY IDENTIFICATION		RECOMMENDATION				
Application #	17415	TDHCA Program LIHTC (4% Credit)	Request	Recommended		
Development	Campus Apartments		\$1,254,609	\$1,254,609	\$5,601/Unit	\$0.98
City / County	Fort Worth / Tarrant					
Region/Area	3 / Urban					
Population	General					
Set-Aside	General					
Activity	New Construction					

KEY PRINCIPAL / SPONSOR		
AMTEX Multi-Housing LLC		
David Yarden		
Lisa Davis		
Fort Worth Housing Authority		
Related-Parties	Contractor - Yes	Seller - 0

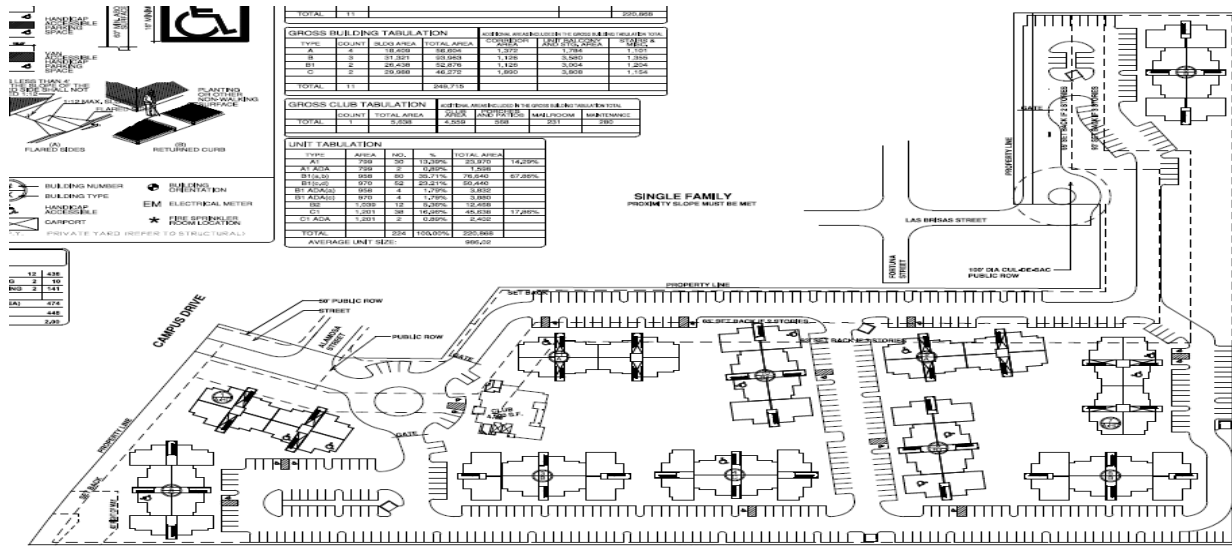
TYPICAL BUILDING ELEVATION/PHOTO



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	22	10%
1	32	14%	40%	-	0%
2	152	68%	50%	190	85%
3	40	18%	60%	2	1%
4	-	0%	MR	10	4%
TOTAL	224	100%	TOTAL	224	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	1.15	Expense Ratio	42.1%
Breakeven Occ.	85.4%	Breakeven Rent	\$743
Average Rent	\$812	B/E Rent Margin	\$69
Property Taxes	Exempt	Exemption/PILOT	100%
Total Expense	\$4,192/unit	Controllable	\$3,159/unit

SITE PLAN



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)			9.6%
Highest Unit Capture Rate	52%	2 BR/60%	120
Dominant Unit Cap. Rate	52%	2 BR/60%	120
Premiums (↑60% Rents)	Yes		\$65/Avg.
Rent Assisted Units	43	19% Total Units	

DEVELOPMENT COST SUMMARY			
Costs Underwritten		Applicant's Costs	
Avg. Unit Size	986 SF	Density	16.7/acre
Acquisition		\$03K/unit	\$769K
Building Cost	\$72.25/SF	\$71K/unit	\$15,959K
Hard Cost		\$93K/unit	\$20,804K
Total Cost		\$158K/unit	\$35,377K
Developer Fee	\$4,081K	(62% Deferred)	Paid Year: 11
Contractor Fee	\$2,633K	30% Boost	Yes

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
Greystone	15/35	5.04%	\$18,939,973	1.12	Fort Worth Housing Solutions	0/0	3.00%	\$1,916,451	1.15	Bank of America	\$12,295,175
Adjustment to Debt Per §10.302(c)(2)	15/35	5.04%	(\$500,000)	1.15						AMTEX Development, LLC	\$2,535,531
TOTAL DEBT (Must Pay)			\$18,439,973		Fwd Commitment Deposit Refund	0/0	0.00%	\$189,400	1.15	TOTAL DEBT SOURCES	\$20,545,824
					CASH FLOW DEBT / GRANTS			\$2,105,851		TOTAL CAPITALIZATION	\$35,376,530

CONDITIONS

1 Receipt and acceptance by Cost Certification:

- a: Fully executed HAP Contract.
- b: Clarification from FWHA of exact payment standard for HAP units (e.g. Metro Area FMR vs. SAFMR), and appropriate utility allowance applicable to those units.
- c: Unit/building matrix indicating the distribution of all RAD and HAP units among the residential buildings, and a utility allowance scheme for all buildings approved by TDHCA Compliance.
- d: Documentation clearing environmental issues contained in the ESA report, specifically:
 - i: Documentation that an Environmental Site Investigation was completed to evaluate the soil stockpile on site for presence of environmental contaminants and any adverse findings were remediated with the recommendations from the ESA provider.
 - ii: Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER

Issuer	Trinity River PFC
Expiration Date	8/17/2017
Bond Amount	\$20,000,000
BRB Priority	Priority 3
Close Date	N/A
Bond Structure	Private Placement

RISK PROFILE

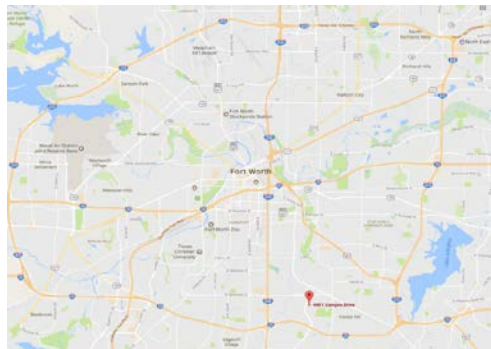
STRENGTHS/MITIGATING FACTORS

- Partnership with Fort Worth Housing Authority
- Will receive 21 RAD vouchers from FWHA
- High area occupancy

WEAKNESSES/RISKS

- 9.6% Gross Capture Rate
- Applicant's Pro Forma First year DCR at 1.15

AREA MAP



AERIAL PHOTOGRAPH(S)



BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
MAY 25, 2017

Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits with another Issuer (#17424 Creekview Apartment Homes, Austin)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Creekview Apartment Homes, sponsored by the Strategic Housing Finance Corporation of Travis County, was submitted to the Department on December 30, 2016;

WHEREAS, the Certificate of Reservation from the Texas Bond Review Board was issued on April 18, 2017, and will expire on September 15, 2017;

WHEREAS, the proposed issuer of the bonds is the Strategic Housing Finance Corporation of Travis County;

WHEREAS, pursuant to 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules related to Undesirable Neighborhood Characteristics, applicants are required to disclose to the Department the presence of certain undesirable characteristics of a proposed development site;

WHEREAS, the applicant has disclosed the presence of such undesirable neighborhood characteristics, specifically, the middle school in the attendance zone of the proposed development did not achieve a Met Standard rating based on the 2016 Accountability Ratings by the Texas Education Agency (“TEA”);

WHEREAS, based on the historical performance of the school, along with objectives and goals identified in the Campus Improvement Plan, staff recommends the proposed site be found eligible under 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules; and

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as a Category 3 and deemed acceptable by the Executive Award and Review Advisory Committee (“EARAC”) after review and discussion;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,559,882 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for Creekview Apartment Homes is hereby approved as presented to this meeting.

BACKGROUND

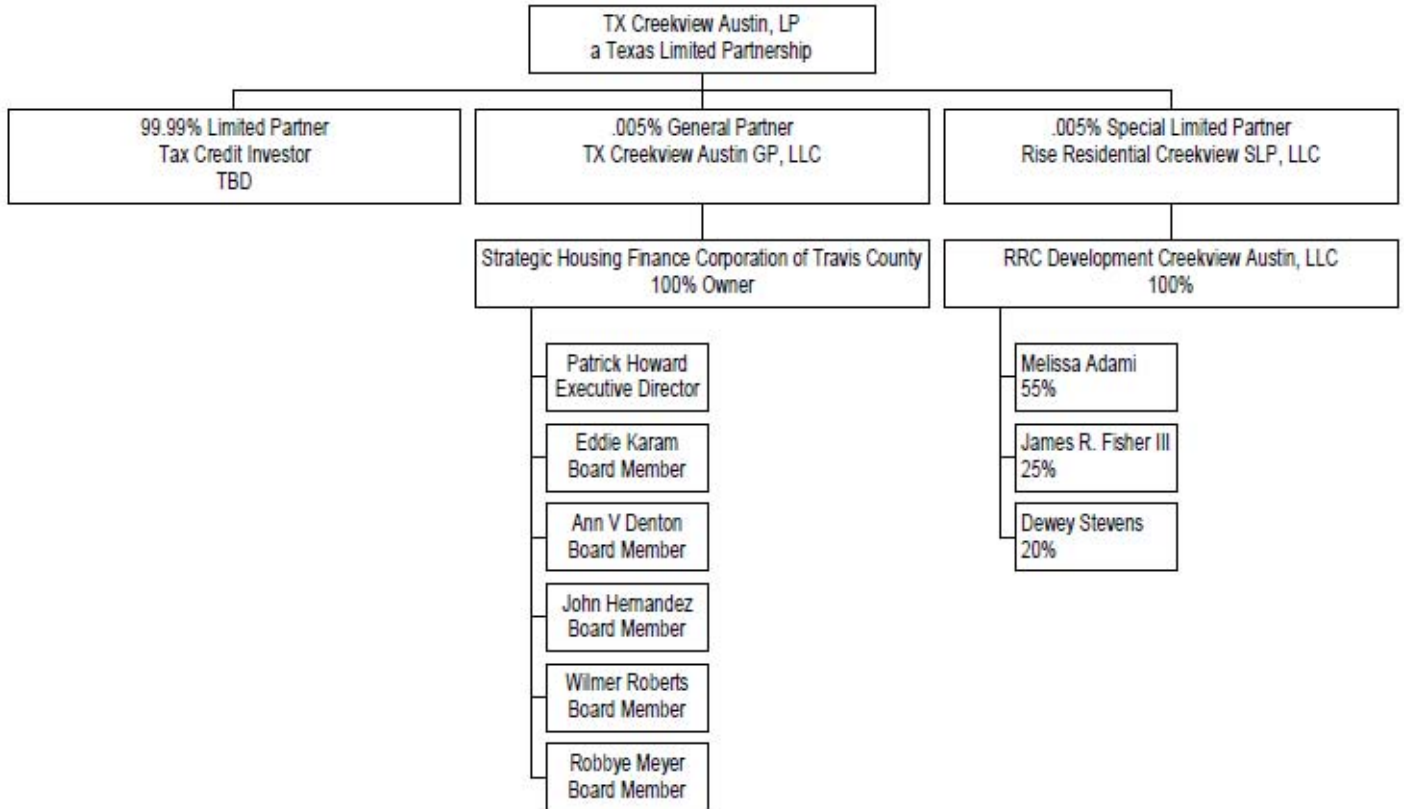
General Information: Creekview Apartment Homes, proposed to be located at Old Manor Road and Crainway Drive in Austin, Travis County, involves the new construction of 264 units, seven of which will be rent and income restricted at 30% of Area Median Family Income (“AMFI”), seven will be rent and income restricted at 40% AMFI, six will be rent and income restricted at 50% AMFI, and the remaining 244 units will be rent and income restricted at 60% AMFI. The development will serve the general population and is currently zoned appropriately. The census tract (0022.01) has a median household income of \$37,063, is in the fourth quartile, and has a poverty rate of 28.80%.

Site Analysis: The presence of an undesirable neighborhood characteristic under §10.101(a)(3) requires additional site analysis and the characteristic attributable to Creekview Apartment Homes includes a middle school, Gus Garcia Young Men’s Leadership Academy, for the attendance zone containing the proposed development that did not achieve a Met Standard rating based on the 2016 Accountability Ratings by TEA. The Garcia Leadership Academy was reconstituted several years ago and achieved Met Standard in 2015 and failed to earn this rating in 2016 by two points on Index 4 (relating to Postsecondary Readiness) and one point on Index 3 (relating to Closing Performance Gaps). Considering the historical performance of the school, combined with performance under the index indicators in 2016 and goals and strategies outlined in the Campus Improvement Plan, the undesirable neighborhood characteristic is not of a nature and severity that should render the site ineligible under 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules.

Organizational Structure and Previous Participation: The Borrower is TX Creekview Austin, LP, and includes the entities and principals as illustrated in Exhibit A. The applicant’s portfolio is considered a Category 3 and the previous participation was deemed acceptable by EARAC without further review or discussion. EARAC also reviewed the proposed financing and the underwriting report, and recommends issuance of a Determination Notice.

Public Comment: There have been no letters of support or opposition received by the Department.

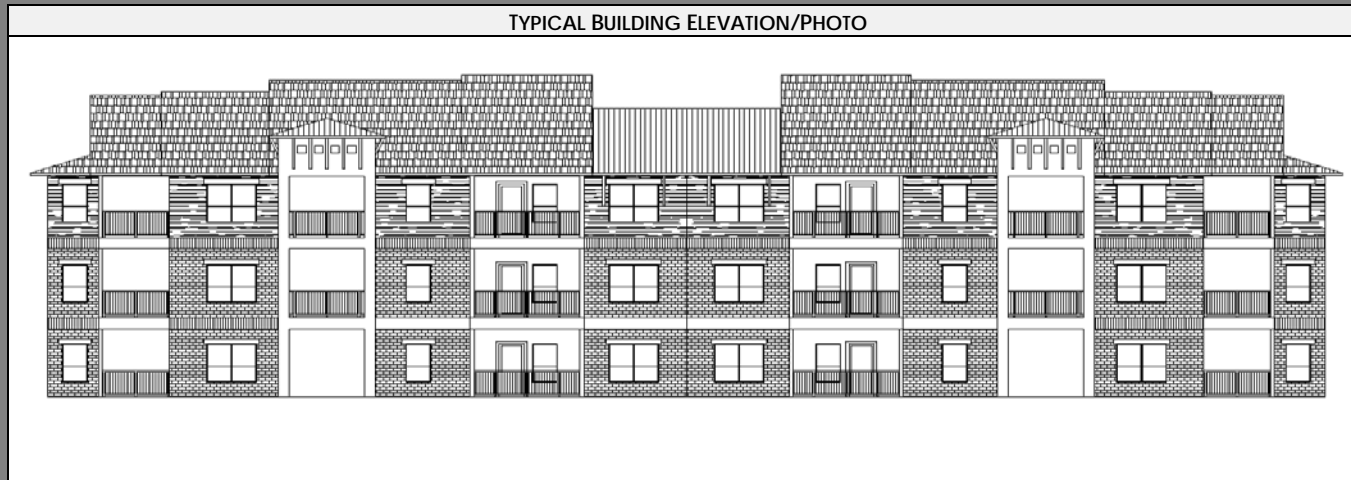
EXHIBIT A



APPLICATION SUMMARY

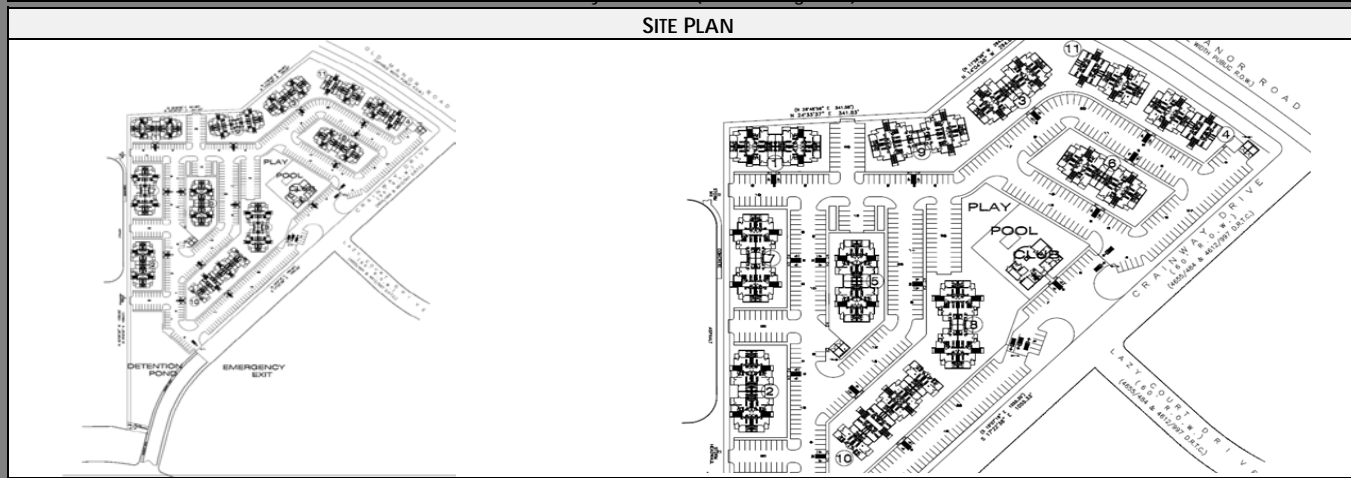
PROPERTY IDENTIFICATION		RECOMMENDATION					
Application #	17424	TDHCA Program	Request	Approved			Lien
Development	Creekview Apartment Homes		\$1,596,600	\$1,559,882	\$5,909/Unit	\$0.95	
City / County	Austin / Travis		Amount	Rate	Amort	Term	
Region/Area	7 / Urban	Private Activity Bonds					
Population	General	MDLP (Repayable)					
Set-Aside	General	MDLP (Non-Repayable)					
Activity	New Construction	CHDO Expenses					

KEY PRINCIPAL / SPONSOR		
Strategic Housing Finance Corporation - Patrick Howard		
Rise Residential - Melissa Adami		
Related-Parties	Contractor - Yes	Seller - No



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	32	12%	30%	7	3%
1	120	45%	40%	7	3%
2	76	29%	50%	6	2%
3	36	14%	60%	244	92%
4	-	0%	MR	-	✓
TOTAL	264	100%	TOTAL	264	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	🟡 1.15	Expense Ratio	🟢 41.4%
Breakeven Occ.	🟢 85.4%	Breakeven Rent	\$845
Average Rent	\$917	B/E Rent Margin	🟡 \$72
Property Taxes	Exempt	Exemption/PILOT	100%
Total Expense	\$4,301/unit	Controllable	\$3,203/unit



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)			🟢 4.2%
Highest Unit Capture Rate	🟡 31%	2 BR/60%	71
Dominant Unit Cap. Rate	🟡 21%	1 BR/60%	115
Premiums (↑60% Rents)	N/A		N/A
Rent Assisted Units	N/A		

DEVELOPMENT COST SUMMARY			
Costs Underwritten		Applicant's Costs	
Avg. Unit Size	872 SF	Density	20.0/acre
Acquisition		\$08K/unit	\$2,125K
Building Cost	\$74.67/SF	\$65K/unit	\$17,185K
Hard Cost		\$87K/unit	\$22,975K
Total Cost		\$147K/unit	\$38,936K
Developer Fee	\$4,623K	(20% Deferred)	Paid Year: 4
Contractor Fee	\$3,255K	30% Boost	Yes

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES		
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount	
Bellwether Ent. - Freddie Mac TEL	15/35	4.97%	\$23,189,000	1.15						42 Equity Partners or other ILP	\$14,807,803	
										Rise Development DDF Note	\$939,059	
										TOTAL EQUITY SOURCES	\$15,746,862	
										TOTAL DEBT SOURCES	\$23,189,000	
TOTAL DEBT (Must Pay)			\$23,189,000		CASH FLOW DEBT / GRANTS				\$0		TOTAL CAPITALIZATION	\$38,935,862

CONDITIONS

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Strategic Housing Finance Corp of Travis County
Expiration Date	9/15/2017
Bond Amount	\$20,000,000
BRB Priority	Priority 3
Expected Close	TBD
Bond Structure	Freddie MAC TEL

RISK PROFILE	
STRENGTHS/MITIGATING FACTORS	
o	Experienced Developer/Owner
o	High area occupancy
WEAKNESSES/RISKS	
o	Feasibility dependent on 100% tax exemption
o	Understated contingency

AERIAL PHOTOGRAPH(S)



1m

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
MAY 25, 2017

Presentation, discussion, and possible action regarding an amendment to the Construction Loan Agreement for Chicory Court Lake Dallas, LP

RECOMMENDED ACTION

WHEREAS, the Department awarded HOME Multifamily Development funds under the 2012-1 Multifamily Development Program Notice of Funding Availability to Chicory Court Lake Dallas, LP for the construction of The Lakeshore Apartments on January 17, 2013;

WHEREAS, the HOME loan closed on May 29, 2014, and a Construction Loan Agreement (“CLA”), which stipulated a completion date of not more than 18 months from the date of the agreement, was executed the same day;

WHEREAS, the Construction Loan Agreement has been amended twice, extending the completion date by 12 months to 30 months – November 28, 2016 – from the date the CLA was executed;

WHEREAS, HOME multifamily properties must compete with Housing Tax Credit (“HTC”) properties for scheduling, completion, and corrective action review of final construction inspections from the Department’s Inspection staff;

WHEREAS, a Closed Final Development Inspection Letter – indicating all amenity and accessibility deficiencies identified during a final inspection have been cleared – issued by Inspection staff is a requirement for releasing final draw disbursements;

WHEREAS, the Inspection staff conducted a Final Development Inspection on June 20, 2016, and issued a Closed Final Development Inspection Letter on March 1, 2017; and

WHEREAS, 10 TAC §13.12 requires Board approval for an extension beyond 12 months to the construction completion date;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director or his designee be and each of them hereby are authorized, empowered, and directed, for and on behalf of this Board to extend the completion date in the CLA to 38 months – July 28, 2017 – from the date of the agreement.

BACKGROUND

The HOME loan for Chicory Court Lake Dallas, LP closed on May 29, 2014. Construction commenced soon thereafter. The completion date in the Construction Loan Agreement (“CLA”) was originally November 28, 2015, (18 months from loan closing). The First Amendment to the CLA changed the completion date to May 28, 2016, (24 months from loan closing) and the Second Amendment to the CLA changed the completion date to November 28, 2016 (30 months from loan closing). This proposed Third Amendment would extend the completion date to July 28, 2017, (38 months from loan closing) and would allow the borrower to request the remaining HOME funds in the Housing Contract System.

Construction was substantially complete by October 2015. A Final Inspection request was submitted to TDHCA inspection staff in April 2016. The development received a final inspection on June 20, 2016, with a final inspection letter issued on July 22, 2016. The letter identified 19 deficiencies. Corrective action documentation was submitted by the borrower to inspection staff in December 2016, which resulted in inspection staff issuing a follow-up letter on January 3, 2017, in which 9 deficiencies remained uncorrected. Corrective action was again submitted by the borrower to inspection staff on February 22, 2017, which resulted in inspection staff issuing a follow-up letter on February 27, 2017, in which two deficiencies remained uncorrected. On March 1, 2017, a Closed Final Inspection Letter was issued indicating that all deficiencies had been corrected.

10 TAC §13.11(p)(9) requires that ten percent of disbursement requests for hard costs for Direct Loan-funded developments be withheld until – for developments where Direct Loan funds are the only source of Department funds – the development receives a Closed Final Development Inspection Letter. The Lakeshore Apartments is a development where the Department’s HOME funds were the only source of Department funds. \$150,000 in retainage remains available to be drawn under the HOME loan documents. This action will allow those funds to be drawn.

1n

BOARD ACTION REQUEST

BOND FINANCE DIVISION

MAY 25, 2017

Presentation, discussion, and possible action on Resolution 17-019 authorizing request to Texas Bond Review Board for annual waiver of single-family mortgage revenue bond set-aside requirements; authorizing the execution of documents and instruments relating thereto; making certain findings and determinations in connection therewith; and containing other provisions relating to the subject

RECOMMENDED ACTION

See attached resolution.

BACKGROUND

At the Board meeting of February 28, 2017, staff presented a report prepared by its financial advisor, George K. Baum & Company, regarding the feasibility and potential economic impact to the Texas Department of Housing and Community Affairs (the "Department") of meeting the requirements of Tex. Gov't Code §2306.142(l) (the "Report"). A copy of the Report is attached. The Board accepted and approved the report, and authorized its submission to the Bond Review Board (the "BRB") in support of the ongoing waiver of Tex. Gov't Code §2306.142(l) pursuant to authority granted to BRB under Tex. Gov't Code §2306.142(m).

Staff submitted the report to BRB and is requesting Board authorization to submit a request for a waiver of the requirements of Tex. Gov't Code §2306.142(l) for all single family mortgage revenue bonds ("SFMRBs") issued by the Department in calendar year 2017. While this waiver has typically been requested on a bond issue by bond issue basis, the annual waiver would allow SFMRBs issued by the Department to qualify as exempt from formal approval by BRB, as these bonds are self-supporting revenue security issues that have no general revenue impact to the state. Staff would return to the Board in December 2017 for approval to request, in January 2018, a waiver from BRB for all SFMRBs to be issued in calendar year 2018.

Qualifying as exempt allows for the possibility that a bond issue could be approved more quickly than by formal approval at one of BRB's board meetings, but does not necessarily mean faster approval. Pursuant to 34 TAC §181.9(d), one or more members of the BRB can, within six business days of receipt of an issue for approval, provide a written request that the proposed issuance adhere to the formal approval process.

With the Department's increased loan volume, a waiver for a specific time period could be of significant economic benefit, providing at least the possibility that the Department could issue more frequently, which would reduce interest rate exposure and achieve other economic efficiencies. Staff recommends approval.

RESOLUTION NO. 17-019

RESOLUTION AUTHORIZING REQUEST TO TEXAS BOND REVIEW BOARD FOR ANNUAL WAIVER OF SINGLE-FAMILY MORTGAGE REVENUE BOND SET-ASIDE REQUIREMENTS; AUTHORIZING THE EXECUTION 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 (the "Act"), as amended from time to time, for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department (the "Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to acquire, and to enter into advance commitments to acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, Section 2306.142 of the Act requires the Department to evaluate the feasibility of a single-family mortgage revenue bond program designed to meet the credit needs of the underserved economic and geographic submarkets of the State, including those submarkets served disproportionately by subprime lenders; and

WHEREAS, Section 2306.142(l) of the Act requires that, beginning on September 1, 2002, and in each subsequent State fiscal year, the Department allocate, through set-aside or reservation of funds, not less than 40 percent of the total single-family mortgage revenue bond loan volume for mortgage loans, including subprime mortgage loans, to be originated in underserved economic and geographic submarkets in the State (the "Section 2306.142(l) Requirements"); and

WHEREAS, Section 2306.142(m) of the Act provides that if the Board determines in any year that bonds intended to be issued to achieve the purposes of Section 2306.142 of the Act are unfeasible or would damage the financial condition of the Department, the Board may formally appeal to and request a waiver from the Texas Bond Review Board (the "Bond Review Board") of the Section 2306.142(l) Requirements; and

WHEREAS, at the February 28, 2017 meeting, the Board was presented with a report of its financial advisor, George K. Baum & Company that addresses the feasibility and potential economic impact to the Department of fulfilling the Section 2306.142(l) Requirements (the "Report"), which Report has been submitted to the Bond Review Board; and

WHEREAS, in reliance upon the Report, the Board now desires to authorize submission to the Bond Review Board of a request for a waiver of the Section 2306.142(l) Requirements for all single-family revenue bonds issued by the Department in calendar year 2017;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

ARTICLE 1

APPROVAL OF DOCUMENTS AND CERTAIN ACTIONS

Section 1.1 Request for Waiver of Section 2306.142(l) Requirements. The submission of a request for a waiver of the Section 2306.142(l) Requirements for all single-family revenue bonds issued by the Department in calendar year 2017 is hereby authorized and approved.

Section 1.2 Execution and Delivery of Documents. The Authorized Representatives are each hereby authorized 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 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 1: the Chair or Vice Chair of the Board, the Executive Director of the Department, the Deputy Executive Directors of the Department, the Chief Financial Officer of the Department, the Director of Bond Finance of the Department, the Director of Texas Homeownership of the Department, the Director of Multifamily Finance of the Department, and the Secretary or any Assistant Secretary to the Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Representatives is authorized to act individually as set forth in this Resolution.

Section 1.4 Ratifying Other Actions. All other actions taken or to be taken by the Executive Director and the Department's staff in connection in carrying out the purposes of this Resolution are hereby ratified and confirmed.

ARTICLE 2

GENERAL PROVISIONS

Section 2.1 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with § 2306.032 of the Texas Government Code, regarding meetings of the Board.

Section 2.2 Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

[Execution page follows]

PASSED AND APPROVED this 25th day of May, 2017.

Vice Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

10

BOARD ACTION REQUEST

BOND FINANCE DIVISION

MAY 25, 2017

Presentation, discussion, and possible action on Resolution 17-020 authorizing down payment assistance funding sources for Program 79; authorizing the execution of documents and instruments relating to the foregoing; and containing other provisions relating to the subject

RECOMMENDED ACTION

See attached resolution.

BACKGROUND

Prior to October 1, 2016, the Department used various sources of funds for down payment assistance ("DPA") provided through its single family program, including bond premiums and surplus funds available under the indentures. Since October 1, 2016, the source of down payment assistance ("DPA") funds has been the Department's 2016 Issuer Note (the "Note"), a loan from Woodforest National Bank for \$10 million, at 1% simple interest, due September 28, 2026. Based on loan volume at the time the Department entered into the Note, it was expected that the Note would fund approximately one year of DPA; however, the Department's loan volume has increased dramatically, and funds available under the Note are expected to be fully expended by the end of May 2017. While discussions are underway with Woodforest about a possible new note for DPA, an agreement has not yet been reached.

In order to continue the program uninterrupted, staff is requesting authorization for the use of up to \$20,000,000 of funds not currently invested in qualifying mortgage loans under the Residential Mortgage Revenue Bond Trust Indenture and the Single Family Mortgage Revenue Bond Trust Indenture to be used to provide DPA for Program 79. DPA is provided in the form of a 30-year second lien mortgage loan with 0% interest and due on the earlier of sale, refinance, or maturity of the loan. The indenture from which the DPA for a specific loan is funded will receive ongoing fees for the life of the loan and the repayment proceeds of the second mortgage, whether at maturity or prepayment.

Staff recommends approval.

RESOLUTION NO. 17-020

RESOLUTION AUTHORIZING DOWN PAYMENT ASSISTANCE FUNDING SOURCES FOR PROGRAM 79; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS RELATING TO THE FOREGOING; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code (the "Act"), as amended from time to time, for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department (the "Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department (a) to purchase notes and other obligations evidencing loans or interests in loans for individuals and families of low and very low income and families of moderate income and (b) to sell, at public or private sale, with or without public bidding, a mortgage or other obligation held by the Department; and

WHEREAS, the Department has implemented its taxable mortgage purchase program designated as "Program 79" to fund all or a portion of the Department's single family loan production; and

WHEREAS, the Board now desires to authorize funding sources for down payment and closing cost assistance ("DPA") to be offered to eligible borrowers under Program 79;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

ARTICLE 1

APPROVAL OF DOCUMENTS AND CERTAIN ACTIONS

Section 1.1 Authorization of DPA Funding Sources. The Board hereby authorizes the use of up to \$20,000,000 of funds not currently invested in qualifying mortgage loans under the Residential Mortgage Revenue Bond Trust Indenture and the Single Family Mortgage Revenue Bond Trust Indenture to be used to provide DPA to eligible borrowers under Program 79.

Section 1.2 Execution and Delivery of Documents. The Authorized Representatives are each hereby authorized 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 Power to Revise Form of Documents. Notwithstanding any other provision of this Resolution, the Authorized Representatives are each hereby authorized to make or approve such revisions in documents related to Program 79 as, in the judgment of such Authorized Representative, 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 delivery of such documents by the Authorized Representatives.

Section 1.4 Authorized Representatives. The following persons are 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 1: the Chair or

Vice Chair of the Board, the Executive Director of the Department, the Deputy Executive Directors of the Department, the Chief Financial Officer of the Department, the Director of Bond Finance of the Department, the Director of Texas Homeownership of the Department, the Director of Multifamily Finance of the Department, and the Secretary or any Assistant Secretary to the Board. Such persons are referred to herein collectively as the “Authorized Representatives.” Any one of the Authorized Representatives is authorized to act individually as set forth in this Resolution.

ARTICLE 2

GENERAL PROVISIONS

Section 2.1 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with §2306.032 of the Texas Government Code, regarding meetings of the Board.

Section 2.2 Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

[Execution page follows]

PASSED AND APPROVED this 25th day of May, 2017.

Vice Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

1p

BOARD ACTION REQUEST

HOME AND HOMELESS PROGRAMS DIVISION

MAY 25, 2017

Presentation, discussion, and possible action on orders proposing actions to 10 TAC Chapter 7, Homeless Programs to amend §7.1002, Distribution of Funds and Formula, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Department is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, during the creation of 10 Texas Administrative Code ("TAC") Section 7, in the fall of 2016, the Department received comments to focus on victims of family violence for the formula distribution in the Homeless Housing and Services Program ("HHSP");

WHEREAS, the HHSP formula had already been applied for 2017 HHSP funds during the fall of 2016, so the proposal to add a focus on victims of family violence was being considered for the 2018 HHSP funds to amend 10 TAC §7.1002, Distribution of Funds and Formula;

WHEREAS, in April 2017, Department reached out to the eight HHSP Subrecipients to gather input on adding victims of domestic violence to the HHSP allocation formula;

WHEREAS, based on feedback from the HHSP Subrecipients, the Department determined that additional research and discussion on homeless subpopulations needed before making any adjustments to the HHSP allocation formula;

WHEREAS, the Department proposes amending the HHSP formula in 10 TAC §7.1002 to allow for an annual instead of biannual distribution to allow for more timely consideration of formula weights;

WHEREAS, the Department is also amending the rule to reflect the Texas Comptroller's policy regarding the encumbrance of state funds during the appropriation year for which the appropriation is made; and

WHEREAS, upon authorization of this item, this proposed actions amending 10 TAC §7.1002 will be published in the *Texas Register* for public comment;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed amendment to section 10 TAC §7.1002, Distribution of Funds and Formula, in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

HHSP was established by the 81st Texas Legislature in 2009 and codified in 2011 as Tex. Gov't Code §2306.2585 to provide for the construction, development, or procurement of housing for homeless persons, and provide local programs to prevent and eliminate homelessness. According to statute, HHSP funds are awarded to municipalities with a population of 285,500 or more, which currently is eight cities: Arlington, Austin, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, and San Antonio.

Pursuant to §2606.2585(b)(1): “the department may adopt rules to govern the administration of the program, including rules that: provide for the allocation of any available funding...” This formula was originally adopted in 10 TAC §5.1004, effective August 5, 2012.

During the fall of 2016, in which new HHSP rules were moved from 10 TAC Chapter 5, Community Affairs Programs, to Chapter 7, Homeless Programs, the Department received a comment requesting that the HHSP formula distributing funds should focus on victims of family violence. The formula distribution for 2017 HHSP funds had already occurred by the fall of 2016, so the suggested comment could not be taken into consideration until the formula was proposed for the 2018 HHSP funds.

Currently the HHSP allocation formula takes into account population (20% weight), poverty (25% weight), veteran populations (25% weight), populations of Persons with Disabilities (5% weight), population of Homeless persons (25% weight), as is found in 10 TAC §7.1002. The Texas Council on Family Violence (“TCFV”) has suggested adding a focus on victims of family violence into the formula for distribution of HHSP funds.

The Department reached out to the eight HHSP Subrecipients in April 2017, to gather input on adding victims of domestic violence into the allocation formula. Based on feedback received by the Department, it was determined that more information on the impact of adding weights for victims of family violence, and data for homeless subpopulations including veterans and persons with disabilities, would be needed before adjusting the allocation formula.

A rule amendment to 10 TAC §7.1002 is proposed to amend 10 TAC §7.1002(b) from “Any funds made available for HHSP shall be distributed in accordance with a formula that is calculated each biennium that takes into account...” to “Any funds made available for HHSP shall be distributed in accordance with a formula that is calculated each year that takes into account...” This will allow more information to be gathered on the homeless subpopulations to be considered for the 2019 HHSP allocation formula. The amendment also reflects the Texas Comptroller’s policy that State Agencies must obligate (encumber) an appropriation during the appropriation year for which the appropriation is made, and therefore the Department has no authority to extend state funds beyond the appropriation year.

The rule relating to the HHSP allocation formula will amend 10 TAC Chapter 7, Subchapter B, Homeless Housing and Services Program, Section 7.1002, Distribution of Funds and Formula, to be published in the *Texas Register* for public comment through the rulemaking process. The public comment period for the proposed amendment is anticipated to be held May 26, 2017, to June 15, 2017, to receive input.

Preamble and Proposed Amended 10 TAC Chapter 7, Homelessness Programs, Subchapter C, Emergency Solutions Grants, §7.1002

The Texas Department of Housing and Community Affairs (the “Department”) proposes an amendment to 10 TAC Chapter 7, Subchapter B, Homeless Housing and Services Program (“HHSP”), §7.1002, to allow for an annual allocation instead of a biannual allocation.

During the fall of 2016, in which new HHSP rules were moved from 10 TAC Chapter 5, Community Affairs Programs, to Chapter 7, Homeless Programs, the Department received a comment requesting that the HHSP formula distributing funds should focus on victims of family violence. The formula distribution for 2017 HHSP funds had already occurred by the fall of 2016, so the suggested adjustment to the formula was considered for the 2018 HHSP funds. However, it was determined that more analysis was needed to develop the methodology for making adjustments to the allocation formula. The rule is proposed to be amended to allow for an annual allocation formula instead of a biannual allocation formula.

FISCAL NOTE. Timothy K. Irvine, Executive Director, has determined that, for each year of the first five years the proposed new section will be in effect, enforcing or administering the proposed new section does not have any foreseeable additional costs or revenues for the state or local governments.

PUBLIC BENEFIT/COST NOTE. Mr. Irvine also has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section will be to provide clear guidance to Subrecipients through more organized and direct rules. There will be nominal cost to any individuals required to comply with the new section and such compliance is a requirement of the federal funds.

ADVERSE IMPACT ON SMALL OR MICRO-BUSINESSES. The Department has determined that there will be no economic effect on small or micro-businesses.

REQUEST FOR PUBLIC COMMENT. The public comment period will be held May 26, 2017, to June 15, 2017, to receive input on the proposed new section. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attention: Jennifer Molinari, Homelessness Programs, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, or by email to the following address: jennifer.molinari@tdhca.state.tx.us. ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. Austin local time on June 15, 2017. A copy of the proposed new chapter will be available on the Department’s website at <http://www.tdhca.state.tx.us/public-comment.htm> under Items Open for Public Comment during the public comment period.

STATUTORY AUTHORITY. The amendment is proposed pursuant to Texas Government Code, §2306.053, which authorizes the Department to adopt rules.

The proposed amendment affects no other code, article, or statute.

SUBCHAPTER B. HOMELESS HOUSING AND SERVICES PROGRAM

§7.1002, Distribution of Funds and Formula

(a) Pursuant to the authority of Tex. Gov’t Code §2306.2585, HHSP is available to any municipality in Texas with a population of 285,500 or more. HHSP funds will be awarded upon appropriation from the legislature, and will be made available to any of those municipalities

subject to the requirements of this rule and be distributed in accordance with the formula set forth in subsection (b) of this section (relating to Formula). ~~The Department may redistribute formula-funded allocations among the eligible municipalities if a Subrecipient is unable to expend the funds within 120 days of the close of the biennium.~~

(b) Formula. Any funds made available for HHSP shall be distributed in accordance with a formula that is calculated each ~~biennium~~ year that takes into account:

(1) population of the municipality, as determined by the most recent available 1 Year American Community Survey ("ACS") data;

(2) poverty, defined as the number of persons in the municipality's population with incomes at or below the poverty threshold, as determined by the most recent available 1 Year ACS data;

(3) veteran populations, defined as that percentage of the municipality's population composed of veterans, as determined by the most recent available 1 Year ACS data;

(4) population of Persons with Disabilities, defined as that percentage of the municipality's population composed of Persons with Disabilities, as determined by the most recent available 1 Year ACS data; and

(5) population of Homeless persons, defined as that percentage of the municipality's population comprised of Homeless persons, as determined by the most recent publically available Point-In-Time Counts submitted to HUD by the CoCs in Texas.

(c) The factors enumerated shall be used to calculate distribution percentages for each municipal area based on the following formula:

(1) 20 percent weight for population;

(2) 25 percent weight for poverty populations;

(3) 25 percent weight for veteran populations;

(4) 5 percent weight for population of Persons with Disabilities; and

(5) 20 percent weight for the Homeless population.

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BOARD ACTION REQUEST

LEGAL DIVISION

MAY 25, 2017

Presentation, discussion, and possible action on proposed new 10 TAC, Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.3 concerning Sick Leave Pool, and directing its publication in the *Texas Register*.

RECOMMENDED ACTION

WHEREAS, Tex. Gov't. Code Chapter 661 requires the governing body of a state agency to establish a sick leave pool for its employees;

WHEREAS, the sick leave pool shall allow for the voluntary transfer to a sick leave pool, sick leave earned by an employee; and use of the sick leave pool in accordance with terms established by the governing board-appointed sick leave pool administrator; and

WHEREAS, the proposed new rule will address these requirements;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them are hereby authorized, empowered, and directed, for and on behalf of the Department, to publish the proposed new §1.3 in the *Texas Register* for review and public comment and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

Tex. Gov't. Code Chapter 661, Subchapter A, requires a state agency to establish a sick leave pool program for its employees. The pool will allow employees to donate or transfer earned sick leave to the pool for use by other employees who have exhausted their own sick leave on account of a catastrophic illness or injury, or a previous donation of sick leave to the pool. The statute requires the governing board to appoint a pool administrator by rule. This proposed new rule appoints the TDHCA Human Resources Director as the pool administrator.

Texas Administrative Code

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 1 ADMINISTRATION
SUBCHAPTER A GENERAL POLICIES AND PROCEDURES
RULE §1.3 Sick Leave Pool

The Texas Department of Housing and Community Affairs (the "Department") proposes new 10 TAC §1.3, concerning Sick Leave Pool. The purpose of this proposed new section is to establish a sick leave pool for use by the employees of the Department, appoint a pool administrator and establish that the pool shall be operated consistent with Texas Government Code Section 661.

FISCAL NOTE. Timothy K. Irvine, Executive Director, has determined that, for each year of the first five years the new rule will be in effect, enforcing or administering the new rule will assure that any voluntary pooling and use of donated sick leave by Department employees will be administered in accordance with statutory requirements.

PUBLIC BENEFIT/COST NOTE. Mr. Irvine also has determined that, for each year of the first five years the new section will be in effect, the public benefit anticipated as a result of the new section will be more efficient operation of the Department employees' sick leave pool.

ADVERSE IMPACT ON SMALL OR MICRO-BUSINESSES. The Department estimates that there will be no affect on small or micro-businesses, as defined in Tex. Gov't Code §2006.001.

REQUEST FOR PUBLIC COMMENT. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Jeffrey T. Pender, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, or by email to: jeff.pender@tdhca.state.tx.us. **ALL COMMENTS MUST BE RECEIVED BY 5:00P.M. on July 7, 2017, Austin Local Time.**

STATUTORY AUTHORITY. The new section is proposed pursuant to Tex. Gov't Code §661.002 which requires the Department's governing body to establish a sick leave pool program. The proposed new section affects no other code, article, or statute.

§1.3 Sick Leave Pool

A sick leave pool is established to help alleviate hardship caused to an employee and employee's immediate family if a catastrophic illness or injury forces the employee to exhaust all sick leave time earned by that employee and to lose compensation from the state.

- (1) The Department's Human Resources Director is designated as the pool administrator.
- (2) The pool administrator will recommend a policy, operating procedures, and forms for the administration of this section to the Executive Director for inclusion in the Department's Personnel Policies and Procedures Manual.
- (3) Operation of the pool shall be consistent with Texas Government Code, Chapter 661.

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**THIS ITEM HAS BEEN PULLED
FROM THE AGENDA**

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BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
MAY 25, 2017

Presentation, discussion, and possible action on an order adopting amendments to 10 TAC Chapter 6 Community Affairs Programs, including the 1) amendments in Subchapter A, General Provisions, of §6.2 Definitions, §6.4 Income Determination, and §6.5 Documentation and Frequency of Determining Customer Eligibility; and 2) amendments in Subchapter C, Comprehensive Energy Assistance Program (“CEAP”), of §6.308 Allowable Subrecipient Administrative, Program Services Costs, and Assurance 16, and §6.310 Household Crisis Component; and directing that they be published for adoption in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov’t Code §2306.053, the Department is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, at the Board meeting of March 23, 2017, the Board approved proposed amendments, which were published for public comment in the *Texas Register* on April 7, 2017; and

WHEREAS, public comment was accepted from April 7, 2017, through May 8, 2017, with comments received from three organizations and reasoned response has been provided to those comments;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the adoption of these amendments to 10 TAC Chapter 6 Community Affairs Programs, Subchapter A, General Provisions and Subchapter C, CEAP in the form presented to this meeting, to be published in the *Texas Register* for adoption, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

In 2016, the Department undertook a broad reorganization of, and revision to, the rules that govern the Community Affairs programs. Part of that reorganization was the creation of 10 TAC Chapter 6, Community Affairs Programs. On November 10, 2016, the Board approved its adoption and the new rules went into effect on December 4, 2016. Since that time, the Department and Subrecipients have identified several needed revisions to correct items lacking clarity or to remedy discrepancies between the newly created 10 TAC Chapter 6 and federal regulation and guidance, as well as a few non-substantive grammatical corrections.

At the Board meeting of March 23, 2017, the Board approved proposed amendments to rules, summarized below, which were published for public comment in the *Texas Register* on April 7, 2017.

Public comment was accepted from April 7, 2017, through May 8, 2017. In keeping with the requirements of the Administrative Procedures Act, staff has reviewed all comments received and has provided a reasoned response below to those comments. Comment was received from three organizations. The full set of rules being adopted, including the *Texas Register* preambles, are provided in Attachments A and B.

- §6.2. Definitions
 - §6.2(b)(3). Categorical Eligible/Eligibility – Changes the definition to more clearly reflect that households are not already determined to be income eligible, but that Subrecipients determine a household to be eligible for the benefit if the household is receiving a certain other federal benefit. Also within the definition, it adds the citation reference to the definition for Means Tested Veterans Program payments.
 - §6.2(b)(19)(A). Elderly Person – A non-substantive grammatical correction.
 - §6.2(b)(22). Families with Young Children – A non-substantive grammatical correction.
 - §6.2(b)(25). High Energy Consumption – The rule previously had indicated that a dollar standard would be provided in contracts; instead that amount is being put in the rule at \$1,000. This amount was determined based on a calculation of average household energy expenditures, median household income, and federal poverty guidelines by household size.
 - §6.2(b)(26). Household – The definition was revised to specify that unborn children are excluded from the numeration of individuals in a Household to provide greater clarity to Subrecipients (although unborn children remain included in the definition of Families with Young Children). In addition, CSBG has been added to distinguish CSBG and LIHEAP from the DOE definition of household.
 - §6.2(b)(28)(A). Low Income Household – The definition was revised to clarify that Households can be categorically eligible for DOE benefits.
 - §6.2(b)(28)(B). Low Income Household – A non-substantive grammatical correction.
- §6.4. Income Determination
 - §6.4(a). Clarifies that income determination is performed to establish a household's level of benefit, even if that Household has already been determined to be categorically eligible for assistance. Being categorically eligible does not determine the level of benefit.
 - §6.4(a)(2)(R). Veterans (VA) Disability Payments – Removes this item from the list of types of Excluded Income because it is a broad category that the Department does not have clear authority to exclude under DOE guidance (other than the income under §6.4(a)(2)(OO), not reflective of a specific funding assistance type, and other more specific VA and disability related benefits are listed elsewhere on the list.
 - §6.4(a)(2)(U). Income of Household members under Age 18 – A non-substantive grammatical correction.
 - §6.4(d)(3)(F). Revised to provide for how one-time income is calculated in annualizing income.
- §6.5. Documentation and Frequency of Determining Customer Eligibility
 - §6.5(a). Replaces the term LIHEAP, which covers both CEAP and LIHEAP WAP, with the term CEAP, since this section is not intended to be applicable to LIHEAP WAP.
 - §6.5(b). Removes the term DOE, thereby having this section refer to both types of WAP (LIHEAP and DOE).

Chapter 6, Subchapter C, Comprehensive Energy Assistance Program

- §6.308. Allowable Subrecipient Administrative and Program Services Costs

- §6.308. Removes Assurance 16 from the title.
- §6.308(a). A non-substantive grammatical correction.
- §6.308(b) and (c). Removes the section on Assurance 16. Assurance 16 is being removed because, based on federal clarification, funds to the Subrecipients are not being designated specifically as Assurance 16; however educational activities will still be occurring as reflected in newly added §6.308(b)(9).
- §6.310. Household Crisis Component
 - §6.310(a)(2). Removes language specifying that notice of disconnection has to be provided to the Subrecipient within the effective contract term; this may have negatively impacted the ability to assist some households.
 - §6.310(c)(4). Insert 'Non-' before Vulnerable Population households and remove 'regardless of weather conditions'. These edits are made to make this section refer appropriately to the intended handling of these types of cases.
 - §6.310(c)(5). Insert 'of existing heating and cooling units' before 'or purchase...' again to make the reading of this section accurately reflect the intention.
 - §6.310(e). Removed the term 'LIHEAP' to ensure that it is clear that this section only relates to CEAP, not LIHEAP WAP.
 - §6.310(f). Non-substantive grammatical corrections.

Preamble and Adopted Amendments to 10 TAC Chapter 6 Community Affairs Programs, Subchapter A, General Provisions, §6.2, §6.4 and §6.5, and Subchapter C, Comprehensive Energy Assistance Program, §6.308 and §6.310

The Texas Department of Housing and Community Affairs (the “Department”) adopts amendments to 10 TAC Chapter 6, Community Affairs Programs, Subchapter A, General Provisions, §6.2 Definitions, §6.4 Income Determination and §6.5 Documentation and Frequency of Determining Customer Eligibility and Subchapter C, Comprehensive Energy Assistance Program, §6.308 Allowable Subrecipient Administrative, Program Services Costs, and Assurance 16, and §6.310 Household Crisis Component.

REASONED JUSTIFICATION: Since 10 TAC Chapter 6 went into effect on December 4, 2016, several areas for change have been identified to either provide clarification or to remedy discrepancies between the new rules and federal guidelines. The amendments to these sections are to correct these issues.

SUMMARY OF PUBLIC COMMENT AND STAFF RECOMMENDATION: The Department accepted public comment between April 7, 2017, and May 8, 2017. Comments and responses are presented in the order they appear in the rule with comments received from Doug Hairgrove, Community Action Corporation of South Texas (#1); David Ramos, Coastal Bend Aging and Disability Resource Center (#2); and Stella Rodriguez, Texas Association of Community Action Agencies, Inc. (#3).

1. Chapter 6, Subchapter A, §6.2(b)(19), Elderly Person

COMMENT SUMMARY: Commenter requests that “elderly person” be changed to “older individual.” (#2)

STAFF RESPONSE: Because “elderly” is a term identified and used in the LIHEAP Statute, the Department does not have the authority to change or modify it. The Department appreciates the comment, but will make no changes.

2. Chapter 6, Subchapter A, §6.2(b)(22), Families with Young Children

COMMENT SUMMARY: Commenter requests the language “including a Household that has a pregnant woman” be removed from the definition because staff cannot definitively assess pregnancy status visually or be expected to violate health privacy laws. (#3)

STAFF RESPONSE: The Department includes the language identified by the commenter in the definition of Families with Young Children so that pregnant women in Households can qualify as a priority population if the Subrecipient is targeting program assistance for the purpose of Zika-prevention activities such as air conditioning installation or repair, or screen installations. The Department appreciates the comment, but will make no changes.

3. Chapter 6, Subchapter A, §6.2(b)(25), High Energy Consumption

COMMENT SUMMARY: Commenter requests “the use of gas and electricity in” be replaced with “related fuel costs for heating and cooling” because there are other sources of fuel besides gas and electricity. (#3)

STAFF RESPONSE: The Department concurs with the comment and will change the language in the rule as suggested.

4. Chapter 6, Subchapter A, §6.2(b)(36)(A), Handicapped Individual

COMMENT SUMMARY: Commenter requests that “handicapped individual” be changed to “individual with a disability.” (#2)

STAFF RESPONSE: The Department concurs with the comment and will change the language in the rule by removing the word “handicapped” and replacing “as defined” with “described.”

5. Chapter 6, Subchapter A, §6.4(a)(2), Veterans Disability Payments

COMMENT SUMMARY: Commenter requests the Department not remove disability payments to veterans from the excluded income list due to the current climate of helping veterans in this country with the result of some veterans not qualifying for assistance. In addition, commenter states the Internal Revenue Service does not count disability payments as taxable income. (#3)

STAFF RESPONSE: Veterans disability payments are currently listed as excluded income at §6.4(a)(2)(PP), now §6.4(a)(2)(OO), and further defined there. The clause being deleted was redundant. In addition, many households with veterans that have disabilities will remain categorically eligible for benefits. The Department appreciates the comment, but will make no changes.

6. Chapter 6, Subchapter A, §6.4(d)(3)(F), One-Time Income

COMMENT SUMMARY: Commenter requests that one-time income be further defined as one-time employment income. (#3)

STAFF RESPONSE: The Department concurs with the comment and will change the language in the rule as suggested.

7. Chapter 6, Subchapter A, §6.4(f), Proof of Income

COMMENT SUMMARY: Commenter requests the TAC rule be aligned with the contracts to state that certification of a client’s income (using the DIS form) should only be required by DOE WAP because it is a federal requirement from DOE. (#1)

STAFF RESPONSE: The Department concurs with the comment and is in the process of aligning the TAC rules with the contracts by amending the contracts. Because the Department is making changes to the contracts rather than the rules, no changes to the rule will be made.

8. Chapter 6, Subchapter C, §6.310(c)(4), Non-Vulnerable Central System Repair

COMMENT SUMMARY: Commenter requests that “central system” be changed to “heating and cooling system” and that a Subrecipient be able to replace a unit rather than just a component if parts cannot repair it. (#3)

STAFF RESPONSE: Because some households consist of individual heating units and individual air conditioning units, changing “central system” to “heating or cooling, or heating and cooling system” allows for the service and repair of existing units and will not be limited to centralized systems. The Department concurs with this portion of the comment and will change this particular language in the rules as suggested.

The Department believes that replacing “component” with “unit” is a change that is outside the scope of the CEAP. The crisis component is not intended to replace a unit; therefore, the

commenter's example exceeds the scope of the crisis component. The Department appreciates the comment, but will make no changes to this particular language in the rule.

9. Chapter 6, Subchapter C, §6.310(c)(5), Vulnerable Central System Repair

COMMENT SUMMARY: Commenter requests that "central system" be changed to "heating and cooling system" and that a Subrecipient be able to replace a unit rather than just a component if parts cannot repair it. (#3)

STAFF RESPONSE: Because some households consist of individual heating units and individual air conditioning units, changing "central system" to "heating or cooling, or heating and cooling system" allows for the service and repair of existing units and will not be limited to centralized systems. The Department concurs with this portion of the comment and will change this particular language in the rules as suggested.

The Department believes that replacing "component" with "unit" is a change that is outside the scope of the CEAP. The crisis component is not intended to replace a unit; therefore, the commenter's example exceeds the scope of the crisis component. The Department appreciates the comment, but will make no changes to this particular language in the rule.

STATUTORY AUTHORITY. The amendments are adopted pursuant to Texas Government Code, which authorizes the Department to adopt rules, and Chapter 2306, Subchapter E, which authorizes the Department to administer its Community Affairs programs.

The adopted amendments affect no other code, article, or statute.

Chapter 6, Subchapter A

§6.2. Definitions.

(a) To ensure a clear understanding of the terminology used in the context of the CSBG, LIHEAP, and DOE-WAP programs of the Community Affairs Division, a list of terms and definitions has been compiled as a reference.

(b) The words and terms in this chapter shall have the meanings described in this subsection unless the context clearly indicates otherwise. Refer to Subchapters B, C, and D of this chapter for program specific definitions.

(1) Affiliate--An entity related to an Applicant that controls by contract or by operation of law the Applicant or has the power to control the Applicant or a third entity that controls, or has the power to control both the Applicant and the entity. Examples include but are not limited to entities submitting under a common application, or instrumentalities of a unit of government. This term also includes any entity that is required to be reported as a component entity under Generally Accepted Accounting Standards, is required to be part of the same Single Audit as the Applicant, is reported on the same IRS Form 990, or is using the same federally approved indirect cost rate.

(2) Awarded Funds--The amount of funds or proportional share of funds committed by the Department's Board to a Subrecipient or service area.

(3) Categorical Eligible/Eligibility: A method where a Subrecipient must deem a Household to be eligible for benefits if that Household includes at least one member that receives:

(A) SSI payments from the Social Security Administration; or

(B) Means Tested Veterans Program payments. See §6.2(b)(30).

(4) Child--Household member not exceeding eighteen (18) years of age.

(5) Code of Federal Regulations ("CFR")--The codification of the general and permanent rules and regulations of the federal government as adopted and published in the *Federal Register*.

(6) Community Action Agencies ("CAAs")--Private Nonprofit Organizations and Public Organizations that carry out the Community Action Program, which was established by the 1964 Economic Opportunity Act to fight poverty by empowering the poor in the United States.

(7) Community Services Block Grant ("CSBG")--An HHS-funded program which provides funding for CAAs and other Eligible Entities that seek to address poverty at the community level.

(8) Comprehensive Energy Assistance Program ("CEAP")--A LIHEAP-funded program to assist low-income Households, in meeting their immediate home energy needs.

(9) Concern--A policy, practice or procedure that has not yet resulted in a Finding or Deficiency but if not changed will or may result in Findings, Deficiencies and/or disallowed costs.

(10) Contract--The executed written Agreement between the Department and a Subrecipient performing an Activity related to a program that describes performance requirements and responsibilities assigned by the document; for which the first day of the contract period is the point at which programs funds may be considered by a Subrecipient for expenditure unless otherwise directed in writing by the Department.

(11) Contracted Funds--The gross amount of funds obligated by the Department to a Subrecipient as reflected in a Contract.

(12) Cost Reimbursement--A Contract sanction whereby reimbursement of costs incurred by the Subrecipient is made only after the Department has conducted such review as it deems appropriate, which may be complete or limited, such as on a sampling basis, and approved backup documentation provided by the Subrecipient to support such costs. Such a review and approval does not serve as a final approval and all uses of advanced funds remain subject to review in connection with future or pending reviews, monitoring, or audits.

(13) Declaration of Income Statement ("DIS")--A Department-approved form used only when it is not possible for an applicant to obtain third party or firsthand verification of income.

(14) Deficiency--Consistent with the CSBG Act, a Deficiency exists when an Eligible Entity has failed to comply with the terms of an agreement or a State plan, or to meet a State requirement. The Department's determination of a Deficiency may be based on the Eligible Entity's failure to provide CSBG services, or to meet appropriate standards, goals, and other requirements established by the

State, including performance objectives. A Finding, Observation, or Concern that is not corrected, or is repeated, may become a Deficiency.

(15) Deobligation--The partial or full removal of Contracted Funds from a Subrecipient. Partial Deobligation is the removal of some portion of the full Contracted Funds from a Subrecipient, leaving some remaining balance of Contracted Funds to be administered by the Subrecipient. Full Deobligation is the removal of the full amount of Contracted Funds from a Subrecipient. This definition does not apply to CSBG non-discretionary funds.

(16) Department of Energy ("DOE")--Federal department that provides funding for a weatherization assistance program.

(17) Department of Health and Human Services ("HHS")--Federal department that provides funding for CSBG and LIHEAP energy assistance and weatherization.

(18) Dwelling Unit--A house, including a stationary mobile home, an apartment, a group of rooms, or a single room occupied as separate living quarters.

(19) Elderly Person--

(A) for CSBG, a person who is 55 years of age or older; and

(B) for CEAP and WAP, a person who is 60 years of age or older.

(20) Emergency--defined as:

(A) a natural disaster;

(B) a significant home energy supply shortage or disruption;

(C) significant increase in the cost of home energy, as determined by the Secretary of HHS;

(D) a significant increase in home energy disconnections reported by a utility, a state regulatory agency, or another agency with necessary data;

(E) a significant increase in participation in a public benefit program such as the food stamp program carried out under the Food Stamp Act of 1977 (7 U.S.C. §§2011, et seq.), the national program to provide supplemental security income carried out under Title XVI of the Social Security Act (42 U.S.C. §§1381, et seq.) or the state temporary assistance for needy families program carried out under Part A of Title IV of the Social Security Act (42 U.S.C. §§601, et seq.), as determined by the head of the appropriate federal agency;

(F) a significant increase in unemployment, layoffs, or the number of Households with an individual applying for unemployment benefits, as determined by the Secretary of Labor; or

(G) an event meeting such criteria as the Secretary of HHS, at the discretion of the Secretary of HHS, may determine to be appropriate.

(21) Expenditure--An amount of money spent.

(22) Families with Young Children--A Household that includes a Child age five or younger including a Household that has a pregnant woman.

(23) Finding--A Subrecipients material failure to comply with rules, regulations, the terms of the Contract or to provide services under each program to meet appropriate standards, goals, and other requirements established by the Department or funding source (including performance objectives). A Finding impacts the organizations ability to achieve the goals of the program and jeopardizes continued operations of the Subrecipient. Findings include the identification of an action or failure to act that results in disallowed costs.

(24) High Energy Burden--Households with energy burden which exceeds 11% of annual gross income (as defined by the applicable program), determined by dividing a Household's annual home energy costs by the Household's annual gross income.

(25) High Energy Consumption--A Household that is billed more than \$1000 annually for related fuel costs for heating and cooling ~~the use of gas and electricity~~ in their Dwelling Unit.

(26) Household--Any individual or group of individuals, excluding unborn children, who are living together as one economic unit. For DOE WAP this includes all persons living in the Dwelling Unit. For CSBG/LIHEAP these persons customarily purchase residential energy in common or make undesignated payments for energy.

(27) Inverse Ratio of Population Density Factor--The number of square miles of a county divided by the number of poverty Households of that county.

(28) Low Income Household--defined as:

(A) For DOE WAP, a Household whose total combined annual income is at or below 200% of the HHS Poverty Income guidelines, or a Household who is Categorically Eligible;

(B) For CEAP and LIHEAP WAP, a Household whose total combined annual income is at or below 150% of the HHS Poverty Income guidelines, or a Household who is Categorically Eligible; and

(C) For CSBG, a Household whose total combined annual income is at or below 125% of the HHS Poverty Income guidelines.

(29) Low Income Home Energy Assistance Program ("LIHEAP")--An HHS-funded program which serves low income Households who seek assistance for their home energy bills and/or weatherization services.

(30) Means Tested Veterans Program--A program whereby applicants receive payments under §§415, 521, 541, or 542 of title 38, United States Code, or under §306 of the Veterans' and Survivors' Pension Improvement Act of 1978.

- (31) Observation--A notable policy, practice or procedure observed through the course of monitoring.
- (32) Office of Management and Budget ("OMB")--Office within the Executive Office of the President of the United States that oversees the performance of federal agencies and administers the federal budget.
- (33) OMB Circulars--Instructions and information issued by OMB to Federal agencies that set forth principles and standards for determining costs for federal awards and establish consistency in the management of grants for federal funds. Uniform cost principles and administrative requirements for local governments and for nonprofit organizations, as well as audit standards for governmental organizations and other organizations expending federal funds are set forth in 2 CFR Part 200, unless different provisions are required by statute or approved by OMB.
- (34) Outreach--The method that attempts to identify customers who are in need of services, alerts these customers to service provisions and benefits, and helps them use the services that are available. Outreach is utilized to locate, contact and engage potential customers.
- (35) Performance Statement--A document which identifies the services to be provided by a Subrecipient.
- (36) Persons with Disabilities--Any individual who is:
- (A) ~~an handicapped individual~~ described as defined in 29 U.S.C. §701 or has a disability under 42 U.S.C. §§12131 - 12134;
 - (B) disabled as defined in 42 U.S.C. 1382(a)(3)(A), 42 U.S.C. §423, or in 42 U.S.C. §15001; or
 - (C) receiving benefits under 38 U.S.C. Chapter 11 or 15.
- (37) Population Density--The number of persons residing within a given geographic area of the state.
- (38) Poverty Income Guidelines--The official poverty income guidelines as issued by HHS annually.
- (39) Private Nonprofit Organization--An organization described in §501(c) of the Internal Revenue Code (the "Code") of 1986 and which is exempt from taxation under subtitle A of the Code and that is not a Public Organization.
- (40) Production Schedule--The estimated monthly and quarterly performance targets and expenditures for a Contract period. The Production schedule must be signed by the applicable approved signatory and approved by the Department in writing.
- (41) Program Year--January 1 through December 31 of each calendar year for CSBG and LIHEAP and July 1 through June 30 of each calendar year for DOE WAP.
- (42) Public Organization--A unit of government, as established by the Legislature of the State of Texas. Includes, but may not be limited to, cities, counties, and councils of governments.

- (43) Referral--The documented process of providing information to a customer Household about an agency, program, or professional person that can provide the service(s) needed by the customer.
- (44) Reobligation--The reallocation of deobligated funds to other Subrecipients.
- (45) Single Audit--The audit required by Office of Management and Budget (OMB), 2 CFR Part 200, Subpart F, or Tex. Govt Code, Chapter 738, Uniform Grant and Contract Management, as reflected in an audit report.
- (46) State--The State of Texas or the Department, as indicated by context.
- (47) Subcontractor--A person or an organization with whom the Subrecipient contracts with to provide services.
- (48) Subgrant--An award of financial assistance in the form of money, made under a grant by a Subrecipient to an eligible Subgrantee. The term includes financial assistance when provided by contractual legal agreement, but does not include procurement purchases.
- (49) Subgrantee--The legal entity to which a Subgrant is awarded and which is accountable to the Subrecipient for the use of the funds provided.
- (50) Subrecipient--An organization that receives federal funds passed through the Department to operate the CSBG, CEAP, DOE WAP and/or LIHEAP program(s).
- (51) Supplemental Security Income (SSI)--A means tested program run by the Social Security Administration.
- (52) System for Award Management ("SAM")--Combined federal database that includes the Excluded Parties List System ("EPLS").
- (53) Systematic Alien Verification for Entitlements ("SAVE")--Automated intergovernmental database that allows authorized users to verify the immigration status of applicants.
- (54) Texas Administrative Code ("TAC")--A compilation of all state agency rules in Texas.
- (55) Uniform Grant Management Standards ("UGMS")--The standardized set of financial management procedures and definitions established by Tex. Govt Code Chapter 783 to promote the efficient use of public funds by requiring consistency among grantor agencies in their dealings with grantees, and by ensuring accountability for the expenditure of public funds. State agencies are required to adhere to these standards when administering grants and other financial assistance agreements with cities, counties and other political subdivisions of the state. This includes all Public Organizations. In addition, Tex. Govt Code Chapter 2105, subjects subrecipients of federal block grants (as defined therein) to the Uniform Grant and Contract Management Standards.
- (56) United States Code ("U.S.C.")--A consolidation and codification by subject matter of the general and permanent laws of the United States.

(57) Vendor Agreement--An agreement between the Subrecipient and energy vendors that contains assurances regarding fair billing practices, delivery procedures, and pricing for business transactions involving LIHEAP beneficiaries.

(58) Vulnerable Populations--Elderly persons, Persons with a Disability, and Households with a Child at or below the age of five.

(59) Weatherization Assistance Program ("WAP")--DOE and LIHEAP funded program designed to reduce the energy cost burden of Low Income Households through the installation of energy efficient weatherization materials and education in energy use.

§6.4. Income Determination

(a) Eligibility for program assistance is determined under the Poverty Income Guidelines and calculated as described herein (some forms of income may qualify the Household as Categorically Eligible for assistance in §6.2(b)(3), however Categorical Eligibility does not determine the level of benefit, which is determined through the Income Determination process). Income means cash receipts earned and/or received by the applicant before taxes during applicable tax year(s), but not the excluded income listed in paragraph (2) of this subsection. Gross income is to be used, not net income, except that from non-farm or farm self-employment net receipts must be used (*i.e.*, receipts from a person's own business or from an owned or rented farm after deductions for business or farm expenses), and net income from gambling or lottery winnings.

(1) If an income source is not excluded below, it must be included when determining income eligibility.

(2) Excluded Income:

(A) Capital gains;

(B) Any assets drawn down as withdrawals from a bank;

(C) Balance of funds in a checking or savings account;

(D) Any amounts in an "individual development account" as provided by the Assets for Independence Act, as amended in 2002 (Pub. L. 107-110, 42 U.S.C. 604(h)(4));

(E) Proceeds from the sale of property, a house, or a car;

(F) One-time payments from a welfare agency to a family or person who is in temporary financial difficulty;

(G) Tax refunds, Earned Income Tax Credit refunds;

(H) Jury duty compensation;

(I) Gifts, loans, and lump-sum inheritances;

- (J) One-time insurance payments, or compensation for injury;
- (K) Non-cash benefits, such as the employer-paid or union-paid portion of health insurance or other employee fringe benefits;
- (L) Reimbursements (for mileage, gas, lodging, meals, etc.);
- (M) Employee fringe benefits such as food or housing received in lieu of wages;
- (N) The value of food and fuel produced and consumed on farms;
- (O) The imputed value of rent from owner-occupied non-farm or farm housing;
- (P) Federal non-cash benefit programs as Medicare, Medicaid, SNAP, WIC, and school lunches, and housing assistance (Medicare deduction from Social Security Administration benefits should not be counted as income);
- (Q) Combat zone pay to the military;
- (R) College scholarships, Pell and other grant sources, assistantships, fellowships and work study, VA Education Benefits ("GI Bill"), Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
- (S) Child support payments (amount paid by payor may not be deducted from income);
- (T) Income of Household members under 18 years of age including payment to children under the age of 18 made payable to a person over the age of 18;
- (U) Stipends from senior companion programs, such as Retired Senior Volunteer Program and Foster Grandparents Program;
- (V) AmeriCorps Program payments, allowances, earnings, and in-kind aid;
- (W) Depreciation for farm or business assets;
- (X) Reverse mortgages;
- (Y) Payments for care of Foster Children;
- (Z) Payments or allowances made under the Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
- (AA) Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602(c));

(BB) Major disaster and emergency assistance received by individuals and families under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (93, as amended) and comparable disaster assistance provided by States, local governments, and disaster assistance organizations (42 U.S.C. 5155(d));

(CC) Allowances, earnings, and payments to individuals participating in programs under the Workforce Innovation and Opportunity Act (29 U.S.C.3101));

(DD) Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056(g));

(EE) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858(q));

(FF) Certain payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(c));

(GG) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459(e));

(HH) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (94, §6);

(II) The first \$2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U.S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first \$2000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407 - 1408). This exclusion does not include proceeds of gaming operations regulated by the Commission;

(JJ) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund (101) or any other fund established pursuant to the settlement in *In Re Agent Orange Liability Litigation*, M.D.L. No. 381 (E.D.N.Y.);

(KK) Payments received under the Maine Indian Claims Settlement Act of 1980 (96, 25 U.S.C. 1728);

(LL) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (95);

(MM) Any allowance paid under the provisions of 38 U.S.C. 1833(c) to children of Vietnam veterans born with spina bifida (38 U.S.C. 1802 - 05), children of women Vietnam veterans born with certain birth defects (38 U.S.C. 1811 - 16), and children of certain Korean service veterans born with spina bifida (38 U.S.C. 1821);

(NN) Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990 (25 U.S.C. 1774f(b));

(OO) Payments from any deferred U.S. Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts (42 U.S.C. §1437a(b)(4));

(PP) A lump sum or a periodic payment received by an individual Indian pursuant to the Class Action Settlement Agreement in the case entitled Elouise Cobell et al. v. Ken Salazar et al., 816 F.Supp.2d 10 (Oct. 5, 2011 D.D.C.), for a period of one year from the time of receipt of that payment as provided in the Claims Resolution Act of 2010 (Pub. L. 111-291);

(QQ) Per capita payments made from the proceeds of Indian Tribal Trust Cases as described in PIH Notice 2013-30 "Exclusion from Income of Payments under Recent Tribal Trust Settlements" (25 U.S.C. 117b(a)); and

(RR) Any other items which are excluded by virtue of federal or state legislation or by properly adopted federal regulations have taken effect. The Department will, from time to time, provide on its website updated links to such federal exceptions. Notwithstanding such information, a Subrecipient may rely on any adopted federal exception on and after the date on which it took effect.

(b) The requirements for determining whether an applicant Household is eligible for assistance require the Subrecipient to annualize the Household income based on verifiable documentation of income, within 30 days of the application date. Income is based on the Gross Annual Income for all household members 18 years or older. Annual gross income is the total amount of money earned annually before taxes or any deductions.

(c) The Subrecipient must document all sources of income, including excluded income, for 30 days prior to the date of application, for all household members 18 years of age or older.

(d) Identify all income sources, not on the excluded list, for income calculation.

(1) The Subrecipient must calculate projected annual income by annualizing current income. Income that may not last for a full 12 months should be calculated assuming current circumstances will last a full 12 months, unless it can be documented that employment is less than 12 months/year and pay is not prorated over the entire 12 month period. For incomes not able to be annualized over a twelve month period, the income shall be calculated on the total annual earning period (e.g., for a teacher paid only nine months a year, the annual income should be the income earned during those nine months). In limited cases where income is not paid hourly, weekly, bi-weekly, semi-monthly nor monthly, the Subrecipient may contact the Department to determine an alternate calculation method in unique circumstances on a case-by-case basis.

(2) For all customers including those with categorical eligibility, the Subrecipient must collect verifiable documentation of Household income received in the 30 days prior to the date of application.

(3) Once all sources of income are known, Subrecipient must convert reported income to an annual figure. Convert periodic wages to annual income by multiplying:

(A) Hourly wages by the number of hours worked per year (2,080 hours for full-time employment with a 40-hour week and no overtime);

(B) Weekly wages by 52;

(C) Bi-weekly wages (paid every other week) by 26;

(D) Semi-monthly wages (paid twice each month) by 24; and

(E) Monthly wages by 12.

(F) One-time employment income should be added to the total after the income has been annualized.

(4) Except where a more frequent period is required by federal regulation, re-certification of income eligibility must occur at least every twelve months.

(e) If a federal or state requirement provides an updated definition of income or method for calculating income, the Department will provide written notice to Subrecipients about the implementation date for the new requirements.

(f) If proof of income is unobtainable, the applicant must complete and sign a Declaration of Income Statement (DIS).

(g) For CSBG and LIHEAP, a live in aide or attendant is not considered part of the Household for purposes of determining Household income, but is considered for a benefit based on the size of the Household. Example 4(1): A Household applies for assistance. There are four people in the Household. One of the four people is a live-in aide. To determine if the Household is qualified, annualize the income of the other three Household members and compare it to the three person income limit. However, if the amount of benefit is based on Household size (such as benefit level based on the number of people in the Household), then this is a four person Household.

(h) Subrecipients shall not discourage anyone from applying for assistance. Subrecipients shall provide all potential customers with an opportunity to apply for programs.

§6.5. Documentation and Frequency of Determining Customer Eligibility

(a) For CEAP and CSBG, income must be verified annually, with a new application each Program Year.

(b) For WAP, income must be verified at the initial application. If the customer is on a wait-list for over 12 months since initial application, household income must be updated within at least 12 months of the unit being initially inspected.

Chapter 6, Subchapter C

§6.308.Allowable Subrecipient Administrative, Program Services Costs.

(a) Funds available for Subrecipient administrative activities will be calculated by the Department as a percentage of direct services expenditures. Administrative costs shall not exceed the maximum percentage of total direct services expenditures as indicated in the Contract. All other administrative costs, exclusive of administrative costs for program services, must be paid with nonfederal funds. Allowable administrative costs for administrative activities includes costs for general administration and coordination of CEAP, and all indirect (or overhead) costs, and activities as described in paragraphs (1) - (7) of this subsection:

(1) salaries;

(2) fringe benefits;

(3) non-training travel;

(4) equipment;

(5) supplies;

(6) audit (limited to percentage of the contract expenditures, excluding training/travel costs as indicated in the Contract); and

(7) office space (limited to percentage of the contract expenditures, excluding training/travel costs as indicated in the Contract).

(b) Program Services costs shall not exceed the maximum percentage of total direct services Expenditures as indicated in the Contract. Program Services costs are allowable when associated with providing customer direct services. Program services costs may include outreach activities and expenditures on the information technology and computerization needed for tracking or monitoring required by CEAP, and activities as described in paragraphs (1) - (9) of this subsection:

(1) direct administrative cost associated with providing the customer direct service;

(2) salaries and benefits cost for staff providing program services;

(3) supplies;

(4) equipment;

(5) travel;

(6) postage;

(7) utilities;

- (8) rental of office space; and
- (9) staff time to provide energy conservation education, needs assessments, and referrals.

§6.310. Household Crisis Component.

(a) Crisis assistance can be provided under the following conditions:

- (1) A Life Threatening Crisis exists, as defined in §6.301 of this Subchapter;
- (2) Disconnection notice - a utility disconnection notice may constitute a Household Crisis. Assistance provided to Households based on a utility disconnection notice is limited to two (2) payments per year. Weather criterion is not required to provide assistance due to a disconnection notice. The notice of disconnection must have been issued within 60 days of receipt by the Subrecipient; or,
- (3) Extreme Weather Conditions exist, as defined in §6.301 of this Subchapter.

(b) Benefit Level for Crisis Assistance.

- (1) Crisis assistance payments cannot exceed the minimum amount needed to resolve the crisis; e.g. when a shut-off notice requires a certain amount to be paid to avoid disconnection and the same notice indicates that there are balances due other than the required amount. Crisis assistance payments that are less than the amount needed to resolve the crisis may only be made when other funds or options are available to resolve the Household's remaining crisis need and are documented in the customer file.
- (2) Crisis assistance for one Household cannot exceed the maximum allowable benefit level in one Program Year as defined in §6.309 of this Subchapter relating to Types of Assistance and Benefit Levels. If a Household's crisis assistance needs exceed that maximum allowable benefit, Subrecipient may pay up to the Household crisis assistance limit only if the remaining amount of Household need can be paid from other funds. If the Household's crisis requires more than the Household limit to resolve and no other funds are available, the crisis exceeds the scope of this component.
- (3) Payments may not exceed Household's actual utility bill.
- (4) Crisis funds, whether for utility payment assistance, disconnection notice, life threatening crisis, temporary shelter, emergency fuel deliveries, assistance related to natural disasters shall be considered part of the total maximum Household allowable assistance.
- (5) Service and repair or purchase of heating ~~and~~ or cooling, or heating and cooling units for up to \$3,000 will not be counted towards the total maximum Household allowable assistance under the utility assistance and crisis components.

(c) Where necessary to prevent undue hardships from a qualified crisis, Subrecipients may provide:

- (1) Payment of utility bill(s) during the month(s) when Extreme Weather Conditions exist, as defined in §6.301 of this Subchapter.

(2) Temporary shelter not to exceed the annual Household expenditure limit for the duration of the contract period in the limited instances that supply of power to the dwelling is disrupted--causing temporary evacuation;

(3) Emergency deliveries of fuel up to 250 gallons per crisis per Household, at the prevailing price. This benefit may include coverage for tank pressure testing;

(4) For Non-Vulnerable Population Households, service and repair of existing heating and cooling units when the Household has an inoperable heating or cooling system when the county is experiencing Extreme Weather Conditions. If any component of the heating or cooling, or heating and cooling central system cannot be repaired using parts, the Subrecipient can replace the component in order to repair the heating or cooling, or heating and cooling central system. Documentation of service/repair and related warranty must be included in the customer file. Costs are not to exceed \$3,000 during the Contract period.

(5) For Vulnerable Population Households regardless of weather conditions, service and repair of existing heating and cooling units or purchase of portable air conditioning/evaporative coolers and heating units (portable electric heaters are allowable only as a last resort), when the Household has an inoperable or there is a nonexistent heating or cooling system. If any component of the heating or cooling, or heating and cooling central system cannot be repaired using parts, the Subrecipient can replace the component in order to repair the heating or cooling, or heating and cooling central system. Any service or repair of air conditioning or heating units must comply with the 2015 International Residential Code ("IRC") to ensure proper installation. Documentation of service/repair and related warranty must be included in the customer file. Costs are not to exceed \$3,000 during the Contract period.

(6) When a Household's crisis meets the definition of Life Threatening Crisis and the Household has a utility disconnection notice or is low on fuel, regardless of whether the county is experiencing Extreme Weather Conditions, utility or fuel assistance can be provided.

(d) When portable heating/cooling units are purchased ~~and~~/or repaired, the following requirements must be met:

(1) Purchase of more than two portable heating or /cooling, or heating and cooling units per Household requires prior written approval from the Department;

(2) Purchase of portable heating or /cooling, or heating and cooling units which require performance of electrical work for proper installation requires prior written approval from the Department;

(3) Replacement of central systems and combustion heating units is not an approved use of crisis funds; and

(4) Portable heating or /cooling, or heating and cooling units must be Energy Star®. In cases where the type of unit is not rated by Energy Star®, or if Energy Star® units are not available due to supply shortages, Subrecipient may purchase the highest rated unit available.

(e) When natural disasters result in energy supply shortages or other energy-related emergencies, CEAP will allow home energy related expenditures for:

(1) Costs to temporarily shelter or house individuals in hotels, apartments or other living situations in which homes have been destroyed or damaged, *i.e.*, placing people in settings to preserve health and safety and to move them away from the crisis situation;

(2) Costs for transportation (such as cars, shuttles, buses) to move individuals away from the crisis area to shelters, when health and safety is endangered by loss of access to heating or cooling;

(3) Utility reconnection costs;

(4) Blankets, as tangible benefits to keep individuals warm;

(5) Crisis payments for utilities and utility deposits; and

(6) Purchase of fans, air conditioners and generators. The number, type, size and cost of these items may not exceed the minimum needed to resolve the crisis.

(f) Time Limits for Assistance. Subrecipients shall ensure that for customers who have already lost service or are in immediate danger of losing service, some form of assistance to resolve the crisis shall be provided within a 48-hour time limit (18 hours in life-threatening situations). The time limit commences upon completion of the application process. The application process is considered to be complete when an agency representative accepts an application, and completes the eligibility process.

(g) Subrecipients must maintain written documentation in customer files showing crises resolved within appropriate timeframes. Subrecipients must maintain documentation in customer files showing that a utility bill used as evidence of a crisis was received by the Subrecipient during the effective contract term. The Department may disallow improperly documented expenditures.

The agency certifies that legal counsel has reviewed the proposal and found it to be within the state agency's legal authority to adopt.

COMMENTER #1

To: Gavin Reid
Texas Department of Housing and Community Affairs

From: Doug Hairgrove
Director of Operations and Energy Programs

Date: 4-28-17

Re: Proposed Amendments-10 TAC, Chapter 6, Community Affairs Programs

Mr. Reid,

This comment is regarding the LIHEAP WAP Contract amendment effective 2-1-17. In regards to item 1, Section 1 of this amendment specifically certification of the DIS form, it is the position of Community Action Corporation of South Texas that certification should only be required by DOE WAP and only because this is a federal requirement by DOE. The certification of the LIHEAP DIS form contained in the contract amendment does not match the TAC.

This agency also urges the Department to align program rules in CSBG, CEAP, LIHEAP WAP, and DOE WAP whenever possible.

Sincerely,



Doug Hairgrove
Director of Operations and Energy Programs
Community Action Corporation of South Texas

COMMENTER #2

Gavin Reid

From: David Ramos [david@cbcogaaa.org]
Sent: Friday, April 28, 2017 11:29 AM
To: Gavin Reid
Subject: Notice of public comment

I would like to make two (2) comments to the draft of Community Affairs Proposed Amendments Notice to 10 TAC Chapter 6, Community Affairs Programs, Subchapter A, General Provisions 6.2 Definitions:

(18) Elderly Person - CHANGE TO OLDER INDIVIDUAL

(36) Persons with Disabilities – Any Individual who is:

A. A handicapped individual - CHANGE TO INDIVIDUAL WITH A DISABILITY

Thanks,

David Ramos
Housing Specialist
Coastal Bend Aging and Disability Resource Center
Area Agency on Aging of the Coastal Bend
2910 Leopard St. Corpus Christi, TX 78408
P. O. Box 9909 Corpus Christi, TX 78469
361-883-3935 ext. 5341
800-817-5743 ext. 5341
david@cbcogaaa.org



COMMENTER #3

Texas Association of Community Action Agencies, Inc.

4029 S. Capital of Texas Hwy, Ste. 115
Austin, TX 78704-7920

Phone/Fax (512) 462-2555
www.tacaa.org

Date: May 4, 2017

To: Gavin Reid, Community Affairs Division
Rule Comments
Texas Department of Housing and Community Affairs
gavin.reid@tdhca.state.tx.us

From: Stella Rodriguez, Executive Director
Texas Association of Community Action Agencies

Re: Recommendations to Proposed Amendments – 10 TAC, Chapter 6, Community Affairs Programs

Members of the Texas Association of Community Action Agencies (TACAA) reviewed the proposed amendments to Chapter 6, Community Affairs Programs, published in the *Texas Register*, April 7, 2017. We respectfully submit the following recommendations.

Chapter 6, Community Affairs Programs Subchapter A, General Provisions

§6.2.Definitions

(22) Families with Young Children--A Household that includes a Child age five [(5)] or younger including a Household that has a pregnant woman.

Recommendation: Remove “including a Household that has a pregnant woman.”

Rationale: Subrecipient staff cannot always definitively assess pregnancy status from a visual perspective. Furthermore, with respect to health privacy a client cannot be asked of their pregnancy status. Compliance of the rule as stated is not possible unless amended.

(25) High Energy Consumption--A Household that is billed more than \$1000 annually for the use of gas and electricity in their Dwelling Unit [~~than the median of Low Income home energy expenditures. The amount is identified in the Contract~~].

Recommendation: Replace “...the use of gas and electricity in” with “related fuel costs for heating and cooling”... in their Dwelling Unit.

Rationale: Use of gas and electricity is not the only fuel source (e.g. propane, wood).



§6.4. Income Determination

(a)(2) Excluded Income:

~~[(R) Veterans (VA) Disability Payments;]~~

Recommendation: Do not remove disability payments to Veterans from the Excluded Income list.

Rationale: With the current climate of helping Veterans in need of assistance and with respect and appreciation of their service to our country, the proposed amendment will result in some Veterans not qualifying for assistance. For tax purposes, the Internal Revenue Service does not count disability payments. Income of disabled veterans should not be considered for determining eligibility of services.

(F) One-time income should be added to the total after the income has been annualized.

Recommendation: Edit the sentence to state: “One-time employment income...”

Rationale: Since other “one-time” payments are delineated in this rule, this edit provides clarification for compliance purposes.

Subchapter C. COMPREHENSIVE ENERGY ASSISTANCE PROGRAM

§6.310. Household Crisis Component

(c)(4) For ~~Non-Vulnerable~~ Vulnerable Population Households [~~regardless of weather conditions~~], service and repair of existing heating and cooling units when the Household has an inoperable heating or cooling system when the county is experiencing Extreme Weather Conditions. If any component of the central system cannot be repaired using parts, the Subrecipient can replace the component in order to repair the central system. Documentation of service/repair and related warranty must be included in the customer file. Costs are not to exceed \$3,000 during the Contract period.

Recommendation: Edit the second sentence to state: “If any component of the central heating and cooling system cannot be repaired using parts, the Subrecipient can replace the component unit in order to repair the central heating and cooling system.”

Rationale: This rule pertains to service and repair of existing “heating and cooling” units. The edit provides clarification for compliance purposes.

§6.310. Household Crisis Component

(c)(5) For Vulnerable Population Households regardless of weather conditions, service and repair of existing heating and cooling units or purchase of portable air conditioning/evaporative coolers and heating units (portable electric heaters are allowable only as a last resort), when the Household has an inoperable or there is a nonexistent heating or cooling system[-]. If any component of the central system cannot be repaired using parts, the Subrecipient can replace the component in order to repair the central system. Any service or repair of air conditioning or heating units must comply with the 2015 International Residential Code ("IRC") to ensure proper installation. Documentation of service/repair and related warranty must be included in the customer file. Costs are not to exceed \$3,000 during the Contract period.

Recommendation: Edit the second sentence to state: "If any component of the ~~central~~ heating and cooling system cannot be repaired using parts, the Subrecipient can replace the ~~component~~ unit in order to repair the ~~central~~ heating and cooling system."

Rationale: This rule pertains to service and repair of existing "heating and cooling" units. The edit provides clarification for compliance purposes.

-END-

2a

TDHCA Outreach Activities, May-June 2017

A compilation of outreach and educational activities designed to enhance the awareness of TDHCA programs and services among key stakeholder groups and the general public.

Activity	Event	Date	Location	Division
Training/Workshop	Emergency Solutions Grants Learning Opportunity	5/3/17	N/A	HOME & Homeless Programs
Other	Public Comment Period Opens - Draft Federal Fiscal Year ("FFY") 2018-2019 Community Services Block Grant ("CSBG") State Plan and Application and the draft FFY 2018 Low Income Home Energy Assistance Program ("LIHEAP") State Plan and Application	5/5/17	N/A	Community Affairs
Deadline	Public Comment Period Closes for Community Affairs Division Proposed Rule Changes	5/8/17	N/A	Community Affairs
Deadline	Request for Applications to Administer the Community Services Block Grant ("CSBG") in Dallas County	5/10/17	N/A	Community Affairs
Deadline	Public Comment Period Opens for Single Family HOME Program Proposed Rule Changes	5/12/17	N/A	HOME & Homeless Programs
Deadline	Public Comment Period Opens for Proposed New Colonia Self-Help Center Program Rule	5/12/17	N/A	Office of Colonia Initiatives
Deadline	Public Comment Period Opens for Proposed New Single Family Programs Umbrella Rule	5/12/17	N/A	HOME & Homeless Programs
Public Hearing	Public Hearing for the FFY 2018-2019 CSBG Plan and Draft FFY 2018 LIHEAP Plan - Austin	5/23/17	Austin	Community Affairs
Public Hearing	Public Hearing for the FFY 2018-2019 CSBG Plan and Draft FFY 2018 LIHEAP Plan - Fort Worth	5/23/17	Fort Worth	Community Affairs
Public Hearing	Public Hearing for the FFY 2018-2019 CSBG Plan and Draft FFY 2018 LIHEAP Plan - Houston	5/24/17	Houston	Community Affairs
Roundtable	2018 Qualified Allocation Plan ("QAP") Project Plan Meeting	5/24/17	Austin	Multifamily
Public Hearing	Public Hearing for the FFY 2018-2019 CSBG Plan and Draft FFY 2018 LIHEAP Plan - Midland	5/25/17	Midland	Community Affairs
Deadline	Public Comment Period Closes - Draft FFY 2018-2019 CSBG Plan and Draft FFY 2018 LIHEAP Plan	5/31/17	N/A	Community Affairs
Deadline	Public Comment Period Closes for Single Family HOME Program Proposed Rule Changes	6/12/17	N/A	HOME & Homeless Programs

Activity	Event	Date	Location	Division
Deadline	Public Comment Period Closes for Proposed New Colonia Self-Help Center Program Rule	6/12/17	N/A	Office of Colonia Initiatives
Deadline	Public Comment Period Closes for Proposed New Single Family Programs Umbrella Rule	6/12/17	N/A	HOME & Homeless Programs

See also TDHCA's online Calendar at www.tdhca.state.tx.us/events/index.jsp

Internet Postings of Note

A list of new or noteworthy postings to the Department's website.

Asset Management

- Updates to www.tdhca.state.tx.us/asset-management/pca-manual.htm
 - Updated the Post Award Activities Manual
 - Replaced the 10% Test form packet
 - Updated Ownership Transfer Forms

Compliance

- Added 1st Thursday Income Eligibility Training - June 1 to <http://www.tdhca.state.tx.us/pmcomp/COMPtrain.html>
- Added the 2017 Project Income and Rent Tool (updated 5/2/2017) to <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>
- Updates to <https://www.tdhca.state.tx.us/pmcomp/forms.htm>
 - Updated Audit Certification Form (“ACF”);
 - Replaced Audit Requirements and Checklist Audit Requirements and Checklist for Fiscal Years Beginning Prior to 12/26/14
 - Added Audit Requirements and Checklist for Fiscal Years Beginning on or After 12/26/14
 - Added Violence Against Women Act forms

Fair Housing

- Updated Fair housing, training presentations to <https://www.tdhca.state.tx.us/fair-housing/presentations.htm>

HOME and Homeless Programs

Emergency Solutions Grants (“ESG”)

- Updates to <http://www.tdhca.state.tx.us/home-division/esgp/video-library.htm>
 - Added Non-Emergency Housing Options – April 5, 2017 (video) and Non-Emergency Housing Options (PDF)
 - Added Monthly Learning Opportunities description
- Added ListServ link to <http://www.tdhca.state.tx.us/home-division/esgp/index.htm>
- Updates to <http://www.tdhca.state.tx.us/home-division/esgp/guidance-solutions.htm>
 - Added Violence Against Women Act (“VAWA”) forms
 - Updated income limits

Homeless Housing and Services Program (“HHSP”)

- HHSP Two Year Report Update to <http://www.tdhca.state.tx.us/home-division/hhsp/index.htm>

HOME Program

- Updated HOME Single Family Draw Workbook at <http://www.tdhca.state.tx.us/home-division/forms/docs/SFDrawWorkbook.xls>

Homeownership

- Updated income and purchase price limits at http://www.tdhca.state.tx.us/homeownership/fthb/buyer_faq.htm
- Deleted "\$18 Flood Certification Fee" from http://www.tdhca.state.tx.us/homeownership/fthb/lender_faq.htm
- Removed Mortgage Interest Tax Credit Prep Guidance from <http://www.tdhca.state.tx.us/homeownership/fthb/announcements.htm>
- Updates to http://www.tdhca.state.tx.us/homeownership/fthb/buyer_reqs_step5.htm
 - Added list of Texas First Time Homebuyer Specialists Texas REALTORS® who have successfully completed the TDHCA Down Payment Assistance/Texas Homeownership Programs continuing education training
 - Updated Texas Statewide Homebuyer Education Providers List (PDF)

Housing Resource Center ("HRC")

- Updated Housing and Health Services Coordination Council members <http://www.tdhca.state.tx.us/hhsc/members.htm>

Multifamily

Four Percent Housing Tax Credits

- Updates to www.tdhca.state.tx.us/multifamily/housing-tax-credits-4pct/index.htm
 - Updated Application log

Notices of Funding Availability ("NOFA")

- Updates to www.tdhca.state.tx.us/nofa.htm
 - Updated amount for Multifamily Direct Loan 2017-1
 - Removed Native Americans/Migrant Seasonal Farm Worker NOFA

Public Comment Center

- Updates to Items Open for Public Comment <http://www.tdhca.state.tx.us/public-comment.htm> >
 - Proposed, New Single Family Programs Umbrella Rule
 - Colonia Self-Help Center Program Rule
 - Single Family HOME Program Proposed Rule Changes
 - Draft Federal Fiscal Year ("FFY") 2018-2019 Community Services Block Grant ("CSBG") State Plan and Application and the draft FFY 2018 Low Income Home Energy Assistance Program ("LIHEAP") State Plan and Application

Section 811

- Updated income limits chart to <http://www.tdhca.state.tx.us/section-811-pra/participating-properties.htm>

Other

- "What's New" section of Home page: Added Request for Proposals #332-RFP17-1004 Organizational Assessment Services
- Added Internal Audit Charter (updated January 2017) to <http://www.tdhca.state.tx.us/internal-audit.htm>

Frequently Used Acronyms

AMFI	Area Median Family Income	LIHEAP	Low Income Home Energy Assistance Program
AYBR	Amy Young Barrier Removal Program		
CEAP	Comprehensive Energy Assistance Program	LURA	Land Use Restriction Agreement
CFD	Contract for Deed Program	MF	Multifamily
CFDC	Contract for Deed Conversion Assistance Grants	MFTH	My First Texas Home Program
CHDO	Community Housing Development Organization	MRB	Mortgage Revenue Bond Program
CMTS	Compliance Monitoring and Tracking System	NHTF	National Housing Trust Fund
CSBG	Community Services Block Grant Program	NOFA	Notice of Funding Availability
ESG	Emergency Solutions Grants Program	NSP	Neighborhood Stabilization Program
FAQ	Frequently Asked Questions	OIG	Office of Inspector General
FFY	Federal Fiscal Year	QAP	Qualified Allocation Plan
HBA	Homebuyer Assistance Program	QCP	Quantifiable Community Participation
HHSCC	Housing and Health Services Coordination Council	REA	Real Estate Analysis
HHSP	Homeless Housing and Services Program	RFA	Request for Applications
HRA	Homeowner Rehabilitation Assistance Program	RFO	Request for Offer
HTC	Housing Tax Credit	RFP	Request for Proposals
HTF	Housing Trust Fund	RFQ	Request for Qualifications
HUD	US Department of Housing and Urban Development	ROFR	Right of First Refusal
IFB	Invitation for Bid	SFY	State Fiscal Year
		SLIHP	State of Texas Low Income Housing Plan
		TA	Technical Assistance
		TBRA	Tenant Based Rental Assistance Program
		TICH	Texas Interagency Council for the Homeless
		TXMCC	Texas Mortgage Credit Certificate
		VAWA	Violence Against Women Act
		WAP	Weatherization Assistance Program

2b

BOARD REPORT ITEM
FINANCIAL ADMINISTRATION DIVISION
MAY 25, 2017

Report on the Department's 2nd Quarter Investment Report in accordance with the Public Funds Investment Act ("PFIA")

BACKGROUND

The Department's investment portfolio consists of two distinct parts. One part is related to bond funds under trust indentures that are not subject to the PFIA, and the remaining portion is related to accounts excluded from the indentures but covered by the PFIA. The Department's total investment portfolio is \$722,079,462, of which \$691,521,699 is not subject to the PFIA. This report addresses the remaining \$30,557,763 (See Page 1 of the Internal Management Report) in investments covered by the PFIA. These investments are deposited in the General Fund, Housing Trust Fund, Compliance, and Housing Initiative accounts, which are all, held at the Texas Treasury Safekeeping Trust Company ("TTSTC"), primarily in the form of overnight repurchase agreements. These investments are fully collateralized and secured by the U.S. Government Securities. A repurchase agreement is the purchase of a security with an agreement to repurchase that security at a specific price and date (which in this case was February 28, 2017), with an effective interest rate of 0.42%. These investments safeguard principal while maintaining liquidity.

Below is a description of each fund group and its corresponding accounts.

- The **General Fund** accounts maintain funds for administrative purposes to fund expenses related to the Department's ongoing operations. These accounts contain balances related to bond residuals, fee income generated from the Mortgage Credit Certificate ("MCC") Program, escrow funds, single family and multifamily bond administration fees, and balances associated with the Below Market Interest Rate ("BMIR") Program.
- The **Housing Trust Fund** accounts maintain funds related to programs set forth by the Housing Trust Fund funding plan. The Housing Trust Fund provides loans and grants to finance, acquire, rehabilitate, and develop decent and safe affordable housing.
- The **Compliance** accounts maintain funds from compliance fees and asset management fees collected from multifamily developers. The number of low income units and authority to collect these fees is outlined in the individual Land Use Restriction Agreements ("LURAs") that are issued to each Developer. These fees are generated for the purpose of offsetting expenses incurred by the Department related to the monitoring and administration of these properties.

- The **Housing Initiative** accounts maintain funds from fees collected from Developers in connection with the Department's Tax Credit Program. The majority of fees collected are application fees and commitment fees. The authority for the collection of these fees is outlined in the Department's Multifamily Rules. These fees are generated for the purpose of offsetting expenses incurred by the Department related to the administration of the program.

This report is in the format required by the Public Funds Investment Act. It shows in detail the types of investments, their maturities, their carrying (face amount) values, and fair values at the beginning and end of the quarter. The detail for investment activity is on Pages 1 and 2.

During the 2nd Quarter, as it relates to the investments covered by the PFIA, the carrying value increased by \$1,998,252 (See Page 1) for a total of \$30,557,763. The increase is described below by fund groups.

General Fund: The General Fund decreased by \$203,329. This consists primarily of \$304,362 received in multifamily bond administration fees, and \$310,916 in MCC Fees, offset by disbursements including \$620,433 transferred to fund the operating budget, and \$221,111 in bond related expenses.

Housing Trust Fund: The Housing Trust Fund decreased by \$480,683. This consists primarily of \$889,953 received in loan repayments offset by disbursements including \$1,331,659 for loans, grants and escrow payments.

Compliance: Compliance funds increased by \$2,386,855. This consists primarily of \$3,318,940 received in compliance fees, offset by disbursements of \$901,543 transferred to fund the operating budget.

Housing Initiative: Housing Initiative funds increased by \$295,410. This consists primarily of \$851,777 received in fees related to tax credit activities, offset by disbursements of \$510,735 transferred to fund the operating budget.

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

**PUBLIC FUNDS INVESTMENT ACT
INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
QUARTER ENDING FEBRUARY 28, 2017**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Internal Management Report (Sec. 2256.023)
Supplemental Management Report
Quarter Ending February 28, 2017

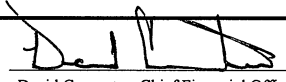
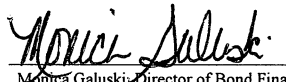
Investment Type	FAIR VALUE	CARRYING	CHANGE IN CARRYING VALUE				CARRYING	FAIR VALUE	CHANGE	ACCRUED	RECOGNIZED
	(MARKET)	VALUE	ACCRETION /	AMORTIZATION /	MATURITIES	TRANSFERS	VALUE	(MARKET)	IN FAIR VALUE	INT RECVBL	
	@ 11/30/16	@ 11/30/16	PURCHASES	SALES			@ 02/28/17	@ 02/28/17	(MARKET)	@ 02/28/17	GAIN
NON-INDENTURE RELATED:											
General Fund Mortgage-Backed Securities	218,456.88	216,760.62			(34,578.78)		182,181.84	182,742.01	(1,136.09)	962.15	
General Fund Repurchase Agreements	4,770,357.19	4,770,357.19	681,039.88	(849,790.29)			4,601,606.78	4,601,606.78	0.00	54.96	
Housing Trust Fund Repurchase Agreements	7,066,025.71	7,066,025.71	583,828.78	(1,064,512.15)			6,585,342.34	6,585,342.34	0.00	78.93	
Compliance Repurchase Agreements	6,345,914.37	6,345,914.37	2,386,854.64				8,732,769.01	8,732,769.01	0.00	104.31	
Housing Initiatives Repurchase Agreements	10,160,453.67	10,160,453.67	460,770.24	(165,360.71)			10,455,863.20	10,455,863.20	0.00	125.09	
NON-INDENTURE RELATED TOTAL	28,561,207.82	28,559,511.56	4,112,493.54	(2,079,663.15)	(34,578.78)	0.00	30,557,763.17	30,558,323.34	(1,136.09)	1,325.44	0.00

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the I Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

Per Section 2256.007(d) of the Texas Government Code, the Public Funds Investment Act:

David Cervantes completed 5.0 hrs. of training on the Texas Public Funds Investment Act on February 12, 2016

Monica Galuski completed 5.0 hrs. of training on the Texas Public Funds Investment Act on February 17, 2017

	Date 5/12/17
David Cervantes, Chief Financial Officer	
	Date 5/12/17
Monica Galuski, Director of Bond Finance	

**Texas Department of Housing and Community Affairs
Non-Indenture Related Investment Summary
For Period Ending February 28, 2017**

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 11/30/16	Beginning Market Value 11/30/16	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 02/28/17	Ending Market Value 02/28/17	Change In Market Value	Recognized Gain
Repo Agmt	General Fund	0.43	2/28/2017	3/1/2017	36.67	36.67		(36.67)			2,413.40	2,413.40		
Repo Agmt	General Fund	0.43	2/28/2017	3/1/2017	22,683.60	22,683.60		(20,270.20)						
Repo Agmt	General Fund	0.43	2/28/2017	3/1/2017	33,865.41	33,865.41	0.99				33,866.40	33,866.40		
Repo Agmt	General Fund	0.43	2/28/2017	3/1/2017	333,198.34	333,198.34	311,219.81				644,418.15	644,418.15		
Repo Agmt	General Fund	0.43	2/28/2017	3/1/2017	1,970,969.62	1,970,969.62		(382,083.64)			1,588,885.98	1,588,885.98		
Repo Agmt	General Fund	0.43	2/28/2017	3/1/2017	497,807.59	497,807.59	331,180.86				828,988.45	828,988.45		
Repo Agmt	General Fund	0.43	2/28/2017	3/1/2017	750,944.28	750,944.28		(251,751.57)			499,192.71	499,192.71		
Repo Agmt	General Fund	0.43	2/28/2017	3/1/2017	241,639.10	241,639.10	191.07				241,830.17	241,830.17		
Repo Agmt	General Fund	0.43	2/28/2017	3/1/2017	536,618.74	536,618.74	38,447.15				575,065.89	575,065.89		
Repo Agmt	General Fund	0.43	2/28/2017	3/1/2017	382,593.84	382,593.84		(195,648.21)			186,945.63	186,945.63		
GNMA	General Fund	7.50	8/31/1989	7/20/2018	29,802.93	30,101.26			(4,810.48)		24,992.45	25,224.88		(65.90)
GNMA	General Fund	7.50	10/31/1989	9/20/2018	35,470.94	36,143.82			(10,989.49)		24,481.45	24,693.21		(461.12)
GNMA	General Fund	7.50	1/1/1990	11/20/2018	15,131.95	15,277.67			(2,179.17)		12,952.78	13,076.09		(22.41)
GNMA	General Fund	7.50	1/1/1990	12/20/2018	16,415.22	16,574.28			(2,221.66)		14,193.56	14,329.39		(23.23)
GNMA	General Fund	7.50	2/27/1990	12/20/2018	3,559.38	3,570.66			(479.22)		3,080.16	3,090.94		(0.50)
GNMA	General Fund	7.50	3/30/1990	1/20/2019	32,625.24	33,190.31			(6,067.11)		26,558.13	26,821.85		(301.35)
GNMA	General Fund	7.50	4/26/1990	3/20/2019	8,681.19	8,758.71			(2,134.75)		6,546.44	6,568.44		(55.52)
GNMA	General Fund	7.50	5/29/1990	4/20/2019	31,040.73	31,466.30			(5,330.14)		25,710.59	25,959.98		(176.18)
GNMA	General Fund	2.65	1/29/2013	12/15/2042	44,033.04	43,373.87			(366.76)		43,666.28	42,977.23		(29.88)
General Fund Total					4,987,117.81	4,988,814.07	681,039.88	(849,790.29)	(34,578.78)	0.00	4,783,788.62	4,784,348.79	(1,136.09)	0.00
Repo Agmt	Housing Trust Fund	0.43	2/28/2017	3/1/2017	36,993.11	36,993.11	38,756.98				75,750.09	75,750.09		
Repo Agmt	Housing Trust Fund	0.43	2/28/2017	3/1/2017	389.43	389.43	37.14				426.57	426.57		
Repo Agmt	Housing Trust Fund	0.43	2/28/2017	3/1/2017	58,260.52	58,260.52	65,227.99				123,488.51	123,488.51		
Repo Agmt	General Revenue Appn	0.43	2/28/2017	3/1/2017	4,721.55	4,721.55	2,921.22				7,642.77	7,642.77		
Repo Agmt	General Revenue Appn	0.43	2/28/2017	3/1/2017	207,024.16	207,024.16		(34,737.10)			172,287.06	172,287.06		
Repo Agmt	General Revenue Appn	0.43	2/28/2017	3/1/2017	281,058.50	281,058.50	448,952.14				730,010.64	730,010.64		
Repo Agmt	General Revenue Appn	0.43	2/28/2017	3/1/2017	77,453.62	77,453.62	27,933.31				105,386.93	105,386.93		
Repo Agmt	General Revenue Appn	0.43	2/28/2017	3/1/2017	250,000.00	250,000.00		(4,212.70)			245,787.30	245,787.30		
Repo Agmt	Contract for Deed Conversion	0.43	2/28/2017	3/1/2017	310,500.00	310,500.00					310,500.00	310,500.00		
Repo Agmt	Contract for Deed Conversion	0.43	2/28/2017	3/1/2017	250,000.00	250,000.00					250,000.00	250,000.00		
Repo Agmt	Contract for Deed Conversion	0.43	2/28/2017	3/1/2017	250,000.00	250,000.00					250,000.00	250,000.00		
Repo Agmt	Housing Trust Fund-GR	0.43	2/28/2017	3/1/2017	556,321.50	556,321.50		(188,510.85)			367,810.65	367,810.65		
Repo Agmt	Housing Trust Fund-GR	0.43	2/28/2017	3/1/2017	1,846,570.06	1,846,570.06		(60,632.75)			1,785,937.31	1,785,937.31		
Repo Agmt	Bootstrap -GR				1,009.67	1,009.67		(1,009.67)						
Repo Agmt	Bootstrap -GR	0.43	2/28/2017	3/1/2017	1,467,343.29	1,467,343.29		(536,909.08)			930,434.21	930,434.21		
Repo Agmt	Bootstrap -GR	0.43	2/28/2017	3/1/2017	1,468,380.30	1,468,380.30		(238,500.00)			1,229,880.30	1,229,880.30		
Housing Trust Fund					7,066,025.71	7,066,025.71	583,828.78	(1,064,512.15)	0.00	0.00	6,585,342.34	6,585,342.34	0.00	0.00
Repo Agmt	Multi Family	0.43	2/28/2017	3/1/2017	852,251.50	852,251.50	80,507.93				932,759.43	932,759.43		
Repo Agmt	Multi Family	0.43	2/28/2017	3/1/2017	622,791.82	622,791.82	156,385.82				779,177.64	779,177.64		
Repo Agmt	Low Income Tax Credit Prog.	0.43	2/28/2017	3/1/2017	4,870,871.05	4,870,871.05	2,149,960.89				7,020,831.94	7,020,831.94		
Compliance Total					6,345,914.37	6,345,914.37	2,386,854.64	0.00	0.00	0.00	8,732,769.01	8,732,769.01	0.00	0.00
Repo Agmt	Asset Management	0.43	2/28/2017	3/1/2017	933,260.26	933,260.26	75,399.20				1,008,659.46	1,008,659.46		
Repo Agmt	Low Income Tax Credit Prog.	0.43	2/28/2017	3/1/2017	924,802.18	924,802.18	385,371.04				1,310,173.22	1,310,173.22		
Repo Agmt	Low Income Tax Credit Prog.	0.43	2/28/2017	3/1/2017	7,889,894.96	7,889,894.96		(160,008.81)			7,729,886.15	7,729,886.15		
Repo Agmt	Low Income Tax Credit Prog.	0.43	2/28/2017	3/1/2017	412,496.27	412,496.27		(5,351.90)			407,144.37	407,144.37		
Housing Initiative Total					10,160,453.67	10,160,453.67	460,770.24	(165,360.71)	0.00	0.00	10,455,863.20	10,455,863.20	0.00	0.00
Total Investment Summary					28,559,511.56	28,561,207.82	4,112,493.54	(2,079,663.15)	(34,578.78)	0.00	30,557,763.17	30,558,323.34	(1,136.09)	0.00

2c

BOARD REPORT ITEM
BOND FINANCE DIVISION
MAY 25, 2017

REPORT ITEM

Report on the Department's 2nd Quarter Investment Report relating to funds held under Bond Trust Indentures

BACKGROUND

- The Department's Investment Policy excludes funds invested under a bond trust indenture for the benefit of bond holders because each trust indenture controls the authorized investments under that particular trust indenture. Management of assets within an indenture is the responsibility of the Trustee. This internal management report is for informational purposes only and, while not required under the Public Funds Investment Act, it is consistent with the prescribed format and detail as required by the Public Funds Investment Act. It details the types of investments, maturity dates, carrying (face amount) values, and fair market values at the beginning and end of the quarter.
- Overall, the portfolio carrying value decreased by approximately \$52.9 million (see page 3), resulting in an end of quarter balance of \$691,521,699. The decrease reflects various bond redemptions and the defeasance of three multifamily bonds series.

The portfolio consists of those investments described in the attached Bond Trust Indentures Supplemental Management Report.

	<u>Beginning Quarter</u>	<u>Ending Quarter</u>
Mortgage Backed Securities (MBS)	75%	75%
Guaranteed Investment Contracts/Investment Agreements	5%	5%
Repurchase Agreements	6%	8%
Money Markets and Mutual Funds	12%	10%
Treasury Bills	2%	2%

The 2% increase in Repurchase Agreements is the result of the deposit of mortgage payments that are invested temporarily until the payment of bond principal and interest. The 2% decrease in Money Markets and Mutual Funds is attributed to the withdrawal of funds for the redemption of multifamily bonds.

Portfolio activity for the quarter:

- The maturities in MBS this quarter were \$36.2 million which represent loan repayments or payoffs. The table below shows the trend in MBS activity.

	2nd Qtr FY 16	3rd Qtr FY16	4th Qtr FY16	1st Qtr FY 17	2nd Qtr FY 17	Total
Purchases	\$ 54,617,718	\$ -				\$ 54,617,718
Sales	\$ -	\$ -				\$ -
Maturities	\$ 22,499,704	\$ 34,948,821	\$ 24,958,486	\$ 26,818,361	\$ 36,222,187	\$ 145,447,559
Transfers	\$ -					\$ -


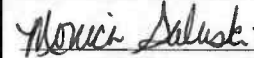
- The process of valuing investments at fair market value identifies unrealized gains and losses. These gains or losses do not impact the overall portfolio because the Department typically holds these investments (MBS) until maturity.
- The fair market value (the amount at which a financial instrument could be exchanged in a current transaction between willing parties) decreased \$3.5 million (see pages 3 and 4), with fair market value being greater than the carrying value. The national average for a 30-year fixed rate mortgage, as reported by the Freddie Mac Primary Mortgage Market Survey as of February 28, 2017, was 4.16%, up from 4.03% at the end of November 2016. There are various factors that affect the fair market value of these investments, but there is a correlation between the prevailing mortgage interest rates and the change in market value.
- Given the current financial environment, this change in market value is to be expected. However, the change is cyclical and is reflective of the overall change in the bond market as a whole.
- The ability of the Department's investments to provide the appropriate cash flow to pay debt service and eventually retire the related bond debt is of more importance than the assessed relative value in the bond market as a whole.
- The more relevant measures of indenture parity are reported on page 5 in the Bond Trust Indenture Parity Comparison. This report shows parity (ratio of assets to liabilities) by indenture with assets greater than liabilities in a range from 109.33% to 211.95% which would indicate the Department has sufficient assets to meet its obligations.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 BOND FINANCE DIVISION
 BOND TRUST INDENTURES
 Supplemental Management Report
 Quarter Ending February 28, 2017

	FAIR VALUE (MARKET) @ 11/30/16	CARRYING VALUE @ 11/30/16	ACCRETION / PURCHASES	CHANGE IN CARRYING VALUE AMORTIZATION/ SALES	MATURITIES	TRANSFERS	CARRYING VALUE @ 02/28/17	FAIR VALUE (MARKET) @ 02/28/17	CHANGE IN FAIR VALUE (MARKET)	ACCRUED INT RECVBL @ 02/28/17	RECOGNIZED GAIN
INDENTURE RELATED:											
Single Family	387,702,391.59	361,862,844.53	18,589,001.37	(9,303,337.57)	(11,616,259.39)		359,532,248.94	383,890,774.79	(1,481,021.21)	1,228,964.59	
RMRB	230,565,883.22	214,512,467.57	1,001,625.17	(8,460,359.57)	(8,493,785.72)		198,559,947.45	212,953,084.85	(1,660,278.25)	668,862.69	
CHMRB	3,475,041.39	3,244,280.16	12.70	(96,353.16)	(181,595.01)		2,966,344.69	3,174,007.10	(23,098.82)	16,081.26	
Taxable Mortgage Program	4,660,799.47	4,530,721.53	999,436.89		(187,381.15)		5,342,777.27	5,458,943.50	(13,911.71)	29,369.75	
Multi Family	159,520,806.71	160,336,615.75	5,578,439.73	(25,051,508.81)	(15,743,166.17)		125,120,380.50	123,973,883.46	(330,688.00)		
TOTAL	785,924,922.38	744,486,929.54	26,168,515.86	(42,911,559.11)	(36,222,187.44)	0.00	691,521,698.85	729,450,693.70	(3,508,997.99)	1,943,278.29	0.00

The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

Per Section 2256.007(d) of the Texas Government Code, the Public Funds Investment Act:
 David Cervantes completed 5.0 hrs. of training on the Texas Public Funds Investment Act on February 12, 2016
 Monica Galuski completed 5.0 hrs. of training on the Texas Public Funds Investment Act on February 17, 2017


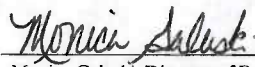
	Date 5/12/17
David Cervantes, Chief Financial Officer	
	Date 5/12/17
Monica Galuski, Director of Bond Finance	

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
 BOND FINANCE DIVISION
 BOND TRUST INDENTURES
 Supplemental Management Report
 Quarter Ending February 28, 2017

INVESTMENT TYPE	FAIR VALUE (MARKET) @ 11/30/16	CARRYING VALUE @ 11/30/16	ACCRETION / PURCHASES	AMORTIZATION/ SALES	MATURITIES	TRANSFERS	CARRYING VALUE @ 2/28/17	FAIR VALUE (MARKET) @ 2/28/17	CHANGE IN FAIR VALUE (MARKET)	RECOGNIZED GAIN
INDENTURE RELATED:										
Mortgage-Backed Securities	596,475,405.63	555,037,412.79				(36,222,187.44)	518,815,225.35	556,744,220.20	(3,508,997.99)	
Guaranteed Inv Contracts	37,460,683.28	37,460,683.28	76,800.43	(6,751,331.35)			30,786,152.36	30,786,152.36		
Investment Agreements	2,259,491.45	2,259,491.45		(1,630,875.21)			628,616.24	628,616.24		
Treasury-Backed Mutual Funds	87,160,968.65	87,160,968.65	5,578,439.73	(24,529,880.44)			68,209,527.94	68,209,527.94		
Repurchase Agreements	47,739,270.64	47,739,270.64	20,513,275.70	(9,999,472.11)			58,253,074.23	58,253,074.23		
Treasury Bill	14,829,102.73	14,829,102.73					14,829,102.73	14,829,102.73		
GRAND TOTAL	785,924,922.38	744,486,929.54	26,168,515.86	(42,911,559.11)	(36,222,187.44)	0.00	691,521,698.85	729,450,693.70	(3,508,997.99)	0.00

The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

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	Date <u>5/12/17</u>
David Cervantes, Chief Financial Officer	
	Date <u>5/12/17</u>
Monica Galuski, Director of Bond Finance	

Texas Department of Housing and Community Affairs
Bond Finance Division
Executive Summary
As of February 28, 2017

	Single Family Indenture Funds	Residential Mortgage Revenue Bond Indenture Funds	Collateralized Home Mortgage Revenue Bond Indenture Funds	Multi-Family Indenture Funds	Combined Totals
PARITY COMPARISON:					
PARITY ASSETS					
Cash	\$ 188,561			\$ 9,602,235	\$ 9,790,796
Investments ⁽¹⁾	\$ 64,954,369	\$ 20,208,347	\$ 257,394	\$ 123,092,387	\$ 208,512,497
Mortgage Backed Securities ⁽¹⁾	\$ 294,402,218	\$ 178,494,331	\$ 2,701,175	\$ -	\$ 475,597,724
Loans Receivable ⁽²⁾	\$ 234,642			\$ 977,940,253	\$ 978,174,895
Accrued Interest Receivable	\$ 1,225,750	\$ 668,863	\$ 16,081	\$ 6,869,060	\$ 8,779,754
TOTAL PARITY ASSETS	\$ 361,005,540	\$ 199,371,541	\$ 2,974,650	\$ 1,117,503,935	\$ 1,680,855,665
PARITY LIABILITIES					
Loans Payable		\$ 3,518,297			\$ 3,518,297
Bonds and Notes Payable ⁽¹⁾	\$ 302,590,000	\$ 165,785,000	\$ 1,400,000	\$ 884,911,002	\$ 1,354,686,002
Accrued Interest Payable	\$ 5,341,878	\$ 1,016,421	\$ 3,440	\$ 6,983,147	\$ 13,344,886
Other Non-Current Liabilities ⁽³⁾				\$ 130,285,326	\$ 130,285,326
TOTAL PARITY LIABILITIES	\$ 307,931,878	\$ 170,319,718	\$ 1,403,440	\$ 1,022,179,475	\$ 1,501,834,511
PARITY DIFFERENCE	\$ 53,073,662	\$ 29,051,823	\$ 1,571,210	\$ 95,324,460	\$ 179,021,155
PARITY	117.24%	117.06%	211.95%	109.33%	111.92%

(1) Investments, Mortgage Backed Securities and Bonds Payable reported at par value not fair value. This adjustment is consistent with indenture cashflows prepared for rating agencies.

(2) Loans Receivable include whole loans only. Special mortgage loans are excluded.

(3) Other Non-Current Liabilities include "Due to Developers" (for insurance, taxes and other operating expenses) and "Earning Due to Developers" (on investments).

Note: Based on preliminary and unaudited financial statements, subject to change in audited financial statements.

2d

BOARD REPORT ITEM

TEXAS HOMEOWNERSHIP DIVISION

MAY 25, 2017

Report on Request for Proposal (“RFP”) for Program Administrator for the Texas First Time Homebuyer Program, the My First Texas Home Program, and the Texas Mortgage Credit Certificate (“MCC”) Program.

Background

A Request for Proposal (RFP) was posted for Program Administrator for the Single Family Residential Mortgage Loan and Mortgage Credit Certificate (“MCC”) Programs on March 23, 2017, with a due date of April 20, 2017.

Two proposals were received by the due date. The respondents included Housing and Development Services, Inc. (HDS)/eHousingPlus and Hilltop Securities. HDS/eHousingPlus has been providing Program Administration and compliance services to the affordable housing market since 1999 and to TDHCA since 2011. Hilltop Securities serves as the Department’s To Be Announced (TBA) Provider and is one of the leading HFA Program Administrators for MCC and single family loan programs, serving state and local HFAs since 2006.

Based on a team review comprised of Department staff, the Program Administrator contract was awarded to HDS/eHousingPlus. The term of the contract will be one-year with the ability to renew and extend at the end of the one-year term under three annual options.

2e

BOARD REPORT
MULTIFAMILY FINANCE DIVISION
MAY 25, 2017

Report on the 2018 Qualified Allocation Plan ("QAP") Project

On April 26, 2017, the Texas Department of Housing and Community Affairs ("TDHCA") staff and stakeholders met to discuss the Opportunity Index, §11.9(c)(4) of the 2017 Qualified Allocation Plan ("QAP").

Staff began the discussion by asking roundtable participants what they thought of the 2017 Opportunity Index. One participant remarked that she welcomed the variety and flexibility of the Opportunity Index "menu items," most of which allocate points to proposed Developments for being near specified amenities. This participant remarked that the current list of amenities allows more areas to qualify for Housing Tax Credit ("HTC") allocations. Another participant remarked how the amenities focus on the needs of tenants—grocery stores, community colleges, pharmacies, parks, etc. These are places and services that every person needs. Staff added that the completion of the 2017 Tenant Survey will add more clarity to what amenities HTC tenants value the most.

Another commenter, however, disagreed with the belief that the current structure of the Opportunity Index is advantageous. In some areas of the state where amenities are more sparsely available, such as the non-urban areas of the lower Rio Grande River Valley, a scoring item like the Opportunity Index tends to concentrate proposed Developments in a small area, with applications tending to concentrate around the same amenities.

The concern about smaller cities' few amenities attracting all HTC allocations generated a brief but substantive discussion on dispersion and underserved area mechanisms. Many participants in this meeting believe that the tools to aid the Department's goal of dispersion already exist; they simply have to be tweaked to achieve the right balance. For example, several participants proposed expanding the Proximity to Urban Core scoring item, §11.9(c)(8), to include smaller cities. Currently, only cities with populations greater than 300,000 can pursue these points. Other commenters asked staff to revisit the Underserved Area section of the QAP, §11.9(c)(6). They suggested addressing language pertaining to whether or not a census tract falls entirely within the boundaries of a municipality or only partially. Another commenter suggested reconsidering the population minimum of 300,000 in subparagraph (E) of this paragraph, which allocates points to census tracts in which both it and its immediate surrounding census tracts have not received a HTC allocation in the past 15 years. In light of all of these suggestions, another commenter reminded participants that, ultimately, most Texans live in urban areas, and the Department must be careful not to favor more rural and outlying areas, where potential HTC tenants might not even live.

Roundtable participants discussed three other potential scoring items tangentially related to dispersion: readiness-to-proceed, applicant re-submittal, and underserved points for municipalities that did not receive a competitive HTC allocation in the most recent cycle. With the two former suggestions, there were many concerns expressed from both staff and stakeholders. With readiness-to-proceed points, some developers seemed concerned about the costs associated with getting to

that stage of development while not yet knowing if they had a successful application. They also pointed out how slow the permitting process is in some cities, such as Austin. With re-submittal points, one participant was concerned that it almost sounded like a forward-commitment award, which the Department has ceased doing. In regards to underserved points for municipalities that did not receive a deal in the past cycle or past few years, several stakeholders commented that it is important to ensure the rotation of HTC allocations through mid-sized cities. They worry that, as the rules currently stand, only a select few middle-tier cities will continue to dominate the competitive HTC cycle.

This debate about how to best disperse HTC allocations to many areas of opportunity, as opposed to just a few cities, drew a suggestion from another representative of the development community: TDHCA should select a primary policy objective on a two or three year basis, and implement that policy in several sections throughout the QAP and Rules. After that specific strategic mission is met through several years of HTC allocations, a new strategic mission should be adopted.

For the 2018 Opportunity Index, several developers asked TDHCA staff to clarify the meaning and scope of various amenities and, for crime data from Neighborhood Scout, to specify the date on which crime statistics apply. With parks, some developers thought that their competitors had not selected true, municipally owned parks in the 2017 cycle, and they worried about similar vagueness in other amenities allowing developers to circumvent the original intent of the rules. Staff added that there is certainly an opportunity to clarify the meaning and intent of these amenities before the release of the 2018 QAP and Rules.

There was also interest in incorporating employment data into the QAP, either into the Opportunity Index or into the Proximity to Urban Core scoring item, which could be revised into a “Proximity to a Major Employment Center” scoring item. The importance of employment data, especially if it is employment data that falls in the income range of HTC tenants, was discussed. The data could tell the Department and developers where potential HTC tenants have the largest need for housing.

Some participants suggested adding more amenities and weighting those amenities. They also requested that if a particular amenity has multiple amenities, it should count for several points. For example, a park with a tennis court or a grocery store with a pharmacy should each count for two points, not just one point, since they each offer multiple amenities at the same location.

Roundtable participants also had an in-depth conversation about gentrification. Many gentrifying neighborhoods in Texas’ primary cities offer not only unmatched opportunities, but also remain near the public services often used by HTC tenants. The difficulty, though, is trying to develop an objective mechanism in the QAP that can accurately identify a neighborhood undergoing gentrification. TDHCA staff shared that they are exploring ways to identify this, and are currently looking closely at census tracts that have median rents above the MSA median, but also poverty rates above the MSA average. Roundtable participants shared other ideas with TDHCA, which staff will look into.

ACTION ITEMS

3a

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
MAY 25, 2017

Presentation, discussion, and possible action on an Amendment to the 2017-1 Multifamily Direct Loan Notice of Funding Availability

RECOMMENDED ACTION

WHEREAS, the Board previously approved the 2017-1 Multifamily Direct Loan Notice of Funding Availability ("2017-1 NOFA"), which included \$12.5 million in Tax Credit Assistance Program loan repayments ("TCAP RF"), and \$20,049,905 in HOME funds;

WHEREAS, the Board subsequently approved the First Amendment to the 2017-1 NOFA, adding approximately \$2.3 million in TCAP RF and returned funds for a total of \$14,799,235 in TCAP RF and \$20,049,905 in HOME funds;

WHEREAS, 95 percent of the Department's HOME funds may not be used in Participating Jurisdictions ("PJs") pursuant to Tex. Gov't Code §2306.111(c)(1), while a majority of the applications under the General Set-Aside have development sites located in PJs;

WHEREAS, Applications received to date that are only eligible for a non-HOME source of funds far exceed the funds available in the NOFA;

WHEREAS, NSP1 Program Income ("NSP1 PI") funds have been identified and can be used in PJs;

WHEREAS, several potential applications that could possibly be awarded NSP1 PI are proposing to use FHA-insured 221(d)(4) loans or other sources of federal funding, which have similar cross-cutting requirements;

WHEREAS, staff is recommending that NSP1 PI be prioritized to be used in conjunction with developments that are also using FHA-insured 221(d)(4) loans or other federal funds, if the development otherwise qualifies for NSP1 PI funds; and

WHEREAS, adding \$7 million in NSP1 PI to the 2017-1 NOFA will help alleviate the oversubscription in the current NOFA and expedite the reuse of this limited resource;

NOW, therefore, it is hereby

RESOLVED, that \$7 million in NSP1 PI be added to the 2017-1 NOFA under the General Set-Aside; and

FURTHER RESOLVED, the Executive Director and staff as designated by the Executive Director are authorized, empowered, and directed, for and on behalf of the Department to

execute such documents, instruments, and writings and perform such acts and deeds as may be necessary to effectuate the foregoing.

BACKGROUND

On December 30, 2016, the 2017-1 NOFA was published in the *Texas Register* announcing the availability of up to \$32,549,905 composed of \$20,049,905 in HOME funds and \$12.5 million in TCAP RF – for the development of affordable multifamily rental housing. The \$12.5 million in TCAP RF was derived from principal (\$8.5 million) and interest (\$4 million) payments received on TCAP loans through November 2016. Thirty-five applicants to date have requested \$15,772,957 in HOME funds and \$52,341,558 in TCAP RF.

Staff later identified TCAP RF totaling \$2,299,235 that was approved for addition to the 2017-1 NOFA at last month's Board meeting.

With this addition of \$7 million in NSP1 PI, staff anticipates being able to make several more awards of Direct Loan funds under the General Set-Aside. Staff will prioritize the use of NSP1-PI funds for applications that are also planning on utilizing FHA-insured 221(d)(4) loans or other federal funds since those loans are subject to many of the same cross-cutting requirements as NSP1 PI funds. However, the shortfall in funding for 2017 9% HTC-layered Direct Loan applicants will remain, and it is likely that no awards of Direct Loan funds under the General Set-Aside to 2017 9% HTC-layered Direct Loan applicants with development sites in Participating Jurisdictions will be possible. Applicants for TCAP-RF layered with 9% Housing Tax Credits have been notified of the over-subscription, and have been given an opportunity to replace that fund source in their applications. The Second Amendment to the NOFA is not anticipated to fund applications that have not already been received.

Staff will continue to monitor the oversubscription issue and may recommend further amendments to the NOFA if necessary.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY DIRECT LOAN
2017-1 NOTICE OF FUNDING AVAILABILITY (NOFA)
SECOND AMENDMENT

THIS AMENDMENT ADDS NSP PROGRAM INCOME (“NSP PI”) FUNDS IN THE GENERAL SET-ASIDE AND CLARIFIES THAT WHEN NSP-PI FUNDS ARE AWARDED AND ITS REGULATIONS CONFLICT WITH HOME REGULATION, NSP REGULATIONS WILL GOVERN. ALL OTHER TERMS AND CONDITIONS OF THE 2017-1 NOFA REMAIN AS ORIGINALLY PUBLISHED.

- 1) **Summary.** The Texas Department of Housing and Community Affairs (the “Department”) announces the availability of up to **\$41,849,140** in Multifamily Direct Loan funding for the development of affordable multifamily rental housing for low-income Texans. The availability and use of these funds are subject to 10 TAC Chapters 1 (“Administration”), 2 (“Enforcement”), 10 (“Uniform Multifamily Rules”), 13 (“Multifamily Direct Loan Rule”), and Chapters 11 (“Qualified Allocation Plan”) and 12 (“Multifamily Housing Revenue Bonds”) as applicable, as well as Chapter 2306 of the Texas Government Code. Applications proposing development of affordable multifamily rental housing will be subject to the Department of Housing and Urban Development (“HUD”) HOME regulations governing the HOME program found at 24 CFR Part 92 (“HOME Final Rule”) except when NSP PI is awarded and these regulations differ. Other Federal regulations that apply to HOME include, but are not limited to, fair housing (42 U.S.C. 3601-3619), environmental requirements (42 U.S.C. 4321; and 24 CFR part 50 or part 58 depending on the type of activity), Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and HUD Handbook 1378, Section 104(d) of Housing and Community Development Act of 1974. HOME funds are further regulated by Davis-Bacon and Related Labor Acts for labor standards (40 U.S.C. §3141-3144 and 3146-3148, 24 CFR §92.354, and HUD Handbook Federal Labor Standards Compliance in Housing and Community Development Programs). HOME-funded developments must comply with HUD Section 3 requirements (24 CFR Part 135). Section 3 requires HOME-funded housing and community development activities to give, to the greatest extent feasible (and consistent with existing Federal, State and local laws and regulations) job training, employment, contracting and other economic opportunities to Section 3 residents and business concerns.

- 3) **Set-Asides.** All funds – except TCAP Repayment Funds that were added to the 2017-1 NOFA by the First Amendment and NSP1-PI funds added to the 2017-1 NOFA by the Second Amendment – will be subject to the Regional Allocation Formula (“RAF”, located in Attachment A) until February 9, 2017, and then available on a statewide basis within each

set-aside. Applications under any and all set-asides may or may not be layered with 9% or 4% Housing Tax Credits (“HTC”). The funds made available under this NOFA are available under three set-asides:

Set-Aside	Amount Available	Maximum Request
CHDO (HOME only)	\$4,723,589	\$3,000,000
Supportive Housing/ Soft Repayment (TCAP RF only)	\$4,000,000	\$800,000
General	\$33,125,551	
	New Construction	\$3,000,000
	Rehabilitation	\$2,000,000

- a. **CHDO Set-Aside.** At least **\$4,723,589** in HOME funds are set aside for eligible Community Housing Development Organizations (“CHDO”).
- b. **Supportive Housing/ Soft Repayment Set-Aside.** Up to **\$4,000,000 of TCAP RF funds** is available in this set-aside.
- c. **General Set-Aside.** Up to \$7,000,000 in TCAP PI as well as all remaining TCAP RF , HOME and NSP1-PI funds available (currently anticipated to be approximately \$33,125,551 total). Staff will prioritize the use of NSP1 PI funds for applications that are also planning on utilizing FHA-insured 221(d)(4) loans or other federal funds since those sources are subject to many of the same cross-cutting requirements as NSP1 PI funds.

3b

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
MAY 25, 2017

Presentation, discussion and possible action on a Determination Notice for Housing Tax Credits with another Issuer and an Award of a Direct Loan Funds (#17402 Harris Ridge Apartments, Austin)

RECOMMENDED ACTION

WHEREAS, an application for 4% Housing Tax Credits and Direct Loan funds for Harris Ridge Apartments, sponsored by the Housing Authority of the City of Austin, was submitted on January 9, 2017;

WHEREAS, the Direct Loan funds application was submitted under the 2017-1 Multifamily Direct Loan Notice of Funding Availability (“2017-1 NOFA”);

WHEREAS, in lieu of a Certification of Reservation, a Carryforward Designation Certificate was issued by the Texas Bond Review Board on January 11, 2017, and will expire on December 31, 2019;

WHEREAS, the proposed issuer of the bonds is the Austin Affordable Public Facilities Corporation and there is a sufficient amount of Direct Loan funding available to award the subject application under the General Set-Aside; and

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as a Category 3 and deemed acceptable by the Executive Award and Review Advisory Committee (“EARAC”) after review and discussion;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,344,750 in 4% Housing Tax Credits and \$3,000,000 in Direct Loan (TCAP Repayment) funds, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for Harris Ridge Apartments is hereby approved as presented to this meeting;

FURTHER RESOLVED, that provided the Applicant has not closed on the bond financing on or before September 25, 2017, the Board authorizes EARAC to approve or deny an extension of the Determination Notice date subject to an updated previous participation review, if necessary.

BACKGROUND

General Information: Harris Ridge Apartments is proposed to be located at the southwest corner of Howard Lane and Dessau Road, Austin, Travis County. The development involves the new construction of 324 units, of which 314 units will be rent and income restricted at 60% of Area Median Family Income (“AMFI”), six units will be rent and income restricted at 50% AMFI, and the remaining four units will be

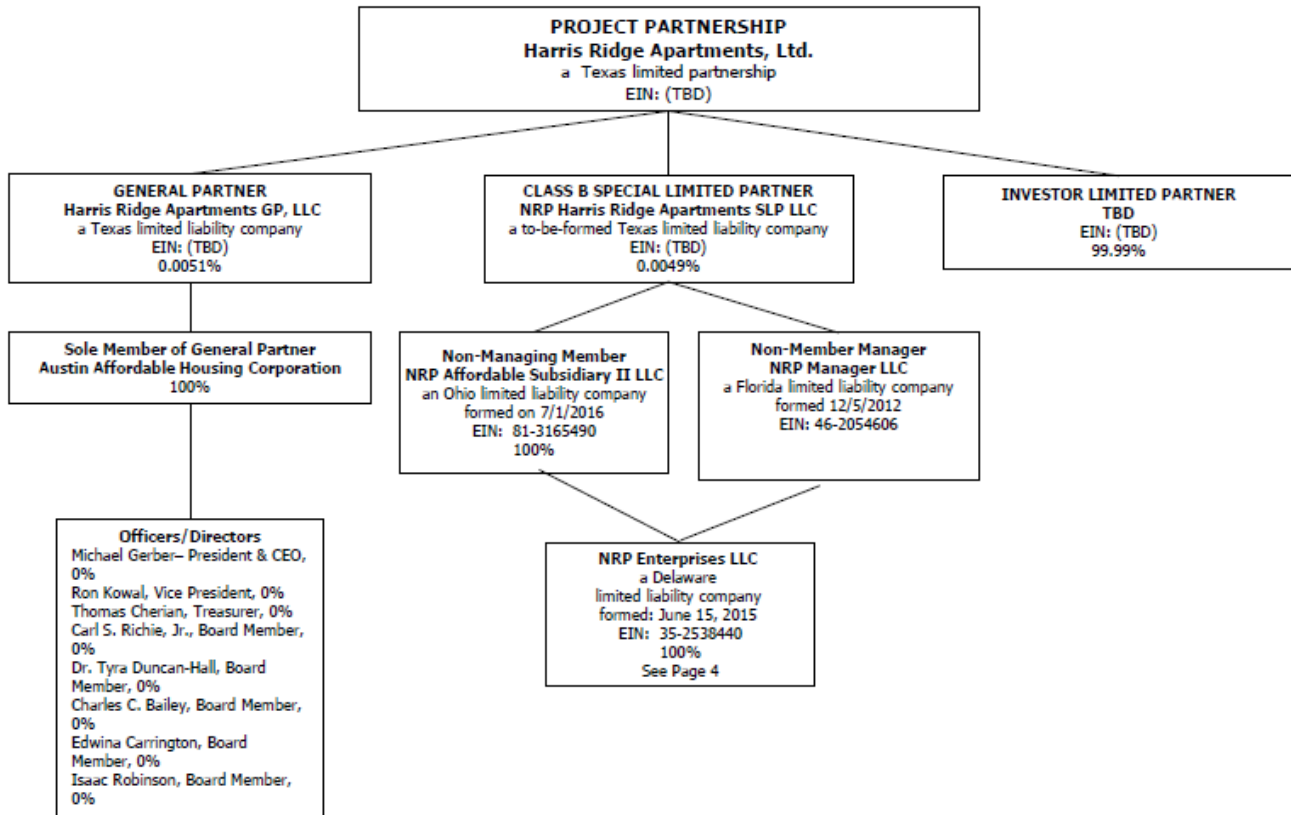
income restricted at 40% AMFI. Under the Direct Loan program, there will be 10 units restricted at 50% AMFI and 40 units at 60% AMFI layered among the 324 HTC restricted units. The Direct Loan award has been underwritten and recommended at a 3.25% interest rate and 30 year amortization as required by 10 TAC §13.8(a) with TCAP Repayment Funds as the fund source. Moreover, as a result of 10 TAC §10.204(16), the applicant has provided an existing development – Mercantile Apartments in Fort Worth – for inclusion in the Department’s Section 811 Project Rental Assistance Program. The Department has approved Mercantile Apartments for participation in the Section 811 PRA Program.

The development conforms to current zoning and will serve the general population. The census tract (0018.39) has a median household income of \$57,215, is in the third quartile, and has a poverty rate of 10.20%.

Organizational Structure and Previous Participation: The Borrower is Harris Ridge Apartments, Ltd., and includes the entities and principals as illustrated in Exhibit A. The applicant’s portfolio is considered a Category 3, and the previous participation was deemed acceptable by EARAC after review and discussion. EARAC also reviewed the proposed financing and the underwriting report and recommends the issuance of a Determination Notice.

Public Comment: No letters of support or opposition have been received by the Department.

EXHIBIT A



APPLICATION SUMMARY

PROPERTY IDENTIFICATION		RECOMMENDATION					
Application #	17402	TDHCA Program		Request		Approved	
Development	Harris Ridge Apartments	LIHTC (4% Credit)		\$0	\$1,344,750	\$4,150/Unit	\$0.92
City / County	Austin / Travis						
Region/Area	7 / Urban						
Population	General	MDLP (Repayable)	\$3,000,000	3.25%	30	33	2
Set-Aside	General						
Activity	New Construction						

KEY PRINCIPAL / SPONSOR		
Housing Authority of the City of Austin		
Austin Affordable Housing Finance Corporation		
NRP Lone Star Development		
Ron Kowal		
George Currall		
Related-Parties	Contractor -	Yes
	Seller -	0

TYPICAL BUILDING ELEVATION/PHOTO



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	12	4%	40%	4	1%
2	132	41%	50%	6	2%
3	144	44%	60%	314	97%
4	36	11%	MR	-	✓
TOTAL	324	100%	TOTAL	324	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	1.20	Expense Ratio	35.5%
Breakeven Occ.	82.8%	Breakeven Rent	\$982
Average Rent	\$1,099	B/E Rent Margin	\$117
Property Taxes	Exempt	Exemption/PILOT	100%
Total Expense	\$4,387/unit	Controllable	\$3,234/unit

SITE PLAN



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)	6.8%	✓	
Highest Unit Capture Rate	64%	3 BR/60%	140
Dominant Unit Cap. Rate	64%	3 BR/60%	140
Premiums (↑60% Rents)	N/A	N/A	
Rent Assisted Units	N/A		

DEVELOPMENT COST SUMMARY			
Costs Underwritten		Applicant's Costs	
Avg. Unit Size	1,070 SF	Density	13.4/acre
Acquisition		\$12K/unit	\$3,750K
Building Cost	\$59.62/SF	\$64K/unit	\$20,675K
Hard Cost		\$83K/unit	\$26,929K
Total Cost		\$157K/unit	\$50,968K
Developer Fee	\$5,413K	(61% Deferred)	Paid Year: 7
Contractor Fee	\$3,548K	30% Boost	No

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES		
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount	
Navistone	35/35	5.20%	\$32,320,000	1.29						Navistone	\$12,370,457	
TDHCA	33/30	3.25%	\$3,000,000	1.20						NRP	\$3,277,587	
TOTAL DEBT (Must Pay)			\$35,320,000		CASH FLOW DEBT / GRANTS				\$0		TOTAL EQUITY SOURCES	\$15,648,044
											TOTAL DEBT SOURCES	\$35,320,000
											TOTAL CAPITALIZATION	\$50,968,044

CONDITIONS

- 1 Receipt and acceptance before Direct Loan Closing
 - a: Substantially final construction contract with Schedule of Values.
 - b: Updated term sheets with substantially final terms from all lenders
 - c: Substantially final draft of limited partnership agreement.
 - d: Senior loan documents (and/or partnership documents) must contain a provision(s) that any stabilization resizing on the senior debt includes the debt service on the TDHCA MDL at a 1.15 DCR.
 - e: Documentation identifying any required matching funds, and confirming that the source is eligible to be counted as matching funds under HUD and TDHCA requirements.
- 2 Receipt and acceptance by Cost Certification:
 - : Confirmation that a noise assessment was completed and, if necessary, an Architect or engineer certification that the post construction noise levels do not exceed HUD acceptable levels.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER

Issuer	Austin Affordable PFC
Expiration Date	6/9/2017
Bond Amount	\$38,000,000
BRB Priority	Priority 3
Expected Close	July, 2017
Bond Structure	

RISK PROFILE

STRENGTHS/MITIGATING FACTORS

- Developer Experience
- Partnership with Housing Authority
- 35% expense ratio
- Feasibility indicators
- High absorption rate in PMA and SMA

WEAKNESSES/RISKS

- Pro Forma dependent on tax exemption
- Unit capture rates at 56% for 2BR 60% and 64% for 3BR

AREA MAP



AERIAL PHOTOGRAPH(S)



3c

**TO BE POSTED NOT LATER THAN THE
THIRD DAY BEFORE THE DATE OF
THE MEETING**

3d

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3e

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3f

BOARD ACTION REQUEST

MULTIFAMILY FINANCE

MAY 25, 2017

Presentation, discussion, and possible action regarding a waiver of 10 TAC §13.11(b) of the Multifamily Direct Loan Rule

RECOMMENDED ACTION

WHEREAS, Saralita Senior Village (application #16164), a 2016 9% Housing Tax Credit (“HTC”) and Direct Loan award, has had an ownership transfer prior to IRS Form 8609 Issuance or Construction Completion;

WHEREAS, the new owner has indicated that they would like to return the Direct Loan award while keeping the 9% HTC award;

WHEREAS, Real Estate Analysis staff has completed their analysis of the transaction without the Direct Loan funds and found it to be feasible;

WHEREAS, 10 TAC §13.11(b) of the Multifamily Direct Loan Rule states that an applicant that “fails to meet federal commitment or expenditure requirements, penalties may apply under 10 TAC §11.9(f) or the Department may prohibit the Applicant and all Affiliates from applying for MFDL funds for a period of 2 years if they have returned their funds or have failed to take necessary action specified in one or more agreement with the Department where the failure resulted in the Department's failure to meet federal commitment and expenditure requirements.”

WHEREAS, the Board took action last month to allow 2016 9% HTC-layered Direct Loan awardees to return their Direct Loan award by June 30, 2017, if they also return their HTC award, without point or other penalty if they have experienced and can document a loss in prospective equity attributable to a decline in syndication rates of such a magnitude that the transactions are no longer financially feasible without other accommodations and funding or equity sources;

WHEREAS, because the applicant for Saralita Senior Village is not returning their HTC award, they would not be protected by the Board’s previous action as it relates to 10 TAC §13.11(b) and would be subject to a prohibition on applying for Direct Loan funds for a period of 2 years;

WHEREAS, it is staff’s understanding that the federal 2017 Appropriations Act appears to suspend the two year commitment deadline for the 2015 allocation of HOME funds, but HUD has yet to issue formal guidance to the Department; and

WHEREAS, staff recommends waiving the prohibition of applying for Direct Loan funds for a period of 2 years for the applicant and all affiliates of the applicant;

NOW, therefore, it is hereby

RESOLVED, that this Board hereby waives the penalty under 10 TAC §13.11(b) for the applicant and all affiliates of Saralita Senior Village as a result of the unique circumstances surrounding this return of Direct Loan funds and the apparent suspension of the two year commitment deadline for the 2015 allocation of HOME funds.

BACKGROUND

At the Board meeting of March 23, 2017, the Board took action with respect to applications for 9% competitive low income housing tax credits awarded in the 2016 round. Specifically, the Board approved staff's ability to allow 9% HTC awardees under the 2016 round to return credits by June 30, 2017, without point or other penalty if they have experienced and can document a loss in prospective equity attributable to a decline in syndication rates of such a magnitude that the transactions are no longer financially feasible without other accommodations and funding or equity sources. The Board action taken last month was a conforming waiver of 10 TAC §13.11(b) in the Multifamily Direct Loan Rule that allowed an awardee that could establish that their credit pricing, alone or coupled with increases in interest rates and/or increases in costs of construction, made their deal infeasible, that 9% HTC/ Direct Loan awardee could return their Direct Loan Funds by June 30, 2017, as well as their credits without any point or other penalty contemplated in 10 TAC §13.11(b), specifically the prohibition on applying for Direct Loan funds for a period of two years.

Saralita Senior Village is a unique case in that the applicant has transferred ownership of the transaction to another entity that does not wish to retain the Direct Loan funding that was previously awarded. This ownership transfer to an entity that is better capitalized and that has its own General Contractor is necessary in order to complete the transaction. Rather than penalize the applicant who cannot require the new owner to take the Direct Loan funds as well as the 9% HTC award, staff believes waiving the penalty under 10 TAC §13.11(b) in this specific instance is appropriate.

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