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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING OF SEPTEMBER 12, 2002

Michael Jones, Chair  
C. Kent Conine, Vice-Chair

Beth Anderson, Member                      Shadrick Bogany, Member  
Vidal Gonzalez, Member                      Norberto Salinas, Member

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**BOARD MEETING**

**SEPTEMBER 12, 2002**

**ROLL CALL**

	Present	Absent
Jones, Michael, Chair	_____	_____
Conine, C. Kent, Vice-Chair	_____	_____
Anderson, Beth, Member	_____	_____
Bogany, Shadrick, Member	_____	_____
Gonzalez, Vidal, Member	_____	_____
Salinas, Norberto, Member	_____	_____
Number Present	_____	
Number Absent		_____

\_\_\_\_\_, Presiding Officer



LaCasita Apartments, Houston, Texas #99-015T  
Heather Lane Apartment Townhomes, Terrell, Texas, #99-05T

- d) Approval of Requests for Extensions Associated with the 2002 Commitments for: 02-036, Gateway East Apartments, El Paso, Texas; 02-156, Town North Apartments, Texarkana, Texas

Item 5 Presentation, Discussion and Possible Approval of “Draft” Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines for Multifamily Developments for the Texas Department of Housing and Community Affairs To be Published in the *Texas Register* to Solicit Public Comments Michael Jones

Item 6 Presentation, Discussion and Possible Approval of Financial Items: C. Kent Conine  
a) Approval of Resolution No. 02-44 Approving Extension of Origination Period for Program 55A  
b) Approval of Resolution No. 02-45 Approving Extension of Origination Period for Program 56

#### **REPORT ITEMS**

Executive Directors Report Edwina Carrington  
Purchase Price Limits for SF Mortgage Revenue Bonds

#### **EXECUTIVE SESSION**

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – (1) *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53<sup>rd</sup> Judicial District; (2) Sheltering Arms, Community Affairs Program Recipient  
Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code  
The Board may discuss any item listed on this agenda in Executive Session

Michael Jones

#### **OPEN SESSION**

Action in Open Session on Items Discussed in Executive Session

Michael Jones

#### **ADJOURN**

Michael Jones  
Chair of Board

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

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



*Texas Department of Housing & Community Affairs*

*Community Affairs Division*

*E. E. Fariss, Director*

**Version II**

## *Community Affairs Division*

- *Community Services Section*  
*Total Funds: \$ 36,444,457*
- *Energy Assistance Section*  
*Total Funds: \$55,031,393*
- *Community Affairs Division*  
*Total Combined Funds: \$91,475,850*



*Texas Department of Housing and Community Affairs*

***Community Services Programs***

*Jesse Mitchell, Manager*

*Dyna Lang, Assistant Manager*

## *Community Services Programs*

- *Community Services Block Grant*
- *Community Food & Nutrition Program*
- *Emergency Shelter Grants Program*
- *Emergency Nutrition and Temporary  
Emergency Relief Program*



## *Community Services Block Grant Funding & Allocation*

- *Assistance provided to impact the causes of poverty through 49 eligible entities*
- *All 254 Texas counties served by program*
- *FY 2002 allocation is \$31.1 million*
- *Program funded by U.S. Department of Health and Human Services*
- *Funds are distributed by formula based on the poverty population of the services area and the number of square miles per person within the services area*
- *For FY 2002, CSBG funds were distributed according to the proportionate share of increase based on the FY 2001 allocation*

# *Community Services Block Grants*

■ *CSBG funds are allocated to eligible contract service providers to provide direct services and to administer a comprehensive service delivery system and a wide array of programs, including:*

- *Head Start*
- *Immunization Programs*
- *Retired Senior Volunteer Program*
- *Women, Infants, and Children (WIC) Programs*
- *Job Training Partnership Act (JTPA) Programs*
- *Congregate and Home Delivered Meal Programs*
- *Medical, Rural, and Multipurpose Transportation Program*

# *Emergency Shelter Grants Program*

## *Eligible Activities:*

- *Renovate shelter facilities*
- *Provides essential services such as counseling, job training, childcare, and assistance in obtaining permanent housing and employment*
- *Maintenance and operation assistance to service providers*
- *Provide homelessness prevention, such as rental assistance to homeless persons and those at risk of becoming homeless*

## ***Emergency Shelter Grants Funding Source & Allocations***

- *Funds provided by the U.S. Department of Housing and Urban Development*
- *The Department received \$4,687,000 in ESGP funds for FY 2002 and funded 73 applicants' projects. Contracts will begin September 1, 2002*
- *Funds are obligated using an annual statewide competitive application process*
- *Funds are available for distribution and reserved for each of the 11 TDHCA planning regions representing the entire state*

# ***Emergency Nutrition and Temporary Emergency Relief Program (ENTERP)***

- *Prior to the 2002 – 2003 Biennium, ENTERP funds were obligated to each county using a formula that included poverty and unemployment in each county as compared to the state totals*
- *Provided emergency assistance and energy related assistance to low-income, very low and extremely low-income persons*
- *ENTERP assistance was provided by county governments or nonprofit organizations serving all 254 Texas counties*

## *Emergency Nutrition and Temporary Emergency Relief Program (ENTERP) Funding & Allocations*

- *As of FY 2002, Program is funded with \$355,211  
General Revenue funds from the State*
- *Due to the reduction in ENTERP General Revenue  
funds for the 2002 – 2003 Biennium, emergency  
assistance is provided statewide to victims of  
natural and man-made disasters on an as needed  
basis*



*Texas Department of Housing and Community Affairs*

# *Community Food and Nutrition Program (CFNP)*

*Purpose:*

*To implement statewide projects that address  
nutrition issues of low-income persons*

## *Community Food and Nutrition Program (CFNP) Funding & Allocations*

- *Funding is provided by the U.S. Department of Health and Human Services*
- *FY 2002 CFNP allocation is \$302,246*



## *CFNP Funding and Allocations (Continued)*

*CFNP funds are administered through the Texas Association of Community Action Agencies (TACAA) and support the following projects:*

- *Recruit sponsors for Summer Food Service Program*
- *Through “Hunters for the Hungry”, encourage the donation of game, meat processing, and/or meat processing fees*
- *Facilitate distribution of donated surplus food through “Share Our Surplus (SOS)”*
- *Provide national and statewide advocacy and policy development on anti-hunger and nutrition issues*

## *Community Services Programs Outcomes for FY 2001*

- *364,106 persons were served with Community Services Block Grant (CSBG) funds*
- *188,223 persons were served with Emergency Shelter Grants Program (ESGP) funds*
- *12,482 persons were served with Emergency Nutrition Temporary Emergency Relief Funds (ENTERP)*
- *The CFNP program generated more than 72,000 pounds of meat and more than 2 million pounds of produce for distribution in low income areas*

## *Community Services Programs Outcomes for FY 2001 (Continued)*

*Through the efforts of CSBG eligible entities:*

- *CSBG funds were used to create six start-up micro businesses*
- *130 new homes/apartments were created*
- *150 low-income families become homeowners*
- *989 households (3,921 individuals) reported improved living situations*
- *1,270 persons were assisted with transition from poverty*



*Texas Department of Housing and Community Affairs*

# *Energy Assistance Programs*

*Peggy M. Colvin, Manager*

*Joe Guerrero, Assistant Manager*

*Denise Sockwell, Assistant Manager*

## *Energy Assistance Programs*

- *Weatherization Assistance Program (WAP)*
  - *System Benefit Fund (SBF) Energy Efficiency Programs*
  - *Investor Owned Utility Contracts*
  
- *Comprehensive Energy Assistance Program (CEAP)*

## *Weatherization Assistance Programs*

### *Purpose:*

- *To help low-income customers reduce their residential energy costs by lowering the amount of energy consumed*
- *Weatherization work typically consists of addressing air infiltration measures, insulation, heating and cooling systems, and energy conservation education*

# *Weatherization Assistance Program Funding & Service Delivery*

- *Weatherization funds are awarded to 35 nonprofit organizations serving all 254 counties in Texas. Most of these organizations are Community Action Agencies*
  
- *Funding awards are based on a (5) part formula*  
*Factors Include:*
  - *Number of non-elderly poverty households by county*
  - *Number of elderly poverty households (65+) per county*
  - *Median income variance per county*
  - *Inverse poverty household density ratio per county*
  - *Number of Heating/Cooling Degree days per county*



## *Private Sector Funds with Weatherization Funds (IOU Program)*

- *TDHCA has contracts with four of the Investor Owned Electric Utility Companies and one Cooperative Electric Company*
- *FY 2002 - \$2,492,410 in contracts*
- *These funds provide additional dollars to weatherize more houses and work in coordination with the WAP*
- *Provides for other energy efficient measures including: Refrigerators, Compact Fluorescent Lights, Low-Flow Shower Heads and Faucet Aerators*



## *System Benefit Fund (SBF)*

- *This program works in coordination with the Weatherization Assistance Program*
- *The program is currently available for the transmission and distribution service provider (TDSP) areas of electric utilities participating in Customer Choice. These include TXU, Central Power & Light, West Texas Utilities, Texas New-Mexico Power, and Reliant Energy*
- *The program provides additional funds for weatherization and other energy efficient measures.*

*Texas Department of Housing and Community Affairs*

# *Comprehensive Energy Assistance Program (CEAP)*

**Purpose:** *To help low-income customers  
reduce their utility bills*

## ***CEAP Components***

*Comprised of four basic components which can be mixed and matched to meet the customer's needs*

- *Co-Payment Component*
- *The Elderly and Disabled Component*
- *Energy Crisis Component*
- *Heating and Cooling Systems Component*

## *Energy Assistance Eligibility*

- *None of the Energy Assistance Programs are entitlement programs. All have eligibility criteria that applicants must meet.*
- *Priority is given to the elderly, persons with disabilities, families with children under the age of six, and*
- *Households with high energy burdens*

# *Energy Assistance Funding Sources & Allocations*

- *Weatherization Assistance Program allocation - \$39,280,715 million total for FFY 2001 & 2002*
  - *U.S. Dept. Health & Human Services (LIHEAP) - \$11,936,882 million total for FFY 2001 & 2002*
  - *U.S. Dept. of Energy (WAP) - \$9,398,833 million for FFY 2002*
  - *System Benefit Fund (SBF) - \$7,178,000 million for SFY 2002 and \$10,767,000 million for SFY 2003*
- *Comprehensive Energy Assistance Program allocation - \$35,391,036 million for FFY 2002*

*Energy Assistance Program  
Outcomes, State Fiscal Year 2001*

- *SFY 2001 - 134,713 households were assisted through CEAP*
- *SFY 2001 - 5,424 homes were weatherized through WAP, all sources*

## ***How It All Works Together***

- *The Energy Assistance Section is about making home energy more affordable for low-income families*
  
- *CEAP helps families pay their utility bills while teaching clients how to reduce energy consumption*

+

- *Installed weatherization measures reduce the amount of energy needed to heat and/or cool the house*

+

- *Utility funds add extra energy saving measures to the house so even less energy is needed for the household*

***By integrating all our programs we maximize the impact of making energy more affordable to low-income families***



# Texas Department of Housing and Community Affairs

## Income Eligibility Guidelines

Subgrantee shall distribute available funds under the Comprehensive Energy Assistance Program only to households needing energy related assistance and having an income that does not exceed 125% of the current Poverty Income Guidelines as issued by the Secretary of Planning and Evaluation, U.S. Department of Health and Human Services.

Percent of Poverty	50%	75%	100%	125%	150%	
Family Size	1	\$4,430	\$6,645	\$8,860	\$11,075	\$13,290
	2	\$5,970	\$8,955	\$11,940	\$14,925	\$17,910
	3	\$7,510	\$11,265	\$15,020	\$18,775	\$22,530
	4	\$9,050	\$13,575	\$18,100	\$22,625	\$27,150

For each additional family member above 8 add:

\$1,540

\$2,310

\$3,080

\$3,850

\$4,620

SOURCE: Federal Register, Vol. 67, No. 31, February 14, 2002, pages 6931-6933



*The End*

*August 5, 2002*

**LEGISLATIVE APPROPRIATIONS REQUEST  
FOR FISCAL YEARS 2004 AND 2005**

*Submitted to the*  
**Governor's Office of Budget and Planning**  
*and the*  
**Legislative Budget Board**  
*by the*

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<u>Board Member</u>	<u>Term Expiration</u>	<u>Hometown</u>
<i>Michael E. Jones, Chair</i>	<i>January 31, 2003</i>	<i>Tyler, Texas</i>
<i>C. Kent Conine</i>	<i>January 31, 2003</i>	<i>Frisco, Texas</i>
<i>Elizabeth Anderson</i>	<i>January 31, 2007</i>	<i>Dallas, Texas</i>
<i>Shadrick Bogany</i>	<i>January 31, 2005</i>	<i>Houston, Texas</i>
<i>Vidal Gonzalez</i>	<i>January 31, 2005</i>	<i>Del Rio, Texas</i>
<i>Norberto Salinas</i>	<i>January 31, 2005</i>	<i>Mission, Texas</i>

**Submitted  
September 3, 2002**

Submitted by: \_\_\_\_\_  
*Edwina P. Carrington, Executive Director*

**Texas Department of Housing and Community Affairs  
Legislative Appropriations Request FY-2004 and FY-2005**

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**ADMINISTRATOR'S STATEMENT**

## ADMINISTRATOR'S STATEMENT

78th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

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Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

### ADMINISTRATOR'S STATEMENT

#### Background

The Texas Department of Housing and Community Affairs ("the Department"), created by the 72nd Legislature, administers a variety of programs which address the housing and community needs of extremely low, very low, low and moderate income Texans. These programs are administered to local providers in order to fulfill the Department's mission of "helping Texans achieve an improved quality of life through the development of better communities." The following three (3) divisions within the agency administer these programs: Housing Programs, Housing Finance, and Community Affairs. A fourth division, Housing – has its own governing board but is still "administratively attached" to the Department. Additionally, the Department has other divisions that focus on monitoring compliance, legal counsel, research and planning, communications and governmental relations, budget and accounting, internal audit, credit underwriting, and colonia initiatives.

The Department has a seven (7) member governing board which is appointed by the Governor and confirmed by the Senate. The members are: Tyler, term expires 01-31-03); C. Kent Conine (Frisco, term expires 01-31-03); Shadrick Bogany (Houston, term expires 01-31-05); Vidal Gonzalez (Del Rio, term expires 01-31-05); Norberto Salinas (Mission, term expires 01-31-05); Elizabeth Anderson (Dallas, term expires 01-31-07) The seventh position is vacant.

#### Purposes

Chapter 2306 of the Texas Government Code states the purposes of the Department to be: assist local governments in providing essential public services for their citizens; overcome financial, social, and environmental problems; to provide for the housing needs of individuals and families of low, very low, and extremely low income and families of moderate income; and, to contribute to the preservation, development, and redevelopment of neighborhoods and government-assisted housing occupied by individuals and families of very low and extremely low income.

Pursuant to these purposes, the Department's Housing Programs and Housing Finance Divisions make funds available on a statewide basis. The Community Affairs Division administers statewide programs that support the delivery of community services. Regulation of the manufactured housing industry is also statewide and is administered by the Manufactured Housing division, an independent entity within the Department. Colonia Initiatives coordinates the Department's efforts toward serving people in colonias along the Texas-Mexico border. These initiatives also focus on infrastructure, affordable housing, and technical assistance. The Housing Resource Center (the Center) serves as an information clearinghouse on affordable housing. In addition, the Center serves as the research arm for the Department, focusing on needs assessments. The Center also ensures that homebuyer education is available throughout the state through the Texas Statewide Homebuyer Education Program (TSHEP).

The Department distributes program funds to local conduit providers that include units of local government, nonprofit organizations, community-based organizations, private sector organizations, real estate developers, and local lending institutions. The Department also selects local affordable housing and homeless service providers through competitive processes that measure community need and administrative capacity, insuring that priority populations are served in a fair and non-discriminatory manner. In administering its poverty programs through a network of local nonprofits, local government, and community action agencies, the Department defines policy direction, promotes the leveraging of federal, state and local resources, and assures the stability and continuity of service delivery.

#### Funding Sources

The overwhelming majority of programs administered by the Department rely on federal resources. The Department administered approximately \$73 million from the Housing and Urban Development ("HUD") in fiscal year 2001 through the HOME Investment Partnerships Program and the Section 8 Program. The Department also administered the \$80 million CDBG allocation which was transferred to the Office of Rural Community Development created by HB7 of the 77th Legislature. The Department still provides some administrative services through an Interagency Agreement. Utilizing authority granted to the State

## ADMINISTRATOR'S STATEMENT

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the Internal Revenue Service (IRS), the Department issued \$32 million in federal tax credits to be used for the development of multifamily affordable housing. The IRS also granted bond issuance authority of approximately \$200 million to be used for below market interest rate loans for moderate, low, and very low-income affordable multifamily housing. Additionally, the Department administered approximately \$44 million from the U.S. Department of Health and Human Services Community Services Block Grant Program ("CSBG") and the Low Income Housing Energy Assistance Program from the U.S. Department of Energy.

State appropriations to the Department for the Housing Trust Fund (HTF) remained static in the 2002-2003 biennium. The Legislature appropriated \$12.6 million for the HTF over the biennium. Of this, \$2 million is in oil-overcharge funds to be used for energy efficiency measures associated with affordable housing. The Department has earmarked \$1 million of HTF appropriations for 2002 to help meet funding requirements for the Texas Bootstrap Government Code.) The Department received approximately \$18 million in new state appropriations through the System Benefit Fund and \$1 million in energy efficiency programs in the 2002-2003 biennium. The Department also receives funding for energy efficiency programs from utility companies that have not entered into de-regulation.

### Legislative Initiatives

The 77th Legislature directed the Department to undertake a significant amount of new initiatives and pilot programs associated with affordable housing. The Department's "Sunset Bill", dramatically altered the way the Department conducts its business. Key elements include: reorganization of the Community Development Block Grant (CDBG) program to the Office of Rural Community Affairs (ORCA); movement of 14 FTEs to ORCA in addition to CDBG staff; implementation of a new review process for all award decisions, including creation of an Executive Award and Review Advisory Committee; addition of compliance and construction phase; additional public hearing requirements for programs; establishment of a program to preserve "at-risk" developments; creation of a separate branch for Manufactured Housing division while the division stays "administratively attached" to the Department; requirement for the Department to obtain certifications of compliance with anti-discrimination laws by applicants for all housing-related programs; establishment of a regional planning process and directed the Department to hire regional coordinators for each state service region (this would create 11 new FTE positions not funded through the Appropriations Bill); directed the HOME program to expend a percentage of its funds in non-participating jurisdiction areas; reformed the Low Income Housing Tax Credit program with a significant expansion; directed the Department to develop a single-family mortgage loan product for homebuyers who might use higher-priced lending products; and, established a regional allocation method for multi-family housing; and new colonia initiatives. (See discussion of colonia initiatives in the next section.)

Other legislation that directly impacted the Department's work load and budget included: SB 198 (applying contract-for-deed homebuyer protection to the Office of Rural Community Affairs and transferred Community Development Block Grant program); HB 468 (related to the application of open meetings law and open records law to certain entities eligible to receive funds under federal Community Services Block Grant program); HB 1392 (related to the transportation of and certain ad valorem tax liens on manufactured homes); HB 1811 (directed HOME program to allocate 95% of its funding to areas considered non-urban); HB 1902 (re-created System Benefit Fund account and established priorities for its expenditures); HB 3088 (created and re-created funds and accounts in state treasury for System Benefit Fund expenditures made by community housing development organizations); HB 3450 (Sunset Bill for Interagency Council for Manufactured Housing); HB 3623 (related to the transfer of certain underused real property owned or controlled by the state to political subdivisions to be used for affordable or accessible housing).

### Citizen Participation

Effective service delivery would not be possible without a strong citizen participation process. Dialogue and communication with program consumers at the local level through program information workshops, public hearings, technical training sessions, and town hall-type meetings allows the Department to work towards its

## ADMINISTRATOR'S STATEMENT

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program information workshops, public hearings, technical training sessions, and town hall-type meetings allows the Department to work towards its Department implemented Sunset recommendations regarding the consolidation of public hearings. Specifically, the Department now has 11 agency-wide public hearings one Per Uniform State Service Region. These hearings give the public the opportunity to meet staff face to face, learn about the Department's programs, and give input regarding the direction of agency programs. In addition, the Department helped to coordinate housing and community service focus groups at each of the 24 Regional Planning Commissions. The collaborative efforts between the Department, consumers, and organizations have resulted in a participatory and inclusive approach to defining strategic diverse housing and community needs of Texans.

In conclusion, the Department assesses the housing and community needs of its consumers on a continual basis. The main challenge is to leverage limited resources to achieve the greatest public purpose. Policy consensus is reached through an extensive citizen participation process. The respective state or federal governing body then approves the policies. While the Department does not have enough resources to address all of the need across the State, it does work to improve the efficiency of service delivery, thus serving customers without increased funding levels. The Texas Department of Housing and Community Affairs serves the greatest number of consumers of program planning and efficiency. This focus is in direct correlation with the State's priority goal of promoting self-sufficiency.

### Exceptional Items

The Department, along with the Office of the Secretary of State, the Texas Water Development Board and the Office of Rural Community Affairs, is focused on the problems of colonias along the Texas-Mexico border. Recent research estimates that there are as many as 700,000 Texans living in sub-standard areas; many of them have no water or wastewater connections to their homes. Since 1996, the Department's Office of Colonia Initiatives (OCI) has dedicated itself to resolving as many of these issues as possible, funds permitting. However, this office and its four field offices (El Paso, Eagle Pass, Laredo and Edinburg) have never received a dedicated source of funding from the Texas Legislature. Consequently, the Department utilized a large portion of the funding from the state's only dedicated housing fund – the Housing Trust Fund – and other Department resources, to support the OCI. Therefore, the Department

Funding for this exceptional item will provide housing for extremely low and very low income individuals and families, helping the Department to reach its Rider 13-mandated goal of reaching families with contracts-for-deeds in the 0-30% and 0-60% Area Median Family Income ranges. The funding will also facilitate the construction of 200 single-family units through the Texas Bootstrap Program and assist 200 households through the Contract-for-Deed Conversion Loan Program. OCI will also utilize this funding through many non-profit organizations which assist these residents along the border. The funding will also enable the Department to fulfill an unfunded mandate from SB 322, which requires the Department to develop a colonia model subdivision loan program. Furthermore, a dedicated source of funding for OCI would free up at least \$6 million over the budget from the Housing Trust Fund, the state's only source of housing funds and a more flexible tool that provides TDHCA flexibility in attacking the state's housing crisis. Finally, the Department would create performance measures for OCI and provide state and local planners with valuable data on housing needs of low income citizens.

Subchapter CC, Texas Government Code, directs the Department to administer the Emergency Nutrition Assistance Program, requesting \$6 million over the 2004-2005 biennium to facilitate the administration and enactment of this important program, which is the only state emergency relief program, aimed at helping those near or at the poverty level. This funding will assist the Department in helping approximately 50,000 individuals and families, primarily in rural areas of the state. Previous to the 2000-2001 biennium, this program received a minimum of \$3 million in Oil Overcharge funds each year and allowed local governments to assist approximately 100,000 low income individuals each year through energy-related services such as utility assistance. Although no new oil overcharge funds were available in FY 2000, the Department was granted Unexpended Balance (UB) authority and assisted 22,273 persons through ENTERP with \$853,767 (\$356,348 in general revenue and \$497,419 in oil overcharge funds). In FY 2001, the Department used \$472,998 (\$355,211 in GR and \$117,787 unexpended oil overcharge) to assist 12,482 persons. The Department received \$1,000,000 in FY 2002 and FY 2003 to carry out the duties of this program. ENTERP was originally funded with general revenue and such funds will allow the program to be fully operational.

**ADMINISTRATOR'S STATEMENT**

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Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

emergency food purchases in addition to emergency gas vouchers, for example.

The Department is requesting \$250,000 and one FTE to fulfill its monitoring of the Section 8 Tenant Occupancy requirement per federal and state legislation. Section 2306.257 of the Texas Government Code require the Department to further its fair housing objectives. This position would be responsible for occupancy in TDHCA-funded properties and would coordinate corrective action, ensure successful implementation of newly adopted rule contract templates, and training of industry and modification of training tools and tracking systems. Funding for this item will enable TDHCA to specifically monitor Section 8 tenant occupancy in Low Income Housing Tax Credit program properties and report violations. This funding would also allow for the hiring of tester: significant sample of developments each year. Testers are the most effective strategy to ensure compliance with Section 8 tenant admittance requirements. The funding will also enhance the Department's Fair Housing efforts under all program areas. The Department will utilize non-GR funding in the form of appropriated receipts to support this request. More specifically, the Department plans to increase its Low Income Housing Tax Credit program compliance fees to fund this request.

Coupled alongside the Section 8 Tenant Occupancy Monitor request is the Department's request for \$63,000 for a Fair Housing Officer. The position would coordinate technical assistance to owners and managers of projects, and help the Department to coordinate activities with the Texas Commission on Human Resources in order to comply with SB 322, the Department utilized an FTE designed for another area of responsibility in the Department's Compliance division. The funding would allow TDHCA to utilize the FTE in the area impacted by the transfer of this FTE. Consequently, the Department would be able to take a more aggressive approach toward ensuring housing practices in multifamily and single family units. As with the Section 8 Occupancy monitoring requirement request, the Department plans to utilize appropriated receipts in the form of increased LIHTC compliance fees to fund this request.

The Manufactured Housing Division is requesting as an exceptional item the authority to hire 30 additional FTEs in order to meet anticipated new federal requirements for manufactured housing installations to be inspected. The United States Code enforcement of installation standards. The implementation of the installation program is scheduled for 2005. While HUD has not completed development of the installation program, HUD has indicated it may require all installations be inspected. Currently, the Texas Manufactured Housing Standards Act requires that at least 25% of the installed be inspected. The Federal program will establish a yet-to-be-determined fee to reimburse the states for these inspections. The Division anticipates defraying the cost of additional FTEs by receipt of Federal funds for inspecting installations and from General Revenue funds obtained from In Plant Inspection Agency (IPIA) fees received should Division receive the exclusive IPIA rights from the Texas Legislature.

Finally, in order to establish a more competitive salary and salary range for the Executive Director position at TDHCA, the Department is requesting to move this exempt position from a Group 4 to a Group 5 exempt classification with a salary range of \$90,060 to \$139,140. Increases in salary will be based on the TDHCA Governing Board's approval of these salary increases. This request is based on a comparison of the current TDHCA Executive Director's salary to comparable state agencies, to salaries and groups of the agencies within the Business and Economic Development Group of Texas State Agencies, and from the salary survey of the National Director Salary Survey.



**SUMMARY OF REQUEST**

**II.A. SUMMARY OF BASE REQUEST BY STRATEGY**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **12:07:09PM**

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>Goal / Objective / STRATEGY</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b>1</b> Increase Availability of Safe/Decent/Affordable Housing					
<b>1</b> <i>Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg</i>					
<b>1</b> HOUSING TRUST FUND	6,556,568	6,562,260	6,556,568	5,318,656	5,310,175
<b>2</b> HOME PROGRAM	1,147,559	40,818,946	78,635,710	40,759,730	40,759,710
<b>3</b> SECTION 8 RENTAL ASSISTANCE	9,100,284	8,040,935	9,480,000	9,841,136	9,812,078
<b>4</b> FEDERAL TAX CREDITS	874,648	1,109,099	1,370,409	1,687,697	1,711,873
<b>5</b> MRB PROGRAM - SINGLE FAMILY	1,569,909	1,594,013	1,658,863	1,666,037	1,675,503
<b>6</b> MRB PROGRAM-MULTIFAMILY	218,786	294,325	340,321	341,484	344,298
<b>TOTAL, GOAL 1</b>	<b>\$19,467,754</b>	<b>\$58,419,578</b>	<b>\$98,041,871</b>	<b>\$59,614,740</b>	<b>\$59,613,637</b>
<b>2</b> To Improve the Living Conditions and Lives of Border Residents in TX					
<b>1</b> <i>Fund Project Which Creates/Retains Jobs &amp; Housing Assistance/Planning</i>					
<b>2</b> COLONIA SERVICE CENTERS	520,940	626,917	664,499	722,182	689,173
<b>TOTAL, GOAL 2</b>	<b>\$520,940</b>	<b>\$626,917</b>	<b>\$664,499</b>	<b>\$722,182</b>	<b>\$689,173</b>
<b>3</b> Improve Living Conditins for Poor/Homeless & Reduce Enery Costs for VLI					
<b>1</b> <i>Ease Hardships for 16% of Homeless &amp; Very Low Income Persons Each Year</i>					
<b>1</b> POVERTY-RELATED FUNDS	33,333,931	35,912,176	36,168,408	36,176,389	36,178,408
<b>2</b> <i>Reduce Cost of Home Energy for 6% of Very Low Income Households</i>					
<b>1</b> ENERGY ASSISTANCE PROGRAMS	60,531,843	49,455,367	55,626,801	53,626,801	53,641,801
<b>TOTAL, GOAL 3</b>	<b>\$93,865,774</b>	<b>\$85,367,543</b>	<b>\$91,795,209</b>	<b>\$89,803,190</b>	<b>\$89,820,209</b>

**II.A. SUMMARY OF BASE REQUEST BY STRATEGY**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **12:07:09PM**

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>Goal / Objective / STRATEGY</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b>4</b> Ensure Compliance with Program Mandates					
<b>1</b> <i>Monitor Housing Properties and Loan/Grant Recipients</i>					
<b>1</b> REVIEW PROPERTY DOCUMENTS	1,716,524	2,129,337	2,149,882	2,434,649	2,386,686
<b>2</b> REVIEW FINANCIAL DOCUMENTS	800,960	351,014	427,784	476,749	442,094
<b>TOTAL, GOAL</b> <b>4</b>	<b>\$2,517,484</b>	<b>\$2,480,351</b>	<b>\$2,577,666</b>	<b>\$2,911,398</b>	<b>\$2,828,780</b>
<b>5</b> Regulate Manufactured Housing Industry					
<b>1</b> <i>Operate a Regulatory System Ensure Responsive Titling/Licensing/Other</i>					
<b>1</b> TITLING AND LICENSING	930,316	990,310	948,767	1,557,171	1,564,451
<b>2</b> INSTALLATION INSPECTIONS	1,615,824	1,691,365	1,897,535	2,146,510	2,155,776
<b>3</b> ENFORCEMENT	1,937,714	2,257,149	2,347,536	2,395,361	2,404,817
<b>TOTAL, GOAL</b> <b>5</b>	<b>\$4,483,854</b>	<b>\$4,938,824</b>	<b>\$5,193,838</b>	<b>\$6,099,042</b>	<b>\$6,125,044</b>
<b>6</b> Indirect Administrative and Support Costs					
<b>1</b> <i>Indirect Administrative and Support Costs</i>					
<b>1</b> CENTRAL ADMINISTRATION	4,632,959	4,576,477	5,121,882	5,349,036	5,356,717
<b>2</b> INFORMATION RESOURCE TECHNOLOGIES	1,301,877	1,493,131	1,386,858	1,423,612	1,438,200
<b>3</b> OPERATING/SUPPORT	536,079	576,341	605,537	615,960	622,396
<b>TOTAL, GOAL</b> <b>6</b>	<b>\$6,470,915</b>	<b>\$6,645,949</b>	<b>\$7,114,277</b>	<b>\$7,388,608</b>	<b>\$7,417,313</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$127,326,721</b>	<b>\$158,479,162</b>	<b>\$205,387,360</b>	<b>\$166,539,160</b>	<b>\$166,494,156</b>

**II.A. SUMMARY OF BASE REQUEST BY STRATEGY**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **12:07:09PM**

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>Goal / Objective / STRATEGY</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*</b>				<b>1,350,000</b>	<b>1,350,000</b>
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$127,326,721</b>	<b>\$158,479,162</b>	<b>\$205,387,360</b>	<b>\$167,889,160</b>	<b>\$167,844,156</b>
METHOD OF FINANCING:					
<b>1</b> General Revenue Fund					
	\$10,030,476	\$9,311,976	\$9,767,298	\$10,881,664	\$10,897,610
<b>127</b> Community Affairs Federal Fund No. 127					
	\$92,555,835	\$126,475,745	\$168,050,955	\$130,544,092	\$130,499,068
<b>666</b> Appropriated Receipts					
	\$21,514,549	\$12,747,820	\$14,211,619	\$14,512,805	\$14,477,747
<b>777</b> Interagency Contracts					
	\$1,973,900	\$1,579,641	\$1,597,967	\$82,967	\$82,967
<b>852</b> System Benefit Fund					
	\$0	\$7,178,000	\$10,767,000	\$10,767,000	\$10,767,000
<b>888</b> Earned Federal Funds					
	\$1,251,961	\$1,185,980	\$992,521	\$1,100,632	\$1,119,764
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$127,326,721</b>	<b>\$158,479,162</b>	<b>\$205,387,360</b>	<b>\$167,889,160</b>	<b>\$167,844,156</b>

\*Rider appropriations for the historical years are included in the strategy amounts.

**II.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **12:11:04PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>METHOD OF FINANCING</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b><u>GENERAL REVENUE</u></b>					
<b><u>1</u></b> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table	10,026,821	9,652,003	9,763,474	9,531,664	9,547,610
<i>RIDER APPROPRIATION</i>					
Rider #16 Housing Trust Fund Interest Earnings and Loan Repayments	250,000	0	0	0	0
Rider #15 Housing Trust Fund Interest Earnings and Loan Repayments	0	250,000	250,000	350,000	350,000
Rider 10 - Manufactured Homeowner Consumer Claims	0	50,000	50,000	1,000,000	1,000,000
Rider #11 - Manufactured Homeowner Consumer Claims	50,000	0	0	0	0
Rider #16 Unexpended Balances, Grants and Contracts (HTF)	0	0	0	0	0
<i>TRANSFERS</i>					
Art IX, Sec 9-11.06, Appropriations for Salary Increase	105,000	0	0	0	0
Art IX, Sec 6.44, TCDHH - Funding Regional Specialists Projects	0	-1,334	-1,334	0	0
Art IX, Sec 10.12, Appropriation for Salary Increase	0	115,000	115,000	0	0
Art IX, Sec 10.36 and SB 311, Cost Savings - Reverse Auctions	0	-470	-470	0	0
Art IX, Sec 10.23 and Contongency HB 2976, SORM	0	34,199	34,199	0	0
Art IX, Sec 10.95 and HB 7, ORCA (Strategy LGS 2.1.1.)	-289,850	-310,274	-309,566	0	0
Art IX, Sec 10.95 and HB 7, ORCA (Strategy Cent Admin 6.1.1.)	0	-132,143	0	0	0
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations	-111,495	-345,005	-134,005	0	0

**II.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **12:12:14PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>METHOD OF FINANCING</b>		<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b>TOTAL,</b>	<b>General Revenue Fund</b>	<b>\$10,030,476</b>	<b>\$9,311,976</b>	<b>\$9,767,298</b>	<b>\$10,881,664</b>	<b>\$10,897,610</b>
<b>888</b>	Earned Federal Funds					
	<i>REGULAR APPROPRIATIONS</i>					
	Regular Appropriation from MOF Table	1,366,823	1,569,021	1,495,908	1,100,632	1,119,764
	<i>TRANSFERS</i>					
	Art IX, Sec 10.12, Appropriation for Salary Increase	0	45,000	45,000	0	0
	Art IX, Sec 10.23 and Contingency HB 2976, SORM	0	15,826	15,826	0	0
	Art IX, Sec 10.95 and HB 7, Office of Rural Community Affairs	0	-224,524	-514,996	0	0
	Art IX, Sec 9-11.06, Salary Increase	38,149	0	0	0	0
	<i>LAPSED APPROPRIATIONS</i>					
	Lapsed Appropriation	-153,011	-219,343	-49,217	0	0
<b>TOTAL,</b>	<b>Earned Federal Funds</b>	<b>\$1,251,961</b>	<b>\$1,185,980</b>	<b>\$992,521</b>	<b>\$1,100,632</b>	<b>\$1,119,764</b>
<b>8039</b>	GR Match for Community Development Block Grants					
	<i>REGULAR APPROPRIATIONS</i>					
	Regular Appropriation from the MOF Table	1,099,630	1,154,455	1,180,838	0	0
	<i>TRANSFERS</i>					
	Art IX, Sec 6.44, TCDHH - Funding Regional Specialists Projects	0	-4,927	-4,927	0	0
	Art IX, Sec 10.95 and HB 7, Office of Rural Community Affairs	-1,047,703	-1,149,528	-1,175,911	0	0
	<i>LAPSED APPROPRIATIONS</i>					
	Lapsed Appropriation	-51,927	0	0	0	0

**II.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:12:16PM

Agency code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

METHOD OF FINANCING	Exp 2001	Est 2002	Bud 2003	Req 2004	Req 2005
<b>TOTAL, GR Match for Community Development Block Grants</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL, ALL GENERAL REVENUE</b>	<b>\$11,282,437</b>	<b>\$10,497,956</b>	<b>\$10,759,819</b>	<b>\$11,982,296</b>	<b>\$12,017,374</b>

**FEDERAL FUNDS**

127 Community Affairs Federal Fund No. 127

*REGULAR APPROPRIATIONS*

Regular Appropriation from MOF Table

175,602,845	185,125,588	185,124,754	130,544,092	130,499,068
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*RIDER APPROPRIATION*

Art IX, Sec 9-8.02 Federal Funds/Block Grants (Revised Fed Receipts)

39,356,093	0	0	0	0
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Art IX, Sec 8.02, Federal Funds/Block Grants (Revised Fed Receipts)

0	22,707,757	28,918,970	0	0
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*TRANSFERS*

Art IX, Sec 9-11.06, Appropriation for Salary Increase

119,868	0	0	0	0
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Art IX, Sec 6.44, TCDHH - Funding Regional Specialists Projects

0	-12,696	-12,696	0	0
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Art IX, Sec 10.12, Appropriation for Salary Increase

0	120,000	120,000	0	0
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Art IX, Sec 10-95 and HB 7, Office of Rural Community Affairs

-83,066,971	-83,545,724	-83,544,375	0	0
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Art IX, Sec 10.23 and Contingency HB 2976, SORM

0	34,561	34,561	0	0
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*UNEXPENDED BALANCES AUTH*

Unexpended Balance (HOME Program)

-39,456,000	39,456,000	0	0	0
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Unexpended Balance (HOME)

0	-37,409,741	37,409,741	0	0
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**TOTAL, Community Affairs Federal Fund No. 127**

<b>\$92,555,835</b>	<b>\$126,475,745</b>	<b>\$168,050,955</b>	<b>\$130,544,092</b>	<b>\$130,499,068</b>
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**II.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **12:12:16PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>METHOD OF FINANCING</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b>TOTAL, ALL FEDERAL FUNDS</b>	<b>\$92,555,835</b>	<b>\$126,475,745</b>	<b>\$168,050,955</b>	<b>\$130,544,092</b>	<b>\$130,499,068</b>

**OTHER FUNDS**

**666** Appropriated Receipts

*REGULAR APPROPRIATIONS*

Regular Appropriations from the MOF Table

11,752,815	13,251,062	12,475,376	14,512,805	14,477,747
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*RIDER APPROPRIATION*

Art IX, Sec 9-8.01, Acceptance of Gifts of Money - Investor Owned Util 10,768,000	0	0	0	0
Art IX, Sec 8.01, Acceptance of Gifts of Money - Investor Owned Util 0	1,000,000	1,500,000	0	0

*TRANSFERS*

Art IX, Sec 9-11.06, Appropriation for Salary Increase 152,182	0	0	0	0
Art IX, Sec 6.44, Funding Regional Specialists Projects 0	-865	-865	0	0
Art IX, Sec 10.12, Appropriation for Salary Increase 0	265,000	265,000	0	0
Art IX, Sec 10.23 and Contingency HB 2976, SORM 0	189,905	189,905	0	0

*LAPSED APPROPRIATIONS*

Lapse Appropriation	-1,158,448	-1,957,282	-217,797	0	0
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<b>TOTAL, Appropriated Receipts</b>	<b>\$21,514,549</b>	<b>\$12,747,820</b>	<b>\$14,211,619</b>	<b>\$14,512,805</b>	<b>\$14,477,747</b>
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**777** Interagency Contracts

*REGULAR APPROPRIATIONS*

Regular Appropriations from MOF Table

1,500,000	1,500,000	1,500,000	82,967	82,967
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*RIDER APPROPRIATION*



**II.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **12:12:17PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>METHOD OF FINANCING</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
Art I-27, Rider #9 Oil Overcharge Settlement, Weatherization 360,791		0	0	0	0
Art I-27, Rider #9 Oil Overcharge Settlement, Housing Trust Fund 113,109		0	0	0	0
<i>TRANSFERS</i>					
Art IX, Sec 10.95 and HB 7, ORCA (Strategy OCI, 2.1.2.) 0		79,641	97,967	0	0
<i>LAPSED APPROPRIATIONS</i>					
Lapse Appropriations	0	0	0	0	0
<b>TOTAL, Interagency Contracts</b>	<b>\$1,973,900</b>	<b>\$1,579,641</b>	<b>\$1,597,967</b>	<b>\$82,967</b>	<b>\$82,967</b>
<b>852</b> System Benefit Fund					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriation from the MOF Table	0	7,178,000	10,767,000	10,767,000	10,767,000
<b>TOTAL, System Benefit Fund</b>	<b>\$0</b>	<b>\$7,178,000</b>	<b>\$10,767,000</b>	<b>\$10,767,000</b>	<b>\$10,767,000</b>
<b>TOTAL, ALL OTHER FUNDS</b>	<b>\$23,488,449</b>	<b>\$21,505,461</b>	<b>\$26,576,586</b>	<b>\$25,362,772</b>	<b>\$25,327,714</b>
<b>GRAND TOTAL</b>	<b>\$127,326,721</b>	<b>\$158,479,162</b>	<b>\$205,387,360</b>	<b>\$167,889,160</b>	<b>\$167,844,156</b>
<b>FULL-TIME-EQUIVALENT POSITIONS</b>	<b>307.8</b>	<b>337.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>

**II.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **12:13:40PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>OBJECT OF EXPENSE</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>BL 2004</b>	<b>BL 2005</b>
1001 SALARIES AND WAGES	\$12,918,057	\$14,067,727	\$15,078,493	\$15,078,494	\$15,078,494
1002 OTHER PERSONNEL COSTS	\$172,746	\$266,149	\$207,357	\$207,357	\$207,357
2001 PROFESSIONAL FEES AND SERVICES	\$1,527,702	\$1,349,327	\$2,098,554	\$2,530,275	\$2,400,553
2002 FUELS AND LUBRICANTS	\$60	\$302	\$0	\$0	\$0
2003 CONSUMABLE SUPPLIES	\$141,607	\$209,580	\$363,097	\$440,149	\$431,494
2004 UTILITIES	\$75,535	\$66,223	\$140,899	\$213,514	\$218,514
2005 TRAVEL	\$758,564	\$729,792	\$954,325	\$992,585	\$998,085
2006 RENT - BUILDING	\$1,731,238	\$1,893,461	\$1,947,618	\$2,033,433	\$2,072,926
2007 RENT - MACHINE AND OTHER	\$159,830	\$129,549	\$158,002	\$155,502	\$162,502
2009 OTHER OPERATING EXPENSE	\$2,468,414	\$2,504,440	\$2,771,450	\$3,587,481	\$3,573,276
3001 CLIENT SERVICES	\$8,326,423	\$7,263,725	\$8,567,976	\$8,877,976	\$8,877,976
4000 GRANTS	\$98,664,938	\$129,126,537	\$172,768,821	\$131,547,206	\$131,882,977
5000 CAPITAL EXPENDITURES	\$381,607	\$872,350	\$330,768	\$875,188	\$590,002
<b>OOE Total (Excluding Riders)</b>	<b>\$127,326,721</b>	<b>\$158,479,162</b>	<b>\$205,387,360</b>	<b>\$166,539,160</b>	<b>\$166,494,156</b>
<b>OOE Total (Riders)</b>				<b>\$1,350,000</b>	<b>\$1,350,000</b>
<b>Grand Total</b>	<b>\$127,326,721</b>	<b>\$158,479,162</b>	<b>\$205,387,360</b>	<b>\$167,889,160</b>	<b>\$167,844,156</b>

**II.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES**

78th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation system of Texas (ABEST)

Date : **9/4/2002**  
Time: **12:15:10PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Goal/ Objective / <b>OUTCOME</b>	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
1 Increase Availability of Safe/Decent/Affordable Housing					
1 <i>Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg</i>					
<b>KEY 1 Percent Households/Individuals Needing Affordable Housing</b>	1.20%	1.00%	1.00%	0.93%	0.95%
<b>KEY 2 Percent Very Low Income Households Receiving Housing Assistance</b>	1.00%	0.70%	0.70%	0.82%	0.83%
<b>KEY 3 Percent Low Income Households Receiving Housing Assistance</b>	2.02%	1.90%	1.70%	1.46%	1.49%
<b>KEY 4 Percent Households of Moderate Income Receiving Housing Assistance</b>	0.18%	0.18%	0.50%	0.17%	0.17%
<b>5 Percent of Multi-family Rental Units Benefiting VL/MI Households</b>	75.00%	75.00%	75.00%	75.00%	75.00%
3 Improve Living Conditns for Poor/Homeless & Reduce Enery Costs for VLI					
1 <i>Ease Hardships for 16% of Homeless &amp; Very Low Income Persons Each Year</i>					
<b>KEY 1 % in Poverty That Received Homeless and Poverty-related Assistance</b>	19.02%	13.30%	13.30%	13.30%	13.30%
<b>2 Percent of Emergency Shelters Assisted</b>	7.88%	5.50%	5.50%	5.50%	5.50%
<b>3 Percent of Persons Achieving Incomes Above Poverty Level</b>	0.50%	0.02%	0.02%	0.02%	0.02%
2 <i>Reduce Cost of Home Energy for 6% of Very Low Income Households</i>					
<b>KEY 1 Percent of Very Low Income Households Receiving Energy Assistance</b>	11.30%	4.10%	4.15%	6.00%	6.00%
4 Ensure Compliance with Program Mandates					
1 <i>Monitor Housing Properties and Loan/Grant Recipients</i>					
<b>KEY 1 Percent of Properties Monitored</b>	100.00%	100.00%	100.00%	100.00%	100.00%
<b>KEY 2 Percent of Sub-recipients Monitored</b>	100.00%	100.00%	100.00%	100.00%	100.00%
<b>3 Percent of Properties in Compliance</b>	95.00%	85.00%	85.00%	90.00%	90.00%

**II.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES**

78th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation system of Texas (ABEST)

Date : **9/4/2002**

Time: **12:16:37PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Goal/ Objective / <b>OUTCOME</b>	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
5 Regulate Manufactured Housing Industry					
1 <i>Operate a Regulatory System Ensure Responsive Titling/Licensing/Other</i>					
<b>1 Percent of Applications Processed within Established Time Frames</b>	100.00%	95.00%	95.00%	97.00%	97.00%
<b>KEY 2 Percent of Consumer Complaint Inspections Conducted within 30 Days</b>	98.80%	95.00%	95.00%	98.00%	98.00%
<b>3 Percent of Complaints Resulting in Disciplinary Action</b>	14.40%	22.00%	22.00%	20.00%	20.00%
<b>4 Percent of Documented Complaints Resolved within Six Months</b>	69.30%	72.00%	72.00%	70.00%	70.00%
<b>5 Recidivism Rate for Those Receiving Disciplinary Action</b>	0.00%	5.00%	5.00%	5.00%	5.00%

**II.E. SUMMARY OF EXCEPTIONAL ITEMS REQUEST**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
TIME : 12:17:36PM

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Priority	Item	2004			2005			Biennium		
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	
1	ENTERP	\$ 3,000,000	\$ 3,000,000		\$ 3,000,000	\$ 3,000,000		\$ 6,000,000	\$ 6,000,000	
2	Office of Colonia Initiatives	\$ 7,500,000	\$ 7,538,600	1.0	\$ 7,500,000	\$ 7,538,600	1.0	\$ 15,000,000	\$ 15,077,200	
3	Section 8/Fair Housing		\$ 161,252	1.0		\$ 163,094	1.0		\$ 324,346	
4	Installation Inspections FTE's	\$ 565,698	\$ 942,830	30.0	\$ 556,506	\$ 927,510	30.0	\$ 1,122,204	\$ 1,870,340	
<b>Total, Exceptional Items Request</b>		<b>\$ 11,065,698</b>	<b>\$ 11,642,682</b>	<b>32.0</b>	<b>\$ 11,056,506</b>	<b>\$ 11,629,204</b>	<b>32.0</b>	<b>\$ 22,122,204</b>	<b>\$ 23,271,886</b>	
<b>Method of Financing</b>										
	General Revenue	\$ 11,065,698	\$ 11,065,698		\$ 11,056,506	\$ 11,056,506		\$ 22,122,204	\$ 22,122,204	
	General Revenue - Dedicated									
	Federal Funds		377,132			371,004			748,136	
	Other Funds		199,852			201,694			401,546	
		<b>\$ 11,065,698</b>	<b>\$ 11,642,682</b>		<b>\$ 11,056,506</b>	<b>\$ 11,629,204</b>		<b>\$ 22,122,204</b>	<b>\$ 23,271,886</b>	
<b>Full Time Equivalent Positions</b>				<b>32.0</b>				<b>32.0</b>		

**II.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/4/2002

TIME : 12:19:09PM

Agency code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

<b>Goal/Objective/STRATEGY</b>	<b>Base 2004</b>	<b>Base 2005</b>	<b>Exceptional 2004</b>	<b>Exceptional 2005</b>	<b>Total Request 2004</b>	<b>Total Request 2005</b>
<b>1 Increase Availability of Safe/Decent/Affordable Housing</b>						
<b>1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg</b>						
<b>1 HOUSING TRUST FUND</b>	\$ 5,318,656	\$ 5,310,175	\$ 6,750,000	\$ 6,750,000	\$ 12,068,656	\$ 12,060,175
<b>2 HOME PROGRAM</b>	40,759,730	40,759,710	0	0	40,759,730	40,759,710
<b>3 SECTION 8 RENTAL ASSISTANCE</b>	9,841,136	9,812,078	0	0	9,841,136	9,812,078
<b>4 FEDERAL TAX CREDITS</b>	1,687,697	1,711,873	0	0	1,687,697	1,711,873
<b>5 MRB PROGRAM - SINGLE FAMILY</b>	1,666,037	1,675,503	0	0	1,666,037	1,675,503
<b>6 MRB PROGRAM-MULTIFAMILY</b>	341,484	344,298	0	0	341,484	344,298
<b>TOTAL, GOAL 1</b>	<b>\$ 59,614,740</b>	<b>\$ 59,613,637</b>	<b>\$ 6,750,000</b>	<b>\$ 6,750,000</b>	<b>\$ 66,364,740</b>	<b>\$ 66,363,637</b>
<b>2 To Improve the Living Conditions and Lives of Border Residents in TX</b>						
<b>1 Fund Project Which Creates/Retains Jobs &amp; Housing Assistance/Planning</b>						
<b>2 COLONIA SERVICE CENTERS</b>	722,182	689,173	788,600	788,600	1,510,782	1,477,773
<b>TOTAL, GOAL 2</b>	<b>\$ 722,182</b>	<b>\$ 689,173</b>	<b>\$ 788,600</b>	<b>\$ 788,600</b>	<b>\$ 1,510,782</b>	<b>\$ 1,477,773</b>
<b>3 Improve Livng Conditns for Poor/Homeless &amp; Reduce Enery Costs for VLI</b>						
<b>1 Ease Hardships for 16% of Homeless &amp; Very Low Income Persons Each Year</b>						
<b>1 POVERTY-RELATED FUNDS</b>	36,176,389	36,178,408	3,000,000	3,000,000	39,176,389	39,178,408
<b>2 Reduce Cost of Home Energy for 6% of Very Low Income Households</b>						
<b>1 ENERGY ASSISTANCE PROGRAMS</b>	53,626,801	53,641,801	0	0	53,626,801	53,641,801
<b>TOTAL, GOAL 3</b>	<b>\$ 89,803,190</b>	<b>\$ 89,820,209</b>	<b>\$ 3,000,000</b>	<b>\$ 3,000,000</b>	<b>\$ 92,803,190</b>	<b>\$ 92,820,209</b>
<b>4 Ensure Compliance with Program Mandates</b>						
<b>1 Monitor Housing Properties and Loan/Grant Recipients</b>						
<b>1 REVIEW PROPERTY DOCUMENTS</b>	2,434,649	2,386,686	161,252	163,094	2,595,901	2,549,780
<b>2 REVIEW FINANCIAL DOCUMENTS</b>	476,749	442,094	0	0	476,749	442,094
<b>TOTAL, GOAL 4</b>	<b>\$ 2,911,398</b>	<b>\$ 2,828,780</b>	<b>\$ 161,252</b>	<b>\$ 163,094</b>	<b>\$ 3,072,650</b>	<b>\$ 2,991,874</b>

**II.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/4/2002

TIME : 12:20:02PM

Agency code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

<b>Goal/Objective/STRATEGY</b>	<b>Base 2004</b>	<b>Base 2005</b>	<b>Exceptional 2004</b>	<b>Exceptional 2005</b>	<b>Total Request 2004</b>	<b>Total Request 2005</b>
<b>5 Regulate Manufactured Housing Industry</b>						
<b>1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other</b>						
<b>1 TITLING AND LICENSING</b>	\$ 1,557,171	\$ 1,564,451	\$ 0	\$ 0	\$ 1,557,171	\$ 1,564,451
<b>2 INSTALLATION INSPECTIONS</b>	2,146,510	2,155,776	942,830	927,510	3,089,340	3,083,286
<b>3 ENFORCEMENT</b>	2,395,361	2,404,817	0	0	2,395,361	2,404,817
<b>TOTAL, GOAL 5</b>	<b>\$ 6,099,042</b>	<b>\$ 6,125,044</b>	<b>\$ 942,830</b>	<b>\$ 927,510</b>	<b>\$ 7,041,872</b>	<b>\$ 7,052,554</b>
<b>6 Indirect Administrative and Support Costs</b>						
<b>1 Indirect Administrative and Support Costs</b>						
<b>1 CENTRAL ADMINISTRATION</b>	5,349,036	5,356,717	0	0	5,349,036	5,356,717
<b>2 INFORMATION RESOURCE TECHNOLOGIES</b>	1,423,612	1,438,200	0	0	1,423,612	1,438,200
<b>3 OPERATING/SUPPORT</b>	615,960	622,396	0	0	615,960	622,396
<b>TOTAL, GOAL 6</b>	<b>\$ 7,388,608</b>	<b>\$ 7,417,313</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,388,608</b>	<b>\$ 7,417,313</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$ 166,539,160</b>	<b>\$ 166,494,156</b>	<b>\$ 11,642,682</b>	<b>\$ 11,629,204</b>	<b>\$ 178,181,842</b>	<b>\$ 178,123,360</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST</b>	<b>\$ 1,350,000</b>	<b>\$ 1,350,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,350,000</b>	<b>\$ 1,350,000</b>
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$ 167,889,160</b>	<b>\$ 167,844,156</b>	<b>\$ 11,642,682</b>	<b>\$ 11,629,204</b>	<b>\$ 179,531,842</b>	<b>\$ 179,473,360</b>

**II.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/4/2002  
 TIME : 12:20:02PM

Agency code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

<b>Goal/Objective/STRATEGY</b>	<b>Base 2004</b>	<b>Base 2005</b>	<b>Exceptional 2004</b>	<b>Exceptional 2005</b>	<b>Total Request 2004</b>	<b>Total Request 2005</b>
<b>General Revenue Funds:</b>						
1 GENERAL REVENUE FUND	\$ 10,531,664	\$ 10,547,610	\$ 11,065,698	\$ 11,056,506	\$ 21,597,362	\$ 21,604,116
888 EARNED FEDERAL FUNDS	1,100,632	1,119,764	0	0	1,100,632	1,119,764
	<b>\$ 11,632,296</b>	<b>\$ 11,667,374</b>	<b>\$ 11,065,698</b>	<b>\$ 11,056,506</b>	<b>\$ 22,697,994</b>	<b>\$ 22,723,880</b>
<b>Federal Funds:</b>						
127 COMMUNITY AFFAIRS FED FD	130,544,092	130,499,068	377,132	371,004	130,921,224	130,870,072
	<b>\$ 130,544,092</b>	<b>\$ 130,499,068</b>	<b>\$ 377,132</b>	<b>\$ 371,004</b>	<b>\$ 130,921,224</b>	<b>\$ 130,870,072</b>
<b>Other Funds:</b>						
666 APPROPRIATED RECEIPTS	13,512,805	13,477,747	199,852	201,694	13,712,657	13,679,441
777 INTERAGENCY CONTRACTS	82,967	82,967	0	0	82,967	82,967
852 SYSTEM BENEFIT FUND	10,767,000	10,767,000	0	0	10,767,000	10,767,000
	<b>\$ 24,362,772</b>	<b>\$ 24,327,714</b>	<b>\$ 199,852</b>	<b>\$ 201,694</b>	<b>\$ 24,562,624</b>	<b>\$ 24,529,408</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$ 166,539,160</b>	<b>\$ 166,494,156</b>	<b>\$ 11,642,682</b>	<b>\$ 11,629,204</b>	<b>\$ 178,181,842</b>	<b>\$ 178,123,360</b>
<b>FULL TIME EQUIVALENT POSITIONS</b>	<b>323.0</b>	<b>323.0</b>	<b>32.0</b>	<b>32.0</b>	<b>355.0</b>	<b>355.0</b>



**II.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES**

Date : 9/4/2002

78th Regular Session, Agency Submission, Version 1

Time: 12:36:01PM

Automated Budget and Evaluation system of Texas (ABEST)

Agency code: 332		Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS				Total Request 2004	Total Request 2005
Goal/ Objective / OUTCOME	BL 2004	BL 2005	Excp 2004	Excp 2005			
1	Increase Availability of Safe/Decent/Affordable Housing						
1	1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg						
<b>KEY</b>	<b>1 Percent Households/Individuals Needing Affordable Housing</b>						
	0.93%	0.95 %	0.02 %	0.02%	0.02%	0.02%	
<b>KEY</b>	<b>2 Percent Very Low Income Households Receiving Housing Assistance</b>						
	0.82%	0.83 %	0.03 %	0.03%	0.03%	0.03%	
<b>KEY</b>	<b>3 Percent Low Income Households Receiving Housing Assistance</b>						
	1.46%	1.49 %	%	%	1.46%	1.49%	
<b>KEY</b>	<b>4 Percent Households of Moderate Income Receiving Housing Assistance</b>						
	0.17%	0.17 %	%	%	0.17%	0.17%	
	<b>5 Percent of Multi-family Rental Units Benefiting VL/MI Households</b>						
	75.00%	75.00 %	%	%	75.00%	75.00%	
3	Improve Livng Conditns for Poor/Homeless & Reduce Enery Costs for VLI						
1	1 Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year						
<b>KEY</b>	<b>1 % in Poverty That Received Homeless and Poverty-related Assistance</b>						
	13.30%	13.30 %	14.90 %	14.90%	14.90%	14.90%	
	<b>2 Percent of Emergency Shelters Assisted</b>						
	5.50%	5.50 %	%	%	5.50%	5.50%	
	<b>3 Percent of Persons Achieving Incomes Above Poverty Level</b>						
	0.02%	0.02 %	%	%	0.02%	0.02%	
2	2 Reduce Cost of Home Energy for 6% of Very Low Income Households						
<b>KEY</b>	<b>1 Percent of Very Low Income Households Receiving Energy Assistance</b>						
	6.00%	6.00 %	%	%	6.00%	6.00%	
4	Ensure Compliance with Program Mandates						
1	1 Monitor Housing Properties and Loan/Grant Recipients						
<b>KEY</b>	<b>1 Percent of Properties Monitored</b>						
	100.00%	100.00 %	%	%	100.00%	100.00%	
<b>KEY</b>	<b>2 Percent of Sub-recipients Monitored</b>						
	100.00%	100.00 %	%	%	100.00%	100.00%	

**II.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

Date : 9/4/2002  
Time: 12:37:08PM

Agency code: 332		Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS				Total	Total
Goal/ Objective / OUTCOME	BL 2004	BL 2005	Excp 2004	Excp 2005	Request 2004	Request 2005	
	<b>3 Percent of Properties in Compliance</b>						
	90.00%	90.00 %	%	%	90.00%	90.00%	
5	Regulate Manufactured Housing Industry						
	1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other						
	<b>1 Percent of Applications Processed within Established Time Frames</b>						
	97.00%	97.00 %	%	%	97.00%	97.00%	
<b>KEY</b>	<b>2 Percent of Consumer Complaint Inspections Conducted within 30 Days</b>						
	98.00%	98.00 %	%	%	98.00%	98.00%	
	<b>3 Percent of Complaints Resulting in Disciplinary Action</b>						
	20.00%	20.00 %	%	%	20.00%	20.00%	
	<b>4 Percent of Documented Complaints Resolved within Six Months</b>						
	70.00%	70.00 %	%	%	70.00%	70.00%	
	<b>5 Recidivism Rate for Those Receiving Disciplinary Action</b>						
	5.00%	5.00 %	%	%	5.00%	5.00%	

**PRIORITY ALLOCATION TABLE**

**III.A. PRIORITY ALLOCATION TABLE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **12:47:57PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>2002-03 Biennial Funding</b>	
Total: \$	363,866,522
GR / GR-Dedicated: \$	21,257,775

Strategy/Strategy Option/Rider	BL 2004 Funds		BL 2005 Funds		Cumulative % of 2002-03 GR / GR-Dedicated Funds
	Total	GR and GR-Dedicated	Total	GR and GR-Dedicated	
Strategy: <b>1 - 1 - 1</b> HOUSING TRUST FUND	\$ 5,318,656	\$ 5,318,656	\$ 5,310,175	\$ 5,310,175	50.00%
Strategy: <b>3 - 1 - 1</b> POVERTY-RELATED FUNDS	36,176,389	376,889	36,178,408	384,855	53.58%
Strategy: <b>5 - 1 - 1</b> TITLING AND LICENSING	1,557,171	765,270	1,564,451	764,934	60.78%
Strategy: <b>5 - 1 - 3</b> ENFORCEMENT	2,395,361	1,516,916	2,404,817	1,517,069	75.05%
Strategy: <b>5 - 1 - 2</b> INSTALLATION INSPECTIONS	2,146,510	1,291,968	2,155,776	1,292,150	87.21%
Strategy: <b>1 - 1 - 2</b> HOME PROGRAM	40,759,730	0	40,759,710	0	87.21%
Strategy: <b>1 - 1 - 5</b> MRB PROGRAM - SINGLE FAMILY	1,666,037	0	1,675,503	0	87.21%
Strategy: <b>1 - 1 - 6</b> MRB PROGRAM-MULTIFAMILY	341,484	0	344,298	0	87.21%
Strategy: <b>1 - 1 - 4</b> FEDERAL TAX CREDITS	1,687,697	0	1,711,873	0	87.21%
Strategy: <b>2 - 1 - 2</b> COLONIA SERVICE CENTERS	722,182	99,630	689,173	99,630	88.15%
Strategy: <b>3 - 2 - 1</b> ENERGY ASSISTANCE PROGRAMS	53,626,801	0	53,641,801	0	88.15%
Strategy: <b>1 - 1 - 3</b> SECTION 8 RENTAL ASSISTANCE	9,841,136	0	9,812,078	0	88.15%
Strategy: <b>4 - 1 - 1</b> REVIEW PROPERTY DOCUMENTS	2,434,649	0	2,386,686	0	88.15%
Strategy: <b>4 - 1 - 2</b> REVIEW FINANCIAL DOCUMENTS	476,749	119,263	442,094	109,608	89.22%
Strategy: <b>6 - 1 - 1</b> CENTRAL ADMINISTRATION	5,349,036	1,480,207	5,356,717	1,487,887	103.19%
Strategy: <b>6 - 1 - 2</b> INFORMATION RESOURCE TECHNOLOGIES	1,423,612	473,425	1,438,200	496,600	107.75%

**III.A. PRIORITY ALLOCATION TABLE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **12:48:33PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>2002-03 Biennial Funding</b>	
Total: \$	363,866,522
GR / GR-Dedicated: \$	21,257,775

**BL 2004 Funds**

**BL 2005 Funds**

Strategy/Strategy Option/Rider	Total	GR and GR-Dedicated	Total	GR and GR-Dedicated	Cumulative % of 2002-03 GR / GR-Dedicated Funds
Strategy: <b>6 - 1 - 3</b> OPERATING/SUPPORT	\$ 615,960	\$ 190,072	\$ 622,396	\$ 204,466	109.61%
<b>TOTAL</b>	<b>\$ 166,539,160</b>	<b>\$ 11,632,296</b>	<b>\$ 166,494,156</b>	<b>\$ 11,667,374</b>	

# **STRATEGY REQUEST**

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:50:47PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 1 Provide Loans & Grants through HTF for Very Low/Low Income Households Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	# VLI/LI Househlds That Received Loans/Grants through Housg Trust Fund	1,860.00	1,390.00	1,390.00	1,390.00	1,390.00
<b>Efficiency Measures:</b>						
1	Average Grant and/or Loan Amount Per Household	3,774.00	6,980.00	6,980.00	6,980.00	6,980.00
<b>Explanatory/Input Measures:</b>						
1	Rate of Default on Housing Trust Fund Loans	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
2	Number of Housing Trust Fund Loans or Grants Awarded	40.00	45.00	20.00	20.00	20.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$220,188	\$226,081	\$293,163	\$293,163	\$293,163
1002	OTHER PERSONNEL COSTS	\$4,110	\$2,091	\$1,680	\$1,680	\$1,680
2001	PROFESSIONAL FEES AND SERVICES	\$4,316	\$20	\$216	\$1,625	\$3,449
2003	CONSUMABLE SUPPLIES	\$3,396	\$2,296	\$5,732	\$5,821	\$5,821
2004	UTILITIES	\$867	\$541	\$1,150	\$1,150	\$1,150
2005	TRAVEL	\$9,701	\$6,820	\$12,799	\$12,799	\$12,799
2006	RENT - BUILDING	\$27,908	\$30,005	\$33,090	\$33,695	\$34,361
2007	RENT - MACHINE AND OTHER	\$2,325	\$2,333	\$2,371	\$2,371	\$2,371
2009	OTHER OPERATING EXPENSE	\$16,347	\$20,910	\$40,670	\$42,052	\$42,408
4000	GRANTS	\$6,264,282	\$6,265,309	\$6,159,002	\$4,919,002	\$4,909,002
5000	CAPITAL EXPENDITURES	\$3,128	\$5,854	\$6,695	\$5,298	\$3,971
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$6,556,568</b>	<b>\$6,562,260</b>	<b>\$6,556,568</b>	<b>\$5,318,656</b>	<b>\$5,310,175</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$5,556,568	\$5,562,260	\$5,556,568	\$5,318,656	\$5,310,175

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:43PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 1 Provide Loans & Grants through HTF for Very Low/Low Income Households Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$5,556,568</b>	<b>\$5,562,260</b>	<b>\$5,556,568</b>	<b>\$5,318,656</b>	<b>\$5,310,175</b>
<b>Method of Financing:</b>						
	777 INTERAGENCY CONTRACTS	\$1,000,000	\$1,000,000	\$1,000,000	\$0	\$0
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$0</b>	<b>\$0</b>
<b>Rider Appropriations:</b>						
1 GENERAL REVENUE FUND						
	15 1 Appropriation:Housing Trust Fund Interest Earnings and Loan Repayments				\$350,000	\$350,000
<b>TOTAL, RIDER &amp; UNEXPENDED BALANCES APPROP</b>					<b>\$350,000</b>	<b>\$350,000</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$5,668,656</b>	<b>\$5,660,175</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$6,556,568</b>	<b>\$6,562,260</b>	<b>\$6,556,568</b>	<b>\$5,318,656</b>	<b>\$5,310,175</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>5.2</b>	<b>5.6</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Housing Trust Fund was created by the 72nd Legislature, Section 2306.201 et seq., Texas Government Code. Pursuant to Section 2306, Texas Government Code, funding consists of appropriations or transfers made to the fund, unencumbered fund balances, and public or private gifts or grants. Loans and grant are provided to local units of government, public housing authorities, community housing development organizations, nonprofit organizations, for profit entities, income eligible persons and families, and persons with special needs. Funds are made available to finance, acquire, rehabilitate and develop decent, safe and sanitary housing, and to provide capacity building and predevelopment opportuni nonprofit and community housing development organizations. While eligible applicants must be low income, the Department's intention is to provide at least 50% of funds to rural areas, 15% of funds for extremely low income households and 20% of funds for very low income households. This strategy supports the Department's Goal 1, to increase and preserve the availability of safe, decent and affordable housing for very low, low and moderate income persons and families. This strategy supports the state's Priority Goal to rec dependence on public assistance through an efficient and effectiv



**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:44PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL:	1	Increase Availability of Safe/Decent/Affordable Housing	Statewide Goal/Benchmark:	6	7
OBJECTIVE:	1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg	Service Categories:		
STRATEGY:	1	Provide Loans & Grants through HTF for Very Low/Low Income Households	Service:	15	Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The Housing Trust Fund strategy relies primarily on general revenue appropriations. This strategy may also receive funding from interest on the Capital Tr Department's Housing Finance Division's unencumbered fund balances exceeding 2% of the Department's bonded indebtedness, which is rated earnings and loan repayments received from loans made through the Housing Trust Fund. The restrictive use of Oil Overcharge Funds do not allow the inclusion of these funds development funds and can only be used for energy efficiency measures. Based on past Housing Trust Fund cycles, funds are divided with the expectation that two-third produced will be multi-family rehabilitation and one-third will represent acquisition or construction of new multifamily/single family housing units. A nine-to-one leverage factor has been figured into the final numbers.

The performance of 2001 exceeded targets due to an additional one million dollars in excess bond fees which allowed additional households to be served. The average grant or loan amount has increased due to more extremely low income housing produced which costs more than very low and low income units. The number of loans and grant 2005 is expected to decrease due to an anticipated decrease in funding from non-General Revenue funding.

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:45PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 2 Provide Housing through HOME Investment Program Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	# Very Low/Low Income Househlds Benefitng HOME Invstmnt Prgm Lns/Grnts	4.00	2,031.00	2,106.00	2,300.00	2,300.00
<b>Efficiency Measures:</b>						
1	Average Amount of Subsidy Provided Per Household by the HOME Program	18,423.00	21,365.00	21,365.00	17,000.00	17,000.00
<b>Explanatory/Input Measures:</b>						
1	Rate of Default on HOME Investment Program	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
2	Number of HOME Investment Program Loans or Grants Awarded	80.00	80.00	75.00	100.00	100.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$640,195	\$980,279	\$996,181	\$996,181	\$996,181
1002	OTHER PERSONNEL COSTS	\$6,712	\$13,999	\$11,280	\$11,280	\$11,280
2001	PROFESSIONAL FEES AND SERVICES	\$18,176	\$34,940	\$81,505	\$94,421	\$102,083
2002	FUELS AND LUBRICANTS	\$1	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$7,410	\$11,574	\$26,326	\$22,299	\$22,299
2004	UTILITIES	\$2,015	\$926	\$1,800	\$1,800	\$1,800
2005	TRAVEL	\$60,150	\$52,588	\$66,000	\$66,000	\$66,000
2006	RENT - BUILDING	\$101,231	\$111,264	\$141,277	\$143,819	\$146,614
2007	RENT - MACHINE AND OTHER	\$9,060	\$10,375	\$9,957	\$9,957	\$9,957
2009	OTHER OPERATING EXPENSE	\$84,562	\$110,607	\$121,118	\$139,040	\$140,534
4000	GRANTS	\$200,000	\$39,456,628	\$77,166,494	\$39,259,281	\$39,245,683
5000	CAPITAL EXPENDITURES	\$18,047	\$35,766	\$13,772	\$15,652	\$17,279
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,147,559</b>	<b>\$40,818,946</b>	<b>\$78,635,710</b>	<b>\$40,759,730</b>	<b>\$40,759,710</b>

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:46PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 2 Provide Housing through HOME Investment Program Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Method of Financing:</b>						
	127 COMMUNITY AFFAIRS FED FD					
	14.239.000 HOME Investment Partnersh	\$1,147,559	\$40,818,946	\$78,635,710	\$40,759,730	\$40,759,710
CFDA Subtotal, Fund	127	\$1,147,559	\$40,818,946	\$78,635,710	\$40,759,730	\$40,759,710
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$1,147,559</b>	<b>\$40,818,946</b>	<b>\$78,635,710</b>	<b>\$40,759,730</b>	<b>\$40,759,710</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$40,759,730</b>	<b>\$40,759,710</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,147,559</b>	<b>\$40,818,946</b>	<b>\$78,635,710</b>	<b>\$40,759,730</b>	<b>\$40,759,710</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>15.3</b>	<b>23.0</b>	<b>22.5</b>	<b>22.5</b>	<b>22.5</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The HOME Investment Partnerships Program was created under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C., Section 12704 et. seq.). The purpose of the program is to expand the supply of decent and affordable housing for extremely low, very low and low income households. A minimum of 15% of the annual allocations must be reserved for Community Housing Development Organizations (CHDOs) for housing to be developed, sponsored or owned by the CHDO. The regulations cover a wide range of activities such as owner-occupied housing rehabilitation and reconstruction, homebuyer downpayment and closing costs assistance, rental project assistance, tenant-based rental assistance, contract for deed conversion and interim construction financing assistance. Additionally, the Rental Housing Preservation Program may combine HOME funds with other programs operated by the Department such as the Low Income Tax Credit Program. The strategy supports the Department's overall vision to increase and preserve the availability of safe, decent and affordable housing for extremely low, very low and low income persons and households. The strategy also supports the state's priority goal to reduce dependence on public assistance through an efficient and effective system that promotes the health, responsibility and self-sufficiency of individuals and families.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:47PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 2 Provide Housing through HOME Investment Program Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
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A total of four households were reported to the LBB during the 2001 fiscal year. Due to new selection criteria and appeals by the public of that criteria, staff reserved a longer than expected application review time to ensure a thorough and equitable treatment of all applicants against the selection criteria. Board approval of projects serving 1714 households occurred after fiscal year end. Results were recorded in FY 2002.

During the 2002 HOME funding cycle, the Department anticipates combining the annual HUD allocation for Program Year 2002 and 2003 totaling an approximate report these units to the LBB during the 2003 fiscal year. The performance measures do not reflect the combination of the allocation since the One-Year Action Plan has not yet been approved.

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:47PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 3 Federal Rental Assistance through Section 8 Certificates and Vouchers Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	# VLI Households Receiving Section 8 Certificates and Vouchers	2,276.00	2,200.00	2,200.00	2,071.00	2,071.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Household Served Under Section 8	78.17	63.00	63.00	76.00	76.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$269,898	\$319,352	\$346,378	\$346,378	\$346,378
1002	OTHER PERSONNEL COSTS	\$9,128	\$6,300	\$6,960	\$6,960	\$6,960
2001	PROFESSIONAL FEES AND SERVICES	\$49,791	\$21,562	\$9,388	\$57,044	\$32,207
2002	FUELS AND LUBRICANTS	\$1	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$3,352	\$2,813	\$12,468	\$9,128	\$9,128
2004	UTILITIES	\$86	\$26	\$400	\$0	\$0
2005	TRAVEL	\$13,194	\$13,108	\$21,000	\$27,000	\$27,000
2006	RENT - BUILDING	\$45,015	\$52,725	\$63,761	\$58,851	\$60,049
2007	RENT - MACHINE AND OTHER	\$5,812	\$3,701	\$4,267	\$4,267	\$4,267
2009	OTHER OPERATING EXPENSE	\$39,727	\$41,523	\$52,337	\$59,524	\$60,165
3001	CLIENT SERVICES	\$8,276,984	\$7,206,025	\$8,567,976	\$8,877,976	\$8,877,976
4000	GRANTS	\$379,829	\$360,468	\$380,000	\$380,000	\$380,000
5000	CAPITAL EXPENDITURES	\$7,467	\$13,332	\$15,065	\$14,008	\$7,948
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$9,100,284</b>	<b>\$8,040,935</b>	<b>\$9,480,000</b>	<b>\$9,841,136</b>	<b>\$9,812,078</b>
<b>Method of Financing:</b>						
127	COMMUNITY AFFAIRS FED FD					
14.871.000	SECTION 8 HOUSING CHOICE VOUCHERS	\$9,100,284	\$8,040,935	\$9,480,000	\$9,841,136	\$9,812,078
CFDA Subtotal, Fund	127	\$9,100,284	\$8,040,935	\$9,480,000	\$9,841,136	\$9,812,078

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:48PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 3 Federal Rental Assistance through Section 8 Certificates and Vouchers Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$9,100,284</b>	<b>\$8,040,935</b>	<b>\$9,480,000</b>	<b>\$9,841,136</b>	<b>\$9,812,078</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$9,841,136</b>	<b>\$9,812,078</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$9,100,284</b>	<b>\$8,040,935</b>	<b>\$9,480,000</b>	<b>\$9,841,136</b>	<b>\$9,812,078</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>6.4</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Funds for the Section 8 Housing Choice Voucher Program are received from HUD, 42 U.S.C. Sec. 1437f. The Section 8 housing program assists ext households with rent supplements for private sector rental housing. Generally, the program serves small rural communities in approximately 38 counties. This program generally serves communities that do not have a public housing authority to administer a Section 8 program. This strategy supports the Department's Goal 1, to increase and preserve the availability of safe, decent and affordable housing for very low and low income persons and families. This strategy supports Priority Goal 3, to reduce dependence on public assistance through a system that promotes the health, responsibility, and self-sufficiency of individuals and families.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Under current rules, HUD posts notice in the Federal Register through a "Notice of Fund Availability" (NOFA) as funds are available. TDHCA submits an application and, if awarded, receives additional funding. TDHCA contracts with local operators to administer the program and to lease available units. HUD pays administrative fees for each housing unit leased.

The reduction in households served in 2004 and 2005 is due, in part, to an allocation transfer of vouchers to a local housing authority; funds for client services will increase as a result of per unit rent increases and utility increases that will occur in the upcoming biennium.

Current Rider Number	Page Number in 2002-03 GAA) Capital Budget Cont'd.	Proposed Rider Language		
1	VII -13-14	<del>Method of Financing (Capital Budget):</del>	<del>-2002</del>	<del>2003</del>
		<del>General Revenue Fund</del>	<del>\$285,046</del>	<del>\$150,399</del>
		<del>Community Affairs Federal Fund No. 127</del>	<del>124,924</del>	<del>109,669</del>
		<del>Appropriated Receipts</del>	<del>1,159,718</del>	<del>415,393</del>
		<del>Earned Federal Funds</del>	<del>44,473</del>	<del>39,303</del>
		<del>Total Method of Financing:</del>	<del>\$1,614,158</del>	<del>\$714,764</del>
		<u>a. Acquisition of Information Resource Technologies</u>	<u>2004</u>	<u>2005</u>
		<u>(1) Normal Growth/Integrate Systems</u>	<u>\$260,000</u>	<u>\$240,000</u>
		<u>(2) Peoplesoft Accounting System</u>	<u>175,000</u>	<u>150,000</u>
		<u>(3) Disaster Recovery</u>	<u>15,000</u>	<u>15,000</u>
		<u>(4) Enhancements Compliance</u>	<u>150,000</u>	<u>150,000</u>
		<u>(5) Central Database</u>	<u>175,000</u>	<u>175,000</u>
		<u>(6)Manufactured Housing Database</u>	<u>125,000</u>	<u>125,000</u>
		<u>(7)UPCS Property Inspections</u>	<u>70,000</u>	<u>10,000</u>
<u>(8)WAP Software Development Project</u>	<u>180,000</u>			
<u>TOTAL Capital Budget</u>	<u>\$1,150,000</u>	<u>\$865,000</u>		

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:49PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 4 Provide Federal Tax Credits to Develop Rental Housing for VLI and LI Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	Number of Very Low and Low Income Units Set Aside	10,763.00	6,050.00	6,100.00	6,200.00	6,300.00
<b>Efficiency Measures:</b>						
1	Projected Average Cost Per Unit Developed	6,316.00	5,600.00	5,800.00	6,000.00	6,000.00
<b>Explanatory/Input Measures:</b>						
1	Number of Federal Tax Credit Allocations Made by TDHCA	71.00	60.00	65.00	70.00	70.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$520,291	\$584,358	\$561,776	\$561,776	\$561,776
1002	OTHER PERSONNEL COSTS	\$7,614	\$5,241	\$5,520	\$5,520	\$5,520
2001	PROFESSIONAL FEES AND SERVICES	\$110,513	\$257,131	\$426,190	\$708,818	\$736,535
2002	FUELS AND LUBRICANTS	\$1	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$9,833	\$12,943	\$29,317	\$19,652	\$19,652
2004	UTILITIES	\$1,010	\$471	\$9,050	\$4,850	\$4,850
2005	TRAVEL	\$28,411	\$17,671	\$47,142	\$50,102	\$50,102
2006	RENT - BUILDING	\$100,631	\$100,921	\$113,186	\$117,623	\$119,754
2007	RENT - MACHINE AND OTHER	\$7,989	\$7,637	\$7,586	\$7,586	\$7,586
2009	OTHER OPERATING EXPENSE	\$76,465	\$90,982	\$156,195	\$185,551	\$186,690
5000	CAPITAL EXPENDITURES	\$11,890	\$31,744	\$14,447	\$26,219	\$19,408
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$874,648</b>	<b>\$1,109,099</b>	<b>\$1,370,409</b>	<b>\$1,687,697</b>	<b>\$1,711,873</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$874,648	\$1,109,099	\$1,370,409	\$1,687,697	\$1,711,873
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$874,648</b>	<b>\$1,109,099</b>	<b>\$1,370,409</b>	<b>\$1,687,697</b>	<b>\$1,711,873</b>



**III.B. STRATEGY REQUEST**  
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DATE: 9/4/2002  
 TIME: 12:51:50PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 4 Provide Federal Tax Credits to Develop Rental Housing for VLI and LI Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,687,697</b>	<b>\$1,711,873</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$874,648</b>	<b>\$1,109,099</b>	<b>\$1,370,409</b>	<b>\$1,687,697</b>	<b>\$1,711,873</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>12.4</b>	<b>13.4</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The LIHTC program provides financial incentives to nonprofits and for profit developers of multifamily housing for low income, senior citizens, persons with disabilities and homeless persons. A developer must set aside at least 20 percent of a project's units for low income tenants. Owners and investors in qualifying low income rental units use the credit as a dollar-for-dollar reduction of federal income tax liability. Since the programs inception in 1987, over 100,000 units have been produced to provide affordable housing for low income Texans. At least ten percent of the State's housing credit ceiling for each year is set-aside for qualified nonprofit projects, fifteen percent of credit ceiling is set-aside for rural projects and fifteen percent is set-aside for at-risk developments and 15% for elderly. Many of the projects offer supportive services such as childcare facilities, health care and immunization services, computer training facilities, job training, parenting classes, and adult education. This strategy supports the Department's Goal 1, to increase and preserve the availability of safe, decent and affordable housing for very low, low and moderate income persons and families. This strategy supports the state's priority goal to reduce dependence on public assistance through an efficient and effective system that promotes health, responsibility and self-sufficiency of individuals and families.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The state's allocation of tax credits are determined based upon its population and an allocated per capita amount that is determined by Congress. The 2002 allocation is \$1.75 times state

High performance in 2001 was primarily due to the Tax Credit Lottery System for tax exempt bond projects. The targeted projections for 2004 and 2005 does not include units applications that the Department may receive reservation through the lottery process as administered by the Texas Bond Review Board. In addition to the number received through the lottery process being an unknown factor, the projected performance based on the lottery process is also not included since the longevity and continuity of the lottery process is unknown for future years.

**III.B. STRATEGY REQUEST**  
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 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:51PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 5 Federal Mortgage Loans, through the MRB Prog Below Conventional Rate Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	# VL/L Income Households That Received Loans through the MRB Program	1,571.00	1,190.00	1,260.00	1,300.00	1,400.00
2	# of MI Households That Received Loans through the MRB Program	210.00	200.00	200.00	200.00	200.00
<b>Efficiency Measures:</b>						
1	Average Amount Provided Per First-time Homebuyer Loan	72,810.00	71,000.00	72,000.00	75,000.00	75,000.00
<b>Explanatory/Input Measures:</b>						
1	Number of Lenders Participating in the First-time Homebuyer Program	58.00	40.00	60.00	45.00	45.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$1,053,539	\$890,681	\$1,027,617	\$1,027,617	\$1,027,617
1002	OTHER PERSONNEL COSTS	\$9,640	\$24,815	\$11,280	\$11,280	\$11,280
2001	PROFESSIONAL FEES AND SERVICES	\$6,901	\$474	\$92,025	\$97,096	\$103,662
2002	FUELS AND LUBRICANTS	\$2	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$7,692	\$8,926	\$22,036	\$22,357	\$22,357
2004	UTILITIES	\$4,637	\$4,486	\$4,300	\$4,300	\$4,300
2005	TRAVEL	\$28,475	\$26,002	\$40,157	\$40,157	\$40,157
2006	RENT - BUILDING	\$128,733	\$119,894	\$134,823	\$137,001	\$139,396
2007	RENT - MACHINE AND OTHER	\$10,075	\$8,480	\$8,535	\$8,535	\$8,535
2009	OTHER OPERATING EXPENSE	\$282,620	\$200,352	\$292,547	\$297,522	\$298,802
4000	GRANTS	\$0	\$232	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$37,595	\$309,671	\$25,543	\$20,172	\$19,397
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,569,909</b>	<b>\$1,594,013</b>	<b>\$1,658,863</b>	<b>\$1,666,037</b>	<b>\$1,675,503</b>

**Method of Financing:**

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:52PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 5 Federal Mortgage Loans, through the MRB Prog Below Conventional Rate Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
666	APPROPRIATED RECEIPTS	\$1,569,909	\$1,594,013	\$1,658,863	\$1,666,037	\$1,675,503
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$1,569,909</b>	<b>\$1,594,013</b>	<b>\$1,658,863</b>	<b>\$1,666,037</b>	<b>\$1,675,503</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,666,037</b>	<b>\$1,675,503</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,569,909</b>	<b>\$1,594,013</b>	<b>\$1,658,863</b>	<b>\$1,666,037</b>	<b>\$1,675,503</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>25.1</b>	<b>19.0</b>	<b>19.8</b>	<b>19.8</b>	<b>19.8</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Pursuant to Tx. Govt. Code, Chapter 2306, and other state laws, the Department is charged with the duty to finance sanitary, decent, and safe dwelling accommodations for persons and families of low, very low income, and moderate income by issuing its mortgage revenue bonds (MRBS). Home ownership programs not only include but also the Down Payment Assistance Loan Program, and other special loan programs. This strategy supports the Department's Goal 1, to increase and preserve the availability of safe, decent and affordable housing for very low, low and moderate income persons and families. This strategy supports Priority Goal 3, to reduce dependence on public assistance through an efficient and effective system that promotes health, responsibility and self-sufficiency of individuals and families. Additionally, this strategy supports Priority Goal 08, to ensure that Texas consumers are effectively and efficiently served by high quality professionals and businesses setting clear standards, maintaining compliance, and seeking solutions.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External Factors

Fluctuations in: 1) Economic factors, such as market interest rates and consumer demand for home ownership; 2) Legislative changes, revisions and restrictions in regulations, b) State Private Activity Bond ceiling cap and Bond Review Board allocation limitation, and c) Community bank performance with regards to the Community Reinvestment Act.

Internal Factors

1) Unanticipated departmental policy and program changes or additions; and 2) Changes in staffing levels.

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:53PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 6 Federal Mortgage Loans through the MRB Program for Multifamily Units Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	# Multifamily Rental Units As a Result of MRB Program	1,957.00	2,209.00	1,100.00	1,100.00	1,100.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Multifamily Rental Units Constructed	81,075.00	79,688.00	70,000.00	80,000.00	80,000.00
2	Average Cost Per Preserved Unit	49,560.00	45,000.00	45,000.00	45,000.00	45,000.00
<b>Explanatory/Input Measures:</b>						
1	Rate of Default on Multifamily Housing Development Loans	0.00	2.40	0.00	0.00	0.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$160,709	\$223,967	\$233,866	\$233,866	\$233,866
1002	OTHER PERSONNEL COSTS	\$6,742	\$440	\$480	\$480	\$480
2001	PROFESSIONAL FEES AND SERVICES	\$84	\$7,297	\$25,172	\$26,299	\$27,758
2003	CONSUMABLE SUPPLIES	\$2,418	\$1,711	\$5,986	\$6,057	\$6,057
2004	UTILITIES	\$259	\$60	\$2,000	\$2,000	\$2,000
2005	TRAVEL	\$4,184	\$4,950	\$12,050	\$12,050	\$12,050
2006	RENT - BUILDING	\$22,445	\$23,460	\$25,672	\$26,156	\$26,688
2007	RENT - MACHINE AND OTHER	\$2,000	\$2,258	\$1,897	\$1,897	\$1,897
2009	OTHER OPERATING EXPENSE	\$12,153	\$23,479	\$28,435	\$29,541	\$29,825
5000	CAPITAL EXPENDITURES	\$7,792	\$6,703	\$4,763	\$3,138	\$3,677
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$218,786</b>	<b>\$294,325</b>	<b>\$340,321</b>	<b>\$341,484</b>	<b>\$344,298</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$218,786	\$294,325	\$340,321	\$341,484	\$344,298
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$218,786</b>	<b>\$294,325</b>	<b>\$340,321</b>	<b>\$341,484</b>	<b>\$344,298</b>

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:54PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 6 Federal Mortgage Loans through the MRB Program for Multifamily Units Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$341,484</b>	<b>\$344,298</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$218,786</b>	<b>\$294,325</b>	<b>\$340,321</b>	<b>\$341,484</b>	<b>\$344,298</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>3.8</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

TDHCA, through its Housing Finance Division, offers tax-exempt and taxable multifamily bond programs which provide below market interest rates to developers and acquirers of apartment communities. In return for interest savings on the loans, and as a primary condition of the program, all housing sponsors must agree to set aside a certain percentage (which may vary) of a property's units for rental to persons of low and very low income and to families of moderate income. Additional set asides are mandated for persons with special needs. Tenant programs, such as day care, youth programs and job training, are also required of the developer. This supports the Department's Goal 1, to increase and preserve the availability of safe, decent, and affordable housing for very low, low and moderate income persons and families. The strategy also supports the state's priority goal to reduce dependence on public assistance through an efficient and effective system that promotes the health, responsibility and self-sufficiency of the community.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External Factors:

1. Number of applications received from owners/developers who wish to finance a property through the Department
2. Market rates of multifamily housing bonds and willingness of investors to purchase Department bonds
3. State Private Activity Bond ceiling limitations
4. Bond Review Board approval process and allocation of Private Activity Bond Ceiling cap
5. Legislative changes, revisions and restrictions including changes in appropriations
6. Internal Revenue Code restrictions

Internal Factors:

1. Changes in Department policy
2. Changes in staff levels or funding

**III.B. STRATEGY REQUEST**  
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 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:54PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 2 To Improve the Living Conditions and Lives of Border Residents in TX Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Fund Project Which Creates/Retains Jobs & Housing Assistance/Planning Service Categories:  
 STRATEGY: 2 To Provide Technical Assistance to Colonias through Field Offices Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	# On-site Technical Assistance Visits Conducted by Field Offices	514.00	596.00	410.00	450.00	450.00
2	Number of Colonia Residents Receiving Assistance	1,415.00	1,700.00	1,700.00	1,700.00	1,700.00
3	# of Entities and/or Individuals Receiving Informational Resources	1,869.00	1,200.00	1,200.00	1,700.00	1,700.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$379,817	\$408,919	\$424,072	\$424,072	\$424,072
1002	OTHER PERSONNEL COSTS	\$7,405	\$2,981	\$3,360	\$3,360	\$3,360
2001	PROFESSIONAL FEES AND SERVICES	\$6,606	\$22,446	\$20,259	\$45,069	\$19,138
2002	FUELS AND LUBRICANTS	\$0	\$129	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$3,147	\$2,895	\$5,979	\$6,086	\$6,086
2004	UTILITIES	\$13,405	\$14,832	\$13,000	\$13,800	\$13,800
2005	TRAVEL	\$34,308	\$37,329	\$53,000	\$53,000	\$53,000
2006	RENT - BUILDING	\$36,827	\$50,788	\$66,107	\$62,649	\$63,448
2007	RENT - MACHINE AND OTHER	\$3,121	\$1,842	\$2,845	\$7,345	\$7,345
2009	OTHER OPERATING EXPENSE	\$30,880	\$65,164	\$66,871	\$92,129	\$92,555
4000	GRANTS	\$0	\$0	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$5,424	\$19,592	\$9,006	\$14,672	\$6,369
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$520,940</b>	<b>\$626,917</b>	<b>\$664,499</b>	<b>\$722,182</b>	<b>\$689,173</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$85,316	\$86,458	\$99,630	\$99,630	\$99,630
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$85,316</b>	<b>\$86,458</b>	<b>\$99,630</b>	<b>\$99,630</b>	<b>\$99,630</b>

**Method of Financing:**

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:55PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 2 To Improve the Living Conditions and Lives of Border Residents in TX Statewide Goal/Benchmark: 6 7  
 OBJECTIVE: 1 Fund Project Which Creates/Retains Jobs & Housing Assistance/Planning Service Categories:  
 STRATEGY: 2 To Provide Technical Assistance to Colonias through Field Offices Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
127	COMMUNITY AFFAIRS FED FD					
14.228.000	Community Development Blo	\$97,942	\$34,150	\$0	\$0	\$0
14.239.000	HOME Investment Partnersh	\$55,677	\$37,129	\$41,484	\$41,484	\$41,484
CFDA Subtotal, Fund 127		\$153,619	\$71,279	\$41,484	\$41,484	\$41,484
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$153,619</b>	<b>\$71,279</b>	<b>\$41,484</b>	<b>\$41,484</b>	<b>\$41,484</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$282,005	\$389,539	\$425,418	\$498,101	\$465,092
777	INTERAGENCY CONTRACTS	\$0	\$79,641	\$97,967	\$82,967	\$82,967
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$282,005</b>	<b>\$469,180</b>	<b>\$523,385</b>	<b>\$581,068</b>	<b>\$548,059</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$722,182</b>	<b>\$689,173</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$520,940</b>	<b>\$626,917</b>	<b>\$664,499</b>	<b>\$722,182</b>	<b>\$689,173</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>9.1</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

This strategy describes activities by the Office of Colonia Initiatives (OCI), which maintains four field offices (Edinburg, Eagle Pass, El Paso, and Laredo). The OCI was established by the Department to administer and coordinate efforts for the enhancement of living conditions for colonias along the Texas-Mexico border in the State of Texas. OCI is responsible for the implementation of legislation passed pertaining to the colonias and border area. The OCI is required to establish and maintain at least five colonia self-help centers in the colonias to offer concentrated assistance and attention - supports 02-02-01. In addition, the Department - OCI staff oversees and concentrates their attention on Rider 13 Contract For Deed Conversion Initiative (requires the Department to assist colonia residents with financing to convert their contracts for deeds to a traditional mortgage). The Department - OCI also administers the Texas Bootstrap Loan Program. The Department - OCI staff will continue to meet its housing counterparts from Mexico to further discuss the future development of affordable housing and the improvement of infrastructure along our mutual borders.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:56PM

Agency code: **332**      Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL:	2	To Improve the Living Conditions and Lives of Border Residents in TX	Statewide Goal/Benchmark:	6	7
OBJECTIVE:	1	Fund Project Which Creates/Retains Jobs & Housing Assistance/Planning	Service Categories:		
STRATEGY:	2	To Provide Technical Assistance to Colonias through Field Offices	Service:	15	Income: A.1      Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
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Due to the ever growing population along the Texas/Mexico border region, assistance to colonias is much needed and OCI will continue to assist communities to become more effective through direct technical assistance from the Department's border field offices.



**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:57PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 3 Improve Livng Conditns for Poor/Homeless & Reduce Enery Costs for VLI

Statewide Goal/Benchmark: 3 0

OBJECTIVE: 1

Service Categories:

STRATEGY: 1

Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	Number of Persons Assisted through Homeless and Poverty-related Funds	570,960.00	420,000.00	400,000.00	400,000.00	400,000.00
2	Number of Persons Assisted That Achieve Incomes Above Poverty Level	1,504.00	650.00	650.00	650.00	650.00
3	Number of Shelters Assisted	72.00	60.00	50.00	60.00	60.00
<b>Efficiency Measures:</b>						
1	Average Agency Administrative Cost Per Person Assisted	2.34	3.68	3.68	3.68	3.68
<b>Explanatory/Input Measures:</b>						
1	Number of Emergency Shelters	860.00	913.00	913.00	923.00	933.00
2	Number of Persons in Poverty	3,000,515.00	3,000,515.00	3,000,515.00	3,000,515.00	3,000,515.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$566,085	\$629,000	\$695,004	\$695,004	\$695,004
1002	OTHER PERSONNEL COSTS	\$8,616	\$10,407	\$12,960	\$12,960	\$12,960
2001	PROFESSIONAL FEES AND SERVICES	\$22,194	\$18,420	\$55,599	\$20,163	\$26,073
2002	FUELS AND LUBRICANTS	\$1	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$5,958	\$6,455	\$22,893	\$23,182	\$23,182
2004	UTILITIES	\$92	\$1,303	\$1,542	\$1,542	\$1,542
2005	TRAVEL	\$48,893	\$48,258	\$56,348	\$56,348	\$56,348
2006	RENT - BUILDING	\$105,320	\$114,355	\$125,121	\$127,081	\$129,238
2007	RENT - MACHINE AND OTHER	\$7,811	\$7,058	\$7,681	\$7,681	\$7,681
2009	OTHER OPERATING EXPENSE	\$69,613	\$50,189	\$91,566	\$96,043	\$97,196
3001	CLIENT SERVICES	\$10,000	\$20,000	\$0	\$0	\$0
4000	GRANTS	\$32,471,480	\$34,982,610	\$35,081,453	\$35,118,570	\$35,115,187
5000	CAPITAL EXPENDITURES	\$17,868	\$24,121	\$18,241	\$17,815	\$13,997

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:58PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 3 Improve Livng Conditns for Poor/Homeless & Reduce Enery Costs for VLI

Statewide Goal/Benchmark: 3 0

OBJECTIVE: 1

Service Categories:

STRATEGY: 1

Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$33,333,931</b>	<b>\$35,912,176</b>	<b>\$36,168,408</b>	<b>\$36,176,389</b>	<b>\$36,178,408</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$376,000	\$376,000	\$376,889	\$376,889	\$384,855
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$376,000</b>	<b>\$376,000</b>	<b>\$376,889</b>	<b>\$376,889</b>	<b>\$384,855</b>
<b>Method of Financing:</b>						
127	COMMUNITY AFFAIRS FED FD					
14.231.000	Emergency Shelter Grants	\$4,326,000	\$4,495,000	\$4,600,000	\$4,600,000	\$4,600,000
93.569.000	Community Services Block	\$28,248,822	\$30,781,176	\$30,926,519	\$30,934,500	\$30,928,553
93.571.000	Community Services Block	\$270,000	\$260,000	\$265,000	\$265,000	\$265,000
CFDA Subtotal, Fund	127	\$32,844,822	\$35,536,176	\$35,791,519	\$35,799,500	\$35,793,553
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$32,844,822</b>	<b>\$35,536,176</b>	<b>\$35,791,519</b>	<b>\$35,799,500</b>	<b>\$35,793,553</b>
<b>Method of Financing:</b>						
777	INTERAGENCY CONTRACTS	\$113,109	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$113,109</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$36,176,389</b>	<b>\$36,178,408</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$33,333,931</b>	<b>\$35,912,176</b>	<b>\$36,168,408</b>	<b>\$36,176,389</b>	<b>\$36,178,408</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>13.5</b>	<b>17.2</b>	<b>16.2</b>	<b>16.2</b>	<b>16.2</b>
<b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>						

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:59PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 3 Improve Livng Conditns for Poor/Homeless & Reduce Enery Costs for VLI Statewide Goal/Benchmark: 3 0  
 OBJECTIVE: 1 Service Categories:  
 STRATEGY: 1 Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
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Texas Government Code Section 2306.092, 2306.094 and 2306.097 directs the agency to administer programs created under the Office of Economic Opportunity federal acts creating economic opportunity. Programs operated by the Department include: Community Services Block Grant Act (CSBG) 42 U.S.C. 9901 et. seq. and Texas Govern Code Sections 2306.092(11) and 2306.097(b); Community Food and Nutrition Program (CFNP), 42 U.S.C. 9901a; Emergency Shelter Grants Program (ESGP) 42 U.S.C. Sec. Emergency Nutrition and Temporary Emergency Relief Program (ENTERP), Texas Government Code Section 2306, Subchapter CC.

There are no court orders or mandates affecting these programs. These programs serve extremely low, low- and very low-income persons and this population is an integral part of all agency strategies. This strategy outlines the Department's efforts to provide needy citizens with poverty-related assistance for emergency and permanent shelters, utilities, nutrition, clothing, medical, coordination with other service providers, renovation of emergency shelters, the prevention of homelessness, and the transition of persons out of poverty. This strategy supports the Department Goal 3, to improve living conditions for the

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The majority of funds supporting this strategy are contingent on the amount of federal and state funds appropriated. A decrease in funding could result in curtailing the amount of available emergency assistance and the extent of self-sufficiency efforts at the state and local levels. The goal of the programs is to provide a more comprehensive level of services to the client which the Department estimates will result in fewer clients served in 2004 and 2005 due to an expected higher client cost.

The Department experienced a drastic reduction in the funding level of the ENTERP program, and continued funding for this program is uncertain. Changes in this program will affect strategy implementation.

Internally, the Department will continue to dedicate staff resources to training contractors on providing effective programs to assist persons in becoming self-sufficient and providing incentives to those agencies that are successful.

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:51:59PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 3 Improve Livng Conditns for Poor/Homeless & Reduce Enery Costs for VLI Statewide Goal/Benchmark: 3 0  
 OBJECTIVE: 2 Reduce Cost of Home Energy for 6% of Very Low Income Households Service Categories:  
 STRATEGY: 1 Administer the State Energy Assistance Programs Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	Number of Households Receiving Energy Assistance	134,713.00	46,404.00	47,241.00	69,736.00	69,736.00
2	Number of Dwelling Units Weatherized by the Department	5,424.00	4,621.00	5,319.00	3,734.00	3,734.00
3	Number of Units Weatherized with System Benefit Funds (SBF)	0.00	2,390.00	3,145.00	3,145.00	3,145.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Household Served	10.05	28.57	28.57	19.16	19.16
2	Average Cost Per Home Weatherized	1,581.49	2,148.00	2,212.00	2,645.00	2,724.00
<b>Explanatory/Input Measures:</b>						
1	Number of Very Low Income Households Eligible for Energy Assistance	1,239,816.00	1,239,816.00	1,239,816.00	1,239,816.00	1,239,816.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$700,027	\$768,468	\$843,716	\$843,716	\$843,716
1002	OTHER PERSONNEL COSTS	\$5,918	\$12,816	\$12,480	\$12,480	\$12,480
2001	PROFESSIONAL FEES AND SERVICES	\$26,786	\$39,952	\$295,311	\$214,607	\$41,466
2002	FUELS AND LUBRICANTS	\$2	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$8,612	\$86,081	\$21,984	\$22,318	\$22,318
2004	UTILITIES	\$440	\$393	\$10,042	\$42	\$42
2005	TRAVEL	\$75,655	\$76,804	\$87,558	\$87,558	\$87,558
2006	RENT - BUILDING	\$116,432	\$107,714	\$125,806	\$126,082	\$132,585
2007	RENT - MACHINE AND OTHER	\$16,029	\$8,981	\$16,913	\$9,913	\$16,913
2009	OTHER OPERATING EXPENSE	\$163,981	\$218,725	\$212,083	\$246,178	\$235,516
3001	CLIENT SERVICES	\$39,439	\$37,700	\$0	\$0	\$0
4000	GRANTS	\$59,349,347	\$48,060,352	\$53,981,872	\$51,870,353	\$52,233,105
5000	CAPITAL EXPENDITURES	\$29,175	\$37,381	\$19,036	\$193,554	\$16,102

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:00PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 3 Improve Livng Conditns for Poor/Homeless & Reduce Enery Costs for VLI Statewide Goal/Benchmark: 3 0  
 OBJECTIVE: 2 Reduce Cost of Home Energy for 6% of Very Low Income Households Service Categories:  
 STRATEGY: 1 Administer the State Energy Assistance Programs Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$60,531,843</b>	<b>\$49,455,367</b>	<b>\$55,626,801</b>	<b>\$53,626,801</b>	<b>\$53,641,801</b>
<b>Method of Financing:</b>						
127 COMMUNITY AFFAIRS FED FD						
81.042.000	Weatherization Assistance	\$5,796,628	\$3,367,600	\$5,445,000	\$5,445,000	\$5,445,000
93.568.000	Low-Income Home Energy As	\$42,461,424	\$37,409,767	\$37,414,801	\$37,414,801	\$37,429,801
CFDA Subtotal, Fund	127	\$48,258,052	\$40,777,367	\$42,859,801	\$42,859,801	\$42,874,801
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$48,258,052</b>	<b>\$40,777,367</b>	<b>\$42,859,801</b>	<b>\$42,859,801</b>	<b>\$42,874,801</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$11,413,000	\$1,000,000	\$1,500,000	\$0	\$0
777	INTERAGENCY CONTRACTS	\$860,791	\$500,000	\$500,000	\$0	\$0
852	SYSTEM BENEFIT FUND	\$0	\$7,178,000	\$10,767,000	\$10,767,000	\$10,767,000
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$12,273,791</b>	<b>\$8,678,000</b>	<b>\$12,767,000</b>	<b>\$10,767,000</b>	<b>\$10,767,000</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$53,626,801</b>	<b>\$53,641,801</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$60,531,843</b>	<b>\$49,455,367</b>	<b>\$55,626,801</b>	<b>\$53,626,801</b>	<b>\$53,641,801</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>16.7</b>	<b>18.8</b>	<b>18.8</b>	<b>18.8</b>	<b>18.8</b>

STRATEGY DESCRIPTION AND JUSTIFICATION:

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:01PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 3 Improve Livng Conditns for Poor/Homeless & Reduce Enery Costs for VLI Statewide Goal/Benchmark: 3 0  
 OBJECTIVE: 2 Reduce Cost of Home Energy for 6% of Very Low Income Households Service Categories:  
 STRATEGY: 1 Administer the State Energy Assistance Programs Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
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Pursuant to Texas Government Code, Chapter 2306, TDHCA was created to assist local governments in providing essential public services for their residents in overcoming financial, social, and environmental problems. Section 2306.097 creates within the Department's Community Affairs Division an office, to be operated in conjunction with the Community Services Block Grant, to be known as the Energy Assistance Program for low income people.

41 USC Sec. 8621 et. seq. authorizes the Secretary of Health and Human Services to make grants to states to assist eligible households to meet the costs of home energy. The Texas Legislature granted TDHCA the authority to administer the Low-Income Home Energy Assistance Program grant effective September 1, 1992. TDHCA administers the Comprehensive Energy Assistance Program with support from the Low Income Home Energy Assistance Program grant.

42 USC Sec. 6861 et. seq. authorizes the U.S. Department of Energy through grants to states to implement a weatherization assistance program to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total residential energy expenditures, and improve their health and safety, especially low-income persons who are particularly vulnerable such as the elderly, persons with disabilities, and children. The TDHCA-Energy Assistance Section administers the Weatherization Assistance Program.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Most of the funds supporting this strategy are federal funds with the availability contingent on yearly congressional action. Performance is based upon the amount of federal and state funds appropriated. It is projected that Congress will maintain level funding for the Weatherization Assistance Program for Low-Income Persons and the Low-Inc Assistance Program grant for 2004 and 2005.

The DOE adjusted average unit cost limit per home during program year 2002 is \$2,568. The units to be weatherized were projected based on the \$2,568 allowable cost per unit. Any increase in per unit cost will have the effect of reducing the number of units that can be weatherized.

The Department received funding through the System Benefit Fund for the first time in 2002. The energy efficiency programs funded by the System Benefit Fund have been included in this biennium.

Traditionally the Department has received funding through Oil Overcharge, however, due to the limited remaining Oil Overcharge funds available to accrue anticipate additional funds and did not include those funds for this biennium.

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:02PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 4 Ensure Compliance with Program Mandates Statewide Goal/Benchmark: 8 0  
 OBJECTIVE: 1 Monitor Housing Properties and Loan/Grant Recipients Service Categories:  
 STRATEGY: 1 Review Housing Property Affordability Documents Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	Number of On-site Reviews	656.00	597.00	628.00	648.00	629.00
2	Number of Desk Reviews	2,785.00	2,600.00	2,600.00	2,700.00	2,900.00
3	Number of Owners Receiving Training	732.00	600.00	600.00	600.00	600.00
<b>Efficiency Measures:</b>						
1	Average Cost/On-site Review	1,342.00	1,658.00	1,576.00	1,416.00	1,488.00
2	Average Cost Per Desk Review	316.00	325.00	331.00	340.00	323.00
<b>Explanatory/Input Measures:</b>						
1	# of Multi/Single Family Rental Properties	1,689.00	1,810.00	1,907.00	1,773.00	1,675.00
2	Number of Units Administered	132,300.00	141,750.00	148,838.00	179,955.00	188,956.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$598,196	\$973,947	\$1,036,051	\$1,036,051	\$1,036,051
1002	OTHER PERSONNEL COSTS	\$7,240	\$21,981	\$17,997	\$17,997	\$17,997
2001	PROFESSIONAL FEES AND SERVICES	\$760,609	\$621,305	\$580,250	\$592,179	\$602,759
2002	FUELS AND LUBRICANTS	\$2	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$14,973	\$12,000	\$33,996	\$47,757	\$47,757
2004	UTILITIES	\$1,007	\$886	\$1,500	\$2,000	\$2,000
2005	TRAVEL	\$64,807	\$98,415	\$74,000	\$86,655	\$86,655
2006	RENT - BUILDING	\$131,592	\$182,214	\$200,120	\$219,630	\$223,491
2007	RENT - MACHINE AND OTHER	\$10,925	\$12,870	\$13,750	\$13,750	\$13,750
2009	OTHER OPERATING EXPENSE	\$109,668	\$158,077	\$158,339	\$168,752	\$170,817
4000	GRANTS	\$0	\$385	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$17,505	\$47,257	\$33,879	\$249,878	\$185,409
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,716,524</b>	<b>\$2,129,337</b>	<b>\$2,149,882</b>	<b>\$2,434,649</b>	<b>\$2,386,686</b>

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:03PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 4 Ensure Compliance with Program Mandates Statewide Goal/Benchmark: 8 0  
 OBJECTIVE: 1 Monitor Housing Properties and Loan/Grant Recipients Service Categories:  
 STRATEGY: 1 Review Housing Property Affordability Documents Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Method of Financing:</b>						
	666 APPROPRIATED RECEIPTS	\$1,716,524	\$2,129,337	\$2,149,882	\$2,434,649	\$2,386,686
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$1,716,524</b>	<b>\$2,129,337</b>	<b>\$2,149,882</b>	<b>\$2,434,649</b>	<b>\$2,386,686</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$2,434,649</b>	<b>\$2,386,686</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,716,524</b>	<b>\$2,129,337</b>	<b>\$2,149,882</b>	<b>\$2,434,649</b>	<b>\$2,386,686</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>14.3</b>	<b>24.5</b>	<b>21.6</b>	<b>21.6</b>	<b>21.6</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Compliance Division monitors housing program compliance with federal and state regulatory mandates. Multi and single-family rental properties are monitored for compliance with set-aside and all other program requirements, including rent and income limits. The on-site monitoring visit and the desk review are the mechanisms used for in-depth investigation and overall assessment, respectively. The work includes reviews of owner reports, property compliance reports, tenant files, and other program records. Training

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External:

The Department of the Treasury through the Internal Revenue Service modified the monitoring requirements for the LIHTC program. Beginning in January 2001 to expand the scope and frequency of onsite visits, modify annual certifications, and report annual monitoring activity to the IRS. More specifically, the regulations now require the first onsite to be conducted within a specific timeframe and then once every three years, rather than once every five years. When conducting these onsite visits, TDHCA must also inspect a defined number of units (rather than a sample) using UPCS or local code. The new UPCS inspection procedure is more detailed and requires higher skill levels than the standard (HQS). These new duties imposed by IRS, combined with processes and standards mandated by the 77th Texas Legislature, are increasing the workload of the program. Projects reaching the end of the affordability period will be shifted from the onsite program to the responsibilities and activities relating to property disposition/preservation. These activities include analysis of market studies, inspection reports, appraisals and other data from syndicators, lenders, and potential buyers. Finally, property management industry has a high turnover of staff which must be trained.

Internal: Extra duties have doubled time spent on-site, impacting the number of staff/travel costs needed. TDHCA must either outsource components of monitoring or hire staff to match the growth. The disposition/ preservation program will also require new resources.



**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:04PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 4 Ensure Compliance with Program Mandates Statewide Goal/Benchmark: 8 0  
 OBJECTIVE: 1 Monitor Housing Properties and Loan/Grant Recipients Service Categories:  
 STRATEGY: 2 Review Financial Documents of Loan/Grant Recipients Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	Number of On-site Financial Reviews	747.00	450.00	644.00	256.00	256.00
2	Number of Single Audit Reviews	364.00	250.00	250.00	250.00	250.00
<b>Explanatory/Input Measures:</b>						
1	Number of Sub-recipients Funded	1,047.00	505.00	1,900.00	505.00	505.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$678,961	\$336,317	\$392,784	\$392,784	\$392,784
1002	OTHER PERSONNEL COSTS	\$16,404	\$0	\$0	\$0	\$0
2001	PROFESSIONAL FEES AND SERVICES	\$0	\$6,968	\$0	\$17,241	\$17,241
2003	CONSUMABLE SUPPLIES	\$0	\$0	\$0	\$9,655	\$0
2005	TRAVEL	\$57,358	\$7,729	\$35,000	\$30,345	\$30,345
2009	OTHER OPERATING EXPENSE	\$0	\$0	\$0	\$25,000	\$0
5000	CAPITAL EXPENDITURES	\$48,237	\$0	\$0	\$1,724	\$1,724
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$800,960</b>	<b>\$351,014</b>	<b>\$427,784</b>	<b>\$476,749</b>	<b>\$442,094</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$65,296	\$0	\$70,298	\$119,263	\$109,608
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$65,296</b>	<b>\$0</b>	<b>\$70,298</b>	<b>\$119,263</b>	<b>\$109,608</b>
<b>Method of Financing:</b>						
127	COMMUNITY AFFAIRS FED FD					
14.228.000	Community Development Blo	\$270,480	\$0	\$0	\$0	\$0
14.239.000	HOME Investment Partnersh	\$340,136	\$201,827	\$198,806	\$198,806	\$198,806
93.568.000	Low-Income Home Energy As	\$104,383	\$87,947	\$85,199	\$85,199	\$70,199
93.569.000	Community Services Block	\$20,665	\$61,240	\$73,481	\$73,481	\$63,481
CFDA Subtotal, Fund	127	\$735,664	\$351,014	\$357,486	\$357,486	\$332,486

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:04PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL:	4	Ensure Compliance with Program Mandates	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	1	Monitor Housing Properties and Loan/Grant Recipients	Service Categories:		
STRATEGY:	2	Review Financial Documents of Loan/Grant Recipients	Service:	15	Income: A.1 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$735,664</b>	<b>\$351,014</b>	<b>\$357,486</b>	<b>\$357,486</b>	<b>\$332,486</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$476,749</b>	<b>\$442,094</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$800,960</b>	<b>\$351,014</b>	<b>\$427,784</b>	<b>\$476,749</b>	<b>\$442,094</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>16.2</b>	<b>6.5</b>	<b>7.4</b>	<b>7.4</b>	<b>7.4</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Compliance Division, as well as agency programs, reviews financial documents of subrecipients receiving federal pass-through funds through the Department. Subrecipients are monitored to ensure that federal funds are expended in accordance with federal and state mandates. Financial documents and systems are analyzed to assess financial accountability and fis

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

- External:
1. Number of subrecipients receiving federal funds
  2. Amount of federal funding expended by each subrecipient
  3. Changes in federal and state mandates
- Internal:
1. Changes in Department policy
  2. Allocation of resources, including FTE and travel funding

The number of financial reviews represents the onsite financial reviews performed by the: HOME program, CSBG, Weatherization and Trust and Compliance division. In FY 2001, the number of financial reviews included activity from the Community Development Block Grant. Although the Office of R Affairs began operations as an agency in December 2001, the performance of the CDBG program continued to be reported in the perfori quarter of 2002. The reduction of reviews in 2004 and 2005 represents the exclusion of the CDBG program. Changes in the Community Services Block Grant program requiring an onsite review from annually to a minimum of once every three years has also reduced the number of required reviews.

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:05PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 5 Regulate Manufactured Housing Industry Statewide Goal/Benchmark: 8 1  
 OBJECTIVE: 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other Service Categories:  
 STRATEGY: 1 Provide Titling and Licensing Services in a Timely Manner Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	Number of Manufactured Housing Titles Issued	113,424.00	108,000.00	120,000.00	110,000.00	110,000.00
2	Number of Licenses Issued	5,766.00	5,600.00	6,100.00	5,500.00	5,500.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Manufactured Housing Title Issued	15.63	15.00	15.00	20.00	20.00
<b>Explanatory/Input Measures:</b>						
1	Number of Manufactured Homes Titled in Texas	672,441.00	721,757.00	850,000.00	760,000.00	790,000.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$427,436	\$488,309	\$693,992	\$1,075,688	\$1,075,688
1002	OTHER PERSONNEL COSTS	\$5,879	\$7,120	\$14,592	\$22,618	\$22,618
2001	PROFESSIONAL FEES AND SERVICES	\$3,639	\$12,610	\$6,800	\$46,190	\$46,190
2003	CONSUMABLE SUPPLIES	\$6,595	\$3,435	\$12,765	\$35,359	\$35,669
2004	UTILITIES	\$2,952	\$2,318	\$14,717	\$49,600	\$51,150
2005	TRAVEL	\$388	\$0	\$56,800	\$95,325	\$97,030
2006	RENT - BUILDING	\$47,741	\$41,415	\$66,392	\$116,717	\$118,145
2007	RENT - MACHINE AND OTHER	\$3,864	\$5,552	\$7,600	\$11,780	\$11,780
2009	OTHER OPERATING EXPENSE	\$416,551	\$406,461	\$56,663	\$94,807	\$96,373
4000	GRANTS	\$0	\$88	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$15,271	\$23,002	\$18,446	\$9,087	\$9,808
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$930,316</b>	<b>\$990,310</b>	<b>\$948,767</b>	<b>\$1,557,171</b>	<b>\$1,564,451</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$692,068	\$604,853	\$469,262	\$765,270	\$764,934
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$692,068</b>	<b>\$604,853</b>	<b>\$469,262</b>	<b>\$765,270</b>	<b>\$764,934</b>

**Method of Financing:**

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:06PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 5 Regulate Manufactured Housing Industry Statewide Goal/Benchmark: 8 1  
 OBJECTIVE: 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other Service Categories:  
 STRATEGY: 1 Provide Titling and Licensing Services in a Timely Manner Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
127	COMMUNITY AFFAIRS FED FD					
14.000.002	HUD DU100K90016710	\$42,134	\$180,135	\$163,228	\$270,252	\$270,138
CFDA Subtotal, Fund	127	\$42,134	\$180,135	\$163,228	\$270,252	\$270,138
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$42,134</b>	<b>\$180,135</b>	<b>\$163,228</b>	<b>\$270,252</b>	<b>\$270,138</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$196,114	\$205,322	\$316,277	\$521,649	\$529,379
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$196,114</b>	<b>\$205,322</b>	<b>\$316,277</b>	<b>\$521,649</b>	<b>\$529,379</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,557,171</b>	<b>\$1,564,451</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$930,316</b>	<b>\$990,310</b>	<b>\$948,767</b>	<b>\$1,557,171</b>	<b>\$1,564,451</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>10.2</b>	<b>30.6</b>	<b>30.6</b>	<b>30.7</b>	<b>30.7</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Pursuant to the Texas Manufactured Housing Standards Act, and Chapter 2306 of the Texas Government Code, Subchapter Y, the Department is to provide titling and licensing services and assure protection for the general public and protect consumers from illegal operations, fraud, and unsafe practices. Functional activities include titling and customer service, policy and planning, and quality assurance activities in Austin and 8 or more field offices throughout the state. The division does not share this strategy with other divisions in the Department. This strategy supports the Department's Goal 5, to protect the public by regulating the manufactured housing industry in accordance with state and federal laws. This strategy supports the state's priority goal to ensure that Texas consumers are effectively and efficiently served by high quality professionals and businesses by setting clear standards, maintaining compliance, and seeking market-based solutions.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The Titling and Licensing workload is directly related to the number of manufactured homes sold and titled. The Division has no control over the workload. State law requires the Department to perform this workload as it arises. The Division's ability to respond in a timely manner is continually challenged since the licensing revenue is appropriated during the next biennium as general revenue. Internal factors include changes in Division policy and allocation of resources, e.g. FTE and travel funding that may impact the Department response to timely titling and licensing services.

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:07PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 5 Regulate Manufactured Housing Industry Statewide Goal/Benchmark: 8 0  
 OBJECTIVE: 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other Service Categories:  
 STRATEGY: 2 Conduct Inspections of Manufactured Homes in a Timely Manner Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	Number of Routine Installation Inspections Conducted	16,639.00	14,000.00	17,500.00	15,000.00	15,000.00
2	Number of Non-routine Inspections Conducted	2,414.00	1,700.00	2,359.00	2,000.00	2,100.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Routine Inspection	94.36	110.00	150.00	150.00	150.00
<b>Explanatory/Input Measures:</b>						
1	Number of Installation Reports Received	37,245.00	30,000.00	52,000.00	30,000.00	35,000.00
2	Number of Installation Inspections with Deviations	2,110.00	1,845.00	2,500.00	1,900.00	1,900.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$1,070,711	\$1,168,139	\$1,387,984	\$1,179,787	\$1,179,787
1002	OTHER PERSONNEL COSTS	\$18,012	\$32,606	\$29,184	\$24,806	\$24,806
2001	PROFESSIONAL FEES AND SERVICES	\$115,427	\$49,914	\$13,600	\$50,660	\$50,660
2002	FUELS AND LUBRICANTS	\$2	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$6,734	\$4,794	\$25,531	\$47,760	\$48,100
2004	UTILITIES	\$450	\$169	\$29,434	\$54,400	\$56,100
2005	TRAVEL	\$131,084	\$159,547	\$113,600	\$104,550	\$106,420
2006	RENT - BUILDING	\$104,746	\$101,059	\$132,783	\$131,256	\$132,822
2007	RENT - MACHINE AND OTHER	\$13,835	\$5,406	\$15,200	\$12,920	\$12,920
2009	OTHER OPERATING EXPENSE	\$136,980	\$115,022	\$113,328	\$525,866	\$528,212
4000	GRANTS	\$0	\$205	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$17,843	\$54,504	\$36,891	\$14,505	\$15,949
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,615,824</b>	<b>\$1,691,365</b>	<b>\$1,897,535</b>	<b>\$2,146,510</b>	<b>\$2,155,776</b>

**Method of Financing:**

1	GENERAL REVENUE FUND	\$945,312	\$889,337	\$938,525	\$1,291,968	\$1,292,150
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**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:08PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 5 Regulate Manufactured Housing Industry Statewide Goal/Benchmark: 8 0  
 OBJECTIVE: 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other Service Categories:  
 STRATEGY: 2 Conduct Inspections of Manufactured Homes in a Timely Manner Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$945,312</b>	<b>\$889,337</b>	<b>\$938,525</b>	<b>\$1,291,968</b>	<b>\$1,292,150</b>
<b>Method of Financing:</b>						
	127 COMMUNITY AFFAIRS FED FD					
	14.000.002 HUD DU100K90016710	\$127,630	\$283,668	\$326,455	\$303,112	\$303,175
CFDA Subtotal, Fund	127	\$127,630	\$283,668	\$326,455	\$303,112	\$303,175
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$127,630</b>	<b>\$283,668</b>	<b>\$326,455</b>	<b>\$303,112</b>	<b>\$303,175</b>
<b>Method of Financing:</b>						
	666 APPROPRIATED RECEIPTS	\$542,882	\$518,360	\$632,555	\$551,430	\$560,451
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$542,882</b>	<b>\$518,360</b>	<b>\$632,555</b>	<b>\$551,430</b>	<b>\$560,451</b>
<b>Rider Appropriations:</b>						
	666 APPROPRIATED RECEIPTS					
	10 2 Appropriation: Manufactured Homeowner Consumer Claims				\$400,000	\$400,000
<b>TOTAL, RIDER &amp; UNEXPENDED BALANCES APPROP</b>					<b>\$400,000</b>	<b>\$400,000</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$2,546,510</b>	<b>\$2,555,776</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,615,824</b>	<b>\$1,691,365</b>	<b>\$1,897,535</b>	<b>\$2,146,510</b>	<b>\$2,155,776</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>25.5</b>	<b>27.1</b>	<b>27.1</b>	<b>26.7</b>	<b>26.7</b>
<b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>						

**III.B. STRATEGY REQUEST**  
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 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:09PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 5 Regulate Manufactured Housing Industry Statewide Goal/Benchmark: 8 0  
 OBJECTIVE: 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other Service Categories:  
 STRATEGY: 2 Conduct Inspections of Manufactured Homes in a Timely Manner Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
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Pursuant to the Texas Manufactured Housing Standards Act and Chapter 2306 of the Texas Government Code, Subchapter Y, the Department is to conduct inspections of manufactured homes in a timely manner to ensure proper installation and make warranty determinations. Functional activities include: inspections, issuance of warranty orders to license holders and consumer complaints. This division does not share this strategy with other divisions in the Department. This strategy supports the Department's Goal 5, to protect the public by regulating the manufactured housing industry in accordance with state and federal laws. This strategy supports the state's priority goal to ensure that Texas consumers are effectively and efficiently served by high quality

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External: The installation inspection workload is directly related to the number of manufactured homes installed. The Division has no control over the workload. State law requires at least 25% of the homes installed to be inspected on a sample basis and that priority be placed on multi-section homes and homes installed in Wind Zone II. State law requires the Department to perform this workload as it arises. The Division's ability to respond in a timely manner is continually challenged since the installation fee revenue is appropriated during the next biennium as general revenue.

Internal: Changes in Division policy and allocation of resources including FTE and travel funding may

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DATE: 9/4/2002  
 TIME: 12:52:09PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 5 Regulate Manufactured Housing Industry Statewide Goal/Benchmark: 8 7  
 OBJECTIVE: 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other Service Categories:  
 STRATEGY: 3 Process Consumer Complaints/Conduct Investigations/Take Admin Actions Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	Number of Complaints Resolved	1,870.00	2,100.00	2,000.00	1,900.00	1,800.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Complaint Resolved	920.87	800.00	850.00	1,200.00	1,200.00
2	Average Time for Complaint Resolution	200.00	210.00	220.00	200.00	200.00
<b>Explanatory/Input Measures:</b>						
1	Number of Jurisdictional Complaints Received	1,938.00	1,583.00	1,900.00	1,600.00	1,700.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$1,381,050	\$1,527,274	\$1,387,984	\$1,214,486	\$1,214,486
1002	OTHER PERSONNEL COSTS	\$14,996	\$31,867	\$29,184	\$25,536	\$25,536
2001	PROFESSIONAL FEES AND SERVICES	\$3,646	\$6,925	\$13,600	\$52,150	\$52,150
2002	FUELS AND LUBRICANTS	\$2	\$173	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$15,390	\$9,936	\$25,531	\$48,580	\$48,930
2004	UTILITIES	\$40,287	\$31,919	\$29,434	\$56,000	\$57,750
2005	TRAVEL	\$114,496	\$105,494	\$113,600	\$107,625	\$109,550
2006	RENT - BUILDING	\$175,113	\$201,041	\$132,783	\$134,906	\$136,518
2007	RENT - MACHINE AND OTHER	\$23,905	\$16,962	\$15,200	\$13,300	\$13,300
2009	OTHER OPERATING EXPENSE	\$146,127	\$250,568	\$563,329	\$728,142	\$730,517
4000	GRANTS	\$0	\$260	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$22,702	\$74,730	\$36,891	\$14,636	\$16,080
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,937,714</b>	<b>\$2,257,149</b>	<b>\$2,347,536</b>	<b>\$2,395,361</b>	<b>\$2,404,817</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$1,149,805	\$859,545	\$1,186,366	\$1,516,916	\$1,517,069
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,149,805</b>	<b>\$859,545</b>	<b>\$1,186,366</b>	<b>\$1,516,916</b>	<b>\$1,517,069</b>



**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:10PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 5 Regulate Manufactured Housing Industry Statewide Goal/Benchmark: 8 7  
 OBJECTIVE: 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other Service Categories:  
 STRATEGY: 3 Process Consumer Complaints/Conduct Investigations/Take Admin Actions Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Method of Financing:</b>						
127	COMMUNITY AFFAIRS FED FD					
14.000.002	HUD DU100K90016710	\$146,071	\$416,225	\$395,272	\$311,591	\$311,643
CFDA Subtotal, Fund	127	\$146,071	\$416,225	\$395,272	\$311,591	\$311,643
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$146,071</b>	<b>\$416,225</b>	<b>\$395,272</b>	<b>\$311,591</b>	<b>\$311,643</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$641,838	\$981,379	\$765,898	\$566,854	\$576,105
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$641,838</b>	<b>\$981,379</b>	<b>\$765,898</b>	<b>\$566,854</b>	<b>\$576,105</b>
<b>Rider Appropriations:</b>						
666	APPROPRIATED RECEIPTS					
10 1	Appropriation: Manufactured Homeowner Consumer Claims				\$600,000	\$600,000
<b>TOTAL, RIDER &amp; UNEXPENDED BALANCES APPROP</b>					<b>\$600,000</b>	<b>\$600,000</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$2,995,361</b>	<b>\$3,004,817</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,937,714</b>	<b>\$2,257,149</b>	<b>\$2,347,536</b>	<b>\$2,395,361</b>	<b>\$2,404,817</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>32.9</b>	<b>29.8</b>	<b>29.8</b>	<b>30.1</b>	<b>30.1</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Pursuant to the Texas Manufactured Housing Standards Act and Chapter 2306, of the Texas Government Code, Subchapter Y, the Depa complaints, conduct investigations and take administrative actions to protect the general public. Functional activities include consumer complaint intake, dispute resolut investigations, conducting hearings and taking administrative and other actions. The division does not share this strategy with other divisions in the Department. This strategy supports the Department's Goal 5, to protect the public by regulating the manufactured housing industry in accordance with state and federal laws. This strategy supports the state's priority goal to ensure that Texas consumers are effectively and efficiently served by high quality professionals and businesses by setting clear standards, maintaining compliance, and seeking market-based solutions.

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:11PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL:	5	Regulate Manufactured Housing Industry	Statewide Goal/Benchmark:	8	7
OBJECTIVE:	1	Operate a Regulatory System Ensure Responsive Titling/Licensing/Other	Service Categories:		
STRATEGY:	3	Process Consumer Complaints/Conduct Investigations/Take Admin Actions	Service:	17	Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External: The Consumer Complaint and Administrative Action workload is directly related to the number of consumers who complain about their ho  
 license holders and the number of people who violate the manufactured housing laws. The division has no control over the workload. State law requires the Department to perform this  
 workload as it arises. The Division's ability to respond in a timely manner is continually challenged since the fee revenues and administrative monetary penalties to the Division are  
 appropriated during the next biennium as general revenue.

Internal: Changes in Division policy and allocation of resources including FTE and travel funding may impact the Department's response to timely process consumer complaints and  
 administrative actions.

**III.B. STRATEGY REQUEST**  
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DATE: 9/4/2002  
 TIME: 12:52:12PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 6 Indirect Administrative and Support Costs  
 OBJECTIVE: 1 Indirect Administrative and Support Costs  
 STRATEGY: 1 Central Administration

Statewide Goal/Benchmark: 7 0

Service Categories:

Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$2,900,614	\$2,997,477	\$3,278,002	\$3,278,002	\$3,278,002
1002	OTHER PERSONNEL COSTS	\$30,643	\$54,109	\$37,440	\$37,440	\$37,440
2001	PROFESSIONAL FEES AND SERVICES	\$319,182	\$225,871	\$475,589	\$495,493	\$517,383
2002	FUELS AND LUBRICANTS	\$6	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$27,058	\$22,253	\$80,086	\$81,155	\$81,155
2004	UTILITIES	\$6,009	\$5,374	\$15,690	\$15,690	\$15,690
2005	TRAVEL	\$80,150	\$69,830	\$147,321	\$147,321	\$147,321
2006	RENT - BUILDING	\$421,831	\$463,129	\$400,578	\$408,338	\$416,328
2007	RENT - MACHINE AND OTHER	\$36,061	\$29,974	\$30,449	\$30,449	\$30,449
2009	OTHER OPERATING EXPENSE	\$734,398	\$591,518	\$605,945	\$619,528	\$623,798
5000	CAPITAL EXPENDITURES	\$77,007	\$116,942	\$50,782	\$235,620	\$209,151
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$4,632,959</b>	<b>\$4,576,477</b>	<b>\$5,121,882</b>	<b>\$5,349,036</b>	<b>\$5,356,717</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$356,135	\$210,763	\$421,750	\$379,575	\$368,123
888	EARNED FEDERAL FUNDS	\$1,251,961	\$1,185,980	\$992,521	\$1,100,632	\$1,119,764
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,608,096</b>	<b>\$1,396,743</b>	<b>\$1,414,271</b>	<b>\$1,480,207</b>	<b>\$1,487,887</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$3,024,863	\$3,179,734	\$3,707,611	\$3,868,829	\$3,868,830
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$3,024,863</b>	<b>\$3,179,734</b>	<b>\$3,707,611</b>	<b>\$3,868,829</b>	<b>\$3,868,830</b>

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:13PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 6 Indirect Administrative and Support Costs Statewide Goal/Benchmark: 7 0  
 OBJECTIVE: 1 Indirect Administrative and Support Costs Service Categories:  
 STRATEGY: 1 Central Administration Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$5,349,036</b>	<b>\$5,356,717</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$4,632,959</b>	<b>\$4,576,477</b>	<b>\$5,121,882</b>	<b>\$5,349,036</b>	<b>\$5,356,717</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>69.1</b>	<b>67.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

This strategy provides for Central Administration services to be provided to the entire Department. Central Administration includes the following: Executive Office, Board, Legal, Internal Audit, Governmental Relations and Communications, Strategic Planning/Housing Resource Center, Human Resources, and Financial Services Division.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**III.B. STRATEGY REQUEST**  
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DATE: 9/4/2002  
 TIME: 12:52:13PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 6 Indirect Administrative and Support Costs Statewide Goal/Benchmark: 7 0  
 OBJECTIVE: 1 Indirect Administrative and Support Costs Service Categories:  
 STRATEGY: 2 Information Resource Technologies Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$945,759	\$1,129,204	\$1,049,716	\$1,049,716	\$1,049,716
1002	OTHER PERSONNEL COSTS	\$9,227	\$17,616	\$7,200	\$7,200	\$7,200
2001	PROFESSIONAL FEES AND SERVICES	\$70,305	\$19,795	\$819	\$6,172	\$13,103
2002	FUELS AND LUBRICANTS	\$1	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$15,077	\$18,038	\$19,932	\$20,270	\$20,270
2004	UTILITIES	\$1,341	\$849	\$3,000	\$2,500	\$2,500
2005	TRAVEL	\$5,551	\$5,151	\$14,200	\$12,000	\$12,000
2006	RENT - BUILDING	\$103,294	\$122,825	\$121,940	\$124,240	\$126,769
2007	RENT - MACHINE AND OTHER	\$1,231	\$1,378	\$9,009	\$9,009	\$9,009
2009	OTHER OPERATING EXPENSE	\$114,642	\$119,377	\$141,073	\$164,091	\$165,443
5000	CAPITAL EXPENDITURES	\$35,449	\$58,898	\$19,969	\$28,414	\$32,190
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,301,877</b>	<b>\$1,493,131</b>	<b>\$1,386,858</b>	<b>\$1,423,612</b>	<b>\$1,438,200</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$549,224	\$470,835	\$449,770	\$473,425	\$496,600
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$549,224</b>	<b>\$470,835</b>	<b>\$449,770</b>	<b>\$473,425</b>	<b>\$496,600</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$752,653	\$1,022,296	\$937,088	\$950,187	\$941,600
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$752,653</b>	<b>\$1,022,296</b>	<b>\$937,088</b>	<b>\$950,187</b>	<b>\$941,600</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,423,612</b>	<b>\$1,438,200</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,301,877</b>	<b>\$1,493,131</b>	<b>\$1,386,858</b>	<b>\$1,423,612</b>	<b>\$1,438,200</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>22.5</b>	<b>21.0</b>	<b>19.0</b>	<b>19.0</b>	<b>19.0</b>

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:14PM

Agency code: **332**      Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL:	6	Indirect Administrative and Support Costs	Statewide Goal/Benchmark:	7	0
OBJECTIVE:	1	Indirect Administrative and Support Costs	Service Categories:		
STRATEGY:	2	Information Resource Technologies	Service:	09	Income: A.2    Age: B.3

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>BL 2004</b>	<b>BL 2005</b>
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**STRATEGY DESCRIPTION AND JUSTIFICATION:**

This strategy provides Information Resource Technology services to the entire Department.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:15PM

Agency code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 6 Indirect Administrative and Support Costs Statewide Goal/Benchmark: 7 0  
 OBJECTIVE: 1 Indirect Administrative and Support Costs Service Categories:  
 STRATEGY: 3 Operating/Support Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$404,581	\$415,955	\$430,207	\$430,207	\$430,207
1002	OTHER PERSONNEL COSTS	\$4,460	\$21,760	\$5,760	\$5,760	\$5,760
2001	PROFESSIONAL FEES AND SERVICES	\$9,527	\$3,697	\$2,231	\$5,048	\$8,696
2002	FUELS AND LUBRICANTS	\$39	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$3,962	\$3,430	\$12,535	\$12,713	\$12,713
2004	UTILITIES	\$678	\$1,670	\$3,840	\$3,840	\$3,840
2005	TRAVEL	\$1,759	\$96	\$3,750	\$3,750	\$3,750
2006	RENT - BUILDING	\$62,379	\$70,652	\$64,179	\$65,389	\$66,720
2007	RENT - MACHINE AND OTHER	\$5,787	\$4,742	\$4,742	\$4,742	\$4,742
2009	OTHER OPERATING EXPENSE	\$33,700	\$41,486	\$70,951	\$73,715	\$74,425
5000	CAPITAL EXPENDITURES	\$9,207	\$12,853	\$7,342	\$10,796	\$11,543
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$536,079</b>	<b>\$576,341</b>	<b>\$605,537</b>	<b>\$615,960</b>	<b>\$622,396</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$254,752	\$251,925	\$198,240	\$190,072	\$204,466
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$254,752</b>	<b>\$251,925</b>	<b>\$198,240</b>	<b>\$190,072</b>	<b>\$204,466</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$281,327	\$324,416	\$407,297	\$425,888	\$417,930
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$281,327</b>	<b>\$324,416</b>	<b>\$407,297</b>	<b>\$425,888</b>	<b>\$417,930</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$615,960</b>	<b>\$622,396</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>					<b>\$536,079</b>	<b>\$622,396</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>9.6</b>	<b>11.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

**III.B. STRATEGY REQUEST**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
TIME: 12:52:16PM

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**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Operating and Support Services are comprised of the Purchasing and Facilities/Support sections.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**



**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 12:52:17PM

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**SUMMARY TOTALS:**

<b>OBJECTS OF EXPENSE:</b>	<b>\$127,326,721</b>	<b>\$158,479,162</b>	<b>\$205,387,360</b>	<b>\$166,539,160</b>	<b>\$166,494,156</b>
<b>METHODS OF FINANCE (INCLUDING RIDERS):</b>				<b>\$167,889,160</b>	<b>\$167,844,156</b>
<b>METHODS OF FINANCE (EXCLUDING RIDERS):</b>	<b>\$127,326,721</b>	<b>\$158,479,162</b>	<b>\$205,387,360</b>	<b>\$166,539,160</b>	<b>\$166,494,156</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	<b>307.8</b>	<b>337.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>

**RIDER APPROPRIATIONS**

*AND*

**UNEXPENDED BALANCES REQUEST**

**III.D. RIDER APPROPRIATIONS AND UNEXPENDED BALANCES REQUEST**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
TIME: 12:53:43PM

Agency code: 332      Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

RIDER	STRATEGY	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
10	1					
	Manufactured Consumer Claims					
	5-1-3 ENFORCEMENT					
<b>OBJECT OF EXPENSE:</b>						
2001	PROFESSIONAL FEES AND SERVICES	\$ 50,000	\$ 50,000	\$ 50,000	\$ 600,000	\$ 600,000
<b>Total, Object of Expense</b>		<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>
<b>METHOD OF FINANCING:</b>						
666	APPROPRIATED RECEIPTS	\$ 50,000	\$ 50,000	\$ 50,000	\$ 600,000	\$ 600,000
<b>Total, Method of Financing</b>		<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>

**Description/Justification for continuation of existing riders or proposed new rider**

Appropriation: Manufactured Homeowner Consumer Clai  
Department of Housing and Community Affairs is appropriated an amount, not to exceed \$1,000,000 per year for the biennium, requirec  
housing consumer claims according to the Manufactured Housing Standards Act, from title transaction fees in  
General Revenue Fund during the 2004-05 biennium.

**III.D. RIDER APPROPRIATIONS AND UNEXPENDED BALANCES REQUEST**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
TIME: 12:54:58PM

Agency code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

RIDER	STRATEGY	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
10 2	Manufactured Consumer Claims 5-1-2 INSTALLATION INSPECTIONS					
<b>OBJECT OF EXPENSE:</b>						
2001	PROFESSIONAL FEES AND SERVICES	\$ 50,000	\$ 50,000	\$ 50,000	\$ 400,000	\$ 400,000
<b>Total, Object of Expense</b>		<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>
<b>METHOD OF FINANCING:</b>						
666	APPROPRIATED RECEIPTS	\$ 50,000	\$ 50,000	\$ 50,000	\$ 400,000	\$ 400,000
<b>Total, Method of Financing</b>		<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>

**Description/Justification for continuation of existing riders or proposed new rider**

Appropriation: Manufactured Homeowner Consumer Clai  
Department of Housing and Community Affairs is appropriated an amount, not to exceed \$1,000,000 per year for the biennium, required housing consumer claims according to the Manufactured Housing Standards Act, from title transaction fees in General Revenue Fund during the 2004-05 biennium.

**III.D. RIDER APPROPRIATIONS AND UNEXPENDED BALANCES REQUEST**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
TIME: 12:54:58PM

Agency code: 332      Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

RIDER	STRATEGY	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
15	1 Interest Earnings/ Loan Repayments 1-1-1 HOUSING TRUST FUND					
<b>OBJECT OF EXPENSE:</b>						
4000	GRANTS	\$ 250,000	\$ 250,000	\$ 250,000	\$ 350,000	\$ 350,000
<b>Total, Object of Expense</b>		<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>
<b>METHOD OF FINANCING:</b>						
1	GENERAL REVENUE FUND	\$ 250,000	\$ 250,000	\$ 250,000	\$ 350,000	\$ 350,000
<b>Total, Method of Financing</b>		<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>

**Description/Justification for continuation of existing riders or proposed new rider**

In addition to the appropriations above, interest earnings and loan repayments received from loans made through the Housing Trust Fund, estimated to be \$250,000 each year, are hereby appropriated out of the General Revenue Fund for Strategy A.1.1., Housing Trust Fund, to be used for the same purpose.

**III.D. RIDER APPROPRIATIONS AND UNEXPENDED BALANCES REQUEST**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
TIME: 12:54:58PM

Agency code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

<b>RIDER</b>	<b>STRATEGY</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>BL 2004</b>	<b>BL 2005</b>
<b>SUMMARY:</b>						
<b>OBJECT OF EXPENSE TOTAL</b>		\$ 350,000	\$ 350,000	\$ 350,000	\$ 1,350,000	\$ 1,350,000
<b>METHOD OF FINANCING TOTAL</b>		\$ 350,000	\$ 350,000	\$ 350,000	\$ 1,350,000	\$ 1,350,000

**RIDER REVISIONS AND ADDITIONS REQUEST**

### Rider Revisions and Additions Request

<b>Agency Code:</b>	<b>Agency Name:</b>	<b>Prepared By:</b>	<b>Date:</b>	<b>Request Level:</b>
332	Tx Dept of Housing and Community Affairs	David Aldrich	9/1/02	Base

Current Rider Number	Page Number in 2002-03 GAA)	Proposed Rider Language																								
1	VII-13-14	<p><b>Capital Budget.</b> None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in this provision as appropriations either for “Lease Payments to the Master Lease Purchase Program” or for items with an “(MLPP)” notation shall be expended only for the purpose of making lease-purchase payments to Government Code 1232.103. Upon approval from the Legislative Budget Board, capital budgeted funds listed below under “Acquisition of Information Resource Technologies” may be used to lease information resources hardware and/or software versus the purchase of information resources hardware and/or software, if determined by agency management to be in the best interest of the State of Texas.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">2002</th> <th style="width: 20%; text-align: center;">2003</th> </tr> </thead> <tbody> <tr> <td><del>a. Acquisition of Information Resource Technologies</del></td> <td></td> <td></td> </tr> <tr> <td><del>(1) Normal Growth/Integrate Systems</del></td> <td style="text-align: right;"><del>\$730,158</del></td> <td style="text-align: right;"><del>\$555,764</del></td> </tr> <tr> <td><del>(2) Compliance Monitoring Tracking System/Centralized Database</del></td> <td style="text-align: right;"><del>399,000</del></td> <td style="text-align: right;"><del>99,000</del></td> </tr> <tr> <td><del>(3) Loan Production and Servicing Software</del></td> <td style="text-align: right;"><del>305,000</del></td> <td style="text-align: right;"><del>0</del></td> </tr> <tr> <td><del>(4) Peoplesoft Accounting System</del></td> <td style="text-align: right;"><del>180,000</del></td> <td style="text-align: right;"><del>60,000</del></td> </tr> <tr> <td><del>Total Acquisition of Information Resource Technologies</del></td> <td style="text-align: right;"><del>\$1,614,158</del></td> <td style="text-align: right;"><del>\$714,764</del></td> </tr> <tr> <td><del>TOTAL Capital Budget</del></td> <td style="text-align: right;"><del>\$1,614,158</del></td> <td style="text-align: right;"><del>\$714,764</del></td> </tr> </tbody> </table>		2002	2003	<del>a. Acquisition of Information Resource Technologies</del>			<del>(1) Normal Growth/Integrate Systems</del>	<del>\$730,158</del>	<del>\$555,764</del>	<del>(2) Compliance Monitoring Tracking System/Centralized Database</del>	<del>399,000</del>	<del>99,000</del>	<del>(3) Loan Production and Servicing Software</del>	<del>305,000</del>	<del>0</del>	<del>(4) Peoplesoft Accounting System</del>	<del>180,000</del>	<del>60,000</del>	<del>Total Acquisition of Information Resource Technologies</del>	<del>\$1,614,158</del>	<del>\$714,764</del>	<del>TOTAL Capital Budget</del>	<del>\$1,614,158</del>	<del>\$714,764</del>
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**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language		
1	VII-13-14	<u>2004</u>	<u>2005</u>	
		<u>Method of Financing (Capital Budget):</u>		
		<u>General Revenue Fund</u>	<u>\$238,567</u>	<u>\$239,233</u>
		<u>Community Affairs Federal Fund No. 127</u>	<u>\$287,461</u>	<u>\$121,360</u>
		<u>Appropriated Receipts</u>	<u>\$532,280</u>	<u>\$424,461</u>
		<u>Earned Federal Funds</u>	<u>\$91,692</u>	<u>\$79,946</u>
		<u>Total Method of Financing:</u>	<u>\$1,150,000</u>	<u>\$865,000</u>
2	VII-14	<p><b>Reporting Requirements.</b> Within 90 days following the conclusion of a contract issued by the Texas Department of Housing and Community Affairs or, at the option of the contracting party, within 90 days following the conclusion of the contracting party's fiscal year during which a contract was in force, the contracting party shall provide to the Executive Director a full accounting of state funds expended under the terms of the contract. This requirement shall be a part of any contract entered into by the department and contracting entities. Failure of a contracting party to provide full accounting of state funds expended under the terms of any contract under the conditions stated above shall be sufficient reason to terminate that contract and for the department to deny any future contracts to that contracting party.</p>		

**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language												
3	VII-14	<p><b>Housing Assistance.</b> The housing finance <del>divisions</del> <del>division's</del> shall adopt an annual goal to apply no less than \$30,000,000 of the <del>divisions'</del> <del>division's</del> total housing funds toward housing assistance for individuals and families <u>earning less than 30 percent of median</u> <del>in which the annual</del> family income. <del>does not exceed the following amounts based on the number of persons in the family:</del></p> <table data-bbox="695 592 1638 808"> <thead> <tr> <th data-bbox="695 592 1123 625"><del>Number of Persons in the family</del></th> <th data-bbox="1302 592 1638 625"><del>Maximum annual income</del></th> </tr> </thead> <tbody> <tr> <td data-bbox="695 630 808 662"><del>1 person</del></td> <td data-bbox="1281 630 1396 662">\$13,000</td> </tr> <tr> <td data-bbox="695 667 829 699"><del>2 persons</del></td> <td data-bbox="1281 667 1396 699">\$16,000</td> </tr> <tr> <td data-bbox="695 704 829 737"><del>3 persons</del></td> <td data-bbox="1281 704 1396 737">\$17,500</td> </tr> <tr> <td data-bbox="695 742 829 774"><del>4 persons</del></td> <td data-bbox="1281 742 1396 774">\$19,000</td> </tr> <tr> <td data-bbox="695 779 829 812"><del>5 persons</del></td> <td data-bbox="1281 779 1396 812">\$21,000</td> </tr> </tbody> </table> <p><del>For each additional person, add \$1,500.</del> No less than 20 percent of the <del>divisions'</del> <del>division's</del> total housing funds shall be spent for individuals and families earning between 31 percent and 60 percent of median family income. In those counties where the median family income is lower than the state average median family income, the department shall use the average state median income in interpreting this rider. The department shall provide a quarterly report to the Legislative Budget Board documenting its expenditures in each income category.</p> <p><i>Explanation: The revision reverts to the language adopted by the 76<sup>th</sup> Legislature to ensure that TDHCA meets the requirements of the rider and subjects housing finance divisions housing funds to the goal requirement, not only those funds of the "housing finance division", to reflect changes made during the Departments reorganization. Contracts are awarded and performances measured based on projections using median income scales. Actual income figures are not known until a year or two after the funds have been distributed and will not be representative of a specific funding cycle or fiscal year, but rather will only mark the year in which a contract is completed. Reporting on the basis of projections is also consistent with the way in which performance measures are reported.</i></p>	<del>Number of Persons in the family</del>	<del>Maximum annual income</del>	<del>1 person</del>	\$13,000	<del>2 persons</del>	\$16,000	<del>3 persons</del>	\$17,500	<del>4 persons</del>	\$19,000	<del>5 persons</del>	\$21,000
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<del>1 person</del>	\$13,000													
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<del>4 persons</del>	\$19,000													
<del>5 persons</del>	\$21,000													

**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language
4	VII-14	<p><del><b>Coordination with Texas Water Development Board.</b> The Texas Department of Housing and Community Affairs (TDHCA) and the Texas Water Development Board (TWDB) shall continue to coordinate funds as outlined in a Memorandum of Understanding (MOU) so as to assure that none of the funds appropriated above are expended in a manner that aids the proliferation of colonias or are otherwise used in a manner inconsistent with the intent of the Economically Distressed Areas Program (EDAP) operated by the Texas Water Development Board (TWDB); and maximize delivery of the funds and minimize administrative delay in their expenditure. The MOU shall be amended, if necessary, prior to the distribution of the Colonia Fund in fiscal years 2002 and 2003. In distributing funds out of the Colonia Fund, the TDHCA shall provide top funding priority to those projects that are in EDAP funded areas and which assist colonia residents who cannot afford the cost of service lines, hook ups, and plumbing improvements associated with being connected to an EDAP system. None of the funds appropriated above for Strategy B.2.1, Development Projects Grants, may be expended in EDAP-eligible counties that have not adopted, or are not enforcing, the Model Subdivision Rules established pursuant to 16.343 of the Water Code. No later than September 15, 2002, the TDHCA and the TWDB shall submit a joint report to the Legislative Budget Board that describes and analyzes the effectiveness of projects funded as a result of coordinated Colonia Fund/EDAP efforts including an estimate of the amount each agency has saved by reduced duplication of efforts.</del></p> <p><i>Explanation: Responsibility of the Office of Rural Community Affairs</i></p>
5	VII-15	<p><b>Reimbursement of Advisory Committee Members.</b> Pursuant to VTCS, Government Code §2110.004, reimbursement of expenses for advisory committee members, out of funds appropriated above, is limited to the following advisory committees:</p> <p style="padding-left: 40px;">Texas Weatherization Policy Advisory Council State Interagency Council for the Homeless <del>Consolidated Plan/State Low Income Housing Plan Committee</del></p>

**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number for 2002-03 in GAA	Proposed Rider Language
5	VII-15	<p style="text-align: center;"><del>State Community Development Review Committee</del>  <del>Colonia Residents Advisory Committee</del>  <del>Colonia Advisory Committee</del>  <u>Disability Advisory Committee</u></p> <p><i>Explanation: The Texas Interagency Council for the Homeless has been renamed and exempted from Chapter 2110 pursuant to §2306.782(b); the State Community Development Review Committee is now the responsibility of ORCA; and the renamed Colonia Initiatives Advisory Committee is now appointed by the Governor to advise ORCA and the Texas Water Development Board. The Consolidated Plan/State Low Income Housing Plan Committee is no longer needed given TDHCA's regional allocation of funds. A disability advisory committee has been added to assist TDHCA with accessibility and other issues affecting persons with disabilities.</i></p>
6	VII-15	<p><b>Local Site Visits.</b> From monies appropriated above, when the Texas Department of Housing and Community Affairs receives a letter from the mayor or county judge of an affected city or county opposing an application for a federal tax incentive to develop rental housing, a site visit by an employee of the Texas Department of Housing and Community Affairs with the mayor or county judge or their designated representative shall take place within 30 days following notification. The site visit must occur before the incentive can be approved. The Texas Department of Housing and Community Affairs is authorized to obtain reimbursement from the applicant for a federal tax incentive for necessary travel and expenses at a rate not to exceed the federally authorized rate.</p>
7	VII-15	<p><b>Low/Moderate Income Housing Construction.</b> Out of the funds appropriated above, not less than \$500,000 each year of the biennium shall be expended on low/moderate income housing construction in enterprise zone areas.</p>

**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number for 2002-03 in GAA	Proposed Rider Language
8	VII-15	<p><b>Low Income Assistance: Scoring Criteria.</b> It is the intent of the Legislature that the department add to its contract award scoring criteria for the construction, acquisition, or rehabilitation of single and multi-family housing, and for the operation of multi-family housing, a system that gives increased points for comprehensive services to low-income citizens, such as case management, home-buyer assistance, and family budgeting. The department is also encouraged to develop a sliding scale fee schedule for the low-income tax credit program and the 501c(3) bond program to encourage increased participation by non-profit entities such as community development housing organizations.</p>
9	VII-16	<p><b>Limitation on Expenditure.</b> Under Strategy A.1.4, Federal Tax Credits, no funds shall be used for processing or approving applications for allocations unless the department adopts or amends administrative rules containing the following:</p> <ul style="list-style-type: none"> <li>a. All representations made by an applicant for an allocation are enforceable by the department, including enforcement by administrative penalties for failure to perform as stated in the representations and enforcement by inclusion in deed restrictions to which the department is a party.</li> <li>b. The department <del>shall</del> <u>will require inspections of</u> all construction for quality during the construction process while defects can reasonable by corrected.</li> <li>c. A general contractor hired by an applicant or an applicant, if the applicant serves as general contractor, must demonstrate a history of constructing similar types of housing without the use of federal tax credits.</li> <li>d. The department shall give notice of a proposed project to the state representative and senator representing the area where a project would be located. The state representative or senator may hold a community meeting at which the department shall provide appropriate representation.</li> <li>e. The department shall allocate credits among as many different entities as practicable without diminishing the quality of the housing that is built.</li> </ul> <p><i>Explanation: Allows the Department to accept third party inspections.</i></p>

**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number for 2002-03 in GAA	Proposed Rider Language
10	VII-16	<p><b>Appropriation:</b> Manufactured Homeowner Consumer Claims. In addition to appropriations in Goal E, Manufactured Housing, <u>the Manufactured Housing Division</u> of the Department of Housing and Community Affairs is appropriated an amount, not to exceed <del>\$50,000</del> <u>\$1,000,000</u> per year for the biennium, required for the purpose of paying manufactured housing consumer claims according to <u>the Manufactured Housing Standards Act VTCS, Article 5224f</u>, from title transaction fees involving manufactured housing collected and deposited in the General Revenue Fund during the <del>2002-03</del> <u>2004-05</u> biennium.</p> <p><i>Explanation: Increasing the amount appropriated from \$50,000 to \$1,000,000 will lessen the tremendous strain on our direct strategies and budget/funding sources. The Manufactured Housing Division paid out over \$500,000 in consumer claims in fiscal year 2002. Inserted “the Manufactured Housing Division of” to match with the Sunset Bill. The reference to the Act was revised because it will be transferred from Vernon’s Texas Civil Statutes to the Occupational Code in September 2003.</i></p>
11	VII-16	<p><b>Appropriations Limited to Revenue Collections.</b> It is the intent of the Legislature that fees, fines, and other miscellaneous revenues as authorized and generated by the agency cover, at a minimum, the cost of the appropriations made above for the strategy items in Goal E, Manufactured Housing, the cost of the appropriations required for manufactured housing consumer claims payments according to the <u>Manufactured Housing Standards Act VTCS, Article 5224f</u>, as well as the "other direct and indirect costs" for Goal E, Manufactured Housing, are estimated to be \$921,641 for fiscal year <del>2002</del> <u>2004</u> and \$958,563 for fiscal year <del>2003</del> <u>2005</u>. In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct that the Comptroller of Public Accounts reduce the appropriation authority provided above to be within the amount of revenue expected to be available.</p> <p><i>Explanation: The reference to the Act was revised because it will be transferred from Vernon’s Texas Civil Statutes to the Occupational Code in September 2003.</i></p>

**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number for 2002-03 in GAA	Proposed Rider Language
13	VII-16-17	<p><b>Conversions of Executory Contracts.</b> Out of the funds appropriated above, the department shall spend not less than \$4,000,000 for the biennium for the sole purpose of contracts for deed conversions for families that reside in a colonia and earn 60 percent or less of the applicable area median family income. It is the intent of the Legislature that the department complete at least <u>200</u> <del>400</del> contract for deed conversions by August 31, <u>2005</u> <del>2003</del>.</p> <p><i>Explanation: The conversions of contracts for deed to warranty deeds is costing approximately \$20,000 for each conversion, thereby allowing only 200 conversions to be completed, rather than 400.</i></p>
14	VII-17	<p><del><b>Administrative Allocation:</b> Councils of Governments. From the federal administrative monies made available to the department under the Community Development Block Grant Program, an amount equal to 19 percent of such monies shall be allocated to councils of government to continue staff support to the 24 Regional Review Committees of local elected officials appointed by the Governor.</del></p> <p><i>Explanation: Responsibility of the Office of Rural Community Affairs</i></p>
15	VII-17	<p><b>Appropriation:</b> Housing Trust Fund Interest Earnings and Loan Repayments. Interest earnings and loan repayments received from loans made through the Housing Trust Fund program from amounts appropriated out of the General Revenue Fund for Strategy A.1.1., Housing Trust Fund, estimated to be <u>\$350,000</u> each year, are hereby appropriated to the Housing Trust Fund established under §2306.201, Government Code, to be used for the same purpose.</p> <p><i>Explanation: Estimated increased receipt of loan repayment funds.</i></p>

**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number for 2002-03 in GAA	Proposed Rider Language
16	VII-17	<p><b><u>Appropriations: Unexpended Balances.</u></b> <del>Grants and Contracts.</del> Any unexpended general revenue balances remaining in Strategy A.1.1, Housing Trust Fund, as of August 31, <del>2003</del> 2001, are appropriated to the same strategy as of September 1, <del>2003</del> 2001. <del>Any funds from grants or contracts executed before September 1, 2002, or from prior fiscal years from Strategy A.1.1, Housing Trust Fund, subsequently returned to the Department of Housing and Community Affairs that are not expended for the same purpose as of August 31, 2002, are appropriated to Strategy A.1.1., Housing Trust Fund, as of September 1, 2002, for the same purposes. Beginning September 1, 2002, any funds from grants or contracts executed before September 1, 2003, or from prior fiscal years from Strategy A.1.1., Housing Trust Fund, subsequently returned to the Department of Housing and Community Affairs are appropriated to Strategy A.1.1., Housing Trust Fund, for the same purposes.</del></p> <p><i>Explanation: The deleted language is not necessary since Rider 15 governs HTF loan repayments and recaptured HTF general revenue from deobligated grants is required to be used for the same purpose pursuant to Sections 6.34, Grants, and 6.05, Interpretation of Legislative Intent, of the General Appropriations Act.</i></p>
17	VII-17	<p><b><u>Sunset Contingency.</u></b> <del>Funds appropriated above for fiscal year 2003 for the Texas Interagency Council for the Homeless and the Texas State Affordable Housing Corporation are made contingent on the continuation of the Texas Department of Housing and Community Affairs by the Legislature. In the event that the agency is not continued, the funds appropriated for the fiscal year 2002 or as much thereof as may be necessary are to be used to provide for the phase out of agency operations.</del></p> <p><i>Explanation: Not applicable, TDHCA continued for two years.</i></p>



**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number for 2002-03 in GAA	Proposed Rider Language
18	VII-17	<p><del><b>Colonia Advisory Committee.</b> Of the amounts appropriated above to the Department of Housing and Community Affairs in Strategy B.2.2. Colonia Service Centers, the amount of \$6,000 in fiscal year 2002 and the amount of \$6,000 in fiscal year 2003 is intended for the purpose of establishing a Colonia Advisory Committee to advise the Board on the needs of colonia residents and the effectiveness of the department's policies. The committee shall consist of one colonia resident, one representative of a nonprofit organization that serves colonia residents, one local government representative, one private interest person in banking or land development, and one public member. All members would be appointed by the board and, with the exception of the public member, must reside within 150 miles of the Texas Mexico border.</del></p> <p><i>Explanation: Responsibility of the Office of Rural Community Affairs</i></p>
19	VII-17	<p><del><b>Colonia Annual Assessment.</b> Of the amounts appropriated above to the Department of Housing and Community Affairs in Strategy B.2.2. Colonia Service Centers, the amount of \$10,000 in fiscal year 2002 and the amount of \$10,000 in fiscal year 2003 is intended for the purpose of developing an annual assessment of colonia resident needs and a biennial action plan to address the needs. The department shall collect information on the demand for contract for deed conversion, self-help housing, consumer education, and other colonia resident services in counties within 150 miles of the Texas-Mexico border. The Department Office of Colonia Initiatives should prepare a biennial action plan by January 1 of each fiscal year to list shall include the assessment of colonias needs in its annual state low income housing plan and report listing policy goals for its colonia programs, the strategies to meet the goals, and the expected outcomes.</del></p> <p><i>Explanation: Assessment is duplicative of the State Low Income Housing Plan and Report required pursuant to §2306.072 et seq. Additionally, payment for the assessment from CDBG funds is deleted since the CDBG funds were transferred to the Office of Rural Community Affairs.</i></p>

**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number for 2002-03 in GAA	Proposed Rider Language
20	VII-18	<p><b>Contingent Revenue.</b> Of the amounts appropriated above to the Texas Department of Housing and Community Affairs in Strategy C.2.1 Energy Assistance Programs, the amounts of <del>\$7,178,000</del> <u>\$10,767,000</u> to include administrative expenses in fiscal year <del>2004</del> <u>2002</u> and \$10,767,000 to include <u>administrative expenses</u> in fiscal year <del>2005</del> <u>2003</u> in General Revenue (System Benefit Fund) are contingent on the Public Utility Commission's assessing a rate sufficient to generate the estimated needs of the System Benefit Fund. The Public Utility Commission, upon generation of necessary actions for the assessment, shall furnish copies of the Public Utility Commission's order and other information supporting the estimated revenues to be generated for the <del>2004-2005</del> <u>2002-2003</u> biennium to the Comptroller of Public Accounts. If the Comptroller finds the information sufficient to support the projection of revenues, a finding of fact to that effect shall be issued and the contingent appropriation shall be made available for the intended purpose.</p> <p><i>Explanation: Initial funding for 2002 reflected a pro rated funding amount because deregulation began January 1, 2002. Funding has been adjusted to reflect a full years funding for each year of the biennium. Clarification has been added related to administrative expenses.</i></p>
21	VII-18	<p><del><b>Ex Parte Contacts.</b> The Texas Department of Housing and Community Affairs shall draft and implement formal rules by January 1, 2002, which prohibit members of the board from having any ex parte contacts with any individual or company who has applied to the department for assistance, except as specifically authorized by statute or rule.</del></p> <p><i>Explanation: Requirement is now established by statute at §2306.1113, Government Code.</i></p>
24	VII-18	<p><b>Bond Refinancing.</b> The department shall transfer any funds acquired through refinancing of bonds to the Housing Trust Fund. The first \$3 million each fiscal year in savings from the refinancing of any bonds shall be used to fund mortgage loans under the Bootstrap Self-Help Housing Loan Program.</p>

**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number for 2002-03 in GAA	Proposed Rider Language
25	VII-18	<p><del><b>Colonia Set-Aside Program Allocation.</b> The Texas Department of Housing and Community Affairs shall continue the Community Development Block Grant (CDBG) Colonia Set Aside Program by allocating not less than 10 percent of the yearly allocation of CDBG funds for eligible activities to assist in providing for the housing, planning, and infrastructure needs in colonias. From this 10 percent yearly allocation, \$2,000,000 shall be reserved to provide financial assistance to units of general local government located in economically distressed areas as defined by §17.921, Water Code, to pay for residential service lines, hookups, and plumbing improvements associated with being connected to a water supply or sewer service system, any part of which is financed under the economically distressed areas program established under Subchapter J, Chapter 16, Water Code, and Subchapter K, Chapter 17, Water Code. The department by rule shall approve or disapprove a timely application before construction of the water supply or sewer is completed in order to eliminate delay in connection once construction is completed. The department shall coordinate the application process with the Texas Water Development Board to avoid duplication of effort and the necessity for applicants to submit dual applications.</del></p> <p><del>In addition, <u>The the Office of Rural Community Affairs</u> department shall allocate 2.5 percent of the yearly allocation of Community Development Block Grant (CDBG) monies to support the operation of <u>the Colonia Self-Help Centers Owner-Builder Housing Programs</u> and shall transfer such funds to <u>the department on September 1 of each year of the biennium.</u> <del>In operating the Self-Help Owner-Builder Housing Program, the department shall provide \$2.5 million each year from any source available to the department except CDBG funds to fund the administration and operations of the Self-Help Owner Builder Housing Centers.</del></del></p> <p><i>Explanation: The first paragraph relates solely to the responsibilities of ORCA. The second paragraph has been revised to make corrections and to reflect the requirements of §2.15 of Chapter 1367, Acts of the 77<sup>th</sup> Legislature, Regular Session.</i></p>

Current Rider Number	Page Number for 2002-03 in GAA	Proposed Rider Language
26	VII-18-19	<p><del><b>Sunset Contingency.</b> Funds appropriated above for fiscal year 2003 for the Texas Department of Housing and Community Affairs are made contingent on the continuation of the Texas Department of Housing and Community Affairs by the Legislature. In the event the agency is necessary are to be used to provide for the phaseout of agency operations and the transfer of agency programs to other agencies. Any funds and full time equivalent positions from the Texas Department of Housing and Community Affairs are hereby appropriated to the following receiving agencies for the biennium beginning September 1, 2001:</del></p> <p><del>Goal A— Affordable Housing</del></p> <ul style="list-style-type: none"> <li><del>— Strategy A.1.1, Housing Trust Fund— Office of Rural and Community Affairs*</del></li> <li><del>— Strategy A.1.2, HOME Program— Office of Rural and Community Affairs*</del></li> <li><del>— Strategy A.1.3, Section 8 Rental Assistance— Health and Human Services Commission</del></li> <li><del>— Strategy A.1.4, Federal Tax Credits— Bond Review Board</del></li> <li><del>— Strategy A.1.5, MRB Program, Single Family— Bond Review Board</del></li> <li><del>— Strategy A.1.6, MRB Program, Multifamily— Bond Review Board</del></li> </ul> <p><del>Goal B— Community Development</del></p> <ul style="list-style-type: none"> <li><del>— All Strategies— Office of Rural and Community Affairs*</del></li> </ul> <p><del>Goal C— Poor and Homeless Programs</del></p> <ul style="list-style-type: none"> <li><del>— All Strategies— Office of Rural and Community Affairs*</del></li> </ul> <p><del>Goal D— Ensure Compliance</del></p> <ul style="list-style-type: none"> <li><del>— All Strategies— Bond Review Board</del></li> </ul> <p><del>Goal E— Manufactured Housing</del></p> <ul style="list-style-type: none"> <li><del>— All Strategies— Department of Licensing and Regulation</del></li> </ul> <p><del>Indirect administration and support costs shall be appropriately allocated and transferred with their corresponding strategies. The department shall notify the Legislative Budget Board and the Governor 30 days prior to the transfers. The notification shall identify funding amounts (including method of finance), affected strategies, riders, and capital budget authority. On the effective date of this Act, all powers, duties, obligations, rights, contracts, records, employees, property, and unspent and unobligated appropriations and other funds of the Texas Department of Housing and Community Affairs that are used by that agency on the effective date of this Act are transferred to</del></p>

**Rider Revisions and Additions Request  
(continued)**

<b>Current Rider Number</b>	<b>Page Number in 2002-03 GAA</b>	<b>Proposed Rider Language</b>
26	Page VII-18-19	<p><del>the designated agencies as listed above. All rules, policies, procedures, and decisions that affect the agency programs are continued in effect until superseded by a rule of other appropriate action by the designated agency listed above. Any action or proceeding before the Texas Department of Housing and Community Affairs relating to its programs is to be transferred without change in status to the designated agency, and the designated agency assumes, without change in status, the position of the Texas Department of Housing and Community Affairs in any action or proceeding relating to the programs to which the Texas Department Housing and Community Affairs is a party.</del></p> <p><del>*Transfers to the Office of Rural and Community Affairs is contingent on the enactment of House Bill 7 or similar legislation. In the event House Bill 7 or similar legislation is not enacted. The transfer shall be made to the Office of the Governor.</del></p> <p><i>Explanation: Legislature enacted laws on this subject matter.</i></p>
701	Article 1	<p><b><u>Contract Workforce.</u></b> Notwithstanding any other provision of this Act, the Texas Department of Housing and Community Affairs is authorized to outsource any of its authorized functions or duties without affecting its “Number of Full-Time Equivalent Positions (FTEs)” figure as long as the Department has sufficient federal funds or appropriated receipts to pay for such contract workers.</p> <p><i>Explanation: Rather than request additional general revenue, the Department requests authority to exceed its FTE cap by outsourcing some of its existing and new duties. No general revenue is required to pay for the contracts.</i></p>

**Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language
702	Article 1	<p><b><u>Appropriation; Fees.</u></b> All fees that the Texas Department of Housing and Community Affairs is authorized to collect are hereby appropriated for the purposes named in statute for the biennium beginning September 1, 2003.</p> <p><i><u>Explanation: Rather than request additional revenue, the Department requests authority to retain fees collected, in addition to the amounts appropriated, to enable it to perform additional responsibilities. Statutory authority to charge and collect fees is located at §§2306.147 (relating to fees for the operation of the housing finance division); 2306.176 (fees related to loans); 2306.228 (loan fees); 2306.266 (relating to fees paid to the housing finance division by housing sponsors for examinations, inspections, supervision, and auditing); and 2306.6716 (relating to low-income housing tax credit compliance fees).</u></i></p>

**EXCEPTIONAL ITEM REQUEST**

**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **1:07:12PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
	<b>Item Name:</b>		
	<b>Item Priority:</b> 1		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	03-01-01		
<b>OBJECTS OF EXPENSE:</b>			
4000	GRANTS	3,000,000	3,000,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$3,000,000</b>	<b>\$3,000,000</b>
<b>METHOD OF FINANCING:</b>			
1	GENERAL REVENUE FUND	3,000,000	3,000,000
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$3,000,000</b>	<b>\$3,000,000</b>

**DESCRIPTION / JUSTIFICATION:**

Subchapter CC, Texas Government Code, directs the Department to administer the Emergency Nutrition requesting \$6 million over the 2004-2005 biennium to facilitate the administration and enactment of this important program, which is the only state emergency relief program aimed at helping low, very low and extremely low income persons. This funding will assist the Department in helping approximately 50,000 individuals and families, primarily in rural areas of the state. Previous to the 2000-2001 biennium, this program received a minimum of \$3 million in Oil Overcharge funds each year and allowed local governments to assist approximately 60,000 low income individuals each year through energy-related services such as utility assistance. Although no new oil overcharge funds were available in FY 2000, the Department was granted Unexpended Balance (UB) authority and assisted 22,273 persons through ENTERP with \$853,767 (\$356,348 in general revenue and \$497,419 funds). In FY 2001, the Department obligated \$472,998 (\$355,211 in GR and \$117,787 unexpended oil overcharge) to assist 12,482 persons. The Department will receive approximately \$752,889 in FY 2002 and FY 2003 to carry out the duties of this program. ENTERP was originally funded with general revenue and such funds will be operational; for example, providing emergency housing and food in addition to emergency gas or electricity vouchers.

If ENTERP is no longer funded, or is funded at the same level of General Revenue funding as in FY 2002-2003 (\$712,696) there will no longer be an effective state-funded program to provide assistance to the neediest of Texans.

**EXTERNAL/INTERNAL FACTORS:**

External/Internal Factors: lack of adequate funding to provide emergency services for all Texas counties. Increases in the poverty population, although poverty figures are not yet available from the 2000 U.S. Census, the poverty population in Texas increased by 47.4% between 1980 and 1990. Recent weather-related energy crises, escalating energy costs, and the recent down-turn of economy have caused increased demand for emergency services and places additional demand on Department resources.



**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **1:08:18PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
	<b>Item Name:</b> Office of Colonia Initiatives		
	<b>Item Priority:</b> 2		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	01-01-01		
	02-01-02		
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	33,600	33,600
2005	TRAVEL	5,000	5,000
4000	GRANTS	7,500,000	7,500,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$7,538,600</b>	<b>\$7,538,600</b>
<b>METHOD OF FINANCING:</b>			
1	GENERAL REVENUE FUND	7,500,000	7,500,000
666	APPROPRIATED RECEIPTS	38,600	38,600
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$7,538,600</b>	<b>\$7,538,600</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		1.00	1.00

**DESCRIPTION / JUSTIFICATION:**

Funding for this activity would significantly enhance Strategies 01-01-01 "Provide State Housing Loans and Grants through the Housing Trust Fund( Technical Assistance to Colonia Areas Through 4 Service Centers". Restrictions on federal funding sources severely limit the TDHCA's ability to implement prog colonias in the Texas-Mexico border area. The use of general revenue through the HTF will provide funding flexibility needed to serve this population and extremely low and very low income households as mandated under Rider 3. Funding will be used as follows:

The Texas Bootstrap Loan Program: \$3 million for each year of the biennium in support of constructing approximately 100 single-family units. This self-help housing p mandated under Chapter 2306, Subchapter FF, Tex. Gov. Code.

The Contract for Deed Conversion Loan Program: \$2 million each year of the biennium fo contract-for-deed holders benefits of homeownership and is mandated under Sec. 2306.255, Tex. Gov. Code and Rider 13 of TDHCA's appropriation.

Land Acquisition and Development Loan Program:\$1,750,000 each year of biennium. Funding will allow for implementation of the Colonia Model Subdivi Chapter 2306, Subchapter GG, Tex. Gov. Code to provide nonprofits a loan fund for acquisition and development of land to support the residential lots.

**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
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Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
TIME: **1:08:19PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
	Capacity Building and Education Programs.\$750,000 each year of the biennium. Funding will be used to increase capacity of nonprofits serving Tx.-Mex. border affordable housing.		

The requested FTE would provide additional staffing to the Office of Colonia Initiatives to assist in administration of these programs and be funded through appropriated receipts associated with the Single Family Mortgage Revenue Bond Program.

**EXTERNAL/INTERNAL FACTORS:**

External Factors: The number of colonia residents needing access to safe, decent and affordable housing. The lack of safe, decent and affordable housing in the Texas-Mexico border region. The high level of poverty in the Texas-Mexico border region. The lack of resources within the region to meet affordable housing needs. The need for capacity building for nonprofits serving the border area.

Internal Factors: Limited resources with which to meet various affordable housing needs within the state. Federal restrictions on existing TDHCA resources that limit T ability to implement programs. Limited staffing.

**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
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DATE: **9/4/2002**  
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Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
	<b>Item Name:</b> Section 8/Fair Housing		
	<b>Item Priority:</b> 3		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	04-01-01 Review Housing Property Affordability Documents		
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	53,790	55,404
2001	PROFESSIONAL FEES AND SERVICES	60,000	60,000
2005	TRAVEL	30,000	30,000
2009	OTHER OPERATING EXPENSE	17,462	17,690
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$161,252</b>	<b>\$163,094</b>
<b>METHOD OF FINANCING:</b>			
666	APPROPRIATED RECEIPTS	161,252	163,094
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$161,252</b>	<b>\$163,094</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		1.00	1.00

**DESCRIPTION / JUSTIFICATION:**

The funding and staffing requested would significantly enhance strategy 04-01-01 (Review Housing Property Affordability Documents) monitoring and enforcement of Section 8 tenant occupancy and other fair housing requirements as follows:

- Section 8 Tenant Occupancy Monitoring: Funding will hire a ½ FTE to provide oversight of Section 8 tenant occupancy in accordance with federal and state prohibitions discriminating on the basis of Section 8 tenancy in TDHCA-funded properties, coordinate corrective action, ensure successful implementation of newly adopted rules (including the updating of manuals and contract templates), and training of industry and modification of training tools and tracking systems. Funding will also be used to contract with and pay travel-related costs of testers who will visit a statistically significant sample of developments each year. Testers are the most effective strategy to ensure Sec. 8 compliance.
- Fair Housing Monitor. In accordance with the requirements of Sec. 2306.269, Tex. Gov't. Code, funding will hire a ½ FTE to coordinate training and technical assistance to owners and managers of multifamily projects regarding fair housing requirements, report alleged violations/complaints to the Texas Commission on Human Rights (TCHR) for enforcement and help coordinate TDHCA activities with the TCHR and advocacy groups. TDHCA has utilized a compliance broader monitoring requirements. This request will enable TDHCA to re-capture the FTE and take a more aggressive approach toward ensuring fair housing practices in and single family units.

This request is consistent with §2306.6728, §2306.269, and §2306.257 Tex. Gov. Code which is to increase Section 8/fair housing requirements for TDHCA-fina TDHCA's responsibility with respect to the monitoring and enforcement of these.

**EXTERNAL/INTERNAL FACTORS:**

**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
TIME: **1:08:19PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
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Many housing sponsors lack education and training regarding Section 8 tenant occupancy and other fair housing requirements.

The Department currently lacks staffing and budgetary authority needed adequate oversight of TDHCA-financed properties compliance with Section 8. TDHCA Board has adopted a Section 8 admittance policy that will significantly increase monitoring duties related to Section 8 occupants. Manuals distributed, training conducted. Monitoring tools must be modified and tracking systems established.

**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **1:08:19PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

CODE	DESCRIPTION	Excp 2004	Excp 2005
	<b>Item Name:</b> Increase FTE's for Installation Inspections		
	<b>Item Priority:</b> 4		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	05-01-02 Conduct Inspections of Manufactured Homes in a Timely Manner		
 <b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	653,760	653,760
2005	TRAVEL	269,070	273,750
5000	CAPITAL EXPENDITURES	20,000	0
	<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$942,830</b>	<b>\$927,510</b>
 <b>METHOD OF FINANCING:</b>			
1	GENERAL REVENUE FUND	565,698	556,506
127	COMMUNITY AFFAIRS FED FD		
14.000.002	HUD DU100K90016710	377,132	371,004
	<b>TOTAL, METHOD OF FINANCING</b>	<b>\$942,830</b>	<b>\$927,510</b>
	<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	30.00	30.00

**DESCRIPTION / JUSTIFICATION:**

The United States Congress (106th) passed the Manufactured Housing Improvement Act of 2000, S.1452, which adds enforcement of installation standards. The implementation program is scheduled for 2005. The U.S. Department of Housing and Urban Development (HUD) has not completed development; they have indicated they may require all installations be inspected. Currently, the Texas Manufactured Housing Standards Act establishes a requirement to inspect at least 25% of the manufactured homes installed. Thirty additional FTEs (Inspector I Positions) will be needed to comply with the new requirements from HUD. The Federal program will establish a fee to reimburse the states for conducting installation inspections; however, the fee has not been determined. Currently IPIA (In Plant Inspection Agency) inspections are conducted by third-party inspection agencies, however, the Department anticipates receiving the exclusive IPIA rights back during the next legislative session. Manufacturers will pay a fee per each unit inspected; as well as cover the per diem and travel costs. The Department will cover the cost of additional FTEs by receipt of Federal funds for inspecting installations and from General Revenue funds obtained from IPIA fees received.

**EXTERNAL/INTERNAL FACTORS:**

External: The Federal program will establish a fee to reimburse the states for conducting installation inspections; however, the fee has not been determined. Currently IPIA (In Plant Inspection Agency) inspections are conducted by third-party inspection agencies, however, the Department anticipates receiving the exclusive IPIA rights back during the next legislative session. Manufacturers will pay a fee per each unit inspected; as well as cover the per diem and travel costs. The Department will cover the cost of additional FTEs by receipt of Federal funds for inspecting installations and from General Revenue funds obtained from IPIA fees received.

**IV.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
TIME: **1:14:22PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

	Excp 2004	Excp 2005
<b>Item Name:</b>	Emergency Nutrition and Temporary Emergency Relief Program(E)	
<b>Allocation to Strategy:</b>	3-1-1 Administer Poverty-related Federal Funds through a Network of A	
<b>STRATEGY IMPACT ON OUTCOME MEASURES:</b>		
<b>1</b> % in Poverty That Received Homeless and Poverty-related Assistance	14.90%	14.90%
<b>OUTPUT MEASURES:</b>		
<b>1</b> Number of Persons Assisted through Homeless and Poverty-related Fun	50,000.00	50,000.00
<b>OBJECTS OF EXPENSE:</b>		
4000 GRANTS	3,000,000	3,000,000
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND	3,000,000	3,000,000
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>

**IV.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
TIME: **1:19:07PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

	Excp 2004	Excp 2005
<b>Item Name:</b>	Office of Colonia Initiatives	
<b>Allocation to Strategy:</b>	1-1-1 Provide Loans & Grants through HTF for Very Low/Low Income H	
<b>STRATEGY IMPACT ON OUTCOME MEASURES:</b>		
<b>1</b> Percent Households/Individuals Needing Affordable Housing	0.02%	0.02%
<b>2</b> Percent Very Low Income Households Receiving Housing Assistance	0.03%	0.03%
<b>OUTPUT MEASURES:</b>		
<b>1</b> # VLI/LI Househlds That Received Loans/Grants through Housg Trust Fu	300.00	300.00
<b>EFFICIENCY MEASURES:</b>		
<b>1</b> Average Grant and/or Loan Amount Per Household	22,500.00	22,500.00
<b>EXPLANATORY/INPUT MEASURES:</b>		
<b>2</b> Number of Housing Trust Fund Loans or Grants Awarded	300.00	300.00
<b>OBJECTS OF EXPENSE:</b>		
4000 GRANTS	6,750,000	6,750,000
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$6,750,000</b>	<b>\$6,750,000</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND	6,750,000	6,750,000
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$6,750,000</b>	<b>\$6,750,000</b>

**IV.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
TIME: **1:19:08PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

	Excp 2004	Excp 2005
<b>Item Name:</b> Office of Colonia Initiatives		
<b>Allocation to Strategy:</b> 2-1-2 To Provide Technical Assistance to Colonias through Field Offic		
<b>OUTPUT MEASURES:</b>		
2 Number of Colonia Residents Receiving Assistance	300.00	300.00
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	33,600	33,600
2005 TRAVEL	5,000	5,000
4000 GRANTS	750,000	750,000
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$788,600</b>	<b>\$788,600</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND	750,000	750,000
666 APPROPRIATED RECEIPTS	38,600	38,600
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$788,600</b>	<b>\$788,600</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	1.0	1.0



**IV.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
TIME: **1:19:08PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

		Excp 2004	Excp 2005
<b>Item Name:</b>	Section 8/Fair Housing		
<b>Allocation to Strategy:</b>	4-1-1 Review Housing Property Affordability Documents		
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	53,790	55,404
2001	PROFESSIONAL FEES AND SERVICES	60,000	60,000
2005	TRAVEL	30,000	30,000
2009	OTHER OPERATING EXPENSE	17,462	17,690
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$161,252</b>	<b>\$163,094</b>
<b>METHOD OF FINANCING:</b>			
666	APPROPRIATED RECEIPTS	161,252	163,094
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$161,252</b>	<b>\$163,094</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		1.0	1.0

**IV.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
TIME: **1:19:08PM**

Agency code: **332**

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

	Excp 2004	Excp 2005
<b>Item Name:</b>	Increase FTE's for Installation Inspections	
<b>Allocation to Strategy:</b>	5-1-2 Conduct Inspections of Manufactured Homes in a Timely Manner	
<b>OUTPUT MEASURES:</b>		
<u>1</u> Number of Routine Installation Inspections Conducted	10,000.00	15,000.00
<b>EFFICIENCY MEASURES:</b>		
<u>1</u> Average Cost Per Routine Inspection	76.00	67.00
<b>EXPLANATORY/INPUT MEASURES:</b>		
<u>2</u> Number of Installation Inspections with Deviations	1,300.00	1,950.00
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	653,760	653,760
2005 TRAVEL	269,070	273,750
5000 CAPITAL EXPENDITURES	20,000	0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$942,830</b>	<b>\$927,510</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND	565,698	556,506
127 COMMUNITY AFFAIRS FED FD		
14.000.002 HUD DU100K90016710	377,132	371,004
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$942,830</b>	<b>\$927,510</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	30.0	30.0

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/4/2002**  
**TIME: 1:30:24PM**

Agency Code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOAL: 1 Increase Availability of Safe/Decent/Affordable Housing Statewide Goal/Benchmark: 6 - 7  
 OBJECTIVE: 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg Service Categories:  
 STRATEGY: 1 Provide Loans & Grants through HTF for Very Low/Low Income Households Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Excp 2004	Excp 2005
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

<u>1</u> Percent Households/Individuals Needing Affordable Housing	0.02 %	0.02 %
<u>2</u> Percent Very Low Income Households Receiving Housing Assistance	0.03 %	0.03 %

**OUTPUT MEASURES:**

<u>1</u> # VLI/LI Househlds That Received Loans/Grants through Housg Trus	300.00	300.00
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**EFFICIENCY MEASURES:**

<u>1</u> Average Grant and/or Loan Amount Per Household	22,500.00	22,500.00
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**EXPLANATORY/INPUT MEASURES:**

<u>2</u> Number of Housing Trust Fund Loans or Grants Awarded	300.00	300.00
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**OBJECTS OF EXPENSE:**

4000 GRANTS	6,750,000	6,750,000
<b>Total, Objects of Expense</b>	<b>\$6,750,000</b>	<b>\$6,750,000</b>

**METHOD OF FINANCING:**

1 GENERAL REVENUE FUND	6,750,000	6,750,000
<b>Total, Method of Finance</b>	<b>\$6,750,000</b>	<b>\$6,750,000</b>

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Office of Colonia Initiatives

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/4/2002**  
**TIME: 1:34:37PM**

Agency Code: 332

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL:	2 To Improve the Living Conditions and Lives of Border Residents in TX	Statewide Goal/Benchmark:	6 - 7
OBJECTIVE:	1 Fund Project Which Creates/Retains Jobs & Housing Assistance/Planning	Service Categories:	
STRATEGY:	2 To Provide Technical Assistance to Colonias through Field Offices	Service: 15	Income: A.1
			Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
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**OUTPUT MEASURES:**

2 Number of Colonia Residents Receiving Assistance	300.00	300.00
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**OBJECTS OF EXPENSE:**

1001 SALARIES AND WAGES	33,600	33,600
2005 TRAVEL	5,000	5,000
4000 GRANTS	750,000	750,000

<b>Total, Objects of Expense</b>	<b>\$788,600</b>	<b>\$788,600</b>
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**METHOD OF FINANCING:**

1 GENERAL REVENUE FUND	750,000	750,000
666 APPROPRIATED RECEIPTS	38,600	38,600

<b>Total, Method of Finance</b>	<b>\$788,600</b>	<b>\$788,600</b>
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**FULL-TIME EQUIVALENT POSITIONS (FTE):**

1.0	1.0
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Office of Colonia Initiatives

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/4/2002**  
**TIME: 1:34:38PM**

Agency Code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOAL: 3 Improve Livng Conditns for Poor/Homeless & Reduce Enery Costs for VLI Statewide Goal/Benchmark: 3 - 0  
 OBJECTIVE: 1 Service Categories:  
 STRATEGY: 1 Service: 15 Income: A.1 Age: B.3

CODE	DESCRIPTION	Excp 2004	Excp 2005
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

1 % in Poverty That Received Homeless and Poverty-related Assistanc	14.90 %	14.90 %
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**OUTPUT MEASURES:**

1 Number of Persons Assisted through Homeless and Poverty-related F	50,000.00	50,000.00
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**OBJECTS OF EXPENSE:**

4000 GRANTS	3,000,000	3,000,000
<b>Total, Objects of Expense</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>

**METHOD OF FINANCING:**

1 GENERAL REVENUE FUND	3,000,000	3,000,000
<b>Total, Method of Finance</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Emergency Nutrition and Temporary Emergency Relief Program(ENTERP)

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/4/2002**  
**TIME: 1:34:38PM**

Agency Code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 4 Ensure Compliance with Program Mandates Statewide Goal/Benchmark: 8 - 0  
 OBJECTIVE: 1 Monitor Housing Properties and Loan/Grant Recipients Service Categories:  
 STRATEGY: 1 Review Housing Property Affordability Documents Service: 15 Income: A.1 Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	53,790	55,404
1002 OTHER PERSONNEL COSTS	60,000	60,000
2005 TRAVEL	30,000	30,000
2009 OTHER OPERATING EXPENSE	17,462	17,690
<b>Total, Objects of Expense</b>	<b>\$161,252</b>	<b>\$163,094</b>
<b>METHOD OF FINANCING:</b>		
666 APPROPRIATED RECEIPTS	161,252	163,094
<b>Total, Method of Finance</b>	<b>\$161,252</b>	<b>\$163,094</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	1.0	1.0
<b>EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:</b>		
Section 8/Fair Housing		

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/4/2002**  
**TIME: 1:34:38PM**

Agency Code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 5 Regulate Manufactured Housing Industry Statewide Goal/Benchmark: 8 - 0

OBJECTIVE: 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other Service Categories:

STRATEGY: 2 Conduct Inspections of Manufactured Homes in a Timely Manner Service: 17 Income: A.2 Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
<b>OUTPUT MEASURES:</b>		
1 Number of Routine Installation Inspections Conducted	10,000.00	15,000.00
<b>EFFICIENCY MEASURES:</b>		
1 Average Cost Per Routine Inspection	76.00	67.00
<b>EXPLANATORY/INPUT MEASURES:</b>		
2 Number of Installation Inspections with Deviations	1,300.00	1,950.00
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	653,760	653,760
2005 TRAVEL	269,070	273,750
5000 CAPITAL EXPENDITURES	20,000	0
<b>Total, Objects of Expense</b>	<b>\$942,830</b>	<b>\$927,510</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND	565,698	556,506
127 COMMUNITY AFFAIRS FED FD		
14.000.002 HUD DU100K90016710	377,132	371,004
<b>Total, Method of Finance</b>	<b>\$942,830</b>	<b>\$927,510</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	30.0	30.0
<b>EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:</b>		
Increase FTE's for Installation Inspections		

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/4/2002**  
**TIME: 1:30:24PM**

Agency Code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOAL:	1 Increase Availability of Safe/Decent/Affordable Housing	Statewide Goal/Benchmark:	6 - 7
OBJECTIVE:	1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg	Service Categories:	
STRATEGY:	1 Provide Loans & Grants through HTF for Very Low/Low Income Households	Service: 15	Income: A.1
			Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

<u>1</u> Percent Households/Individuals Needing Affordable Housing	0.02 %	0.02 %
<u>2</u> Percent Very Low Income Households Receiving Housing Assistance	0.03 %	0.03 %

**OUTPUT MEASURES:**

<u>1</u> # VLI/LI Househlds That Received Loans/Grants through Housg Trus	300.00	300.00
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**EFFICIENCY MEASURES:**

<u>1</u> Average Grant and/or Loan Amount Per Household	22,500.00	22,500.00
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**EXPLANATORY/INPUT MEASURES:**

<u>2</u> Number of Housing Trust Fund Loans or Grants Awarded	300.00	300.00
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**OBJECTS OF EXPENSE:**

4000 GRANTS	6,750,000	6,750,000
<b>Total, Objects of Expense</b>	<b>\$6,750,000</b>	<b>\$6,750,000</b>

**METHOD OF FINANCING:**

1 GENERAL REVENUE FUND	6,750,000	6,750,000
<b>Total, Method of Finance</b>	<b>\$6,750,000</b>	<b>\$6,750,000</b>

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Office of Colonia Initiatives



**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/4/2002**  
**TIME: 1:34:37PM**

Agency Code: 332

Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL:	2 To Improve the Living Conditions and Lives of Border Residents in TX	Statewide Goal/Benchmark:	6 - 7
OBJECTIVE:	1 Fund Project Which Creates/Retains Jobs & Housing Assistance/Planning	Service Categories:	
STRATEGY:	2 To Provide Technical Assistance to Colonias through Field Offices	Service: 15	Income: A.1
			Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
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**OUTPUT MEASURES:**

2	Number of Colonia Residents Receiving Assistance	300.00	300.00
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**OBJECTS OF EXPENSE:**

1001	SALARIES AND WAGES	33,600	33,600
2005	TRAVEL	5,000	5,000
4000	GRANTS	750,000	750,000

<b>Total, Objects of Expense</b>	<b>\$788,600</b>	<b>\$788,600</b>
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**METHOD OF FINANCING:**

1	GENERAL REVENUE FUND	750,000	750,000
666	APPROPRIATED RECEIPTS	38,600	38,600

<b>Total, Method of Finance</b>	<b>\$788,600</b>	<b>\$788,600</b>
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**FULL-TIME EQUIVALENT POSITIONS (FTE):**

1.0	1.0
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Office of Colonia Initiatives

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/4/2002**  
**TIME: 1:34:38PM**

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Agency Code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOAL: 3 Improve Livng Conditns for Poor/Homeless & Reduce Enery Costs for VLI Statewide Goal/Benchmark: 3 - 0  
 OBJECTIVE: 1 Service Categories:  
 STRATEGY: 1 Service: 15 Income: A.1 Age: B.3

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<b>CODE DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

1 % in Poverty That Received Homeless and Poverty-related Assistanc	14.90 %	14.90 %
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**OUTPUT MEASURES:**

1 Number of Persons Assisted through Homeless and Poverty-related F	50,000.00	50,000.00
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**OBJECTS OF EXPENSE:**

4000 GRANTS	3,000,000	3,000,000
<b>Total, Objects of Expense</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>

**METHOD OF FINANCING:**

1 GENERAL REVENUE FUND	3,000,000	3,000,000
<b>Total, Method of Finance</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Emergency Nutrition and Temporary Emergency Relief Program(ENTERP)

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/4/2002**  
**TIME: 1:34:38PM**

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Agency Code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOAL: 4 Ensure Compliance with Program Mandates Statewide Goal/Benchmark: 8 - 0

OBJECTIVE: 1 Monitor Housing Properties and Loan/Grant Recipients Service Categories:

STRATEGY: 1 Review Housing Property Affordability Documents Service: 15 Income: A.1 Age: B.3

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**CODE DESCRIPTION Excp 2004 Excp 2005**

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**OBJECTS OF EXPENSE:**

1001 SALARIES AND WAGES	53,790	55,404
1002 OTHER PERSONNEL COSTS	60,000	60,000
2005 TRAVEL	30,000	30,000
2009 OTHER OPERATING EXPENSE	17,462	17,690
<b>Total, Objects of Expense</b>	<b>\$161,252</b>	<b>\$163,094</b>

**METHOD OF FINANCING:**

666 APPROPRIATED RECEIPTS	161,252	163,094
<b>Total, Method of Finance</b>	<b>\$161,252</b>	<b>\$163,094</b>

**FULL-TIME EQUIVALENT POSITIONS (FTE):**

1.0	1.0
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Section 8/Fair Housing

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/4/2002**  
**TIME: 1:34:38PM**

Agency Code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

GOAL: 5 Regulate Manufactured Housing Industry Statewide Goal/Benchmark: 8 - 0

OBJECTIVE: 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other Service Categories:

STRATEGY: 2 Conduct Inspections of Manufactured Homes in a Timely Manner Service: 17 Income: A.2 Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
<b>OUTPUT MEASURES:</b>		
1 Number of Routine Installation Inspections Conducted	10,000.00	15,000.00
<b>EFFICIENCY MEASURES:</b>		
1 Average Cost Per Routine Inspection	76.00	67.00
<b>EXPLANATORY/INPUT MEASURES:</b>		
2 Number of Installation Inspections with Deviations	1,300.00	1,950.00
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	653,760	653,760
2005 TRAVEL	269,070	273,750
5000 CAPITAL EXPENDITURES	20,000	0
<b>Total, Objects of Expense</b>	<b>\$942,830</b>	<b>\$927,510</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND	565,698	556,506
127 COMMUNITY AFFAIRS FED FD		
14.000.002 HUD DU100K90016710	377,132	371,004
<b>Total, Method of Finance</b>	<b>\$942,830</b>	<b>\$927,510</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	30.0	30.0
<b>EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:</b>		
Increase FTE's for Installation Inspections		

**CAPITAL BUDGET SCHEDULES**

Agency code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2002

Bud 2003

BL 2004

BL 2005

**5005 Acquisition of Information Resource Technologies**

*1/1 Normal Growth/Intergrate Systems*

**OBJECTS OF EXPENSE**

Capital

2009 OTHER OPERATING EXPENSE		\$556,416	\$323,769	\$0	\$0
5000 CAPITAL EXPENDITURES		\$0	\$0	\$260,000	\$240,000
Capital Subtotal OOE, Project	1	\$556,416	\$323,769	\$260,000	\$240,000
<u>Informational</u>					
2003 CONSUMABLE SUPPLIES		\$18,999	\$20,002	\$25,001	\$25,001
2009 OTHER OPERATING EXPENSE		\$130,880	\$163,239	\$219,999	\$239,999
Informational Subtotal OOE, Project	1	\$149,879	\$183,241	\$245,000	\$265,000
Subtotal OOE, Project	1	<b>\$706,295</b>	<b>\$507,010</b>	<b>\$505,000</b>	<b>\$505,000</b>

**TYPE OF FINANCING**

Capital

CA 1 GENERAL REVENUE FUND		\$69,159	\$52,987	\$41,644	\$43,034
CA 127 COMMUNITY AFFAIRS FED FD		\$115,158	\$56,412	\$53,132	\$72,329
CA 666 APPROPRIATED RECEIPTS		\$345,790	\$202,043	\$152,764	\$113,908
CA 888 EARNED FEDERAL FUNDS		\$26,309	\$12,327	\$12,460	\$10,729
Capital Subtotal TOF, Project	1	\$556,416	\$323,769	\$260,000	\$240,000
<u>Informational</u>					
CA 1 GENERAL REVENUE FUND		\$14,492	\$29,988	\$40,643	\$47,979
CA 127 COMMUNITY AFFAIRS FED FD		\$7,297	\$31,927	\$56,674	\$61,300
CA 666 APPROPRIATED RECEIPTS		\$109,926	\$114,350	\$136,418	\$144,197
CA 888 EARNED FEDERAL FUNDS		\$18,164	\$6,976	\$11,265	\$11,524
Informational Subtotal TOF, Project	1	\$149,879	\$183,241	\$245,000	\$265,000
Subtotal TOF, Project	1	<b>\$706,295</b>	<b>\$507,010</b>	<b>\$505,000</b>	<b>\$505,000</b>

Agency code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code / Category Name

*Project Sequence/Project Id/ Name*

OOE / TOF / MOF CODE

Est 2002

Bud 2003

BL 2004

BL 2005

*2/2 Peoplesoft Accounting System*

**OBJECTS OF EXPENSE**

Informational

2009 OTHER OPERATING EXPENSE	\$168,000	\$60,000	\$175,000	\$150,000
Informational Subtotal OOE, Project 2	\$168,000	\$60,000	\$175,000	\$150,000
Subtotal OOE, Project 2	<b>\$168,000</b>	<b>\$60,000</b>	<b>\$175,000</b>	<b>\$150,000</b>

**TYPE OF FINANCING**

Capital

CA 1 GENERAL REVENUE FUND	\$168,000	\$40,000	\$100,000	\$90,000
CA 888 EARNED FEDERAL FUNDS	\$0	\$20,000	\$75,000	\$60,000
Capital Subtotal TOF, Project 2	\$168,000	\$60,000	\$175,000	\$150,000
Subtotal TOF, Project 2	<b>\$168,000</b>	<b>\$60,000</b>	<b>\$175,000</b>	<b>\$150,000</b>

*3/3 Disaster Recovery*

**OBJECTS OF EXPENSE**

Informational

2009 OTHER OPERATING EXPENSE	\$0	\$0	\$15,000	\$15,000
Informational Subtotal OOE, Project 3	\$0	\$0	\$15,000	\$15,000
Subtotal OOE, Project 3	<b>\$0</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$15,000</b>

**TYPE OF FINANCING**

Capital

CA 1 GENERAL REVENUE FUND	\$0	\$0	\$15,000	\$15,000
Capital Subtotal TOF, Project 3	\$0	\$0	\$15,000	\$15,000
Subtotal TOF, Project 3	<b>\$0</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$15,000</b>

*4/4 Enhancements to Compliance System*

**OBJECTS OF EXPENSE**

V.A. CAPITAL BUDGET PROJECT SCHEDULE  
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Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code / Category Name

*Project Sequence/Project Id/ Name*

OOE / TOF / MOF CODE

Est 2002

Bud 2003

BL 2004

BL 2005

Capital

2001 PROFESSIONAL FEES AND SERVICES		\$0	\$0	\$150,000	\$150,000
Capital Subtotal OOE, Project	4	\$0	\$0	\$150,000	\$150,000
Subtotal OOE, Project	4	<b>\$0</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$150,000</b>

**TYPE OF FINANCING**

Capital

CA 666 APPROPRIATED RECEIPTS		\$0	\$0	\$150,000	\$150,000
Capital Subtotal TOF, Project	4	\$0	\$0	\$150,000	\$150,000
Subtotal TOF, Project	4	<b>\$0</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$150,000</b>

*5/5 Central Database Project*

**OBJECTS OF EXPENSE**

Capital

2001 PROFESSIONAL FEES AND SERVICES		\$0	\$0	\$150,000	\$149,999
5000 CAPITAL EXPENDITURES		\$0	\$0	\$25,000	\$25,001
Capital Subtotal OOE, Project	5	\$0	\$0	\$175,000	\$175,000
Subtotal OOE, Project	5	<b>\$0</b>	<b>\$0</b>	<b>\$175,000</b>	<b>\$175,000</b>

**TYPE OF FINANCING**

Capital

CA 1 GENERAL REVENUE FUND		\$0	\$0	\$6,923	\$16,199
CA 127 COMMUNITY AFFAIRS FED FD		\$0	\$0	\$54,329	\$49,031
CA 666 APPROPRIATED RECEIPTS		\$0	\$0	\$109,516	\$100,553
CA 888 EARNED FEDERAL FUNDS		\$0	\$0	\$4,232	\$9,217
Capital Subtotal TOF, Project	5	\$0	\$0	\$175,000	\$175,000
Subtotal TOF, Project	5	<b>\$0</b>	<b>\$0</b>	<b>\$175,000</b>	<b>\$175,000</b>

*6/6 Manufactured Housing Database*



Agency code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code / Category Name

*Project Sequence/Project Id/ Name*

OOE / TOF / MOF CODE

Est 2002

Bud 2003

BL 2004

BL 2005

**OBJECTS OF EXPENSE**

Capital

2001 PROFESSIONAL FEES AND SERVICES		\$0	\$0	\$125,000	\$125,000
Capital Subtotal OOE, Project	6	\$0	\$0	\$125,000	\$125,000
Subtotal OOE, Project	6	<b>\$0</b>	<b>\$0</b>	<b>\$125,000</b>	<b>\$125,000</b>

**TYPE OF FINANCING**

Capital

CA 1 GENERAL REVENUE FUND		\$0	\$0	\$75,000	\$75,000
CA 666 APPROPRIATED RECEIPTS		\$0	\$0	\$50,000	\$50,000
Capital Subtotal TOF, Project	6	\$0	\$0	\$125,000	\$125,000
Subtotal TOF, Project	6	<b>\$0</b>	<b>\$0</b>	<b>\$125,000</b>	<b>\$125,000</b>

*7/7 Uniform Physical Conditions Standards  
 (UPCS) Property Inspections*

**OBJECTS OF EXPENSE**

Capital

2001 PROFESSIONAL FEES AND SERVICES		\$0	\$0	\$20,000	\$0
5000 CAPITAL EXPENDITURES		\$0	\$0	\$50,000	\$10,000
Capital Subtotal OOE, Project	7	\$0	\$0	\$70,000	\$10,000
Subtotal OOE, Project	7	<b>\$0</b>	<b>\$0</b>	<b>\$70,000</b>	<b>\$10,000</b>

**TYPE OF FINANCING**

Capital

CA 666 APPROPRIATED RECEIPTS		\$0	\$0	\$70,000	\$10,000
Capital Subtotal TOF, Project	7	\$0	\$0	\$70,000	\$10,000
Subtotal TOF, Project	7	<b>\$0</b>	<b>\$0</b>	<b>\$70,000</b>	<b>\$10,000</b>

*8/8 Weatherization Assistance Program (WAP)  
 Software Development Project*

Agency code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code / Category Name

*Project Sequence/Project Id/ Name*

OOE / TOF / MOF CODE

Est 2002

Bud 2003

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**OBJECTS OF EXPENSE**

Capital

2001 PROFESSIONAL FEES AND SERVICES		\$0	\$0	\$180,000	\$0
Capital Subtotal OOE, Project	8	\$0	\$0	\$180,000	\$0
Subtotal OOE, Project	8	<b>\$0</b>	<b>\$0</b>	<b>\$180,000</b>	<b>\$0</b>

**TYPE OF FINANCING**

Capital

CA 127 COMMUNITY AFFAIRS FED FD		\$0	\$0	\$180,000	\$0
Capital Subtotal TOF, Project	8	\$0	\$0	\$180,000	\$0
Subtotal TOF, Project	8	<b>\$0</b>	<b>\$0</b>	<b>\$180,000</b>	<b>\$0</b>

*9/9 Compliance Monitoring Tracking  
 System/Centralized Database*

**OBJECTS OF EXPENSE**

Capital

2001 PROFESSIONAL FEES AND SERVICES		\$343,753	\$99,000	\$0	\$0
5000 CAPITAL EXPENDITURES		\$47,257	\$0	\$0	\$0
Capital Subtotal OOE, Project	9	\$391,010	\$99,000	\$0	\$0

Informational

2009 OTHER OPERATING EXPENSE		\$7,990	\$0	\$0	\$0
Informational Subtotal OOE, Project	9	\$7,990	\$0	\$0	\$0
Subtotal OOE, Project	9	<b>\$399,000</b>	<b>\$99,000</b>	<b>\$0</b>	<b>\$0</b>

**TYPE OF FINANCING**

Capital

CA 1 GENERAL REVENUE FUND		\$0	\$0	\$0	\$0
CA 127 COMMUNITY AFFAIRS FED FD		\$0	\$0	\$0	\$0
CA 666 APPROPRIATED RECEIPTS		\$391,010	\$99,000	\$0	\$0

Agency code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code / Category Name

Project Sequence/Project Id/ Name

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CA 888 EARNED FEDERAL FUNDS		\$0	\$0	\$0	\$0
Capital Subtotal TOF, Project	9	\$391,010	\$99,000	\$0	\$0
<u>Informational</u>					
CA 1 GENERAL REVENUE FUND		\$0	\$0	\$0	\$0
CA 127 COMMUNITY AFFAIRS FED FD		\$0	\$0	\$0	\$0
CA 666 APPROPRIATED RECEIPTS		\$7,990	\$0	\$0	\$0
CA 888 EARNED FEDERAL FUNDS		\$0	\$0	\$0	\$0
Informational Subtotal TOF, Project	9	\$7,990	\$0	\$0	\$0
Subtotal TOF, Project	9	<b>\$399,000</b>	<b>\$99,000</b>	<b>\$0</b>	<b>\$0</b>

10/10 Loan Production and Servicing Software

OBJECTS OF EXPENSE

Capital

5000 CAPITAL EXPENDITURES		\$304,865	\$0	\$0	\$0
Capital Subtotal OOE, Project	10	\$304,865	\$0	\$0	\$0
<u>Informational</u>					
2009 OTHER OPERATING EXPENSE		\$135	\$0	\$0	\$0
Informational Subtotal OOE, Project	10	\$135	\$0	\$0	\$0
Subtotal OOE, Project	10	<b>\$305,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

TYPE OF FINANCING

Capital

CA 1 GENERAL REVENUE FUND		\$304,865	\$0	\$0	\$0
Capital Subtotal TOF, Project	10	\$304,865	\$0	\$0	\$0
<u>Informational</u>					
CA 666 APPROPRIATED RECEIPTS		\$135	\$0	\$0	\$0
Informational Subtotal TOF, Project	10	\$135	\$0	\$0	\$0

V.A. CAPITAL BUDGET PROJECT SCHEDULE  
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Category Code / Category Name

Project Sequence/Project Id/ Name

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Est 2002

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Subtotal TOF, Project	10	<b>\$305,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Capital Subtotal, Category	5005	\$1,420,291	\$482,769	\$1,150,000	\$865,000
Informational Subtotal, Category	5005	\$158,004	\$183,241	\$245,000	\$265,000
<b>Total, Category</b>	<b>5005</b>	<b>\$1,578,295</b>	<b>\$666,010</b>	<b>\$1,395,000</b>	<b>\$1,130,000</b>
<b>AGENCY TOTAL -CAPITAL</b>		<b>\$1,420,291</b>	<b>\$482,769</b>	<b>\$1,150,000</b>	<b>\$865,000</b>
<b>AGENCY TOTAL -INFORMATIONAL</b>		<b>\$158,004</b>	<b>\$183,241</b>	<b>\$245,000</b>	<b>\$265,000</b>
<b>AGENCY TOTAL</b>		<b>\$1,578,295</b>	<b>\$666,010</b>	<b>\$1,395,000</b>	<b>\$1,130,000</b>
<b>METHOD OF FINANCING:</b>					
<u>Capital</u>					
1 GENERAL REVENUE FUND		\$542,024	\$92,987	\$238,567	\$239,233
127 COMMUNITY AFFAIRS FED FD		\$115,158	\$56,412	\$287,461	\$121,360
666 APPROPRIATED RECEIPTS		\$736,800	\$301,043	\$532,280	\$424,461
888 EARNED FEDERAL FUNDS		\$26,309	\$32,327	\$91,692	\$79,946
Total, Method of Financing-Capital		\$1,420,291	\$482,769	\$1,150,000	\$865,000
<u>Informational</u>					
1 GENERAL REVENUE FUND		\$14,492	\$29,988	\$40,643	\$47,979
127 COMMUNITY AFFAIRS FED FD		\$7,297	\$31,927	\$56,674	\$61,300
666 APPROPRIATED RECEIPTS		\$118,051	\$114,350	\$136,418	\$144,197
888 EARNED FEDERAL FUNDS		\$18,164	\$6,976	\$11,265	\$11,524
Total, Method of Financing-Informational		\$158,004	\$183,241	\$245,000	\$265,000
<b>Total, Method of Financing</b>		<b>\$1,578,295</b>	<b>\$666,010</b>	<b>\$1,395,000</b>	<b>\$1,130,000</b>

V.A. CAPITAL BUDGET PROJECT SCHEDULE  
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Agency code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code / Category Name

*Project Sequence/Project Id/ Name*

OOE / TOF / MOF CODE

Est 2002

Bud 2003

BL 2004

BL 2005

TYPE OF FINANCING:

Capital

CA CURRENT APPROPRIATIONS

\$1,420,291

\$482,769

\$1,150,000

\$865,000

Total, Type of Financing-Capital

\$1,420,291

\$482,769

\$1,150,000

\$865,000

Informational

CA CURRENT APPROPRIATIONS

\$158,004

\$183,241

\$245,000

\$265,000

Total, Type of Financing-Informational

\$158,004

\$183,241

\$245,000

\$265,000

**Total, Type of Financing**

**\$1,578,295**

**\$666,010**

**\$1,395,000**

**\$1,130,000**

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

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DATE: 9/4/2002  
TIME: 1:49:19PM

Agency Code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMU**  
 Category Number: **5005** Category Name: **ACQUISITN INFO RES TECH.**  
 Project number: **1** Project Name: **NORMAL GROWTH/INTEGRATE SYSTE**

**PROJECT DESCRIPTION**

**General Information**

The Normal Growth/Integrated Systems project funds software, supplies, and hardware and software maintenance for TDHCA. The Normal Growth/Integrated Systems project is an ongoing process of providing the IT-related products necessary to support the business of TDHCA. Normal Growth/Integrated Systems consists of essential IT-related products, including PC, server, and database software, and maintenance. The justification for Normal Growth/Integrated Systems is that without the essential products supplied through this project, TDHCA's IT operations would not be able to support the business requirements of the agency.

**Number of Units / Average Unit Cost** 505,000  
**Estimated Completion Date** 8/31/2005  
**Additional Capital Expenditure Amounts Required**

	<b>2006</b>	<b>2007</b>
	540,000	540,000

**Type of Financing** CA CURRENT APPROPRIATIONS  
**Projected Useful Life** Ongoing  
**Estimated/Actual Project Cost** \$ 1,010,000  
**Length of Financing/ Lease Period** N/A

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total over project life</b>
0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>

**Explanation:**

**Project Location:** Austin, TX

**Beneficiaries:** Direct beneficiaries: TDHCA employees.  
 Indirect beneficiaries: TDHCA customers and other agency employees who access TDHCA data and services.

**Frequency of Use and External Factors Affecting Use:**

Daily use.

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

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DATE: 9/4/2002  
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Agency Code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMU**  
 Category Number: **5005** Category Name: **ACQUISITN INFO RES TECH.**  
 Project number: **2** Project Name: **5- Peoplesoft Accounting System**

**PROJECT DESCRIPTION**

**General Information**

PeopleSoft Financials for Public Sector is TDHCA's accounting system. In FY 2004-2005, TDHCA will upgrade from our current version of the PeopleSoft application (v7.02). Another important component of this project is the installation of STAT. This software tool will centralize all source code, including database objects, into one common tool which will enable TDHCA to much more effectively track changes to the system. ISD plans to have a test area for PeopleSoft 8.4 setup in CY 2003 which will serve as a proving ground for our future deployment efforts. We anticipate that STAT will be installed and operational in early FY 2004. If the PeopleSoft project were not funded, we would need to increase our PeopleSoft staff from 1 to 3 FTEs beginning in FY 2004 because of the implementation of 8.4 and the resulting increase use in PeopleSoft.

<b>Number of Units / Average Unit Cost</b>	162,500		
<b>Estimated Completion Date</b>	8/31/2005		
<b>Additional Capital Expenditure Amounts Required</b>		<b>2006</b>	<b>2007</b>
		170,000	170,000
<b>Type of Financing</b>	CA	CURRENT APPROPRIATIONS	
<b>Projected Useful Life</b>	8 years		
<b>Estimated/Actual Project Cost</b>	\$ 325,000		
<b>Length of Financing/ Lease Period</b>	N/A		

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total over project life</b>
	0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>

**Explanation:**

**Project Location:** Austin, TX  
**Beneficiaries:** TDHCA employees.

**Frequency of Use and External Factors Affecting Use:**

Daily use.

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

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Agency Code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMU**  
 Category Number: **5005** Category Name: **ACQUISITN INFO RES TECH.**  
 Project number: **3** Project Name: **Disaster Recovery**

**PROJECT DESCRIPTION**

**General Information**

The purpose of the Disaster Recovery Project is to increase the ability of TDHCA's Information Systems Division to restore mission critical network services in the event of a disaster which causes the loss of some or all software and hardware. As described in TDHCA's current Disaster Recovery Plan, ISD performs nightly backups of data stored on all servers and sends full backups off-site once a week. If server hardware, software, or data were destroyed or made unusable in a disaster, the agency would rely on the offsite backups to bring servers to an operational level. Currently, the agency would have to wait for replacement server hardware to be purchased and shipped from a vendor in order to restore data if a situation existed where all appropriate server hardware had been made unusable. In this project, TDHCA proposes the purchase of a hardware-oriented disaster recovery service to establish a guaranteed turnaround time for replacement equipment and to complement our existing off-site backup services. Additionally, a guaranteed off-site location will be part of the plan. The vendor selected to perform

<b>Number of Units / Average Unit Cost</b>	15,000		
<b>Estimated Completion Date</b>	8/31/2005		
<b>Additional Capital Expenditure Amounts Required</b>		<b>2006</b>	<b>2007</b>
		17,000	17,000
<b>Type of Financing</b>	CA	CURRENT APPROPRIATIONS	
<b>Projected Useful Life</b>	8 years		
<b>Estimated/Actual Project Cost</b>	\$ 30,000		
<b>Length of Financing/ Lease Period</b>	N/A		

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total over project life</b>
	0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

<b><u>REVENUE COST FLAG</u></b>	<b><u>MOF CODE</u></b>	<b><u>AVERAGE AMOUNT</u></b>

**Explanation:**

**Project Location:** Austin, TX

**Beneficiaries:** Direct beneficiaries: TDHCA employees.  
Indirect beneficiaries: TDHCA customers and other agency employees who access TDHCA data and services.

**Frequency of Use and External Factors Affecting Use:**

Disaster recovery procedures followed daily.



**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
TIME: 1:49:19PM

Agency Code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMU**  
 Category Number: **5005** Category Name: **ACQUISITN INFO RES TECH.**  
 Project number: **4** Project Name: **Enhancements to Compliance System**

**PROJECT DESCRIPTION**

**General Information**

Further development and enhancements will be required for the multifamily rental Compliance Monitoring and Tracking System (CMTS) after deployment and use during the SFY 2002-2003 biennium. Modifications will be necessary to link the System to 1) HUD's national system, 2) USDA Rural Development (RD) System, 3) USDA RD, Low Income Housing Tax Credits (LIHTC) and other property software, and 4) FDIC (Resolution Trust Corporation) Affordable Housing Disposition program's system for data migration to the Compliance System. Continued CMTS modifications will also be needed to refine the System as new program and new regulatory requirements develop, allow online submission of owner reports, and provide compliance training through web-based video format and online compliance procedures and guidelines. Technical support assistance to properties reporting through the web-based property reporting component of the Compliance System will also be necessary to ensure successful implementation of property reporting.

<b>Number of Units / Average Unit Cost</b>	150,000		
<b>Estimated Completion Date</b>	8/31/05		
<b>Additional Capital Expenditure Amounts Required</b>		<b>2006</b>	<b>2007</b>
		0	0
<b>Type of Financing</b>	CA	CURRENT APPROPRIATIONS	
<b>Projected Useful Life</b>	7 years		
<b>Estimated/Actual Project Cost</b>	\$ 300,000		
<b>Length of Financing/ Lease Period</b>	N/A		

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total over project life</b>
	0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

<b><u>REVENUE COST FLAG</u></b>	<b><u>MOF CODE</u></b>	<b><u>AVERAGE AMOUNT</u></b>

**Explanation:**

**Project Location:** Austin, TX

**Beneficiaries:** TDHCA employees and property owners who report through the web-based property reporting component of CMTS. CMTS will interface with HUD, USDA Rural Development/LIHTC program, and FDIC systems.

**Frequency of Use and External Factors Affecting Use:**

Daily use.

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
TIME: 1:49:19PM

Agency Code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMU**  
 Category Number: **5005** Category Name: **ACQUISITN INFO RES TECH.**  
 Project number: **5** Project Name: **Central Database Project**

**PROJECT DESCRIPTION**

**General Information**

The Central Database Project will continue through the FY 2004-2005 biennium. The Central Database Project will move all TDHCA program information to one central repository to allow all agency program areas applications to use the same data source. The Central Database is planned to facilitate central planning, monitoring, evaluating, and reporting of program information and facilitate job performance of those employees who need data from multiple program areas to perform their jobs duties. This project is being developed using a single operating system (UNIX), one reliable hardware platform (Sun), one relational database management system (Oracle), and a standardized graphical user interface programmed in Java. This on-going project began in September 2000 when the computer hardware platform and the necessary network infrastructure was designed. During FY 2004, the project plan calls for the continued conversion of data from legacy systems, software application development of the Section 8 and Office of Colonia Initiatives (OCI) modules, and interfacing with the loan servicing application (MITAS). During FY 2005, we plan on moving towards a data warehouse that will enable us to include enhanced reporting, integration of some mapping functionality, and some multi-dimensional data management capabilities. We also plan on development of an interface to HUD's IDIS system.

**Number of Units / Average Unit Cost** 175,000  
**Estimated Completion Date** 8/31/05  
**Additional Capital Expenditure Amounts Required**

	<b>2006</b>	<b>2007</b>
	0	0

**Type of Financing** CA CURRENT APPROPRIATIONS  
**Projected Useful Life** 7 years  
**Estimated/Actual Project Cost** \$ 350,000  
**Length of Financing/ Lease Period** N/A

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total over project life</b>
	0	0	0	0	0

<b><u>REVENUE GENERATION / COST SAVINGS</u></b>		
<b><u>REVENUE COST FLAG</u></b>	<b><u>MOF CODE</u></b>	<b><u>AVERAGE AMOUNT</u></b>

**Explanation:**

**Project Location:** Austin, TX

**Beneficiaries:** Direct beneficiaries: TDHCA employees.

Indirect beneficiaries: TDHCA customers and other agency employees who access TDHCA data and services.

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**Frequency of Use and External Factors Affecting Use:**

Daily use.

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Agency Code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMU**  
 Category Number: **5005** Category Name: **ACQUISITN INFO RES TECH.**  
 Project number: **6** Project Name: **Manufactured Housing Database**

**PROJECT DESCRIPTION**

**General Information**

Manufactured Housing (MH) currently has four main business areas, 1) Titling, 2) Installation and Tracking, 3) Consumer Complaints, and 4) Licensing. In addition to these areas of business, TDHCA's Information Systems Division maintains the CASA Server, a specialized reporting application in association with the U.S. Department of Housing and Urban Development (HUD). The MH Database project will consolidate all MH databases into one common data warehouse. The project will require a conversion of all business areas into Oracle. The database will be constructed separately from TDHCA's Central Database Project because the 77th Legislature mandated that MH's activities function separately from TDHCA and because the nature of MH's activities, as a regulatory agency, are inherently different from other TDHCA activities. Efficiency is a compelling reason for this project, as MH currently utilizes four databases making many processes difficult and redundant. Confusion over title research often occurs when one section is doing work on a title while another section is doing something else with the same data. Accurate calculation of performance measures currently requires manual processes. Large volumes of data will be better managed via an automated process. Performance measures, like many other MH processes, are difficult to report accurately, calling for a need for the system.

**Number of Units / Average Unit Cost** 125,000  
**Estimated Completion Date** 8/31/2005  
**Additional Capital Expenditure Amounts Required**

	<b>2006</b>	<b>2007</b>
	0	0

**Type of Financing** CA CURRENT APPROPRIATIONS  
**Projected Useful Life** 7 years  
**Estimated/Actual Project Cost** \$ 250,000  
**Length of Financing/ Lease Period** N/A

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total over project life</b>
	0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

<b><u>REVENUE COST FLAG</u></b>	<b><u>MOF CODE</u></b>	<b><u>AVERAGE AMOUNT</u></b>

**Explanation:**

**Project Location:** Austin, TX

**Beneficiaries:** Direct beneficiaries: Manufactured Housing Division employees.  
 Indirect beneficiaries: Manufacture Housing Division customers and other agency employees who access MH data and services.

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

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**Frequency of Use and External Factors Affecting Use:**

Daily use.

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

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DATE: 9/4/2002  
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Agency Code: **332** Agency name: **DEPARTMENT OF HOUSING AND COMMU**  
 Category Number: **5005** Category Name: **ACQUISITN INFO RES TECH.**  
 Project number: **7** Project Name: **UPCS Property Inspections**

**PROJECT DESCRIPTION**

**General Information**

Compliance monitoring regulations for LIHTC, issued by the Department of Treasury in conjunction with HUD, specify a specific type of physical property inspection. The inspection protocol adopted for use by HUD for its programs is being implemented through the use of a handheld device, corresponding software, and supporting Microsoft Pocket PC operating system. A similar type of physical inspection will be implemented by TDHCA's Compliance Division for onsite physical inspections of approximately 2100 multifamily properties in the compliance monitoring portfolio. The software to be utilized will be designed to be consistent with the HUD prototype and IRS Section 42 regulations. HUD's software requires the use of a color Compaq Pocket PC, as would any similar software developed by TDHCA for Uniform Physical Conditions Standards (UPCS) inspections. PC-based software applications already are in existence that may be appropriate with modifications for TDHCA physical inspections of multifamily properties. The request is for the acquisition or development of the software and a software development effort for conversion and migration of data to the Central Database, and 20 Pocket PCs for the compliance monitoring staff of the Compliance Division. The property owner, compliance staff, and property residents benefit through implementation of advanced physical inspection tools which significantly improve operations and service. Using the software and PDAs, the inspection report and analysis will be more readily available to the owner upon completion of the onsite physical inspection. The owner will thus have more time within the prescribed corrective action period to correct any problems and ensure compliance. The owner will also benefit from the consistent application of inspection standards by compliance staff.

**Number of Units / Average Unit Cost** 40,000  
**Estimated Completion Date** 8/31/2005  
**Additional Capital Expenditure Amounts Required**

	<b>2006</b>	<b>2007</b>
	0	0

**Type of Financing** CA CURRENT APPROPRIATIONS  
**Projected Useful Life** 6 years  
**Estimated/Actual Project Cost** \$ 80,000  
**Length of Financing/ Lease Period** N/A

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total over project life</b>
	0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

<b><u>REVENUE COST FLAG</u></b>	<b><u>MOF CODE</u></b>	<b><u>AVERAGE AMOUNT</u></b>

**Explanation:**

**Project Location:** Austin, TX, with activities across Texas.

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

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**Beneficiaries:** Compliance staff and project  
service. Project conforms with HUD standards.

**Frequency of Use and External Factors Affecting Use:**

Daily use.

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

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Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
TIME: 1:49:19PM

Agency Code:	<b>332</b>	Agency name:	<b>DEPARTMENT OF HOUSING AND COMMU</b>
Category Number:	<b>5005</b>	Category Name:	<b>ACQUISITN INFO RES TECH.</b>
Project number:	<b>8</b>	Project Name:	<b>WAP Software Development Project</b>

**PROJECT DESCRIPTION**

**General Information**

The Weatherization Assistance Program (WAP) Evaluation is a software development project to allow for accurate measurement of energy savings associated with WAP measures, especially cooling measures, based on research performed in FY 2003 by Oak Ridge National Laboratory (ORNL). In SFY 2003, ORNL will analyze existing energy consumption data and develop and test two types of aggregate models that may prove to be suitable alternatives to the standard Princeton Scorekeeping Method (PRISM). These model types are: 1) Aggregate weather-normalization models, which will use the basic PRISM approach to weather-normalization, but which will eliminate the high linear model failure rates of standard PRISM by performing weather adjustments only on larger groups of households; and 2) longitudinal multivariate regression models, which will adjust for yearly variations in weather (this is an essential step in any effort to measure program impacts) and also will incorporate a number of other important independent variables. Some additional independent variables that may be incorporated into the longitudinal model structures may include the dwelling characteristics (as reported in EASY Audit files) and occupant characteristics (such as the number and ages of household members). EASY Audit is a software application used by TDHCA to record energy audit data. In SFY 2004, TDHCA will begin the WAP Software Development Project by contracting with CRN Applications, a vendor that will develop and test software that will incorporate the design and implementation of the above model types #1 and #2. Weather related crises in recent years associated with heat-waves and sharp increases in energy costs underscore the need to ensure that low income citizens benefit from energy efficient cooling and heating systems that allow them to maintain their homes in healthy temperatures. Towards that end, TDHCA has the responsibility to provide effective measures to households served by WAP.

<b>Number of Units / Average Unit Cost</b>	180,000		
<b>Estimated Completion Date</b>	8/31/2004		
<b>Additional Capital Expenditure Amounts Required</b>		<b>2006</b>	<b>2007</b>
		0	0
<b>Type of Financing</b>	CA	CURRENT APPROPRIATIONS	
<b>Projected Useful Life</b>	8 years		
<b>Estimated/Actual Project Cost</b>	\$ 180,000		
<b>Length of Financing/ Lease Period</b>	N/A		

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

	2004	2005	2006	2007	Total over project life
	0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>



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**Explanation:**

**Project Location:** Austin, TX, with activities across Texas.

**Beneficiaries:** TDHCA Community Affairs Division employees, WAP program subgrantees, and WAP program customers.

**Frequency of Use and External Factors Affecting Use:**

Daily use.

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

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V.C. CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (BASELINE)  
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 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
 TIME: 1:52:17PM

Agency code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2002	Bud 2003	BL 2004	BL 2005	
<b>5005 Acquisition of Information Resource Technologies</b>						
1/1	<i>NORMAL GROWTH/INTEGRATE SYSTEMS</i>					
Capital	6-1-1	CENTRAL ADMINISTRATION	118,789	69,121	\$57,870	\$52,686
Capital	6-1-2	INFORMATION RESOURCE TECHNOLOGIES	37,623	21,892	12,543	15,143
Capital	6-1-3	OPERATING/SUPPORT	19,804	11,524	10,328	10,465
Capital	1-1-1	HOUSING TRUST FUND	9,902	5,762	5,064	3,432
Capital	1-1-2	HOME PROGRAM	41,584	24,197	14,669	15,016
Capital	1-1-3	SECTION 8 RENTAL ASSISTANCE	17,821	10,370	8,715	6,978
Capital	1-1-4	FEDERAL TAX CREDITS	31,684	18,436	20,605	17,683
Capital	1-1-5	MRB PROGRAM - SINGLE FAMILY	35,645	20,741	19,330	17,457
Capital	1-1-6	MRB PROGRAM-MULTIFAMILY	7,922	4,609	2,951	3,246
Capital	2-1-2	COLONIA SERVICE CENTERS	11,882	6,914	9,677	5,722
Capital	3-1-1	POVERTY-RELATED FUNDS	32,081	18,668	17,057	12,251
Capital	3-2-1	ENERGY ASSISTANCE PROGRAMS	37,225	21,661	12,691	14,076
Capital	5-1-1	TITLING AND LICENSING	19,406	11,292	9,087	9,808
Capital	5-1-2	INSTALLATION INSPECTIONS	31,050	18,068	14,505	15,949
Capital	5-1-3	ENFORCEMENT	46,576	27,101	14,636	16,080
Capital	4-1-1	REVIEW PROPERTY DOCUMENTS	57,422	33,413	28,548	22,284
Capital	4-1-2	REVIEW FINANCIAL DOCUMENTS	0	0	1,724	1,724
Informational	6-1-1	CENTRAL ADMINISTRATION	31,998	39,120	52,305	56,581
Informational	6-1-2	INFORMATION RESOURCE TECHNOLOGIES	10,135	12,391	16,566	17,918

V.C. CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (BASELINE)  
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DATE: 9/4/2002  
 TIME: 1:53:08PM

Agency code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2002	Bud 2003	BL 2004	BL 2005
Informational 6-1-3	OPERATING/SUPPORT	5,334	6,522	\$8,720	\$9,430
Informational 1-1-1	HOUSING TRUST FUND	2,667	3,261	4,360	4,716
Informational 1-1-2	HOME PROGRAM	11,201	13,695	18,310	19,804
Informational 1-1-3	SECTION 8 RENTAL ASSISTANCE	4,801	5,869	7,847	8,488
Informational 1-1-4	FEDERAL TAX CREDITS	8,535	10,434	13,951	15,090
Informational 1-1-5	MRB PROGRAM - SINGLE FAMILY	9,601	11,738	15,695	16,975
Informational 1-1-6	MRB PROGRAM-MULTIFAMILY	2,133	2,609	3,488	3,772
Informational 2-1-2	COLONIA SERVICE CENTERS	3,201	3,913	5,232	5,658
Informational 3-1-1	POVERTY-RELATED FUNDS	8,641	10,565	14,126	15,279
Informational 3-2-1	ENERGY ASSISTANCE PROGRAMS	10,027	12,259	16,391	17,729
Informational 5-1-1	TITLING AND LICENSING	5,228	6,391	8,545	9,243
Informational 5-1-2	INSTALLATION INSPECTIONS	8,364	10,226	13,672	18,484
Informational 5-1-3	ENFORCEMENT	12,545	15,338	20,508	18,484
Informational 4-1-1	REVIEW PROPERTY DOCUMENTS	15,468	18,910	25,284	27,349
TOTAL, PROJECT		\$706,295	\$507,010	\$505,000	\$505,000
2/2	5- Peoplesoft Accounting System				
Informational 6-1-1	CENTRAL ADMINISTRATION	168,000	60,000	175,000	150,000
TOTAL, PROJECT		\$168,000	\$60,000	\$175,000	\$150,000

3/3 Disaster Recovery

V.C. CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (BASELINE)  
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Agency code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code/Name

*Project Sequence/Project Id/Name*

Goal/Obj/Str	Strategy Name	Est 2002	Bud 2003	BL 2004	BL 2005
Informational 6-1-2	INFORMATION RESOURCE TECHNOLOGIES	0	0	\$15,000	\$15,000
	TOTAL, PROJECT	\$0	\$0	\$15,000	\$15,000
4/4	<i>Enhancements to Compliance System</i>				
Capital 4-1-1	REVIEW PROPERTY DOCUMENTS	0	0	150,000	150,000
	TOTAL, PROJECT	\$0	\$0	\$150,000	\$150,000
5/5	<i>Central Database Project</i>				
Capital 6-1-1	CENTRAL ADMINISTRATION	0	0	19,655	45,258
Capital 6-1-2	INFORMATION RESOURCE TECHNOLOGIES	0	0	889	14,332
Capital 6-1-3	OPERATING/SUPPORT	0	0	468	7,543
Capital 1-1-1	HOUSING TRUST FUND	0	0	1,638	3,772
Capital 1-1-2	HOME PROGRAM	0	0	6,879	15,841
Capital 1-1-3	SECTION 8 RENTAL ASSISTANCE	0	0	38,662	6,789
Capital 1-1-4	FEDERAL TAX CREDITS	0	0	40,957	12,069
Capital 1-1-5	MRB PROGRAM - SINGLE FAMILY	0	0	5,896	13,577
Capital 1-1-6	MRB PROGRAM-MULTIFAMILY	0	0	1,310	3,017
Capital 2-1-2	COLONIA SERVICE CENTERS	0	0	37,680	4,526
Capital 3-1-1	POVERTY-RELATED FUNDS	0	0	5,307	12,220
Capital 3-2-1	ENERGY ASSISTANCE PROGRAMS	0	0	6,159	14,181
Capital 4-1-1	REVIEW PROPERTY DOCUMENTS	0	0	9,500	21,875

V.C. CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (BASELINE)  
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Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2002	Bud 2003	BL 2004	BL 2005
TOTAL, PROJECT		\$0	\$0	\$175,000	\$175,000
6/6	<i>Manufactured Housing Database</i>				
Capital	5-1-1 TITLING AND LICENSING	0	0	\$38,750	\$38,750
Capital	5-1-2 INSTALLATION INSPECTIONS	0	0	42,500	42,500
Capital	5-1-3 ENFORCEMENT	0	0	43,750	43,750
TOTAL, PROJECT		\$0	\$0	\$125,000	\$125,000
7/7	<i>UPCS Property Inspections</i>				
Capital	4-1-1 REVIEW PROPERTY DOCUMENTS	0	0	70,000	10,000
TOTAL, PROJECT		\$0	\$0	\$70,000	\$10,000
8/8	<i>WAP Software Development Project</i>				
Capital	3-2-1 ENERGY ASSISTANCE PROGRAMS	0	0	180,000	0
TOTAL, PROJECT		\$0	\$0	\$180,000	\$0
9/9	<i>COMPLIANCE MONITORING TRACKING SYS</i>				
Capital	4-1-1 REVIEW PROPERTY DOCUMENTS	391,010	99,000	0	0
Informational	4-1-1 REVIEW PROPERTY DOCUMENTS	7,990	0	0	0
TOTAL, PROJECT		\$399,000	\$99,000	\$0	\$0

V.C. CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (BASELINE)  
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Agency code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2002	Bud 2003	BL 2004	BL 2005
10/10	LOAN PRODUCTION AND SERVICING SOFTW				
Capital	1-1-5 MRB PROGRAM - SINGLE FAMILY	304,865	0	\$0	\$0
Informational	1-1-5 MRB PROGRAM - SINGLE FAMILY	135	0	0	0
	TOTAL, PROJECT	\$305,000	\$0	\$0	\$0
	TOTAL CAPITAL, ALL PROJECTS	\$1,252,291	\$422,769	\$960,000	\$700,000
	TOTAL INFORMATIONAL, ALL PROJECTS	\$326,004	\$243,241	\$435,000	\$430,000
	TOTAL, ALL PROJECTS	\$1,578,295	\$666,010	\$1,395,000	\$1,130,000

Agency code: 332 Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code / Category Name

Project Number / Name

OOE / TOF / MOF CODE

Excp 2004

Excp 2005

5005 Acquisition of Information Resource Technologies

1 NORMAL GROWTH/INTEGRATE SYSTEMS

**Objects of Expense**

5000 CAPITAL EXPENDITURES

20,000

0

Subtotal OOE, Project 1

**20,000**

**0**

**Type of Financing**

CA 666 APPROPRIATED RECEIPTS

20,000

0

Subtotal TOF, Project 1

**20,000**

**0**

Subtotal Category 5005

**20,000**

**0**

AGENCY TOTAL

**20,000**

**0**

**METHOD OF FINANCING:**

666 APPROPRIATED RECEIPTS

20,000

0

Total, Method of Financing

**20,000**

**0**

**TYPE OF FINANCING:**

CA CURRENT APPROPRIATIONS

20,000

0

Total, Type of Financing

**20,000**

**0**



V.D. CAPITAL BUDGET SCHEDULE B - OPERATING AND MAINTENANCE EXPENSES

DATE: 9/4/2002

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Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332  
Project Number: 1

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
Project name: Normal Growth/Intergrate Systems

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
<b>OBJECTS OF EXPENSE:</b>				
2003 CONSUMABLE SUPPLIES	\$25,000	\$25,000	\$0	\$0
2009 OTHER OPERATING EXPENSE	\$220,000	\$240,000	\$0	\$0
5000 CAPITAL EXPENDITURES	\$260,000	\$240,000	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$505,000</b>	<b>\$505,000</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>				
1 GENERAL REVENUE FUND	\$82,287	\$91,013	\$0	\$0
127 COMMUNITY AFFAIRS FED FD				
14.239.000 HOME Investment Partnersh	\$32,979	\$34,820	\$0	\$0
14.871.000 SECTION 8 HOUSING CHOICE VOUCHERS	\$16,562	\$15,466	\$0	\$0
81.042.000 Weatherization Assistance	\$5,816	\$6,706	\$0	\$0
93.568.000 Low-Income Home Energy As	\$23,266	\$26,823	\$0	\$0
93.569.000 Community Services Block	\$31,183	\$27,530	\$0	\$0
<b>TOTAL, COMMUNITY AFFAIRS FED FD</b>	<b>\$109,806</b>	<b>\$111,345</b>	<b>\$0</b>	<b>\$0</b>
666 APPROPRIATED RECEIPTS	\$289,182	\$280,389	\$0	\$0
888 EARNED FEDERAL FUNDS	\$23,725	\$22,253	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$505,000</b>	<b>\$505,000</b>	<b>\$0</b>	<b>\$0</b>

FULL TIME EQUIVALENT POSITIONS: 8.0 8.0 8.0 8.0

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

The Supplies budget is used for back-up tapes and office supplies.

The Software and Hardware Maintenance budgets are used for support and upgrades on the software and hardware that supports the aut

In FYs 2004 and 2005, the software budget will be used for Windows 2000 and Exc

PC, servers, and other hardware:

V.D. CAPITAL BUDGET SCHEDULE B - OPERATING AND MAINTENANCE EXPENSES

DATE: 9/4/2002

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Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Project Number: 1

Project name: Normal Growth/Intergrate Systems

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
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Fiscal Year 2004

\$80,400 will be expended on PCs, laptops, printers, monitors, and other hardware.

\$144,100 will be expended on server hardware upgrades.

Fiscal Year 2005

\$39,700 will be expended on PCs, laptops, printers, monitors, and other hardware.

\$164,800 will be expended on server hardware upgrades.

V.D. CAPITAL BUDGET SCHEDULE B - OPERATING AND MAINTENANCE EXPENSES

DATE: 9/4/2002

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Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332  
Project Number: 2

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
Project name: Peoplesoft Accounting System

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
<b>OBJECTS OF EXPENSE:</b>				
2009 OTHER OPERATING EXPENSE	\$175,000	\$150,000	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$175,000</b>	<b>\$150,000</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>				
1 GENERAL REVENUE FUND	\$100,000	\$90,000	\$0	\$0
888 EARNED FEDERAL FUNDS	\$75,000	\$60,000	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$175,000</b>	<b>\$150,000</b>	<b>\$0</b>	<b>\$0</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	3.0	3.0	3.0	3.0

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

Fiscal Year 2004

\$65,000 for STAT, a source code and versioning application for PeopleSoft. \$105,000 in contract consultant services for the implementation of PeopleSoft Financials Version 8.04 and for daily support of the system.

Fiscal Year 2005

\$150,000 in contract consultant :

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Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332  
Project Number: 3

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
Project name: Disaster Recovery

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
<b>OBJECTS OF EXPENSE:</b>				
2009 OTHER OPERATING EXPENSE	\$15,000	\$15,000	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>				
1 GENERAL REVENUE FUND	\$15,000	\$15,000	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>\$0</b>	<b>\$0</b>

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

Fiscal Year 2004

\$15,000 will be expended to secure services with a vendor who will provide replacement hardware at costs in the event of a disaster.

Fiscal Year 2005

\$15,000 will be expended to secure services from a vendor who will provide replacement hardware at cost in the event of a disaster.

V.D. CAPITAL BUDGET SCHEDULE B - OPERATING AND MAINTENANCE EXPENSES

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Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332  
Project Number: 4

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
Project name: Enhancements to Compliance System

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
<b>OBJECTS OF EXPENSE:</b>				
2001 PROFESSIONAL FEES AND SERVICES	\$150,000	\$150,000	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$150,000</b>	<b>\$150,000</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>				
666 APPROPRIATED RECEIPTS	\$150,000	\$150,000	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$150,000</b>	<b>\$150,000</b>	<b>\$0</b>	<b>\$0</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	0.4	0.8	0.5	0.5

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

Fiscal Year 2004

\$150,000 to outsource enhancements to the Compliance System including development of the LIHTC Year 15 program, the links to FDIC and RD systems as well as property continued technical assistance or support to reporting properties

Fiscal Year 2005

\$150,000 to outsource enhancements to the Compliance System including the link to the HUD system and continued

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Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332  
Project Number: 5

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
Project name: Central Database Project

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
<b>OBJECTS OF EXPENSE:</b>				
2001 PROFESSIONAL FEES AND SERVICES	\$150,000	\$150,000	\$0	\$0
5000 CAPITAL EXPENDITURES	\$25,000	\$25,000	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$175,000</b>	<b>\$175,000</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>				
1 GENERAL REVENUE FUND	\$6,923	\$16,199	\$0	\$0
127 COMMUNITY AFFAIRS FED FD				
14.239.000 HOME Investment Partnersh	\$6,879	\$15,841	\$0	\$0
14.871.000 SECTION 8 HOUSING CHOICE VOUCHERS	\$35,984	\$6,789	\$0	\$0
93.568.000 Low-Income Home Energy As	\$6,159	\$14,181	\$0	\$0
93.569.000 Community Services Block	\$5,307	\$12,220	\$0	\$0
<b>TOTAL, COMMUNITY AFFAIRS FED FD</b>	<b>\$54,329</b>	<b>\$49,031</b>	<b>\$0</b>	<b>\$0</b>
666 APPROPRIATED RECEIPTS	\$109,516	\$100,553	\$0	\$0
888 EARNED FEDERAL FUNDS	\$4,232	\$9,217	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$175,000</b>	<b>\$175,000</b>	<b>\$0</b>	<b>\$0</b>

FULL TIME EQUIVALENT POSITIONS: 6.0 6.0 6.0 6.0

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

Fiscal Year 2004

\$150,000 for JAVA programmers to assist in enhancements of the overall system. \$25,000 for additional server hardware.

Fiscal Year 2005

\$150,000 for JAVA programmers to assist in enhancements of the overall system. \$25,000 for additional server hardware.

V.D. CAPITAL BUDGET SCHEDULE B - OPERATING AND MAINTENANCE EXPENSES

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Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332  
Project Number: 6

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
Project name: Manufactured Housing Database

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
<b>OBJECTS OF EXPENSE:</b>				
2001 PROFESSIONAL FEES AND SERVICES	\$125,000	\$125,000	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>				
1 GENERAL REVENUE FUND	\$75,000	\$75,000	\$0	\$0
666 APPROPRIATED RECEIPTS	\$50,000	\$50,000	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$0</b>	<b>\$0</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	3.0	3.0	3.0	3.0

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

Fiscal Year 2004

\$125,000 is for consultant business analyst and programming services.

Fiscal Year 2005

\$125,000 is for consultant business analyst and programming services.

V.D. CAPITAL BUDGET SCHEDULE B - OPERATING AND MAINTENANCE EXPENSES

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Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332  
Project Number: 7

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
Project name:

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
<b>OBJECTS OF EXPENSE:</b>				
2001 PROFESSIONAL FEES AND SERVICES	\$20,000	\$0	\$0	\$0
5000 CAPITAL EXPENDITURES	\$50,000	\$10,000	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$70,000</b>	<b>\$10,000</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>				
666 APPROPRIATED RECEIPTS	\$70,000	\$10,000	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$70,000</b>	<b>\$10,000</b>	<b>\$0</b>	<b>\$0</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	0.2	0.2	0.2	0.2

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

Fiscal Year 2004

\$20,000 will be expended towards the purchase of the PDAs.

\$30,000 for UPCS application property inspection software.

\$20,000 for modification to the software and interface with the central database

Fiscal Year 2005

\$10,000 for additional maintenance and software upgrades.



V.D. CAPITAL BUDGET SCHEDULE B - OPERATING AND MAINTENANCE EXPENSES

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Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332  
Project Number: 8

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
Project name:

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
<b>OBJECTS OF EXPENSE:</b>				
2001 PROFESSIONAL FEES AND SERVICES	\$180,000	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$180,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>				
127 COMMUNITY AFFAIRS FED FD				
81.042.000 Weatherization Assistance	\$60,000	\$0	\$0	\$0
93.568.000 Low-Income Home Energy As	\$120,000	\$0	\$0	\$0
<b>TOTAL, COMMUNITY AFFAIRS FED FD</b>	<b>\$180,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$180,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	0.4	0.0	0.0	0.0

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

Funding for the project will come from the Department of Energy (DOE) Weatherization Assistance Program, LIHEAP, and IOU Administration.

Fiscal Year 2004

\$180,000 for a contract with CRN Applications, a working partner of the Department of Energy (DOE), for software development services.

V.D. CAPITAL BUDGET SCHEDULE B - OPERATING AND MAINTENANCE EXPENSES

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Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332  
Project Number: 9

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
Project name: Compliance Monitoring Tracking System/Centralized Database

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
<b>OBJECTS OF EXPENSE:</b>				
2001 PROFESSIONAL FEES AND SERVICES	\$0	\$0	\$0	\$0
5000 CAPITAL EXPENDITURES	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>				
1 GENERAL REVENUE FUND	\$0	\$0	\$0	\$0
666 APPROPRIATED RECEIPTS	\$0	\$0	\$0	\$0
888 EARNED FEDERAL FUNDS	\$0	\$0	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

Agency code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Category Code/Name

Project Number/Name

Goal/Obj/Str	Strategy Name	Excp 2004	Excp 2005
5005 Acquisition of Information Resource Technologies			
1	NORMAL GROWTH/INTEGRATE SYSTEMS		
5 1 2	INSTALLATION INSPECTIONS	20,000	0
	TOTAL, PROJECT	20,000	0
	TOTAL, ALL PROJECTS	20,000	0

**SUPPORTING SCHEDULES**

**HISTORICALLY UNDERUTILIZED BUSINESS (HUB)**

**SUPPORTING SCHEDULE**

Agency Code: 332 Agency: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2000 - 2001 HUB Expenditure Information

Procurement Category	Statewide Adjusted HUB Goals	Adjusted HUB Expenditures FY 2000		Total Expenditures FY 2000	Adjusted HUB Expenditures FY 2001		Total Expenditures FY 2001
		HUB %	HUB \$		HUB %	HUB \$	
Heavy Construction	6.6%	0.0%	\$0	\$0	0.0%	\$0	\$0
Building Construction	25.1%	0.0%	\$0	\$0	0.0%	\$0	\$0
Special Trade Construction	47.0%	0.0%	\$0	\$0	0.0%	\$0	\$0
Professional Services	18.1%	65.9%	\$146,936	\$223,090	57.2%	\$154,054	\$269,302
Other Services	33.0%	46.2%	\$968,572	\$2,094,459	52.7%	\$1,202,053	\$2,282,171
Commodities	11.5%	79.8%	\$335,211	\$420,027	38.9%	\$246,345	\$632,927
<b>Total Expenditures</b>		<b>53.0%</b>	<b>\$1,450,719</b>	<b>\$2,737,576</b>	<b>50.3%</b>	<b>\$1,602,452</b>	<b>\$3,184,400</b>

B. Assessment of Fiscal Year 2000 - 2001 Efforts to Meet HUB Procurement Goals

**Attainment:**

The agency attained three of three, or 100% of the applicable statewide HUB procurement goals in FY 2000.  
 The agency attained three of three, or 100%, of the applicable statewide HUB procurement goals in FY 2001

**Applicability:**

The "Heavy Construction" and "Building Construction" categories are not applicable to agency operations in expenditures related to Special Trade Construction.

**Factors Affecting Attainment:**

All percentages were met by TDHCA for fiscal year 2000 and 2001.

**"Good-Faith" Efforts:**

Fiscal Year 2000 & 2001 percentage goals dramatically increased due to the Good Faith Efforts of TDHCA through education of staff on procurement policy rules and procedures through phone conversations, assisting HUB's with the HUB certification Program, coordination with local entities, local and federal entities, and elected officials; coordination and matching of key agency staff with HUB vendors products and services and briefing Executive staff members on HUB activities. TDHCA has established and exceeded HUB procurement goals.

**FEDERAL FUNDS SUPPORTING SCHEDULE**

V.I.C. FEDERAL FUNDS SUPPORTING SCHEDULE  
 78th Regular Session, Agency Submission, Version 1  
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DATE: 9/4/2002  
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Agency code: 332		Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS				
CFDA NUMBER/ STRATEGY	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005	
<b>14.000.002</b> HUD DU100K90016710						
5 - 1 - 1 TITLING AND LICENSING	42,134	180,135	163,228	270,252	270,138	
5 - 1 - 2 INSTALLATION INSPECTIONS	127,630	283,668	326,455	303,112	303,175	
5 - 1 - 3 ENFORCEMENT	146,071	416,225	395,272	311,591	311,643	
<b>TOTAL, ALL STRATEGIES</b>	<b>\$315,835</b>	<b>\$880,028</b>	<b>\$884,955</b>	<b>\$884,955</b>	<b>\$884,956</b>	
<b>ADDL FED FNDS FOR EMPL BENEFITS</b>	70,000	190,000	190,000	190,000	190,000	
<b>TOTAL, FEDERAL FUNDS</b>	<b>\$385,835</b>	<b>\$1,070,028</b>	<b>\$1,074,955</b>	<b>\$1,074,955</b>	<b>\$1,074,956</b>	
<b>ADDL GR FOR EMPL BENEFITS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>14.228.000</b> Community Development Blo						
2 - 1 - 2 COLONIA SERVICE CENTERS	97,942	34,150	0	0	0	
4 - 1 - 2 REVIEW FINANCIAL DOCUMENTS	270,480	0	0	0	0	
<b>TOTAL, ALL STRATEGIES</b>	<b>\$368,422</b>	<b>\$34,150</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>ADDL FED FNDS FOR EMPL BENEFITS</b>	0	0	0	0	0	
<b>TOTAL, FEDERAL FUNDS</b>	<b>\$368,422</b>	<b>\$34,150</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>ADDL GR FOR EMPL BENEFITS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>14.231.000</b> Emergency Shelter Grants						
3 - 1 - 1 POVERTY-RELATED FUNDS	4,326,000	4,495,000	4,600,000	4,600,000	4,600,000	



**VI.C. FEDERAL FUNDS SUPPORTING SCHEDULE**  
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DATE: **9/4/2002**  
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Agency code: <b>332</b>	Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS					
CFDA NUMBER/ STRATEGY		Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>TOTAL, ALL STRATEGIES</b>		<b>\$4,326,000</b>	<b>\$4,495,000</b>	<b>\$4,600,000</b>	<b>\$4,600,000</b>	<b>\$4,600,000</b>
<b>ADDL FED FNDS FOR EMPL BENEFITS</b>		23,184	25,862	28,000	28,000	28,000
<b>TOTAL, FEDERAL FUNDS</b>		<b>\$4,349,184</b>	<b>\$4,520,862</b>	<b>\$4,628,000</b>	<b>\$4,628,000</b>	<b>\$4,628,000</b>
<b>ADDL GR FOR EMPL BENEFITS</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>14.239.000</b> HOME Investment Partnersh						
1 - 1 - 2 HOME PROGRAM		1,147,559	40,818,946	78,635,710	40,759,730	40,759,710
2 - 1 - 2 COLONIA SERVICE CENTERS		55,677	37,129	41,484	41,484	41,484
4 - 1 - 2 REVIEW FINANCIAL DOCUMENTS		340,136	201,827	198,806	198,806	198,806
<b>TOTAL, ALL STRATEGIES</b>		<b>\$1,543,372</b>	<b>\$41,057,902</b>	<b>\$78,876,000</b>	<b>\$41,000,020</b>	<b>\$41,000,000</b>
<b>ADDL FED FNDS FOR EMPL BENEFITS</b>		273,180	280,000	280,000	280,000	280,000
<b>TOTAL, FEDERAL FUNDS</b>		<b>\$1,816,552</b>	<b>\$41,337,902</b>	<b>\$79,156,000</b>	<b>\$41,280,020</b>	<b>\$41,280,000</b>
<b>ADDL GR FOR EMPL BENEFITS</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>14.871.000</b> SECTION 8 HOUSING CHOICE VOUCHERS						
1 - 1 - 3 SECTION 8 RENTAL ASSISTANCE		9,100,284	8,040,935	9,480,000	9,841,136	9,812,078
<b>TOTAL, ALL STRATEGIES</b>		<b>\$9,100,284</b>	<b>\$8,040,935</b>	<b>\$9,480,000</b>	<b>\$9,841,136</b>	<b>\$9,812,078</b>
<b>ADDL FED FNDS FOR EMPL BENEFITS</b>		65,873	69,132	71,000	71,000	71,000
<b>TOTAL, FEDERAL FUNDS</b>		<b>\$9,166,157</b>	<b>\$8,110,067</b>	<b>\$9,551,000</b>	<b>\$9,912,136</b>	<b>\$9,883,078</b>
<b>ADDL GR FOR EMPL BENEFITS</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>81.042.000</b> Weatherization Assistance						

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Agency code: **332** Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

CFDA NUMBER/ STRATEGY	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
3 - 2 - 1 ENERGY ASSISTANCE PROGRAMS	5,796,628	3,367,600	5,445,000	5,445,000	5,445,000
<b>TOTAL, ALL STRATEGIES</b>	<b>\$5,796,628</b>	<b>\$3,367,600</b>	<b>\$5,445,000</b>	<b>\$5,445,000</b>	<b>\$5,445,000</b>
<b>ADDL FED FNDS FOR EMPL BENEFITS</b>	52,896	54,129	56,000	56,000	56,000
<b>TOTAL, FEDERAL FUNDS</b>	<b>\$5,849,524</b>	<b>\$3,421,729</b>	<b>\$5,501,000</b>	<b>\$5,501,000</b>	<b>\$5,501,000</b>
<b>ADDL GR FOR EMPL BENEFITS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>93.568.000</b> Low-Income Home Energy As					
3 - 2 - 1 ENERGY ASSISTANCE PROGRAMS	42,461,424	37,409,767	37,414,801	37,414,801	37,429,801
4 - 1 - 2 REVIEW FINANCIAL DOCUMENTS	104,383	87,947	85,199	85,199	70,199
<b>TOTAL, ALL STRATEGIES</b>	<b>\$42,565,807</b>	<b>\$37,497,714</b>	<b>\$37,500,000</b>	<b>\$37,500,000</b>	<b>\$37,500,000</b>
<b>ADDL FED FNDS FOR EMPL BENEFITS</b>	142,186	146,234	152,000	152,000	152,000
<b>TOTAL, FEDERAL FUNDS</b>	<b>\$42,707,993</b>	<b>\$37,643,948</b>	<b>\$37,652,000</b>	<b>\$37,652,000</b>	<b>\$37,652,000</b>
<b>ADDL GR FOR EMPL BENEFITS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>93.569.000</b> Community Services Block					
3 - 1 - 1 POVERTY-RELATED FUNDS	28,248,822	30,781,176	30,926,519	30,934,500	30,928,553
4 - 1 - 2 REVIEW FINANCIAL DOCUMENTS	20,665	61,240	73,481	73,481	63,481
<b>TOTAL, ALL STRATEGIES</b>	<b>\$28,269,487</b>	<b>\$30,842,416</b>	<b>\$31,000,000</b>	<b>\$31,007,981</b>	<b>\$30,992,034</b>
<b>ADDL FED FNDS FOR EMPL BENEFITS</b>	133,562	136,847	139,000	139,000	139,000
<b>TOTAL, FEDERAL FUNDS</b>	<b>\$28,403,049</b>	<b>\$30,979,263</b>	<b>\$31,139,000</b>	<b>\$31,146,981</b>	<b>\$31,131,034</b>
<b>ADDL GR FOR EMPL BENEFITS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**VI.C. FEDERAL FUNDS SUPPORTING SCHEDULE**  
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Agency code: <b>332</b> Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS		<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>BL 2004</b>	<b>BL 2005</b>
<b>CFDA NUMBER/ STRATEGY</b>						
<b>93.571.000</b>	Community Services Block					
3 - 1 - 1	POVERTY-RELATED FUNDS	270,000	260,000	265,000	265,000	265,000
<b>TOTAL, ALL STRATEGIES</b>		<b>\$270,000</b>	<b>\$260,000</b>	<b>\$265,000</b>	<b>\$265,000</b>	<b>\$265,000</b>
<b>ADDL FED FNDS FOR EMPL BENEFITS</b>		0	0	0	0	0
<b>TOTAL, FEDERAL FUNDS</b>		<b>\$270,000</b>	<b>\$260,000</b>	<b>\$265,000</b>	<b>\$265,000</b>	<b>\$265,000</b>
<b>ADDL GR FOR EMPL BENEFITS</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**VI.C. FEDERAL FUNDS SUPPORTING SCHEDULE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/4/2002**  
 TIME: **2:11:09PM**

Agency code: **332** Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

CFDA NUMBER/ STRATEGY	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b><u>SUMMARY LISTING OF FEDERAL PROGRAM AMOUNTS</u></b>					
14.000.002 HUD DU100K90016710	315,835	880,028	884,955	884,955	884,956
14.228.000 Community Development Blo	368,422	34,150	0	0	0
14.231.000 Emergency Shelter Grants	4,326,000	4,495,000	4,600,000	4,600,000	4,600,000
14.239.000 HOME Investment Partnersh	1,543,372	41,057,902	78,876,000	41,000,020	41,000,000
14.871.000 SECTION 8 HOUSING CHOICE VOUCHERS	9,100,284	8,040,935	9,480,000	9,841,136	9,812,078
81.042.000 Weatherization Assistance	5,796,628	3,367,600	5,445,000	5,445,000	5,445,000
93.568.000 Low-Income Home Energy As	42,565,807	37,497,714	37,500,000	37,500,000	37,500,000
93.569.000 Community Services Block	28,269,487	30,842,416	31,000,000	31,007,981	30,992,034
93.571.000 Community Services Block	270,000	260,000	265,000	265,000	265,000
<b>TOTAL, ALL STRATEGIES</b>	\$92,555,835	\$126,475,745	\$168,050,955	\$130,544,092	\$130,499,068
<b>TOTAL , ADDL FED FUNDS FOR EMPL BENEFITS</b>	760,881	902,204	916,000	916,000	916,000
<b>TOTAL, FEDERAL FUNDS</b>	<b>\$93,316,716</b>	<b>\$127,377,949</b>	<b>\$168,966,955</b>	<b>\$131,460,092</b>	<b>\$131,415,068</b>
<b>TOTAL, ADDL GR FOR EMPL BENEFITS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

V.I.C. FEDERAL FUNDS SUPPORTING SCHEDULE  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/4/2002  
TIME: 2:11:09PM

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Agency code: 332	Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS					
		<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>BL 2004</b>	<b>BL 2005</b>
<b>CFDA NUMBER/ STRATEGY</b>						

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SUMMARY OF SPECIAL CONCERNS/ISSUES

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**Assumptions and Methodology:**

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**Potential Loss:**

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**ESTIMATED REVENUE COLLECTIONS**

**SUPPORTING SCHEDULE**

**VI.E. ESTIMATED REVENUE COLLECTIONS SUPPORTING SCHEDULE**

DATE: 9/4/2002

78th Regular Session, Agency Submission, Version 1

TIME: 2:12:58PM

Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

FUND/ACCOUNT	Act 2001	Est 2002	Est 2003	Est 2004	Est 2005
<b>666 APPROPRIATED RECEIPTS</b>					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3158 Manufactured Housing Trng Fees	43,750	46,375	92,750	92,750	92,750
3159 Mfg Housing Certificate - Title	4,103,260	4,006,635	4,006,635	4,006,635	4,006,635
3160 Mfg/Ind Housing Reg Fees	843,875	788,650	1,155,000	1,155,000	1,155,000
3161 Mfg/Ind Housing Inspect Fees	817,875	823,430	949,430	663,685	771,185
3163 Penalties Mfg/Ind Housing Violation	95,254	130,264	150,000	150,000	150,000
3719 Fees/Copies or Filing of Records	7,515	8,000	8,000	7,500	7,500
3775 Returned Check Fees	975	1,300	1,300	1,375	1,375
Subtotal: Actual/Estimated Revenue	5,912,504	5,804,654	6,363,115	6,076,945	6,184,445
<b>Total Available</b>	<b>\$5,912,504</b>	<b>\$5,804,654</b>	<b>\$6,363,115</b>	<b>\$6,076,945</b>	<b>\$6,184,445</b>
<b>DEDUCTIONS:</b>					
Expended/Budgeted/Requested	(1,680,834)	(2,105,061)	(2,214,730)	(2,129,933)	(2,155,935)
Transfer - Employee Benefits	(316,785)	(324,129)	(335,000)	(335,000)	(335,000)
Art IX, Sec 9-11.06, Salary Increas	(37,861)	0	0	0	0
Art IX, Sec 10.12 Salary Increase	0	(65,000)	(65,000)	0	0
Art IX, Sec 10.23 and HB 2976, SORM	0	(47,416)	(40,350)	(40,350)	(40,350)
<b>Total, Deductions</b>	<b>\$(2,035,480)</b>	<b>\$(2,541,606)</b>	<b>\$(2,655,080)</b>	<b>\$(2,505,283)</b>	<b>\$(2,531,285)</b>
<b>Ending Fund/Account Balance</b>	<b>\$3,877,024</b>	<b>\$3,263,048</b>	<b>\$3,708,035</b>	<b>\$3,571,662</b>	<b>\$3,653,160</b>

**REVENUE ASSUMPTIONS:**

**CONTACT PERSON:**

Kassu Asfaw/David Aldrich

**VI.E. ESTIMATED REVENUE COLLECTIONS SUPPORTING SCHEDULE**

DATE: 9/4/2002

78th Regular Session, Agency Submission, Version 1

TIME: 2:14:19PM

Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 332

Agency name: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

FUND/ACCOUNT	Act 2001	Est 2002	Est 2003	Est 2004	Est 2005
<b>888 EARNED FEDERAL FUNDS</b>					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3702 Fed Receipts-Earned Federal Funds	1,656,748	1,386,396	1,487,000	1,487,000	1,487,000
3851 Interest on St Deposits & Treas Inv	552,225	268,240	268,240	268,240	268,240
Subtotal: Actual/Estimated Revenue	2,208,973	1,654,636	1,755,240	1,755,240	1,755,240
<b>Total Available</b>	<b>\$2,208,973</b>	<b>\$1,654,636</b>	<b>\$1,755,240</b>	<b>\$1,755,240</b>	<b>\$1,755,240</b>
<b>DEDUCTIONS:</b>					
Art IX, Sec 10.12, Salary Increase	0	(45,000)	(45,000)	0	0
Art IX, Sec 9-11.06 Salary Increas	(38,149)	0	0	0	0
Art IX Sec 10.23 and HB 2976, SORM	0	(15,826)	(15,826)	0	0
Expended/Budgeted/Requested	(1,251,961)	(1,185,980)	(992,521)	(1,100,632)	(1,100,632)
Transfers Employee Benefits	(148,279)	(145,000)	(130,000)	(140,000)	(140,000)
<b>Total, Deductions</b>	<b>\$(1,438,389)</b>	<b>\$(1,391,806)</b>	<b>\$(1,183,347)</b>	<b>\$(1,240,632)</b>	<b>\$(1,240,632)</b>
<b>Ending Fund/Account Balance</b>	<b>\$770,584</b>	<b>\$262,830</b>	<b>\$571,893</b>	<b>\$514,608</b>	<b>\$514,608</b>

**REVENUE ASSUMPTIONS:**

**CONTACT PERSON:**

David Aldrich



**ADVISORY COMMITTEE SUPPORTING SCHEDULE**

**VI.F. ADVISORY COMMITTEE SUPPORTING SCHEDULE ~ PART A**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/4/2002  
 Time: 2:14:59PM

Agency Code: **332**      Agency: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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**COLONIA RESIDENT ADVISORY COMMITTEE**

Statutory Authorization:   Tex. Gov't Code, Sec. 2306.584  
 Number of Members:       14  
 Committee Status:         Ongoing  
 Date Created:             09/01/1995  
 Date to Be Abolished:    09/01/2005  
 Strategy (Strategies):    2-1-2           COLONIA SERVICE CENTERS

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<b>Advisory Committee Costs</b>	<u><b>Expended 2001</b></u>	<u><b>Estimated 2002</b></u>	<u><b>Budgeted 2003</b></u>	<u><b>Requested 2004</b></u>	<u><b>Requested 2005</b></u>
Committee Members Direct Expenses					
Travel	\$1,000	\$250	\$1,000	\$1,000	\$1,000
Other Operating	0	0	0	0	0
Other Expenditures in Support of Committee Activities					
Personnel (0.25 FTE)	1,500	606	1,100	1,100	1,100
Other Operating	0	0	0	0	0
<b>Total, Committee Expenditures</b>	<b>\$2,500</b>	<b>\$856</b>	<b>\$2,100</b>	<b>\$2,100</b>	<b>\$2,100</b>
Method of Financing					
GENERAL REVENUE FUND	\$2,500	\$856	\$2,100	\$2,100	\$2,100
<b>Total, Method of Financing</b>	<b>\$2,500</b>	<b>\$856</b>	<b>\$2,100</b>	<b>\$2,100</b>	<b>\$2,100</b>
<b>Meetings Per Fiscal Year</b>	2	2	2	2	2

**VI.F. ADVISORY COMMITTEE SUPPORTING SCHEDULE ~ PART A**  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/4/2002  
Time: 2:15:37PM

Agency Code: **332**      Agency: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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**COLONIA RESIDENT ADVISORY COMMITTEE**

**Description and Justification for Continuation/Consequences of Abolishing**

The Colonia Resident Advisory Committee (C-RAC) was established by state statute to advise the Department regarding and effective programs that are proposed or are operated through the colonia self-help centers; and (3) activities that may be undertaken through the colonia s to better serve the needs of colonia residents.

The committee consists of 14 persons who reside in the affected counties (Hidalgo, Cameron/Willacy, Starr, Maveric in Val Verde). If the primary cannot attend the C-RAC meeting the secondary will attend the meeting. The committee must which a contract is scheduled to be awarded for the operation of a colonia self-help center and may meet at other times.

**VI.F. ADVISORY COMMITTEE SUPPORTING SCHEDULE ~ PART A**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/4/2002  
 Time: 2:15:38PM

Agency Code: **332**      Agency: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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**INTERAGENCY COUNCIL FOR HOMELESS**

Statutory Authorization: Chapter 2306, Subchapter GG, Texas Gov't  
 Number of Members: 20  
 Committee Status: Ongoing  
 Date Created: 09/01/1989  
 Date to Be Abolished: N/A  
 Strategy (Strategies): 3-1-1      POVERTY-RELATED FUNDS

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<b>Advisory Committee Costs</b>	<u><b>Expended 2001</b></u>	<u><b>Estimated 2002</b></u>	<u><b>Budgeted 2003</b></u>	<u><b>Requested 2004</b></u>	<u><b>Requested 2005</b></u>
Committee Members Direct Expenses					
Travel	\$0	\$1,000	\$1,000	\$1,000	\$1,000
Other Operating	0	0	0	0	0
Other Expenditures in Support of Committee Activities					
Personnel (0.25 FTE)	10,800	10,800	10,800	10,800	10,800
Other Operating	0	0	0	0	0
<b>Total, Committee Expenditures</b>	<b>\$10,800</b>	<b>\$11,800</b>	<b>\$11,800</b>	<b>\$11,800</b>	<b>\$11,800</b>
Method of Financing					
COMMUNITY AFFAIRS FED FD	\$10,800	\$11,800	\$11,800	\$11,800	\$11,800
<b>Total, Method of Financing</b>	<b>\$10,800</b>	<b>\$11,800</b>	<b>\$11,800</b>	<b>\$11,800</b>	<b>\$11,800</b>
<b>Meetings Per Fiscal Year</b>	4	4	4	4	4

**VI.F. ADVISORY COMMITTEE SUPPORTING SCHEDULE ~ PART A**  
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Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/4/2002  
Time: 2:15:38PM

Agency Code: **332** Agency: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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**INTERAGENCY COUNCIL FOR HOMELESS**

**Description and Justification for Continuation/Consequences of Abolishing**

The Interagency Council for the Homeless is established by the Legislature at Subchapter GG of Chapter 2306, Texas Government Code, the Council, (Sec. 2306.784 (e)).

**VI.F. ADVISORY COMMITTEE SUPPORTING SCHEDULE ~ PART A**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/4/2002  
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Agency Code: **332**      Agency: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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**WEATHERIZATION POLICY ADV. COUNCIL**

Statutory Authorization: 10 CFR Section 440.17  
 Number of Members: 12  
 Committee Status: Ongoing  
 Date Created: 09/01/1972  
 Date to Be Abolished: N/A  
 Strategy (Strategies): 3-2-1      ENERGY ASSISTANCE PROGRAMS

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<b>Advisory Committee Costs</b>	<u><b>Expended 2001</b></u>	<u><b>Estimated 2002</b></u>	<u><b>Budgeted 2003</b></u>	<u><b>Requested 2004</b></u>	<u><b>Requested 2005</b></u>
Committee Members Direct Expenses					
Travel	\$0	\$0	\$1,600	\$3,200	\$1,600
Other Operating	0	0	0	0	0
Other Expenditures in Support of Committee Activities					
Personnel (No. of FTE)	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total, Committee Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,600</b>	<b>\$3,200</b>	<b>\$1,600</b>
Method of Financing					
COMMUNITY AFFAIRS FED FD	\$0	\$0	\$1,600	\$3,200	\$1,600
<b>Total, Method of Financing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,600</b>	<b>\$3,200</b>	<b>\$1,600</b>
<b>Meetings Per Fiscal Year</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>

**VI.F. ADVISORY COMMITTEE SUPPORTING SCHEDULE ~ PART A**  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/4/2002  
Time: 2:15:39PM

Agency Code: **332** Agency: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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**WEATHERIZATION POLICY ADV. COUNCIL**

**Description and Justification for Continuation/Consequences of Abolishing**

10 CFR Section 440.17, Section 17 requires the establishment of a policy advisory council prior to the expenditure of US Department of Energy Cate  
the Texas Weatherization Policy Advisory Council would be a violation of funding requirements as set out in 10 CFR 440 and wc  
to the state. The TWPAC is comprised of 12 members representing consumer  
council holds 1-2 meetings per year. There were no travel expenses incurred :

**VI.F. ADVISORY COMMITTEE SUPPORTING SCHEDULE ~ PART A**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/4/2002  
 Time: 2:15:39PM

Agency Code: **332**      Agency: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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**DISABILITY ADVISORY COMMITTEE**

Statutory Authorization: 2306.054, Texas Government Code  
 Number of Members: 5  
 Committee Status: New  
 Date Created: 11/14/2001  
 Date to Be Abolished: 09/01/2005  
 Strategy (Strategies): 1-1-1 HOUSING TRUST FUND  
                                   1-1-2 HOME PROGRAM  
                                   1-1-3 SECTION 8 RENTAL ASSISTANCE  
                                   1-1-4 FEDERAL TAX CREDITS  
                                   1-1-5 MRB PROGRAM - SINGLE FAMILY  
                                   1-1-6 MRB PROGRAM-MULTIFAMILY

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<b>Advisory Committee Costs</b>	<b>Expended 2001</b>	<b>Estimated 2002</b>	<b>Budgeted 2003</b>	<b>Requested 2004</b>	<b>Requested 2005</b>
Committee Members Direct Expenses					
Travel	\$0	\$0	\$0	\$10,000	\$10,000
Other Expenditures in Support of Committee Activities					
Staff	0	0	0	3,000	3,000
<b>Total, Committee Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,000</b>	<b>\$13,000</b>
Method of Financing					
APPROPRIATED RECEIPTS	\$0	\$0	\$0	\$13,000	\$13,000
<b>Total, Method of Financing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,000</b>	<b>\$13,000</b>
<b>Meetings Per Fiscal Year</b>	0	0	0	12	12



**VI.F. ADVISORY COMMITTEE SUPPORTING SCHEDULE ~ PART A**  
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Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/4/2002  
Time: 2:15:39PM

Agency Code: **332** Agency: **DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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**DISABILITY ADVISORY COMMITTEE**

**Description and Justification for Continuation/Consequences of Abolishing**

The purpose of the advisory committee is to provide information and recommendations to the Board on the housing needs of people with disabilities.

**ADVISORY COMMITTEE SUPPORTING SCHEDULE ~ PART B**  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/4/2002  
Time: 3:51:01PM  
Page: 1 of 1

Agency Code: 332 Agency: DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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ADVISORY COMMITTEES THAT SHOULD BE ABOLISHED/CONSOLIDATED

**CONSOLIDATED PLAN/CHAS COMMITTEE**

**Reasons for Abolishing**

The committee has become obsolete because of the regional allocation process.

**AUDIT COMMITTEE MEETING**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**Capitol Extension, Room E1.024, 1400 North Congress, Austin, Texas 78701**  
**September 12, 2002 9:30 a.m.**

**AGENDA**

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

Vidal Gonzalez  
Committee Chair

**PUBLIC COMMENT**

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

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

Item 1 Presentation and Discussion of:

David Gaines

Status of Prior Audit Issues

Status of Central Database Project

Status of Review of LIHTC Inspection Fees

**ADJOURN**

Vidal Gonzalez  
Committee Chair

*To access this agenda and details on each agenda item, please visit our website at [www.tdhca.state.tx.us](http://www.tdhca.state.tx.us) or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.*

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

# Texas Department of Housing and Community Affairs - Summary Report of Prior Audit Issues (except those prior audit issues previously reported as implemented or otherwise resolved)

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
136	06/04/99 IA	Identification and Tracking of Subrecipients - Rpt. No. 9.09-1 To assess the adequacy of the Department's subrecipient monitoring systems and related policies and procedures.	Px	09/30/99	04/30/00
			Px	03/15/00	04/30/00
	Pxx	08/29/00	NR		
	Px	01/16/01	07/31/01		
	Px	07/25/01	Not Provided		
	Px	01/08/02	Not Provided		
	Px	04/26/02	Unknown		
	Px	7/15/02	1/31/03		
<p><b>Issue:</b> The Department does not have formalized processes in place to identify and capture monitoring-related information that should be used to monitor and evaluate the performance of subrecipients, to plan and track the results of monitoring reviews and to share between the Department's program areas for planning and monitoring purposes to effectively and efficiently carry out monitoring responsibilities.</p> <p><b>Division:</b> Multiple</p> <p><b>Status:</b> 7/31/02 - All program areas have previously reported that this issue has been corrected except as noted below.</p> <p>Community Services will work the Compliance Division to identify applicable monitoring-related information and develop strategies to capture this information so that it will be available to those that need it to effectively perform their job duties.</p> <p>It was not until January 2001 that the Section 8 new program management became aware of and began to develop a subrecipient tracking system. However, it was determined during development of the process that the current Genesis System utilized by Section 8 was not sufficient to provide the necessary tracking. The Section 8 Program will convert to a new database system to accomplish this task. Section 8 is working with the Compliance Division to identify applicable monitoring-related information and develop strategies to capture this information so that it will be available to those that need it to effectively perform their job duties.</p>					
119	06/04/99 IA	Selection of Subrecipients for Monitoring Reviews - Rpt. No. 9.09-2 To assess the Department's management controls (systems, policies, procedures) used to select subrecipients for monitoring reviews.	Px	09/30/99	12/31/99
			Px	03/15/00	05/31/00
	Px	08/29/00	12/31/00		
	Px	01/18/01	04/30/01		
	Px	07/27/01	NR		
	Px	04/25/02	05/31/02		
	Px	7/31/02	1/31/03		
	<p><b>Issue:</b> The Department does not have formal policies and procedures regarding "joint" monitoring visits to review multiple programs, if applicable, simultaneously, rather than monitoring individual programs separately.</p> <p><b>Division:</b> Multiple</p> <p><b>Status:</b> 7/31/02 - Draft Agency-wide Team Monitoring SOP was developed by the Compliance Division and has been reviewed by Community Affairs management. Revision will be incorporated and finalized. SOP will be implemented.</p>				

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
252	07/24/00	Housing Trust Fund - Subrecipient Monitoring, Rpt. No. 0.04	Px	08/24/00	12/31/00
	IA	The HTF program's subrecipient monitoring function.	Px	04/18/01	05/31/01
			Px	07/25/01	08/31/01
			Px	09/28/01	Not Provided
			Pxx	01/7/02	----
			Px	04/25/02	05/31/02
			Px	07/09/02	01/31/03
		<b>Issue:</b> We recommend that Department management explore alternatives regarding the inspection of its construction projects, including (1.) establishing an agency-wide construction inspection section, (2.) formally evaluating the costs and benefits associated with contracting with third parties, (3.) formally evaluating the degree of overlap between HTF's construction inspection objectives and procedures and those of third parties and (4.) considering obtaining additional inspection resources.			
		<b>Division:</b> Multiple			
		<b>Status:</b> 07/31/02 - The HTF inspection coordinator has been assigned the LIHTC duties to ensure consistency between the two programs.			
		Additionally, the HTF staff conducted a survey of the Department's needs and has forwarded the results to the Compliance Division, which has sponsored several working groups for the review of the summary and incorporation of the survey results into draft standard operating procedures (SOP) that address the construction inspection function.			
		After post re-organizational staffing assignments have been made, the appropriate staff will review, and if necessary modify, and implement the SOP's.			
187	09/19/00	Section 8 Management Review	Dx	01/03/01	
	HUD	Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Dx	03/04/01	
			Dx	04/18/01	----
			Dx	11/28/01	----
		<b>Issue:</b> Finding No. 17: Contract of Participation and Establishment of Escrow Account, Documentation could not Be Provided to Support Implementation of a Family Self-Sufficiency (FSS) Program (Repeat Finding).	Pxx	04/25/02	08/31/02
			Px	7/31/02	12/31/02
		<b>Division:</b> Section 8	Px	8/30/02	12/31/02
		<b>Status:</b> 8/30/02 - HUD denied initial exception request due to a lack of any supportive evidence that the operation of a FSS is not feasible. Management is presently processing survey results on client services available in Local Operator areas to assess the feasibility. The results of the surveys and, if warranted, another exception request will be submitted to HUD by December 31, 2002.			

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
196	12/01/00	An Audit Report on the Texas Department of Housing and Community Affairs, Report No. 01-009	Px	01/05/01	09/30/01
	SAO	Applications submitted and Contracts awarded by the Department of the LIHTC HOME and HTF Programs from FY 1995 - 1999. Tests of financial information, needs assessment procedures & related data, review of performance measures & Dept.-wide needs assessment.	Px	11/29/01	03/31/02
			Pxx	04/25/02	9/30/02

**Issue:** Develop procedures to ensure compliance with Government Code that states, "a fee charged by the department to an applicant for a low income housing tax credit may not be excessive and must reflect the department's actual costs in processing the applications and providing copies of documents in connection with the application process."

**Division:** LIHTC & Accounting

**Status:** 07/10/02 - The LIHTC program obtained labor hours spent from each Division involved in processing and assisting with the 2001 Application Cycle. Over 93 % of the hours were based on estimates since processes were not in place to capture actual time spent on processing applications because the decision on how to best implement the recommendation was not made until near completion of the 2001 application cycle, which ended July 2001. While LIHTC staff has been manually keeping their time processing applications since May 2001 and has had an automated timekeeping system in place since February 2002, management is currently in the process of automating the agency-wide timekeeping process to address this issue and developing a standard operating procedure that requires all Department employees that spend time "processing" LIHTC applications to record their actual time.

Applicable payroll cost information was applied to the total estimated labor hours to determine the total estimated labor costs for the 2001 Application Cycle. The estimated labor costs were compared with the total application fees charged and collected for processing 2001 applications. Results show that the application fees charged to applicants were not excessive.

Internal Audit Comment: While the results of the above procedures support the reasonableness of the application processing fees charged to applicants based on estimates of costs, Internal Audit is classifying this issue as in progress since the methodology and supporting standard operating procedures are not yet formalized. Management reports that a developed methodology and standard operating procedures are to be fully implemented by 9/30/02.

233	08/15/01	Internal Auditing Report on Community Services Programs - Subrecipient Monitoring Function; Rpt. No. 1.04	Pxx	01/04/02	
	IA	The Community Services programs' subrecipient monitoring function for the 1999-2000 program years.	Pxx	04/26/02	06/30/02
			Px	07/15/02	10/31/02

**Issue:** Community Services management is not recognizing other monitoring related activities being performed within the Department and the results of those activities as procedures and results that could be relied upon to assist in accomplishing its monitoring responsibilities and for use in its risk assessment processes.

**Division:** Community Services

**Status:** 7/31/02 - Management reports that monitoring SOPs have been revised to recognize monitoring activities by other areas of the Department and will implement manual procedures until an automated process is available. CS also reports that it continues to work with the ISD to gain access to the results of other in-house monitoring activities for its risk assessment processes.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
237	08/15/01	Internal Auditing Report on Community Services Programs - Subrecipient Monitoring Function; Rpt. No. 1.04	Pxx	01/04/02	
	IA	The Community Services programs' subrecipient monitoring function for the 1999-2000 program years.	Px	04/26/02	06/30/02
			Px	7/17/02	10/31/02
			Px	8/30/02	9/15/02
<p><b>Issue:</b> Develop and implement a system to track the status of reported deficiencies supported by formal standard operating procedures.</p> <p><b>Division:</b> Community Services</p> <p><b>Status:</b> 9/15/02 - Management reports that Information Systems (IS) has provided Community Services (CS) with access to the electronic monitoring tracking system. IS and CS will test the system the week of 9/2/02 and will move to full implementation by 9/15/02.</p>					
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253	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Dx	07/26/02	
<p><b>Issue:</b> The state is not providing adequate monitoring and oversight of the processing and construction activities of its recipients, subrecipients, CHDOs, contractors and/or developers in accordance with the HOME regulations and applicable OMB circulars, to ensure that they are performing as required in the state's various affordable housing programs. Additionally, the properties assisted by the state's down payment and closing cost assistance program (HBA), the owner-occupied rehabilitation/reconstruction program (OCC) and the contract-for-deed conversion program (CFD) have insufficient or no documentation that they are in compliance with the state's housing rehabilitation (property) standards and code requirements and, as applicable, local code requirements.</p> <p><b>Division:</b> HOME</p> <p><b>Status:</b> 7/31/02 - Status is being presented as Action Delayed pending a further response from HUD.</p> <p>The Department, pursuant to letter to HUD dated 7/26/02, respectfully disagrees with the conclusions reached and corrective actions recommended in HUD's report (reinspect all units assisted from 1998 through the present with HOME funds under agreements executed between the state and the subrecipient) . The Department reports that it does provide adequate monitoring and oversight of HOME program subrecipients and that the sample selected by HUD was not representative of the population of HOME awards.</p> <p>Additionally, the Department reports that HUD did not consider documentation available at the subrecipient level. Based upon tests conducted by TDHCA staff of the 23 files originally reviewed by HUD, 100% were found to have adequate source documentation for all items HUD identified as deficient . Additionally, another 120 files were reviewed, 104 HBA and 16 OCC, that contained 100% all necessary supporting documentation.</p> <p>The target date for completion is contingent upon HUD's response.</p>					
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Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
254	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	07/26/02	12/31/02
<p><b>Issue:</b> One of the Department's subrecipient's third-party lenders, (1) disbursed both HOME and FHA Title 1 Home Improvement Loan funds to pay a contractor, in full, to reconstruct a house that was never completed and, (2) issued checks against the FHA Title 1 Home Improvement Loan which subsequently were returned due to insufficient funds, as well as disbursing HOME funds to pay the same contractor for rehabilitation work on a second project, which was never completed.</p> <p><b>Division:</b> HOME</p> <p><b>Status:</b> 07/31/02 - Management reports that TDHCA has been working with the subrecipient to obtain the related files for review. The subrecipient has been able to contact the new loan administrator and they are working on identifying the loans and getting copies of the file information. Once the information is received, the Department will review and assess the files for further corrective action.</p>					
255	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	07/26/02	08/31/03
<p><b>Issue:</b> Data previously entered into IDIS that was incomplete and/or inaccurate have still not been corrected.</p> <p><b>Division:</b> HOME</p> <p><b>Status:</b> 07/31/02 - Staff has been working with TONYA, Inc. to review the IDIS reports and prepare a plan of action. Management reports that in connection with technical assistance provided by TONYA, Inc., HOME management and staff's have developed an extensive HOME Work Plan, standard operating procedures for program income and refunds, and preliminary standard operating procedure and forms to initiate the mass contract close-out process, which will include addressing IDIS corrections. Staff has identified 1,438 projects that were setup by TSAHC since January 1, 1998. Given the existing and continuing workload of staff, management estimates that it would take two staff member's full-time working hours over a 12 month period to perform a review of all of these Project Set-Up and Project Completion reports and carry out applicable corrections.</p>					



Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
257	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	07/26/02	10/15/02

**Issue:** It could not be determined based on a review of the information contained in a subrecipient's files that all required lower-tier subcontracts were executed between the applicable parties. Additionally, there was no documentation in a subrecipient's files that it had executed a subcontract with another third party for provider fees of \$500 per case. It could not be determined what specifically was covered by the fees or whether the fees were cost-reasonable based on the service(s) provided.

**Division:** HOME

**Status:** 7/31/02 - The Department plans to send the subrecipient a letter requesting the status of these projects and require the subrecipient to either notify the Department that these projects have been cancelled or provide a copy of the executed written agreements with any applicable lower-tier or third-party service providers for open activities.

With the implementation of the new HOME Policy and Procedure manual effective March 1, 2002, the Department requires HOME contract administrators to execute written agreements with applicable third-party service providers and that charges for services or provider fees are reasonable prior to releasing funds.

258	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Pxx	04/26/02	06/30/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	07/26/02	

**Issue:** There is a prohibited clause in the Land Use Restriction Agreement (LURA) executed between one of the Department's subrecipients and a Texas limited partnership ("Owner") whereby occupancy requirements could be waived contrary to program regulations unless an exception is granted by HUD for specified reasons.

**Division:** HOME

**Status:** 9/5/02 - The subrecipient has informed the Department that they are scheduling a monitoring visit to the subject property and, based on the results, they will request an appropriate amendment to the existing LURA. TDHCA will ensure that the revised LURA includes the correct language, the required number of HOME Assisted units, and the correct number of special needs units.

The Department has determined that the prohibited language is contained in all HOME LURAs and is working with the legal staff to determine the most appropriate remedy. Options include (1) whether the Department has the ability to compel all owners to execute LURA modifications and (2) whether a policy issuance executed by the Executive Director or Board will be sufficient action in lieu of a LURA modification.

The target date for completion is contingent upon HUD's acceptance of the Department's proposed plan of resolution.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
260	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	06/27/02	01/31/03

**Issue:** Instances were noted where there was no documentation that newly-constructed units (single-family and multi-family) are in compliance with the current edition of the Model Energy Code (MEC) published by the Council of American Building Officials. Additionally, it was noted that a HOME funded apartment complex is not in compliance with Section 504 (handicapped accessibility) relative to units that are accessible for persons with visual and/or hearing impairments.

**Division:** HOME

**Status:** 7/31/02 - The Department is sending the subrecipient a letter requiring it to identify all related projects set up since 1/1/98 and to provide verification that these projects are in compliance with the Model Energy Code (MEC).

The subrecipient has informed us they are scheduling a monitoring visit to the subject property (noncompliance with accessibility requirements), and based on the results, they will request an appropriate amendment to the existing LURA. TDHCA will ensure that the revised LURA includes the correct language, the required number of HOME assisted units, and the correct number of special needs units.

TDHCA is currently in the process of issuing an Invitation to Bid for this issue to be addressed for all HOME-assisted properties . Outsourcing the inspections to a professional organization will not only determine compliance with Section 504, but also with Fair Housing compliance. The Department plans to begin the work in FY 2002, if budget authority allows; if not, the contract will begin in FY 2003. Once awarded and scheduled, TDHCA will forward a timeframe for completion to HUD.

272	11/30/01	Report to Management - Year ended August 31, 2001	Px	07/22/02	08/31/02
	Deloitte & Touche	Annual independent audit of the Department's general purpose financial statements			

**Issue:** The accounting for the Texas Housing Trust Fund is split between the governmental and proprietary funds of TDHCA. Account for the HTF in one fund or record an operating transfer from the general fund to the enterprise fund.

**Division:** Accounting and Finance

**Status:** 07/31/02 - Financial Services has prepared the loan balances necessary for transfer to general fund and will be meeting in August to finalize operating transfer entries for FY 2002.etc.

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
	<u>Auditors</u>	<u>Audit Scope</u>	<u>Codes*</u>	<u>Date</u>	<u>Date</u>
274	11/30/01	Report to Management - Year ended August 31, 2001	Px	07/11/02	10/01/02
	Deloitte & Touche	Annual independent audit of the Department's general purpose financial statements			
	<b>Issue:</b> TDHCA does not accrue for invoices received subsequent to one month after year-end that relate to the preceding fiscal year. As a result, accounts payable and the related expenditures may be understated at year-end. Consider alternatives, including a threshold of \$100,000 for large-dollar invoices received after September 30 to be reviewed for consideration.				
	<b>Division:</b> Accounting and Finance				
	<b>Status:</b> 07/31/02 - The Financial Services Division will employ a new Policy in FY 2002 that will give consideration to the accrual of invoices greater than \$100,000 received subsequent to thirty days after fiscal year year end to more accurately reflect expenditures. (Previously, recognition of accruals was limited to consideration of invoices received within thirty days of fiscal year end.)				
275	11/30/01	Report to Management - Year ended August 31, 2001	Px	07/11/02	08/31/03
	Deloitte & Touche	Annual independent audit of the Department's general purpose financial statements			
	<b>Issue:</b> TDHCA's existing financial information systems structure currently lacks an enterprise wide, integrated scope to support TDHCA's financial management needs. The structure includes the utilization of multiple databases which results in significant manual processing, reporting, and data interface by TDHCA personnel which may result in inefficient use of personnel resources and compromised data integrity.				
	<b>Division:</b> Accounting and Finance				
	<b>Status:</b> 07/31/02 - Management reports that TDHCA considers CSAS to be its official system of record, which allows for elimination of duplicate systems and manual entry through the phasing out of its FOXPRO financial Management Database. As of July 2002, TDHCA has vastly improved PeopleSoft features related to procurement, purchase order, matching and reporting. Future plans include E-Procurement and interfaces with the Department's central database in the Fiscal Year 2003.				
276	11/30/01	Report to Management - Year ended August 31, 2001	Px	07/10/02	12/31/02
	Deloitte & Touche	Annual independent audit of the Department's general purpose financial statements			
	<b>Issue:</b> Repeat Issue - In June 1999, Governmental Accounting Standards Board issued its Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" that will require significant changes to the way that TDHCA collects, records and reports its financial information and may require significant research and preparation prior to implementation.				
	<b>Division:</b> Accounting and Finance				
	<b>Status:</b> 07/31/02 - Management reports it has developed the FY 2001 Housing Finance funds in GASB 34 pro forma format and that FY 2002 funds are being prepared in GASB 34 format. The Dept. has worked with the SAO to properly report bond issues, is working toward properly accounting and reporting inventory, including the transfer to ORCA, and has attended the Comptroller's training for reporting requirements for the FY 2002 Annual Financial Report (AFR) and intends to meet the required deadlines and formats.				
	The Department will also work with the Deloitte & Touche auditors through interim and final fieldwork to incorporate their feedback regarding the audited financial statement to be issued in December 2002.				

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
264	01/07/02	Controls Over Single Family Loans; Report No. 1.05	Px	04/22/02	05/01/02
	IA	Controls over single family loans serviced by the Department.	Px	07/22/02	08/31/03

**Issue:** HOME program management should develop and implement processes to ensure that all required/necessary loan documentation is acquired to adequately support and protect the Department's interests in HAP loans.

**Division:** HOME

**Status:** 7/31/02 - Management has reported that the new HOME Program Policy and Procedure manual, implemented effective 3/1/2002, requires contract administrators to submit all necessary loan documents in connection with homebuyer assistance loans funded/reimbursed with HOME funds. In conjunction with the implementation of the new manual, a contract file documentation form and contract close-out checklist were developed and implemented for internal review and control procedures to ensure documentation and a control mechanism.

In addition, through the implementation of the new policy manual, effective 3/1/02, a contract close-out process has been implemented for designated staff review of all homebuyer assistance loans that have been funded by the HOME Program to ensure the receipt of proper documentation and to provide a control mechanism.

266	01/07/02	Controls Over Single Family Loans; Report No. 1.05	Px	04/22/02	07/01/02
	IA	Controls over single family loans serviced by the Department.	Px	07/22/02	11/01/02

**Issue:** The Department should develop and implement formal policies and procedures for the periodic review of delinquent program loans, related collection efforts and specific criterion to be met for writing-off loan balances.

**Division:** Loan Administration

**Status:** 7/31/02 - Management reports that Loan Administration has begun to prepare draft SOPs with regard to loan collections and resolutions that will address all loans being serviced by the Department.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date

268	02/12/02	Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.	Px	04/22/02	08/01/02
	KPMG	Statewide Federal Single Audit for FYE August 31, 2001 (SAO contract with KPMG).	Px	07/31/02	10/31/02

**Issue:** There is a lack of documentation to support soft costs incurred by subrecipients. Known questioned costs - \$29,400. Estimated questioned costs - \$2,314,574.

**Division:** HOME

**Status:** 8/31/02 - The target date for completion is contingent upon HUD's response to the following.

The Department plans to request that HUD reconsider its corrective action, pursuant to its letter dated April 22, 2002, that requires the Department to provide support for all project related soft costs for all draws for fiscal years 1999, 2000, and 2001. The Department believes that the corrective action being prescribed is based on HUD's belief that KPMG, in their audit report, projected questioned soft costs at \$2,314,574, or 100% of the total estimated soft costs for the program for FY 2001.

In discussing the issues with KPMG staff, a projection of total questioned costs based on its sample results was not possible since a statistical sample was not utilized. The reference to the \$2,314,574 as an estimate in its audit report refers to an estimate of the total questioned costs assuming that there was no supporting documentation for any of the soft costs charges. However, KPMG, in their test of 40 sample items, located acceptable supporting documentation for 35 sample items, or 87.5% of the items tested.

Management also reports that it is in the process of reassessing its documentation standards to apply to soft costs incurred by subrecipients. Once the appropriate level of documentation is determined, the Department intends to determine whether it can provide HUD support for the five soft costs exceptions noted by KPMG in their test of 40 items.

271	02/12/02	Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.	Pxx	04/26/02	08/31/02
	KPMG	Statewide Federal Single Audit for FYE August 31, 2001 (SAO contract with KPMG).	Px	07/15/02	12/31/02

**Issue:** The results an independent audit of one of Low Income Home Energy Assistance's (LIHEAP) subgrantees identified embezzled funds over a period of five years. TDHCA has reported the embezzlement to the appropriate funding Federal funding agencies.

TDHCA should review the subgrantees records to formally establish to TDHCA's satisfaction the amounts owed to TDHCA, issue a management decision, demand repayment and then record the adjustment of those costs in its records.

**Division:** LIHEAP

**Status:** 9/5/02 - On December 22, 1999, the Department sent a letter to the Office of the State Auditor advising the auditor of this loss of funds. In a letter dated June 14, 2002 and addressed to subgrantee, the Department requested a meeting to resolve the matter and demanded immediate repayment of \$211,659. The Department met with subgrantee on August 30, 2002, to resolve the matter. The subgrantee plans to make a presentation to the Board at the September 2002 meeting.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target Date
			Codes*	Date	
277	07/23/02 IA	Payroll Audit; Report No. 2.07 FY 2002 to date (5/17/02) payroll transactions.			
<p><b>Issue:</b> Management should appropriate action to strengthen USPS access controls.  <b>Division:</b> Accounting and Finance</p> <p><b>Status:</b> 7/23/02 - Management agrees with proposed corrective actions and has established a target date of October 31, 2002 for resolution.</p>					
278	07/23/02 IA	Payroll Audit; Report No. 2.07 FY 2002 to date (5/17/02) payroll transactions.			
<p><b>Issue:</b> Responsibilities associated with authorizing, processing, recording and reviewing payroll transactions be separated among employees whenever possible. Increased supervision and/or appropriate compensating controls should be put into place in instances where there may be limited opportunities to segregate responsibility  <b>Division:</b> Accounting and Finance</p> <p><b>Status:</b> 7/23/02 - Management agrees with proposed corrective actions and has established a target date of October 31, 2002 for resolution.</p>					
279	07/23/02 IA	Payroll Audit; Report No. 2.07 FY 2002 to date (5/17/02) payroll transactions.	Px		09/05/02
<p><b>Issue:</b> The Department's needs to (1) comply with its internal policy of having employees take time off for FLSA overtime hours accrued, (2) adopt a recently proposed policy by the Human Resources Division whereby an employee is required to take accumulated FLSA overtime hours prior to taking accumulated annual leave time, and (3) establish a policy whereby an employee is required to take time off for FLSA overtime hours accrued prior to being transferred to another division.  <b>Division:</b> Human Resources</p> <p><b>Status:</b> 9/5/02 - The TDHCA Executive Director has instructed all Senior Staff to ensure that we follow Personnel Policies and Procedures 4.39, Overtime Worked and Compensatory Leave Policy. Specifically section C.12. (5) (c) that states supervisors must make arrangements for employees to take FLSA accrued time off within 90 days of the accrual.</p> <p>Additionally, HR staff has drafted a memo for the Executive Director to send to all employees notifying them that the agency will be applying all aspects of this policy.</p>					

<i>Ref. #</i>	<i>Report Date</i>	<i>Report Name</i>	<i>Status</i>		<i>Target</i>
	<i>Auditors</i>	<i>Audit Scope</i>	<i>Codes*</i>	<i>Date</i>	<i>Date</i>
280	07/23/02	Payroll Audit; Report No. 2.07	Ixx	08/29/02	
	IA	FY 2002 to date (5/17/02) payroll transactions.			

**Issue:** Human Resources management should develop specific written procedures for all payroll processing activities, including policies relating to (1) granting personnel access to the USPS, (2) processing personnel action forms, (3) verifying prior state service and longevity for new employees, and (4) processing employee insurance data. HR management should also formally approve the Time and Leave SOP's already developed.

**Division:** Human Resources

**Status:** 8/29/02 - The Internal Auditing Division has verified that appropriate corrective action has been taken.

**THE TEXAS DEPARTMENT OF HOUSING  
AND COMMUNITY AFFAIRS**

**Status of  
Central Database Project  
As of August 31, 2002**

**Overview**

(Business Goals and Benefits;  
Major Milestones and Dates)

**Project Timeline**

**Status of Funds**



TDHCA Central Database Project Timeline  
Updated September 5, 2002  
(By Calendar Year)

ID	Task Name	Start	Finish	% Compl	2000				2001				2002				2003				2004				2005							
					2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
1	<b>Comp'l. Monitoring &amp; Tracking System (CMTS)</b>	<b>Thu 2/1/01</b>	<b>Wed 8/31/05</b>	<b>39%</b>																												
2	Development	Thu 2/1/01	Thu 10/31/02	95%																												
3	Functional Planning and Deployment	Thu 7/11/02	Tue 12/31/02	57%																												
4	Industry Rollout	Wed 1/1/03	Wed 8/31/05	0%																												
5																																
6	<b>Fund Allocation/Contract Module</b>	<b>Wed 5/1/02</b>	<b>Mon 4/14/03</b>	<b>12%</b>																												
7	Development	Wed 5/1/02	Wed 1/15/03	20%																												
8	Functional Planning and Deployment	Mon 9/2/02	Mon 4/14/03	3%																												
9																																
10	<b>LIHTC Contact Log</b>	<b>Fri 2/1/02</b>	<b>Tue 10/15/02</b>	<b>63%</b>																												
11	Development	Fri 2/1/02	Mon 9/30/02	67%																												
12	Functional Planning and Deployment	Tue 10/1/02	Tue 10/15/02	0%																												
13																																
14	<b>Application Module</b>	<b>Thu 8/1/02</b>	<b>Mon 10/20/03</b>	<b>6%</b>																												
15	Development	Thu 8/1/02	Thu 7/17/03	13%																												
16	Functional Planning and Deployment	Wed 10/23/02	Mon 10/20/03	0%																												
17																																
18	<b>Program Module</b>	<b>Mon 10/7/02</b>	<b>Wed 8/20/03</b>	<b>0%</b>																												
19	Development	Mon 10/7/02	Wed 5/21/03	0%																												
20	Functional Planning and Deployment	Wed 11/20/02	Wed 8/20/03	0%																												
21																																
22	<b>Construction and Program Module</b>	<b>Mon 10/21/02</b>	<b>Tue 12/9/03</b>	<b>0%</b>																												
23	Development	Mon 10/21/02	Tue 9/9/03	0%																												
24	Functional Planning and Deployment	Wed 12/18/02	Tue 12/9/03	0%																												
25																																

Project: Central Database Date: Thu 9/5/02	Task		Rolled Up Split		External Milestone	
	Split		Rolled Up Milestone		External Milestone	
	Progress		Rolled Up Progress		External Milestone	
	Milestone		External Tasks		Deadline	
	Summary		Project Summary			
	Rolled Up Task		External Milestone			

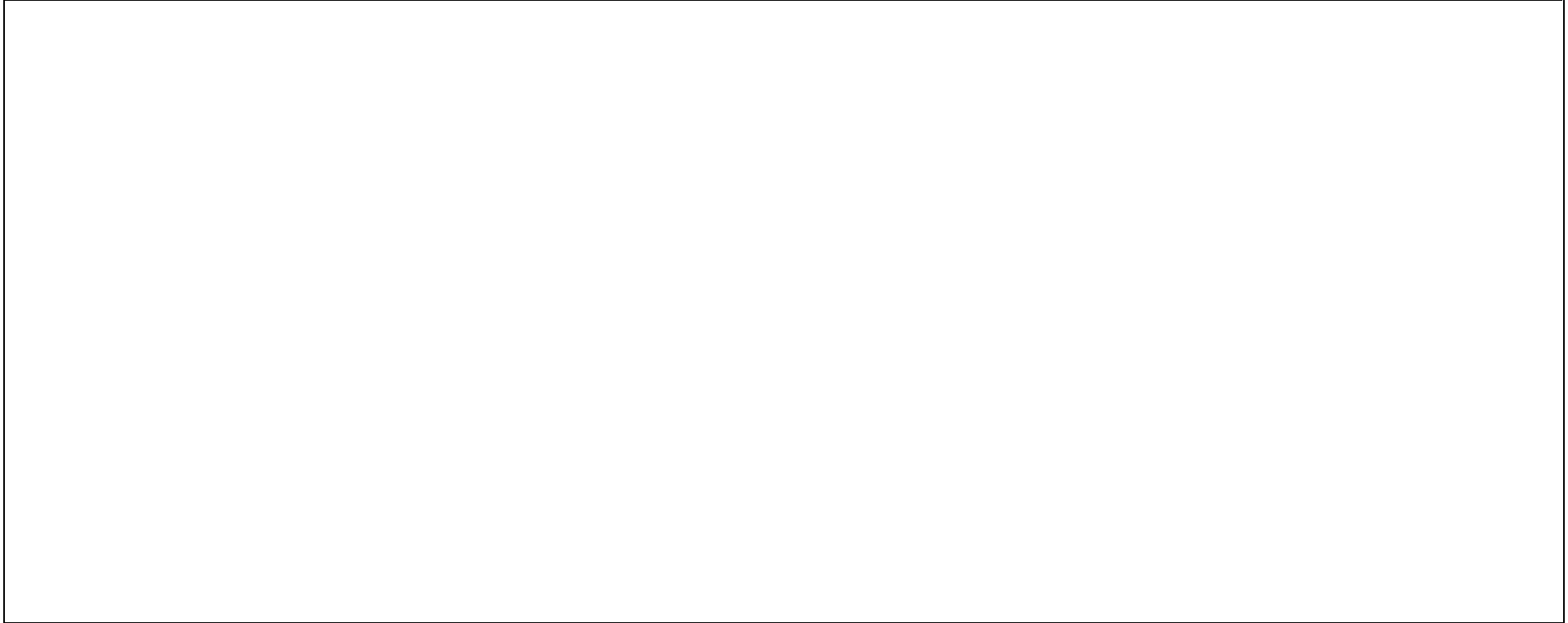
TDHCA Central Database Project Timeline  
 Updated September 5, 2002  
 (By Calendar Year)

ID	Task Name	Start	Finish	% Compl	2000				2001				2002				2003				2004				2005			
					2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
26	<b>Credit Underwriting &amp; Cost Cert. Module</b>	Mon 11/11/02	Fri 2/13/04	0%																								
27	Development	Mon 11/11/02	Tue 11/25/03	0%																								
28	Functional Planning and Deployment	Mon 1/13/03	Fri 2/13/04	0%																								
29																												
30	<b>Bond Finance Module</b>	Thu 12/5/02	Fri 3/12/04	0%																								
31	Development	Thu 12/5/02	Tue 12/30/03	0%																								
32	Functional Planning and Deployment	Mon 2/3/03	Fri 3/12/04	0%																								
33																												
34	<b>Section 8 Module</b>	Fri 1/3/03	Fri 4/30/04	0%																								
35	Development	Fri 1/3/03	Wed 2/11/04	0%																								
36	Functional Planning and Deployment	Mon 3/17/03	Fri 4/30/04	0%																								
37																												
38	<b>OCI Module</b>	Mon 2/3/03	Wed 6/30/04	0%																								
39	Development	Mon 2/3/03	Wed 3/31/04	0%																								
40	Functional Planning and Deployment	Mon 4/21/03	Wed 6/30/04	0%																								
41																												
42	<b>COMPLETED/ACCOMPLISHED</b>	Fri 9/1/00	Fri 8/30/02	100%																								
43	Network Infrastructure & CD Server Plng & Des	Fri 9/1/00	Wed 2/28/01	100%																								
44	Software Dev Environ Infrastructure & Arch Pln	Thu 11/1/01	Thu 2/28/02	100%																								
45	Main Menu and Login Process	Mon 12/3/01	Thu 1/31/02	100%																								
46	LIHTC Microsoft Outlook Contact Log Solution	Mon 12/3/01	Thu 1/31/02	100%																								
47	Housing Sponsor Report	Mon 12/3/01	Thu 1/31/02	100%																								
48	HRC Information Clearinghouse	Mon 12/3/01	Fri 6/28/02	100%																								
49	<b>Data Migration and Population</b>	Mon 12/3/01	Fri 8/30/02	100%																								
50	HRC Information Clearinghouse	Mon 12/3/01	Fri 5/31/02	100%																								

Project: Central Database Date: Thu 9/5/02	Task		Rolled Up Split		External Milestone	
	Split		Rolled Up Milestone		External Milestone	
	Progress		Rolled Up Progress		External Milestone	
	Milestone		External Tasks		Deadline	
	Summary		Project Summary			
	Rolled Up Task		External Milestone			

TDHCA Central Database Project Timeline  
 Updated September 5, 2002  
 (By Calendar Year)

ID	Task Name	Start	Finish	% Compl	2000			2001				2002				2003				2004				2005							
					2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
51	Housing Sponsor Report	Mon 12/3/01	Fri 1/4/02	100%																											
52	LIHTC Portfolio	Thu 3/28/02	Tue 4/23/02	100%																											
53	Multi-Family BOND Portfolio	Wed 5/1/02	Fri 8/30/02	100%																											
54	Software Architecture	Fri 3/1/02	Fri 6/28/02	100%																											
55	Housing Sponsor Report - Historical	Tue 3/19/02	Thu 5/16/02	100%																											



Project: Central Database Date: Thu 9/5/02	Task		Rolled Up Split		External Milestone	
	Split		Rolled Up Milestone		External Milestone	
	Progress		Rolled Up Progress		External Milestone	
	Milestone		External Tasks		Deadline	
	Summary		Project Summary			
	Rolled Up Task		External Milestone			

**1 Comp'l. Monitoring & Tracking System (CMTS)**

CMTS was Phase I of the Central Database Project. The goal of Phase I was to develop a fully integrated system to address the compliance monitoring needs for all multifamily housing programs. The system was designed to provide full integration and reporting, provide automated compliance functions for the Home, HTF, and tax exempt bond programs during the affordability period, allow remote property managers to access and update tenant information through the Internet, and improve productivity through the use of a sound business process design, a graphical user interface, and improved access to data.

Capital expenditures for AIMS Contract: \$309,038 (\$262,955 paid in FY 01; \$46,083 paid in FY 02)

Capital Expenditures for External Property Owner's Interface: \$8,375 (contract services)

Capital Expenditures for Functional Planning and Deployment: \$12,900 (contract services)

**6 Fund Allocation/Contract Module**

The Fund Allocation portion of this module will allow each of the program areas to distribute and track funds from the original source (HUD, General Revenue) to Program, Regions, Activities (SECO, Development, Owner Occupied etc.), Specific Setasides (CHDO, Special Needs etc.) Administration. The tracking of the funds includes source of the funds, expiration dates (Federal and State) for each of the source types to the contract level. Program Income, Deobligated Funds and Administration Funds will also be tracked at a detail level from source to final use. Balances will be automatically maintained in each of the funds.

A history of all transactions against any of the funds will be maintained. The transaction history will contain the type of transaction, date, amount, by whom and comments.

Contract and Draw portion of this module is inclusive of budgets and draws. This segment of the module will provide the ability for each of the program areas to set up a contract in the system, associate the contract to organizations and persons involved in the development and execution of the contract. Track the use of leveraging and matching funds for individual contracts. Provide the ability to create contract activities associated with the contract, create and maintain the budget including balances as funds get drawn, deobligated or refunded. Track the application of program income to contracts and automatically maintain the balances of deobligated funds to ensure deobligated funds are used immediately upon availability. Provide the ability to track the receipt of Program Income as well as tracking the program income proceeds at the contract level.

Provide the ability for the subrecipients to create and manage their own detail budget online. Management of the budget by the sub recipient will include the transfer of funds between budget items but not changes to the overall budget, which requires a formal amendment. Balances will be maintained by the system as funds are drawn, refunded etc.

Capital Expenditures: \$47,855 (contract services)

**10 LIHTC Contact Log**

The LIHTC Contact Log is the long-term solution to a SB322 item. It will allow the logging and recording of communication of information that comes into the LIHTC program. It then will be adapted to being the Contact Log for the Agency.

Capital Expenditures: \$850 (contract services)

**14 Application Module**

Provide the ability to create and store application guidelines, threshold information, scoring criteria and templates to be used in the application scoring process. The system will allow the applicant to enter and submit the application online and submit any supporting documentation via hardcopy and electronic means. Where possible, automated scoring will be invoked but regardless, all scoring will be performed in the system and summarized automatically. As application flows through the process,

updates to fund balances are automatically updated to reflect applications that have not met minimum thresholds.

Capital Expenditures: \$3,000 (contract services)

**18 Program Module**

Provide the ability to store online program level information. The information to be stored includes: Program name, the type of program (multi family or single family), program activities with each activity's specific strategies, targets (income targets, geographic, special needs, non-profit participation etc.) and requirements.

Provide the ability to map back to the original program targets the actual results as contract are awarded to provide a visual summary of the actual results as they occur.

**22 Construction and Program Module**

This module will coordinate and manage the monitoring activities performed at projects, subrecipients, etc. The system will provide the ability to capture pertinent information regarding the monitoring activity and consolidate the results of all monitoring activities at the entity in a common place. This module will coordinate and manage the monitoring activities performed at projects, sub recipients etc. The system will provide the ability to capture pertinent information regarding the monitoring activity and consolidate the results of all monitoring activities at the entity in a common place.

**26 Credit Underwriting & Cost Cert. Module**

This module will provide the ability to capture and track underwriting and cost certification details and apply pre-established thresholds and tolerances to determine eligibility or compliance with established standards.

**30 Bond Finance Module**

The Bond Finance module will capture all relevant commercial paper, single family and multifamily bond data and information for retrieval and reporting purposes. The Bond Finance module will provide this data and information in a readily accessible manner through user defined reports to provide information to other state agencies. Financial concerns, such as rating agencies, bond insurers, investors, investment banks, etc. also will use these reports. The Bond Finance module will consolidate current report preparation processes, thereby increasing Bond Finance's efficiency and productivity with the issuance of new bonds and the management of outstanding bonds.

**34 Section 8 Module**

The Section 8 module will consist of 4 major components. They are Family Reports, Contracts, Payments and Contract Tracking. The Family Reporting System (i.e., application system) is modeled after HUD's automated Form 50058 application process which is used to collect, store and generate reports on families who participate in the Section 8 rental subsidy program. Once a family's application has been submitted and processed by HUD, it is ready to become a contract in TDHCA's Section 8 program. The Contract System is almost an exact mirror of the Family Reporting System except that it abstracts the information to a higher level and presents it in a more summarized form to agency users. A contract then provides the Section 8 Payment System with the information it needs to process payments for local operators, landlords and tenants. This system then feeds the information to Accounting's CSAS System which, in turn, gives accounting the information they need to produce their monthly checks for the aforementioned groups. Lastly, the Section 8 Contract Tracking System is used to help the program area "keep track" of which contracts have received their payments and/or have reimbursed the agency for the services rendered.

**38 OCI Module**

The OCI module will be able to track its programs (Texas Bootstrap Loan Program, Contract for Deed Conversion Loan Programs, Builder Incentive Partnership Program, Contract for Deed Conversion Loan Guarantee Program, Colonia Self-Help Center Program and Colonia Consumer Education Programs) through the Database. This will enable the creation of various reports regarding the colonias and these programs. There will also be a capability to search on the Database for other funding activities in the colonias by other programs within the Agency.

**42 COMPLETED/ACCOMPLISHED**

Capital Expenditures Not Associated with Individual Milestones:

Java Training, \$7,640

TDHCA Central Database Project Timeline  
Updated September 5, 2002  
(By Calendar Year)

Server Hardware, \$42,987  
Software and Misc., \$4,620

**43 Network Infrastructure & CD Server PIng & Design**

Between September 2000 and February 2001, the agency planned, designed, acquired the necessary network and server hardware, and put together an infrastructure that would support the Central Database Project as well as the rest of the agency's IT requirements (i.e., PeopleSoft, Loan Servicing, legacy applications, etc.) and would scale to meet future needs. Sun and Cisco selected as hardware platforms. Oracle selected as database platform. Performance, capacity, recoverability, and security gains were realized without expenditures on consultants.

Capital Expenditures: \$225,000 in FY 2001 for server hardware

**44 Software Dev Environ Infrastructure & Arch PIng**

The software development environment was restructured and a more refined process that accommodated both existing and new programming languages, databases and standards were put into place. This includes the development of a project charter, the creation of a detailed project plan, selection of a source code control tool, the addition of a modified QA process that involves more user participation, the creation of web and graphical user interface standards, Java coding standards, database naming convention standards, Java software development platform standard, and software change control, management and deployment process improvements.

Capital Expenditures: \$11,700 (contract services)

**45 Main Menu and Login Process**

The Central Database Main Menu for navigation through the system. The Login Process entailed developing the interface and preliminary security mechanisms for internal users. This also included development of a standardized interface stylesheet for use in the application.

Capital Expenditures: \$14,000 (contract services)

**46 LIHTC Microsoft Outlook Contact Log Solution**

Provided an immediate Microsoft Outlook solution to a SB322 item where oral (phone) or written communication can be logged for the LIHTC program. This is the short-term solution to the SB322 item. The longer-term solution will be in the form of the LIHTC Contact Log.

**47 Housing Sponsor Report**

The Housing Sponsor Report is used by the property owners and property managers to report property and unit information into the Central Database. The Housing Sponsor Report is required to be submitted to TDHCA on an annual basis for any properties where program participation was involved.

Capital Expenditures: \$650 (contract services)

**48 HRC Information Clearinghouse**

The Housing Resource Center Information Clearinghouse provides the citizens of Texas easy access to information on homebuyer assistance, rental housing assistance, home repair, and other community services throughout the state. A brief description of several programs offered by TDHCA and other state and federal programs, including hyperlinks, is also available.

Capital Expenditures: \$51,034 (contract services)

**49 Data Migration and Population**

Capital Expenditures: \$22,885 (contract services)

**54 Software Architecture**

The software infrastructure required for current and future projects which included the design, technical design and software development of data access routines, object model development and user interface framework.

Capital Expenditures: \$18,750 (contract services)

**55 Housing Sponsor Report - Historical**

The Housing Sponsor Report - Historical information is used to query for property and unit information that has been provided in prior Housing Sponsor Report reporting years. The Housing Sponsor Report is required to be submitted to TDHCA on an annual basis for any properties where program participation was involved. This portion of the system is specific to historical information as previously reported by prior Housing Sponsor Reports entered by property owners and property managers.

**THE TEXAS DEPARTMENT OF HOUSING  
AND COMMUNITY AFFAIRS**

**Status of  
Central Database Project  
As of August 31, 2002**

**Status of Funds**



**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**Central Database Project**  
**Status of Funds as of August 31, 2002**

Description	Total
<b>Appropriated Funds FY 2000-2003:</b>	\$760,955
<b>Less:</b>	
<b>Expenditures thru 8/31/02:</b>	
Employee Training - Advanced Java Programming training and Graphical User Interface and Presentation. (\$7,640); Design and development of Compliance Monitoring and Tracking System. (\$262,677); Computer Programmer Services - Finalization of Compliance Monitoring System. (\$46,083); Computer Programming Services - One Systems Analyst for gathering program information needs, functional and system requirements and specifications. Two Programmers for software development. (\$191,999); Computer Equipment – Sun Server Hardware, Disk Drives, Processors, Memory (RAM) and required upgrades. (\$42,987); Computer Software - Software database tools. (\$4,270); Miscellaneous - US Postal Service FIPS Database Annual Subscription. (\$350)	556,006
<b>Lapsed Funds</b>	<u>278</u>
	204,671
<b>Less Obligations as of 8/31/02</b> (See Note 1. on following page):	
Systems Analyst – Business Data Architect for 147 hours remaining through 9/30/02 (\$9,555); Computer Programming Services (\$3,850)	<u>13,405</u>
<b>Unexpended / Unobligated Balances as of 8/31/02</b>	<u>\$191,266</u>

**Planned Use of Unexpended / Unobligated Balances as of 8/31/02:**

Date / Period	Description	Total
	<b>Unexpended / Unobligated Balances as of 8/31/02 (as above)</b>	\$191,266
	<b>Less Anticipated Use of Funds:</b>	
FY 2003	Two additional Java software development programmers plus extension of contract agreement with one Java programmer. Estimated 3,000 hours @ "minimum" \$50 / hr. (\$148,831); Deployment of Compliance Monitoring and Tracking System (\$42,435); Computer Equipment – Additional disk capacity. No estimate at this time, but additional disk capacity will be required.	191,266
	<b>Planned Funds Remaining (all funds currently expected to be expended by March 2003)</b>	<u>\$ 0</u>

**Note 1. - Deliverables expected from amounts Obligated as of 8/31/02:**

The obligated funds as of August 31, 2002, are for the following purposes:

- Continuing development of system requirements including process models and data models. This may also include interfaces to legacy or other systems such as accounting and finance.
- Continuing development of system design specifications to address the functional requirements.
- Producing a working system for the review and approval of department.
- Delivering a working web-based software application that utilizes the Central Database schema.
- Coordinating acceptance testing of system modules and full integration testing across all modules.
- Developing interfaces, where necessary, to existing/legacy systems that require data exchange(s) with the Central Database.

## MEMORANDUM

TO: TDHCA Board Members  
CC: Ruth Cedillo, Deputy Executive Director  
David Burrell, Director of Housing Programs  
FROM: Brooke Boston, LIHTC Co-Manager  
THROUGH: Edwina Carrington, Executive Director  
SUBJECT: Report on the 2003 Draft Qualified Allocation Plan and Rules  
DATE: September 5, 2002

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Attached you will find both a clean version of the 2003 Draft Qualified Allocation Plan and Rules (QAP) and an edited version showing added text with an underline and deleted text as marked through. This memo describes the primary changes to the 2003 Draft Qualified Allocation Plan and Rules and provides an evaluation of the proposed selection criteria.

A substantial change was made to the entire structure of the QAP, which was revised to make the document a more logically structured document. This “overhaul” was long overdue and additionally facilitated removal of redundant language. The unfortunate drawback to this overhaul is how they appear in the edited version. Because items were moved, they show as deleted in their original location and as “new” text in their new location, even when no language was actually changed. Likewise, actual changes to those sections are somewhat more difficult to track as it all appears to be “new,” whether it actually is a change or just a shift in location. I apologize for any difficulty this causes.

The first part of this memo summarizes the more substantive policy changes that are proposed for the 2003 QAP. The second part is a brief list of other less substantive, but still important, proposed changes. These lists do not reflect every proposed change; changes for redundancy, clarification, minor improvements, etc. are not included. The third part of the memo will evaluate the proportional scores associated with each of the selection criteria.

### **Part I. Substantive Policy Changes**

This section has been updated since the QAP work session held with the Board on August 29. QAP section references refer to the sections in the 2003 proposed QAP.

#### **❖ 49.3(1), §49.9(c)(1): Administrative Deficiencies**

**Current:** No administrative deficiencies may be remedied for scoring criteria.

**Proposed:** Permit administrative deficiencies to be remedied for scoring criteria.

**Rationale:** Allowing all applicants to have an opportunity to remedy administrative deficiencies for both threshold and scoring (at the request of the Department) ensures that the best

developments are receiving the credit awards, and not just the developers/consultants who are best able to “package” the application. Good developments will not be penalized for typos, etc.

❖ **§49.3(12): At-Risk Developments definition**

**Current:** Tax credit developments are currently ineligible for the At-Risk set-aside.

**Proposed:** Include tax credit developments in the definition for the At-Risk set-aside.

**Rationale:** This addresses concerns with the “Y15” issue and ensures the continued affordability, and retrofitting, of expiring tax credit developments.

❖ **§49.3(48): Ineligible Building Type definition**

**Current:** Currently single-family, duplex and triplex developments are limited only to small developments in rural areas or to developments obtaining 7% of hard costs from local government.

**Proposed:** Removal of all restrictions on single-family, duplex and triplex developments from the Ineligible Building Type definition.

**Rationale:** Allowing the development of single-family, duplex and triplex rental allows the developer to better meet the needs of the local area and the density and zoning initiatives established by the local government.

❖ **§49.3(52), §49.5(b)(6) and (7): Material Non-Compliance for Out of State Developments**

**Current:** The language relating to ineligibility for Material-Noncompliance makes it difficult to apply the scoring procedures, and ineligibility clause, to out of state developments.

**Proposed:** Revise the language to show that the Department will evaluate out-of-state violations in accordance with the Material Non-Compliance scoring system as it relates to ineligibility.

**Rationale:** TDHCA has an excellent standard for tracking non-compliance and is well-served to apply that same standard to violations by applicants when their developments are out of state, even if the other state does not utilize the same level of scrutiny.

❖ **§49.5(b)(8), §49.21: Building Inspections and Fees**

**Current:** Building Inspection fees are billed to the owner after the inspections take place. The only enforcement mechanism is the withholding of 8609 forms. Inspections are performed by third-party inspectors. There is no general penalty currently for any unpaid fees.

**Proposed:** Department to rely on construction inspections as provided by the lenders and syndicators through construction. A \$500 processing fee, submitted at Commitment, is all that will be required. Clause added regarding timely payment of fees.

**Rationale:** Senate Bill 322 and Rider 9 both require that the Department monitor the construction of our developments. To satisfy those requirements, the Department will work with syndicators and lenders to review their inspections.

❖ **§49.6(d): \$1.6 Cap per Applicant**

**Current:** The QAP currently indicates a cap of \$1.6 million per Applicant per year.

**Proposed:** Alter to indicate a cap of \$1.6 million per Applicant per single application round. And clarify that Applicant includes Related Party and anyone receiving a portion of the developer fee.

**Rationale:** The 2002 QAP was not consistent with SB322, which required the cap to be per single application round. This language change will bring the QAP into consistency with SB322.

❖ **§49.6(e): Unit Caps**

**Current:** The current caps are 76 units for rural developments, 250 units for 9% developments and 280 units for 4% tax credit / bond developments.

**Proposed:** Remove the cap on rural. Reduce the unit cap for 9% to 200 and for 4% to 250.

**Rationale:** Removing the cap on rural developments may encourage more geographic dispersion as markets that will support more than 76 units in rural areas will be able to still compete within the rural set-aside. The reduction of the 9% and 4% unit caps is to limit the extent to which tax

credit units are concentrated in one area at one time and further distribute credits to more developments.

❖ **§49.7(b): Set-Asides**

**Current:** Set-asides are currently mutually exclusive, with the exception of the elderly set-aside. Even if applicants qualify for two or more set-asides, they have to select which one they will compete within.

**Proposed:** Applicant's will be able to select all set-asides for which they are eligible.

**Rationale:** This allows applicant's to become more competitive by being able to select all set-asides that they qualify for, instead of being forced to "hedge their bets" on which set-aside is the best for them. Further, as currently structured, the Department is not able to count all eligible awardees for the set-aside totals. The proposed revision will allow the program to accurately include all eligible applicants in each set-aside total. For example, a development that is both Nonprofit and Rural currently only is counted under one set-aside or the other, but in actuality should be counted in both.

❖ **§49.8, §49.9(f)(11): Pre-Application**

**Current:** The Pre-Application process currently awards 15 points and no adjustment to selection points are permitted to qualify for the 15 points. It also involves substantial preliminary work on the part of the applicant and substantial internal review by staff.

**Proposed:** Points for submitting a pre-application are reduced and some minor adjustments to selection points will be permitted. Documentation requirements will be minimized. Level of staff review will be minimized.

**Rationale:** Senate Bill 322 requires the Department to maintain a Pre-Application process that is voluntary and point-based. The 2002 QAP was the first attempt to initiate such a process. The proposed revisions reflect staff and public input for ways to meet the requirement more effectively.

❖ **§49.9(d) and (e)(8)(E): Development Experience**

**Current:** Currently the experience threshold can be met by the owner, GPs, or general contractor.

**Proposed:** Experience threshold to be met by either the owner, GPs or developer. General Contractor is removed.

**Rationale:** The General Contractor is only active during the construction portion of the development and their experience does not necessarily get passed on to the applicant. By requiring that the developer, GP or owner have the experience, the development will retain the experience through the life of the development.

❖ **§49.9(e)(4)(E): Section 504 requirements for rehabilitation developments**

**Current:** Currently the QAP is silent on the applicability of the Section 504 requirement to rehabilitation developments.

**Proposed:** Addition of a sentence clarifying that this requirement applies to both new construction and rehabilitation.

**Rationale:** The 2002 QAP requires all applicants to certify that they will meet the accessibility standards of Section 504. Last year, many developers proposing rehabilitation asked that this be adjusted for 2003 to make them exempt. However, because these developments are getting credits to rehabilitate their units, they should use the credits to retrofit accordingly for compliance with this requirement, so that the Department does not perpetuate inaccessible low income units in our inventory.

❖ **§49.9(e)(6)(B)(ii)(II): Zoning**

**Current:** Currently at application an applicant does not have to have zoning. The zoning does not have to be confirmed until carryover.

**Proposed:** It is proposed that applicants must have their zoning achieved by the June board meeting.

**Rationale:** The current QAP requires as a threshold requirement that initial steps at achieving zoning are under way. However, to make sure developments do not get bogged down in seeking zoning, proper zoning must be achieved prior to the June board meeting, instead of at carryover.

❖ **§49.9(e)(6)(D), §49.9(f)(8)(B): Evidence for Subsidy Sources**

**Current:** Currently there are several locations in the QAP where subsidy/additional financing evidence is discussed. The requirements on these vary and deadlines are inconsistent.

**Proposed:** All requirements will be in one location. At application, the applicant will need to provide evidence that they have applied for funding from the other source, but will not be required to provide evidence of a commitment of those funds until carryover.

**Rationale:** Evidence of additional subsidized financing will be required in only one place. Applicants have criticized TDHCA for not being flexible in working with other funding sources on their deadlines. Allowing deadlines for evidence of subsidy to wait until carryover, gives applicants more flexibility in the sources of funds that they may opt to apply for and may allow developments that are able to attain other funding to be more competitive instead of being penalized due to untimely deadlines.

❖ **§49.9(f): Points for At-Risk and Elderly Developments**

**Current:** The QAP currently awards points in two exhibits (Exhibits 203 and 204) for at-risk developments and in one exhibit (Exhibit 7A) for elderly developments.

**Proposed:** Removal of the three exhibits giving points to these type of developments.

**Rationale:** Of the four types of set-asides (other than general) two currently have points associated with them (at-risk and elderly) and two do not (rural and nonprofit). In an effort to be consistent throughout the QAP, it is suggested that any type of development that garners preference through a set-aside should not also be eligible for points.

❖ **§49.9(f): Points for Density**

**Current:** The QAP currently awards points for density.

**Proposed:** Removal of points for density.

**Rationale:** Issues of density are a measure of how local governments opt to allocate their land resources. Through zoning classifications they indicate their density preferences. TDHCA should allow these issues to remain up to the local governments and not encourage any particular type of density.

❖ **§49.9(f): Mixed Income Points**

**Current:** Points are currently awarded for mixed-income developments.

**Proposed:** Removal of points for mixed income developments.

**Rationale:** This exhibit is very difficult to evaluate due to the subjectivity of the market analysis. Points are based on a differential between market rents and low income rents as supported by the market study. As many market analysts seem to address this differently, the basis for the points is therefore subjective. Further, because this exhibit was also reviewed by underwriting, it added another level of subjectivity. It is preferred that all issues of underwriting be removed from the point structure, thereby further minimizing any subjectivity associated with the award of points.

❖ **§49.9(f)(4)(F): Points for Operating Reserve**

**Current:** No points are currently awarded for having operating reserves.

**Proposed:** Points are proposed for having a certain level of operating reserves. The reserves would need to be in place by the time of stabilized occupancy.

**Rationale:** To incentivize owners to better prepare for the future viability of their developments, points for operating reserves are proposed. Cash deposits must actually back the liability.

❖ **§49.9(f)(4)(J): Points for PHAs**

**Current:** The QAP currently does not award points for Public Housing Authorities unless they have HOPE VI funds.

**Proposed:** Addition of points for developments that are owned by PHAs.

**Rationale:** To further encourage development by PHAs, points are proposed for their developments.

❖ **§49.9(f)(6): Points for Supportive Services**

**Current:** Supportive service points currently require, among other things, a detailed contract for at least five years outlining the services and identifying the provider.

**Proposed:** It is proposed that the supportive service points be simplified. Only a certification of a minimum number of service options will be required. No identification of which services, or the service provider, will be required.

**Rationale:** The current approach locks an owner in to a set of services and a provider. This may not be in the best interest of the tenants. If a better provider could subsequently be found, or the tenants require a different array of service, there is little room for flexibility. The proposed approach allows an applicant to indicate that a minimum number of a choice of services will be provided and that a contract will be in place (but not be required at application). The supportive services elections will be in the LURA and monitored.

❖ **§49.9(f)(8): Low Income Targeting points**

**Current:** Low income targeting points currently have unclear subsidy requirements and require that the deferred developer fee cannot exceed 50% of the total developer fee. The point structure was a range.

**Proposed:** The exhibit is revised to be clearer on the subsidy requirement, and to remove all issues of underwriting from the point structure, thereby further minimizing any subjectivity associated with the award of points. Likewise the calculation of points was revised so that there is not a range, which discourages going to the upper end of the range, but instead every unit counts. Adjustment were made for regions/areas that have a particularly low AMGI to give their units more weight. An additional exhibit is also proposed which awards points to owners who are willing to commit their low income rents below the maximum tax credit rents in their LURA.

**Rationale:** Senate Bill 322 requires that points be awarded for serving lower income families. The 2002 QAP was the first attempt to initiate such a process. The proposed revisions reflect staff and public input for ways to meet the requirement more effectively. The new exhibit is proposed as another alternative way to provide lower rents to low income tenants.

❖ **§49.9(g): Evaluation Factors including Geographic Dispersion**

**Current:** There are currently evaluation factors and tie breaker factors. Current evaluation factors exclude geographic dispersion.

**Proposed:** Merging of evaluation factors and tie breakers into one set of factors. Inclusion of geographic dispersion as an evaluation factor.

**Rationale:** The evaluation factors and the tie breaker criteria are somewhat redundant and because staff has to go down the list of evaluation factors first, the tie breakers are never used. It is therefore suggested that these be merged into one list of evaluation factors. Geographic dispersion was heard consistently through the 2002 cycle as a factor that the development community would like to see returned as an area of discretion for the Board. Likewise, this Board discretion would preclude an excessive number of developments from being funded in one city.

❖ **§49.9(g): Location in a QCT**

**Current:** Currently location in a QCT qualifies an applicant for points.

**Proposed:** Removal of QCT points and inclusion of location in QCT as an evaluation factor.

**Rationale:** Currently location in a QCT warrants points for an applicant. This poses two problems. First, it further encourages concentration of tax credit developments in areas already saturated with affordable housing. Second, these applicants are already receiving 130% of their

eligible basis, which allows them to have the funding flexibility to qualify for points in other areas, so it essentially is awarding them twice. However, since IRS Code requires that a preference be given to fund developments within QCTs, they cannot be removed entirely from the QAP. Making location in a QCT an evaluation factor still supports this Code preference.

❖ **§49.10(c): Forward Commitments**

**Current:** Forward Commitments are required to be allocated in accordance with the regional and set aside requirements and are permitted for up to 15% of the following year's allocation.

**Proposed:** It is suggested that the 15% requirement be removed and that forward commitments be used at the Board's discretion for compelling housing need and may also be used for RHS developments facing foreclosure.

**Rationale:** By removing the percentage, the expectation of applicant's to receive a forward commitment is reduced. Likewise, only generally referring to the use of the commitments allow the Board discretion with these credits to ensure that the best developments are being funded.

❖ **§49.12(d): Ability to increase credits for 4% bond developments**

**Current:** Currently, the QAP indicates that the credit amount reflected in the 8609 may be greater or less than the amount committed in the Determination Notice.

**Proposed:** No changes are proposed.

**Rationale:** This issue will be before the Board on September 12. However, it is not recommended that any changes be made to this language. The current language allows certified costs to be considered in generating a final credit allocation. Since the 4% credits are the unlimited resource in these transactions and the bond proceeds are limited, it is logical to allow the increase to the credits to account for the cost increases.

❖ **§49.13(a)(6): Material Non-Compliance Evaluation**

**Current:** Material Non-Compliance is currently only evaluated at the time of application.

**Proposed:** Material Non-Compliance should additionally be evaluated at the time of commitment.

**Rationale:** To prevent developers from cleaning up their Material Non-Compliance score once a year and then continuing to perform poorly with no repercussions, this recommendation would allow the Department to check this at two different points in time several months apart.

❖ **§49.14: Separation of the 10% test from the Carryover requirement**

**Current:** Currently the 10% test and the carryover documents are treated as one submission – both due in early October.

**Proposed:** Separate the 10% test from the carryover requirement. The carryover will be due in early November and the 10% test will be due six months later.

**Rationale:** Splitting these two processes out allows owners a full six months to satisfy the 10% test, as supported by IRS Code. This removes some of the intensity of the carryover requirement by not also requiring that they incur 10% of basis and more importantly allows developments that are given credits off of the waiting list at the end of the year to have more time to incur their 10%.

❖ **§49.15: Construction loan closing and Commencement of substantial construction**

**Current:** Currently construction loan closing and the date for the submission of evidence of the closing are two different applicant deadlines. Commencement of substantial construction currently “will generally be defined as post foundation construction activities.”

**Proposed:** Streamline the construction loan closing into only one deadline for the evidence. If the deadline for construction loan closing is missed (and no extension filed by the deadline) they will be ineligible to apply for funds in the following year's cycle. Substantial construction to be defined as having poured the foundation on at least 50% of all of the buildings and an earlier date for achieving it is proposed.

**Rationale:** The vagueness of the commencement of substantial construction language, and historical precedent for allowing minimal construction activity to constitute “substantial,” has allowed developments to “slide” past this requirement. The revision will not only places a more clearly defined parameter for measuring substantial construction, but by changing the language also sends a message that the historical precedent will no longer be permitted.

❖ **§49.19: Material-Noncompliance Scoring Structure**

**Current:** 2002 scoring structure.

**Proposed:** Revisions are proposed by compliance to adjust points and language in the 2003 material noncompliance scoring structure. Date for effect is April 2003.

**Rationale:** Adjustments to points are suggested that will cause some owners who are currently not in violation to now be in violation. The effective date of April 2003 gives them time to adjust.

❖ **§49.21(j): Extensions**

**Current:** Extensions are currently due 10 business days prior to the deadline for which the applicant is requesting the extension.

**Proposed:** Extension requests will be due at least 30 days prior to the deadline for which the applicant is requesting the extension.

**Rationale:** The current 10 business days does not ensure that an extension request will have an opportunity to be heard by the Board prior to the actual deadline taking place. By the time the Board hears it, the only options are to terminate the credits or grant the extension. By requiring that extension requests be submitted at least 30 days prior to the deadline, there will be an opportunity for the Board to hear the request and decide to approve the extension, or deny it in which case the applicant still has time to meet the original deadline.

❖ **Underwriting, Market Study, ESA, and Concentration Guidelines**

**Current:** The Underwriting, Market Study, ESA, and Concentration Guidelines are all currently part of the QAP.

**Proposed:** The Underwriting, Market Study, ESA, and Concentration Guidelines are all removed from the QAP.

**Rationale:** These guidelines are all multifamily guidelines that should be approved as Department guidelines, not specifically as a part of the tax credit rules. Removal allows the guidelines to be updated at different times of the year – not only as a part of the tax credit rules – and allows them to be created as part of a whole approach to multifamily development evaluation.

**Part II: Additional Proposed Changes**

This list reflects other proposed changes that are less substantive than the above list, but still important. QAP section references refer to the sections in the 2003 proposed QAP.

- §49.3: Removed definitions that were unused or not needed including Adaptive Reuse Development, Application Log, Highrise Urban Infill Development, Real Estate Owned Developments, Residential Development, Rural Development Agency, Sustaining Occupancy, Town Home
- §49.3: Added definitions for Bedroom, General Partner and Third Party.
- §49.5(a)(4): Added past due audits to the ineligibility list.
- §49.5(b)(3): Penalty for not closing the construction loan goes back two years instead of just the prior year.
- §49.6(a): Added language limiting development in flood plains.
- §49.8(a) and §49.9(a): Clarified that the restriction of one application per site is only for the 9% cycle.



- §49.9(d): Addition of a required pre-certification process for applicant/developer experience and for financial statements.
- §49.9(e) and (f): Age of documentation was made consistent throughout threshold and selection.
- §49.9(e) and (f): All exhibit numbers were removed to allow more flexibility with the exhibits throughout the Uniform Application and manual
- §49.9(e): Evidence of set-aside eligibility is now a specific threshold requirement.
- §49.9 (e)(4)(E): Language relating to Section 504 for 2-story developments was cleaned up.
- §49.9(e)(4)(F): Energy Saving devices were revised.
- §49.9(e)(7)(C): Additional notification to Texas Department of Transportation district office.
- §49.9(e)(9)(C): Addressed utility allowances for overlapping jurisdictions.
- §49.9(f)(3) Community support points were streamlined and created as a “laundry list” of point options.
- §49.10(b): Removed the requirement that Board must prioritize the waiting list.
- §49.10(c): Removed language requiring that forward commitments be awarded with regard to the regional allocation and set asides.
- §49.12(a): Application due dates for Tax Exempt Bond Deals were adjusted.
- §49.17(e) Final allocation is contingent on an inspection by a third party accessibility inspector.
- §49.18(c): Language added to amendment process indicating that amendments on applications awarded in 2001 or earlier do not have to go the Board.
- §49.19: Revisions throughout the compliance section to clean up and make more clear.
- §49. 21(a) and (b): Nonprofits given the 10% fee reduction to be more consistent with Sunset.
- Removal of MOU on Subsidy Layering

### **Part III: Selection Criteria**

Each of the 2003 selection criteria have been evaluated for the proportional amount they contribute to the total score. However, because developments are not able to achieve all points (as some are mutually exclusive or are financially infeasible), it is difficult to define a “Total” score by which to calculate the proportions. Therefore, two scenarios are provided below. The first reflects the maximum available under each scoring category, with a Maximum Total Score; this scenario does not account for feasibility or points that are mutually exclusive. The second scenario is based on an “Average” development. For purposes of this scenario, Average does not include: small developments; HOPE VI, 811 or 202 funds; existing market-rate developments; PHA developments; transitional housing; or historic developments.

QAP Citation 49.9(f)	Issue	Maximum		Sample Scenario	
		Number of Points	Portion of Total	Number of Points	Portion of Total
(1)(A)-(D)	Development Location	5	3%	5	4%
(1)(E)	Development Location Ratio	8	4%	6*	5%
(2)	Housing Needs	20	10%	14*	12%
(3)(A)	Consolidated Plan Consistency	6	3%	6	5%
(3)(B)	Community Support Letters	6	3%	6	5%
(4)(A)	Square Footage Minimums	NA	NA	NA	NA
(4)(B)	Serving Families with Children	8	4%	8	7%
(4)(C)	Cost per Square Foot	1	1%	1	1%
(4)(D)	Unit Amenities	10	5%	10	8%
(4)(E)	Existing Residential Development	4	2%	0	0
(4)(F)	Operating Reserves	6	3%	6	5%
(4)(G)	Historic Property Designation	6	3%	0	0
(4)(H)	Small Development	5	3%	0	0
(4)(I)	HOPE VI, 202, 811	5	3%	0	0
(4)(J)	PHA Developments	5	3%	0	0
5(A) or (B)	HUB or Joint Venture	3	2%	3	3%
(6)(A)	Coordination with Texas Workforce	2	1%	2	2%
(6)(B)	Supportive Services	6	3%	6	5%
(7)	Transitional Housing	15	8%	0	0
(8)(A)	LI – Rents below Max TC Rents	12	6%	8**	7%
(8)(B)	LI – Units at 30, 40 & 50 of AMGI	37.5	19%	11.5**	10%
(9)	Affordability Period	14	7%	14	12%
(10)	Right of First Refusal	5	3%	5	4%
(11)	Pre-Application Points	7	4%	7	6%
(12)	Point Reductions	0	0%	0	0
	<b>TOTAL</b>	<b>196.5</b>	<b>100%</b>	<b>118.5</b>	<b>100%</b>

\* The points on these two items are tied directly to the development location. While the maximum allowable is feasible depending on location, lower points were used for a more conservative average.

\*\* The financial ability of an Applicant to achieve the maximum number of points on these two items is not considered typical. Therefore, these point awards are based on an assumption that it would only go 10% below the maximum tax credit rents; and that it will designate 10% of its units at 30% of AMGI, 10% of its units at 40% of AMGI, and 40% of its units at 50% of AMGI, and the remaining units at either 60% or market rate. Weight A is used for the Average scenario.

In comparison, the final scores for the 2002 application round yielded an average development score of 122, a median development score of 128 and a mode of 141. Based on this information, it is evident that some scores were quite a bit higher than the Average scenario provided in the above table for 2003. The primary reason for this difference is that several of the selection criteria in 2002 that were “high point” items have been removed from the 2003 QAP including points for density and for mixed-income and elderly developments.

I hope this information proves useful in your review of the 2003 Draft QAP.



## 2003 Draft Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules

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### **§49.1. Purpose, Program Statement, Allocation Goals. Scope.**

(a) **Purpose.** The Rules in this chapter apply to the allocation by the Texas Department of Housing and Community Affairs (the Department) of ~~certain~~ low income housing tax credits authorized by applicable federal income tax laws. The Internal Revenue Code of 1986, §42, as amended, provides for credits against federal income taxes for owners of qualified low income rental housing Developments. That section provides for the allocation of the available tax credit amount by state housing credit agencies. Pursuant to Executive Order AWR-91-4 (June 17, 1991), the Department was authorized to make housing credit allocations for the State of Texas. As required by the Internal Revenue Code, §42(m)(1), the Department developed a Qualified Allocation Plan (QAP) which is set forth in §§49.1 through 49.2448 of this title. Sections in this chapter establish procedures for applying for and obtaining an allocation of the low income housing tax credit, along with ensuring that the proper threshold criteria, selection criteria, priorities and preferences are followed in making such allocations.

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

(c) **Allocation Goals.** It shall be the goal of this Department and the Board, through these provisions, to encourage diversity through broad geographic allocation of tax credits within the state, and in accordance with the regional allocation formula, and to promote maximum utilization of the available tax credit amount. The processes and criteria utilized to realize this goal are described in §49.8 and §49.9 7 (a) through (f) of this title, without in any way limiting the effect or applicability of all other provisions of this title.

~~(d) Utilization of Historically Underutilized Businesses. It is the policy of the Department to encourage the use of Historically Underutilized Businesses (HUBs) in the tax credit program as developers, general partners and members of a development team. In response to this policy, all Applicants are required to make a good faith effort to ensure maximum HUB participation in the program. The Department will require the Applicant to identify the HUBs that will be used in the development and/or continuous operation of the Development. The Department will also request information pertaining to the use of HUBs in the actual development of the Development at the time of final allocation of tax credits, pursuant to §49.11(f) of this title.~~

### **§49.2. Coordination with Rural Agencies.**

~~(a) (e) Coordination with Rural Agencies. To assure maximum utilization and optimum geographic distribution of tax credits in rural areas, and to achieve increased sharing of information, reduction of processing procedures, and fulfillment of Development compliance requirements in rural areas, the Department: (1) has entered into a Memorandum of Understanding (MOU) with the TX-USDA-RHS Rural Development services of the United States Department of Agriculture serving the State of Texas (TxRD-USDA) to coordinate on existing, rehabilitated, and new construction housing Developments financed by TX-USDA-RHS TxRD-USDA; and will jointly administer the Rural Set-Aside with the Texas Office of Rural Community Affairs (ORCA). Upon its creation, and once it has become operational, ORCA will assist in developing all Threshold, Selection and Underwriting Criteria applied to Applications eligible for the Rural Set-Aside. The Criteria will be approved by that Agency. To ensure that the Rural Set-Aside receives a sufficient volume of eligible Applications, the Department and ORCA shall jointly implement outreach, training, and rural area capacity building efforts.~~

~~(f) Memorandum of Understanding (MOU) with the United States Department of Housing and Urban Development (HUD) regarding the 911 Subsidy Layering Review. The Department and HUD shall enter into a MOU regarding the Subsidy Layering Review of the sources and uses of funds in Developments receiving tax credits and HUD Housing Assistance.~~

## **§49.32. Definitions.**

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

~~(1) Adaptive Reuse Development - A Development such as a hotel or dormitory that is proposed for conversion as permanent housing under the tax credit program.~~

~~(12) Administrative Deficiencies - The absence of information or documents from the Application which are essential to a thorough review and scoring of the Development. If an Application contains deficiencies which, in the determination of the Department staff, require represent the need for clarification of information submitted at the time of the Application, the Department staff shall request correction of such Administrative Deficiencies. The Department staff shall provide this in a deficiency notice request in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. Potential Administrative Deficiencies which may be corrected include, but are not limited to, incorrect calculation of the Development's unit mix, gross and net rentable areas, or the submission of exhibits that contain incomplete or conflicting information. If such Administrative Deficiencies are not corrected to the satisfaction of the Department within three business days of the deficiency notice date, then five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains uncorrected. If such deficiencies are not corrected within five business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. The correction of Administrative Deficiencies may not include changes in the Development Team, the Development configuration, or any other matters affecting the evaluation of the Application under §49.7(e) of this title.~~

~~(32) Affiliate - An individual, corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with any other Person, and specifically shall include parents or subsidiaries.~~

~~(43) Agreement and Election Statement - A document in which the Development Owner elects, irrevocably, to fix the applicable credit percentage with respect to a building or buildings, as that in effect for the month in which the Department and the Development Owner enter into a binding agreement as to the housing credit dollar amount to be allocated to such building or buildings.~~

~~(45) Applicable Fraction - The fraction used to determine the Qualified Basis of the qualified low income building, which is the smaller of the Unit fraction or the floor space fraction, all determined as provided in the Code, §42(c)(1).~~

~~(56) Applicable Percentage - The percentage used to determine the amount of the low income housing tax credit, as defined more fully in the Code, §42(b). For purposes of the Application, the Applicable Percentage will be projected at 10 basis points above the greater of:~~

~~(A) the current applicable percentage, or~~

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

~~(67) Applicant - Any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a housing tax credit allocation. For purposes hereof, the Applicant is sometimes referred to as the "housing sponsor."~~

~~(78) Application - An application, in the form prescribed by the Department, filed with the Department by an Applicant, including any exhibits or other supporting material.~~

~~(89) Application Acceptance Period - That period of time during which Applications for either a Housing Credit Allocation from the State Housing Credit Ceiling or a Determination Notice for Tax Exempt Bond Developments may be submitted to the Department as more fully described in §49.9(a) and §49.2244 of this title.~~

~~(10) Application Log - A form containing at least the information required by §49.12(b) of this title.~~

~~(94) Application Round - The period beginning on the date the Department begins accepting applications and continuing until all available credits from the State Housing Credit Ceiling (as stipulated by the Department) are allocated, but not extending past the last day of the calendar year.~~

~~(102) Application Submission Procedures Manual - The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for the filing of Pre-Applications and Applications for low income housing tax credits.~~

~~(113)~~ **Area Median Gross Income (AMGI)** - Area median gross household income, as determined for all purposes under and in accordance with the requirements of the Code, §42.

~~(124)~~ **At-Risk Development** - a development that:

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

- (i) Sections 221(d)(3), (4) and (5), National Housing Act (12 U.S.C. Section 1715l);
- (ii) Section 236, National Housing Act (12 U.S.C. Section 1715z-1);
- (iii) Section 202, Housing Act of 1959 (12 U.S.C. Section 1701q);
- (iv) Section 101, Housing and Urban Development Act of 1965 (12 U.S.C. Section 1701s);
- (v) any project-based assistance authority pursuant to Section 8 of the U.S. Housing Act of 1937;

or

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

(vii) Section 42 of the Internal Revenue Code of 1986, and

(B) is subject to the following conditions:

(i) the stipulation to maintain affordability in the contract granting the subsidy is nearing expiration (expiration will occur within two calendar years); or

(ii) the federally insured mortgage on the development is eligible for prepayment or is nearing the end of its mortgage term (the term will end within two calendar years).

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

~~(145)~~ **Beneficial Owner** - A "Beneficial Owner" means:

(A) Any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares;

(i) voting power which includes the power to vote, or to direct the voting as any other Person or the securities thereof; and/or

(ii) investment power which includes the power to dispose, or direct the disposition of, any Person or the securities thereof.

(B) Any Person who, directly or indirectly, creates or uses a trust, proxy, power of attorney, pooling arrangement or any other contract, arrangement or device with the purpose or effect of divesting such Person of Beneficial Ownership (as defined herein) of a security or preventing the vesting of such Beneficial Ownership as part of a plan or scheme to evade inclusion within the definitional terms contained herein; and

(C) Any Person who has the right to acquire Beneficial Ownership during the Compliance Period, including but not limited to any right to acquire any such Beneficial Ownership:

(i) through the exercise of any option, warrant or right,

(ii) through the conversion of a security,

(iii) pursuant to the power to revoke a trust, discretionary account or similar arrangement, or

(iv) pursuant to the automatic termination of a trust, discretionary account, or similar arrangement.

(D) Provided, however, that any Person who acquires a security or power specified in clauses (i), (ii) or (iii) of subparagraph (C) of this paragraph, with the purpose or effect of changing or influencing the control of any other Person, or in connection with or as a participant in any transaction having such purpose or effect, immediately upon such acquisition is deemed to be the Beneficial Owner of the securities which may be acquired through the exercise or conversion of such security or power. Any securities not outstanding which are subject to options, warrants, rights or conversion privileges as deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such Person but are not deemed to be outstanding for the purpose of computing the percentage of the class by any other Person.

~~(156)~~ **Board** - The governing Board of Directors of the Department.

~~(167)~~ **Carryover Allocation** - An allocation of current year tax credit authority by the Department pursuant to the provisions of the Code, §42(h)(1)(E) and Treasury Regulations, §1.42-6.

~~(178)~~ **Carryover Allocation Document** - A document issued by the Department to a Development Owner pursuant to §49.14~~(n)~~ of this title.

~~(189)~~ **Carryover Allocation Procedures Manual** - The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for filing Carryover Allocation requests.

~~(1920)~~ **Code** - The Internal Revenue Code of 1986, as amended from time to time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official

pronouncements issued thereunder by the United States Department of the Treasury or the Internal Revenue Service.

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

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

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

~~(21) Colonia - An unincorporated community located within 150 miles of the Texas-Mexico border, or a city or town within said 150-mile region with a population of less than 10,000 according to the latest U.S. Census, that has a majority population composed of individuals and families of low and very low income, who lack safe, sanitary and sound housing, together with basic services such as potable water, adequate sewage systems, drainage, streets and utilities, all as determined by the Department.~~

~~(212) Commitment Notice~~ - A notice issued by the Department to a Development Owner pursuant to §49.134(i) of this title and also referred to as the "commitment."

~~(223) Compliance Period~~ - With respect to a building, the period of 15 taxable years, beginning with the first taxable year of the Credit Period pursuant to the Code, §42(i)(1).

~~(234) Control~~ - (including the terms "controlling," "controlled by," and/or "under common control with") the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of voting securities, by contract or otherwise, including specifically ownership of more than 50% of the ~~General Partner~~ general partner interest in a limited partnership, or designation as a managing ~~General Partner~~ general partner or the managing member of a limited liability company.

~~(245) Cost Certification Procedures Manual~~ - The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for filing requests for IRS Form(s) 8609 for Developments placed in service under the Low Income Housing Tax Credit Program.

~~(256) Credit Period~~ - With respect to a building within a Development, the period of ten taxable years beginning with the taxable year the building is placed in service or, at the election of the Development Owner, the succeeding taxable year, as more fully defined in the Code, §42(f)(1).

(26) Department - The Texas Department of Housing and Community Affairs, an agency of the State of Texas, established at Chapter 2306, Texas Government Code.

~~(27) Department~~ - The Texas Department of Housing and Community Affairs, a public and official governmental Department of the State of Texas created and organized under the Texas Department of Housing and Community Affairs Act, Texas Government Code, Chapter 2306 and Texas Civil Statutes, Article 4413(501) as amended by the 73rd Legislature, Chapter 725 and 141.

~~(278) Determination Notice~~ - A notice issued by the Department to the Owner of a Tax Exempt Bond Development which states that the Development may be eligible to claim low income housing tax credits without receiving an allocation of credits from the State Housing Credit Ceiling because it satisfies the requirements of this QAP; sets forth conditions which must be met by the Development before the Department will issue the IRS Form(s) 8609 to the Development Owner; and specifies the amount of tax credits necessary for the financial feasibility of the Development and its viability as a qualified low income housing Development throughout the Credit Period.

~~(289) Development~~ - A proposed qualified low income housing Development, for new construction or rehabilitation, for purposes of the Code, §42(g), that consists of one or more buildings containing multiple Units, and that, if the Development shall consist of multiple buildings, is financed under a common plan and is owned by the same Person for federal tax purposes, and the buildings of which are either:

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

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

~~(2930) Development Consultant~~ - Any Person (with or without ownership interest in the Development) who provides professional services relating to the filing of an Application, Carryover Allocation Document, and/or cost certification documents.

~~(304) Development Owner~~ - Any Person or Affiliate of a Person who owns or proposes a Development or expects to acquire control of a Development under a purchase contract approved by the Department.

~~(312) Development Team~~ - All Persons or Affiliates thereof which play(s) a material role in the development, construction, rehabilitation, management and/or continuing operation of the subject Property, which will include any consultant(s) hired by the Applicant for the purpose of the filing of an Application for low income housing tax credits with the Department.

(33) Economically Distressed Area - Consistent with §17.921 of Texas Water Code, an area in which:

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

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

(C) an established residential subdivision was located on June 1, 1989, as determined by the board.

~~(33) Economically Distressed Area - An area in which the water supply or wastewater systems are inadequate to meet minimal state standards; the financial resources are inadequate to provide services to meet those needs; and there was an established residential subdivision on June 1, 1989, as defined by the Texas Water Development Board.~~

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

**(345) Executive Award and Review Advisory Committee ("The Committee")** - A Departmental committee that will make funding and allocation recommendations to the Board based upon the evaluation of an Application in accordance with the housing priorities as set forth in §2306 of the Texas Government Code, and as set forth herein, and the ability of an Applicant to meet those priorities. ~~The Committee will be composed of the executive director, the administrator of each of the Department's programs, and one representative from each of the Department's planning, underwriting, and compliance functions.~~

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

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

**(378) General Developments** - Any Development which is not a Qualified Nonprofit Development or is not under consideration in the Rural, At-Risk Development or Elderly set-asides as such terms are defined by the Department.

**(389) General Partner** - The partner, or collective of partners, which has general liability for the partnership during the construction and lease-up period. In addition, unless the context shall clearly indicate to the contrary, if the entity in question is a limited liability company, the term "General Partner" shall also mean the managing member or other party with management responsibility for the limited liability company.

**(39) General Pool** - The pool of credits that have been returned or recovered from prior years' allocations or the current year's Commitment Notices after the Board has made its initial allocation of the current year's available credit ceiling. General pool credits will be used to fund Applications on the waiting list without regard to set-aside except for the 10% Nonprofit Set-Aside allocation required under §42(h)(5) of the Code.

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

~~**(41) Highrise Urban Infill Development** - a Development comprised of three or more stories that is located within a central business district or its immediate environs or in inner-city neighborhoods characterized by documented higher than average land costs and higher density. For a building or buildings with more than three stories, an elevator must be included in the construction of any building within such Development.~~

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

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

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

**(445) Housing Credit Allocation** - An allocation by the Department to a Development Owner of low income housing tax credit in accordance with §49.174 of this title.

**(456) Housing Credit Allocation Amount** - With respect to a Development or a building within a Development, that amount the Department determines to be necessary for the financial feasibility of the Development and its viability as a qualified low income housing Development throughout the Compliance Period and allocates to the Development.



(467) **Housing Tax Credit** ("tax credits") - A tax credit allocated, or for which a Development may qualify, under the low income housing tax credit program, pursuant to the Code, §42.

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

(489) **Ineligible Building Types** - Those buildings or facilities which are ineligible, pursuant to this QAP, for funding under the tax credit program as follows:

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

~~(B) Single family detached housing, duplexes, and triplexes shall not be included in tax credit developments. The only exceptions to this definition are:~~

~~(i) Any Building comprised of less than four residential Units, regardless of employee or owner occupied Units and satisfying either of the requirements listed in subclauses (I) and (II) of this clause shall not be considered to include an Ineligible Building Type.~~

~~(I) Developments with 36 units or less that are located within a city or county with a population of not more than 20,000 or 50,000, respectively; or~~

~~(II) Developments receiving a financial contribution from the local governing entity in an amount equal to or exceeding seven percent of the construction hard costs. The financial contribution can be either a capital contribution, in-kind services to the Development, or a combination of capital contribution and in-kind services. The in-kind services must be above and beyond services typically provided to similar developments and must be fully documented in the form of proof of application at the time of Application, and proof of firm commitment by June 1, 2002.~~

~~(ii) An existing Rural Development that is federally assisted within the meaning of the Code, §42(d)(6)(B) and is under common ownership, management and Control shall not be considered to include an Ineligible Building Type. For qualifying federally assisted Rural Developments, construction cannot include the construction of new residential units. Rural Developments purchased from HUD will qualify as federally assisted.~~

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

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

(4950) **IRS** - The Internal Revenue Service, or its successor.

(504) **Land Use Restriction Agreement (LURA)** - An agreement between the Department and the Development Owner which is binding upon the Development Owner's successors in interest, that encumbers the Development with respect to the requirements of this title and the requirements of the Code, §42.

(512) **Material Deficiencies** - Deficiencies that are not eligible to be remedied pursuant to paragraph (21) of this subsection. Deficiencies caused by the omission of Threshold Criteria documentation specifically required by §49.97(e) of this title shall automatically be considered Material Deficiencies and shall be cause for termination.

(523) **Material Non-Compliance** - A property located within the state of Texas will be classified by the Department as being in material non-compliance status if the non-compliance score for such property is equal to or exceeds 30 points in accordance with the provisions of §49.5(b)(6) and under the methodology and point system set forth in §49.190 of this title. Non-Compliance reported on properties located outside the state of Texas will be evaluated and determination of Material Non-Compliance will be made if the non-compliance score for such property is equal to or exceeds 30 points in accordance with the provisions of §49.5(b)(7) and under the methodology and point system set forth in §49.19 of this title.

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

(545) **Office of Rural Community Affairs (ORCA)** - The state agency designated by the legislature as primarily responsible for rural area development in the state.

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

~~(567)~~ **Persons with Disabilities** - A person who:

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

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

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

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

(B) has a developmental disability, as defined in Section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001-6007).

~~(578)~~ **Pre-Application** - A preliminary application, in a form prescribed by the Department, filed with the Department by an Applicant prior to submission of the Application, including any required exhibits or other supporting material, as more fully described in ~~§49.87(a)~~ of this title.

~~(589)~~ **Pre-Application Acceptance Period** - That period of time during which Pre-Applications for a Housing Credit Allocation from the State Housing Credit Ceiling may be submitted to the Department.

~~(596)~~ **Prison Community** - A city or town which is located outside of a Metropolitan Statistical Area (MSA) or Primary Metropolitan Statistical Area (PMSA) and was awarded a state prison, ~~as set forth in the Reference Manual.~~

~~(604)~~ **Property** - The real estate and all improvements thereon which are the subject of the Application (including all items of personal property affixed or related thereto), whether currently existing or proposed to be built thereon in connection with the Application.

~~(612)~~ **Qualified Allocation Plan (QAP)** - A plan adopted by the Board, and approved by the Governor, under this title, and as provided in the Code, Section 42(m)(1) (specifically including preference for Developments located in Qualified Census Tracts and the development of which contributes to a concerted community revitalization plan) and as further provided in Sections 49.1 through 49.2448 of this title, that:

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

(B) gives preference in housing tax credit allocations to Developments that, as compared to other developments:

(i) when practicable and feasible based on available funding sources, serve the lowest income tenants; and

(ii) are affordable to qualified tenants for the longest economically feasible period.

(C) provides a procedure for the Department, the Department's agent, or another private contractor of the Department to use in monitoring compliance with the Qualified Allocation Plan, ~~and this title.~~

~~(623)~~ **Qualified Basis** - With respect to a building within a Development, the building's Eligible Basis multiplied by the Applicable Fraction, within the meaning of the Code, §42(c)(1).

~~(634)~~ **Qualified Census Tract** - Any census tract which is so designated by the Secretary of HUD in accordance with §42(d)(5)(C)(ii). ~~and, for the most recent year for which census data are available on household income in such tract, either in which 50% or more of the households have an income which is less than 60% of the area median family income for such year or which has a poverty rate of at least 25%.~~

~~(645)~~ **Qualified Elderly Development** - A Development which meets the requirements of the federal Fair Housing Act and:

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

(B) 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 where the Development Owner publishes 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.

~~(656)~~ **Qualified Market Analyst** - A real estate appraiser certified or licensed by the Texas Appraiser or Licensing and Certification Board or a real estate consultant or other professional currently active in the subject property's market area who demonstrates competency, expertise, and the ability to render a high quality written report. The individual's experience and educational background will provide the general basis for determining competency as a Market Analyst. Such determination will be at the sole discretion of the Department. The Qualified Market Analyst ~~must be a Third Party not be related to or an Affiliate of the Development Owner, Development Consultant, or the CPA which provides documentation required for the Carryover Allocation Procedures Manual or Cost Certification Procedures Manual.~~

~~(667)~~ **Qualified Nonprofit Organization** - An organization that is described in the Code, §501(c)(3) or (4), as these cited provisions may be amended from time to time, that is exempt from federal income taxation under the Code, §501(a), that is not Affiliated with or Controlled by a for profit organization, and includes as one of its exempt purposes the fostering of low income housing within the meaning of the Code, §42(h)(5)(C). A Qualified Nonprofit Organization may select to compete in one or more ~~any one~~ of the set-asides, including, but not limited to, the nonprofit set-aside, the rural developments set-aside, the At-Risk Developments set-aside and the general set-aside.

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

~~(69) Real Estate Owned (REO) Developments - Any existing Residential Development that is owned or that is being sold by an insured depository institution in default, or by a receiver or conservator of such an institution, or is a property owned by HUD, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), federally chartered bank, savings bank, savings and loan association, Federal Home Loan Bank or a federally approved mortgage company or any other federal agency.~~

(68970) **Reference Manual** - That certain manual, and any amendments thereto, produced by the Department which sets forth reference material pertaining to the Low Income Housing Tax Credit Program.

~~(69704) Related Party~~ - As defined,

(A) The following individuals or entities:

- (i) the brothers, sisters, spouse, ancestors, and descendants of a person within the third degree of consanguinity, as determined by Chapter 573 of the Texas Government Code;
- (ii) a person and a corporation, if the person owns more than 50 percent of the outstanding stock of the corporation;
- (iii) two or more corporations that are connected through stock ownership with a common parent possessing more than 50 percent of:
  - (I) the total combined voting power of all classes of stock of each of the corporations that can vote;
  - (II) the total value of shares of all classes of stock of each of the corporations; or
  - (III) the total value of shares of all classes of stock of at least one of the corporations, excluding, in computing that voting power or value, stock owned directly by the other corporation;
- (iv) a grantor and fiduciary of any trust;
- (v) a fiduciary of one trust and a fiduciary of another trust, if the same person is a grantor of both trusts;
- (vi) a fiduciary of a trust and a beneficiary of the trust;
- (vii) a fiduciary of a trust and a corporation if more than 50 percent of the outstanding stock of the corporation is owned by or for:
  - (I) the trust; or
  - (II) a person who is a grantor of the trust;
- (viii) a person or organization and an organization that is tax-exempt under the Code, Section 501(a), and that is controlled by that person or the person's family members or by that organization;
- (ix) a corporation and a partnership or joint venture if the same persons own more than:
  - (I) 50 percent of the outstanding stock of the corporation; and
  - (II) 50 percent of the capital interest or the profits' interest in the partnership or joint venture;
- (x) an S corporation and another S corporation if the same persons own more than 50 percent of the outstanding stock of each corporation;
- (xi) an S corporation and a C corporation if the same persons own more than 50 percent of the outstanding stock of each corporation;
- (xii) a partnership and a person or organization owning more than 50 percent of the capital interest or the profits' interest in that partnership; or
- (xiii) two partnerships, if the same person or organization owns more than 50 percent of the capital interests or profits' interests.

(B) As a note to Applicants, nothing in this definition is intended to constitute the Department's determination as to what relationship might cause entities to be considered "related" for various purposes under the Code.

~~(72) Residential Development - Any Development that is comprised of at least one "Unit" as such term is defined in paragraph (85) of this subsection.~~

~~(7013) Rules~~ - The Department's low income housing tax credit Rules as presented in this title.

~~(7124) Rural Area~~ - An area that is located:

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

(C) in an area that is eligible for new construction or rehabilitation funding by ~~TX-USDA-RHSTxRD-~~USDA.

~~(75) Rural Development Agency - the state agency designated by the Legislature as primarily responsible for rural area development in the state. Such agency is currently ORCA.~~

~~(7236) Rural Development~~ - A Development located within a Rural Area and for which the Applicant applies for tax credits under the Rural Set Aside.

~~(7347) Selection Criteria~~ - Criteria used to determine housing priorities of the State under the Low Income Housing Tax Credit Program as specifically defined in §49.79(f) of this title.

~~(7458) Set Aside~~ - A reservation of a portion of the available Housing Tax Credits to provide financial support for specific types of housing or geographic locations or serve specific types of Applicants on a priority basis as permitted by the Qualified Allocation Plan.

~~(7569) State Housing Credit Ceiling~~ - The limitation imposed by the Code, §42(h), on the aggregate amount of housing credit allocations that may be made by the Department during any calendar year, as determined from time to time by the Department in accordance with the Code, §42(h)(3).

~~(76780) Student Eligibility~~ - Per the Code, §42(l)(3)(D), "A unit shall not fail to be treated as a low-income unit merely because it is occupied:

(A) by an individual who is:

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

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

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

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

(ii) married and file a joint return."

~~(81) Sustaining Occupancy - The figure at which occupancy income is equal to all operating expenses and mandatory debt service requirements for a Development.~~

~~(7782) Tax Exempt Bond Development~~ - A Development which receives a portion of its financing from the proceeds of tax exempt bonds which are subject to the state volume cap as described in the Code, §42(h)(4)(B), such that the Development does not receive an allocation of tax credit authority from the State Housing Credit Ceiling.

~~(78) Third Party - a Person who is not an Affiliate, Related Party or Beneficial Owner of the Applicant, General Partner, developer or Person(s) receiving a portion of the developer fee or contractor fee.~~

~~(7983) Threshold Criteria~~ - Criteria used to determine whether the Development satisfies the minimum level of acceptability for consideration as specifically defined in §49.9(e) of this title~~established in this title.~~

~~(804) Total Housing Development Cost~~ - The total of all costs incurred or to be incurred by the Development Owner in acquiring, constructing, rehabilitating and financing a Development, as determined by the Department based on the information contained in the Applicant's Application. Such costs include reserves and any expenses attributable to commercial areas. Costs associated with the sale or use of tax credits to raise equity capital shall also be included in the Total Housing Development Cost. Such costs include but are not limited to syndication and partnership organization costs and fees, filing fees, broker commissions, related attorney and accounting fees, appraisal, engineering, and the environmental site assessment.

~~(85) Town Home - Each Town Home living unit is one of a group of no less than four units that are adjoined by common walls. Town Homes shall not have more than two walls in common with adjacent units. Town Homes shall not have other units above or below another unit. Town Homes shall not share a common back wall. Town Homes shall have individual exterior entries.~~

~~(816) TX-USDA-RHSTxRD-USDA~~ - The Rural Housing Services (RHS) ~~Development (RD) services~~ of the United States Department of Agriculture (USDA) serving the State of Texas (formerly known as TxFmHA) or its successor.

~~(827) Unit~~ - Any residential rental unit in a Development consisting of an accommodation including a single room used as an accommodation on a non-transient basis, that contains separate and complete physical facilities and fixtures for living, sleeping, eating, cooking and sanitation.

#### **§49.43. State Housing Credit Ceiling.**

(a) The Department shall determine the State Housing Credit Ceiling for each calendar year as provided in the Code, §42(h)(3)(C), using such information and guidance as may be made available by the Internal Revenue Service.

(b) The Department shall publish each such determination in the Texas Register within 30 days after the receipt of such information as is required for the purpose from notification by the Internal Revenue Service.

(c) The aggregate amount of Housing Credit Allocations made by the Department during any calendar year shall not exceed the State Housing Credit Ceiling for such year as provided in the Code, §42. Housing Credit Allocations made to Tax Exempt Bond Developments are not included in the State Housing Credit Ceiling.

**~~§49.4. Application Submission; Pre-Application Submission; Unacceptable Applications; Availability of Pre-Application and Application; Confidential Information; Required Application Notifications and Receipt of Public Comment; Board Recommendations; Board Decisions; Commitment Notices and Determination Notices; Board Reevaluation; Appeals Process; Waiting List; Agreements and Election Statement; Cost Certification and Carryover Filings; LURA.~~**

~~(a) Application Submission. Any Applicant requesting a Housing Credit Allocation or a Determination Notice must submit an Application to the Department during the Application Acceptance Period. A complete Application may be submitted at any time during the Application Acceptance Period, and is not limited to submission after the close of the Pre-Application Cycle. However, a complete Application received during the Pre-Application Cycle will initially only be reviewed for Pre-Application Criteria. The remainder of the Application will be reviewed once the results of the Pre-Application Cycle have been announced. Only one Application may be submitted for each site. While the Application Acceptance Period is open, Applicants may withdraw their Application and subsequently file a new Application along with the required Application fee. The Department is authorized to request the Applicant to provide additional information it deems relevant to clarify information contained in the Application or to submit documentation for items it considers to be an Administrative Deficiency. An Applicant may not change or supplement an Application in any manner after the filing deadline, except as it relates to a direct request from the Department to remedy an Administrative Deficiency as further described in §49.2(2) of this title or to the amendment of an application after an allocation of tax credits as further described in §49.7(k) of this title.~~

~~(b) Pre-Application Submission. Any Applicant requesting a Housing Credit Allocation may submit a Pre-Application to the Department during the Pre-Application Acceptance Period. A complete Application may be submitted at any time during the Application Acceptance Period, and is not limited to submission after the close of the Pre-Application Cycle. However, a complete Application received during the Pre-Application Cycle will initially only be reviewed for Pre-Application Criteria. The remainder of the Application will be reviewed once the results of the Pre-Application Cycle have been announced. Only one Pre-Application may be submitted by an Applicant for each site. The Pre-Application submission is a voluntary process. While the Pre-Application Acceptance Period is open, Applicants may withdraw their Pre-Application and subsequently file a new Pre-Application along with the required Pre-Application Fee. The Department is authorized to request the Applicant to provide additional information it deems relevant to clarify information contained in the Pre-Application or to submit documentation for items it considers to be an Administrative Deficiency. The Department shall reject and return to the Applicant any Pre-Application assessed by the Department that fails to satisfy the Pre-Application Threshold Criteria required by the Board in the Qualified Allocation Plan. The rejection of a Pre-Application shall not preclude an Applicant from submitting an Application with respect to a particular Development or site at the appropriate time.~~

~~(c) Unacceptable Applications. Applications involving Ineligible Building Types will not be considered for allocation of tax credits under this QAP and the Rules. Applications that show Material Deficiencies (which are not corrected within the applicable correction period) will be terminated, and the Applicant may only re-apply if the Application Acceptance Period is still open. An Application that does not fulfill the requirements of this Qualified Allocation Plan and Rules and the current Application Submission Procedures Manual will be deemed not to have been timely filed and the Department shall not be deemed to have accepted the Application.~~

~~(d) Availability of Pre-Application and Application. Pre-Applications and Applications for tax credits are public information and are available upon request after the Pre-Application and Application Acceptance Periods close, respectively. All Pre-Applications and Applications, including all exhibits and other supporting materials, except Exhibit 109, will be made available for public disclosure immediately after the Pre-Application and Application periods close, respectively. The content of Exhibit 109 may still be made available for public disclosure upon~~

~~request if the Attorney General's office deems it is not protected from disclosure by the Texas Public Information Act.~~

~~(e) Confidential Information. The Department may treat the financial statements of any Applicant as confidential and may elect not to disclose those statements to the public. A request for such information shall be processed in accordance with §552.305 of the Government Code.~~

~~(f) Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants.~~

~~(1) Within approximately seven business days of the close of the Pre-Application Acceptance Period, the Department shall publish a Pre-Application Submission Log on its web site. Such log shall contain the Development name, address, set-aside, number of units, requested credits, owner contact name and phone number.~~

~~(2) Approximately 30 days before the close of the Application Acceptance Period, the Department will release the evaluation and assessment of the Pre-Applications on its web site.~~

~~(3) Within approximately 15 business days of the close of the Application Acceptance Period, the Department shall:~~

~~(A) publish an Application submission log, as further described in 549.12(b) of this title, on its web site.~~

~~(B) give notice of a proposed Development in writing to the:~~

~~(i) mayor or other equivalent chief executive officer of the municipality, if the Development or a part thereof is located in a municipality; otherwise the Department shall notify the chief executive officer of the county in which the Development or a part thereof is located, to advise such individual that the Development or a part thereof will be located in his/her jurisdiction and request any comments which such individual may have concerning such Development. If the local municipal authority expresses opposition to the Development, the Department will give consideration to the objections raised and will visit the proposed site or Development within 30 days of notification to conduct a physical inspection of the Development site and consult with the mayor or county judge before the Application is scored, if opposition is received prior to scoring being completed; and~~

~~(ii) state representative and state senator representing the area where a Development would be located. The state representative or senator may hold a community meeting at which the Department shall provide appropriate representation.~~

~~(C) The elected officials identified in clauses (i) and (ii) of subparagraph (B) of this paragraph will be provided an opportunity to comment on the Application during the Application evaluation process.~~

~~(4) The Department shall hold at least three public hearings in different regions of the state to receive comment on the submitted Applications and on other issues relating to the Low Income Housing Tax Credit Program.~~

~~(5) The Department shall provide notice of and information regarding public hearings, board meetings and application opening and closing dates relative to housing tax credits to local housing departments, to appropriate newspapers of general or limited circulation that serve the community in which a proposed Development is to be located, to nonprofit organizations, to on-site property managers of occupied developments that are the subject of Applications for posting in prominent locations at those Developments, and to any other interested persons including community groups, who request the information and shall post all such information to its web site.~~

~~(6) Approximately forty days prior to the date of the Board Meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed, the Department will notify each Applicant of the receipt of any opposition received by the Department relating to his or her Development at that time.~~

~~(7) Not later than the third working day after the date of the relevant determinations, the results of each stage of the Application process, including the results of the application scoring and underwriting phases and the allocation phase, will be posted to the Department's web site.~~

~~(8) At least thirty days prior to the date of the Board meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed, the Department will:~~

~~(A) provide the application scores to the Board;~~

~~(B) if feasible, post to the Department's web site the entire Application, including all supporting documents and exhibits, the Application Log, a scoring sheet providing details of the Application score, and any other documents relating to the processing of the Application.~~

~~(9) A summary of comments received by the Department on specific Applications shall be part of the documents required to be reviewed by the Board under this subsection if it is received 30 business days prior to the date of the Board Meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. Comments received after this deadline will not be part of the documentation submitted to the Board. However, a public comment period will be available prior to the Board's decision, at the Board meeting where tax credit allocation decisions will be made.~~

~~(10) Notice of Selection Criteria Scoring. When all Applications have been scored, the Department shall publish the results of the scoring on its web site.~~

~~(11) Not later than the 120<sup>th</sup> day after the date of the initial issuance of Commitment Notices for housing tax credits, the Department shall provide an Applicant who did not receive a commitment for housing tax credits with an opportunity to meet and discuss with the Department the Application's deficiencies, scoring and underwriting.~~

~~(g) Board Recommendations. After eligible Applications have been evaluated, ranked and underwritten in accordance with the QAP and the Rules, the Department staff shall make its recommendations to the Executive Award and Review Advisory Committee. This Committee will develop funding priorities and shall make allocation recommendations to the Board. Such recommendation and supporting documentation shall be made in advance of the meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. The Committee will provide written, documented recommendations to the Board which will include at a minimum the financial or programmatic viability of each Application and a list of all submitted Applications which enumerates the reason(s) for the Development's proposed selection or denial, including all evaluation factors provided in §49.7(c) of this title that were used in making this determination. The Board shall issue commitments for available housing tax credits based on the application evaluation process identified in §49.7 of this title. Concurrently with the initial issuance of commitments for housing tax credits, the Board shall establish a waiting list of additional Applications ranked by score in descending order of priority based on Set Aside categories and regional allocation goals. On awarding tax credit allocations, the Board shall document the reasons for each Development's selection, including an explanation of all discretionary factors used in making its determination, and the reasons for any decision that conflicts with the recommendations made by Department staff. The Board may not make, without good cause, an allocation decision that conflicts with the recommendations of Department staff.~~

~~(1) A Commitment Notice shall not be issued with respect to any Development for an unnecessary amount or where the cost for the total development, acquisition, construction or rehabilitation exceeds the limitations established from time to time by the Department and the Board, unless the Department staff make a recommendation to the Board based on the need to fulfill the goals of the Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.~~

~~(2) A Commitment Notice shall not be issued with respect to any Development in violation of subsection §49.9(b) of this title, unless the Committee makes a recommendation to the Board based on the need to fulfill the goals of the Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented. (3) The Department will reduce the Applicant's estimate of Developer's and/or Contractor fees in instances where these exceed the fee limits determined by the Department. In the instance where the Contractor is an Affiliate of the Development Owner and both parties are claiming fees, Contractor's overhead, profit, and general requirements, the Department will reduce the total fees estimated to an acceptable level. Further, the Department shall deny or reduce the amount of low income housing tax credits on any portion of costs which it deems excessive or unreasonable. The Department also may require bids or third party estimates in support of the costs proposed by any Applicant.~~

~~(h) Board Decisions. The Board's decisions shall be based upon its evaluation of the Development's consistency with the criteria and requirements set forth in the QAP and the Rules.~~

~~(1) In making a determination to allocate tax credits, the Department staff and Board shall be authorized not to rely solely on the number of points scored by an Applicant. They shall in addition, be entitled to take into account, as appropriate, the factors described in §49.7(b) through (d) of this title. If the Board disapproves or fails to act upon the Application, the Department shall issue to the Development Owner a written notice stating the reason(s) for the Board's disapproval or failure to act.~~

~~(2) Before the Board approves any Development Application, the Department shall assess the compliance history of the Applicant and any Affiliate of the Applicant with respect to all applicable requirements; and the compliance issues associated with the proposed Development. The Committee shall provide to the Board a written report regarding the results of the assessments. The written report will be included in the appropriate Development file for Board and Department review. The Board shall fully document and disclose any instances in which the Board approves a Development Application despite any noncompliance associated with the Development, Applicant or Affiliate.~~

~~(i) Commitment Notices and Determination Notices. If the Board approves the Application, the Department will:~~

~~(1) if the Application is for a Housing Credit Allocation, issue a Commitment Notice to the Development Owner which shall:~~

~~(A) confirm that the Board has approved the Application; and~~

~~(B) state the Department's commitment to make a Housing Credit Allocation to the Applicant in a specified amount, subject to the feasibility determination described at §49.11(b) of this title, compliance by the Development Owner with the remaining requirements of this chapter, and any other conditions set forth therein by the Department. This commitment shall expire on the date specified therein unless the Development Owner indicates acceptance of the commitment by executing the Commitment Notice or Determination Notice, pays the required fee specified in §49.13 of this title, and satisfies any other conditions set forth therein by the Department. A Development Owner may request an extension of the Commitment Notice expiration date by submitting extension request and associated extension fee as described in §49.13(j) of this title. In no event shall the expiration date of a Commitment Notice be extended beyond the last business day of the applicable calendar year.~~

~~(2) if the Application is with respect to a Tax Exempt Bond Development, issue a Determination Notice to the Development Owner which shall:~~

~~(A) confirm the Board's determination that the Development satisfies the requirements of this QAP; and~~

~~(B) state the Department's commitment to issue IRS Form(s) 8609 to the Applicant in a specified amount, subject to the requirements set forth at §49.7(i) of this title, compliance by the Development Owner with all applicable requirements of this title, and any other conditions set forth therein by the Department. The Determination Notice shall expire on the date specified therein unless the Development Owner indicates acceptance by executing the Determination Notice and paying the required fee specified in §49.13 of this title. The Determination Notice shall also expire unless the Development Owner satisfies any conditions set forth therein by the Department within the applicable time period.~~

~~(3) notify, in writing, the mayor or other equivalent chief executive officer of the municipality in which the Property is located informing him/her of the Board's issuance of a Commitment Notice or Determination Notice, as applicable.~~

~~(j) Board Reevaluation. Regardless of project stage, the Board must reevaluate a Development that undergoes a substantial change between the time of initial Board approval of the Development and the time of issuance of a Commitment Notice or Determination Notice for the Development. For the meaning of this subsection, substantial change shall be those items identified in §49.7(k)(4) of this title. The Board may revoke any Commitment Notice or Determination Notice issued for a Development that has been unfavorably reevaluated by the Board.~~

~~(k) Appeals Process. An Applicant may appeal decisions made by the Department.~~

~~(1) The decisions that may be appealed are identified in subparagraphs (A) through (C) of this paragraph.~~

~~(A) a determination regarding the Application's satisfaction of:~~

~~(i) Pre-Application or Application Threshold Criteria;~~

~~(ii) Underwriting Criteria;~~

~~(B) the scoring of the Application under the Pre-Application or Application Selection Criteria; and~~

~~(C) a recommendation as to the amount of housing tax credits to be allocated to the Application.~~

~~(2) An Applicant may not appeal a decision made regarding an Application filed by another Applicant.~~

~~(3) An Applicant must file its appeal in writing, with the Department not later than the seventh day after the date the Department publishes the results of the Application evaluation process identified in §49.7 of this title.~~



In the appeal, the Applicant must specifically identify the Applicant's grounds for appeal, based on the original Application and additional documentation filed with the original Application. If the appeal relates to the amount of housing tax credits recommended to be allocated, the Department will provide the Applicant with the underwriting report upon request.

~~(4) The Executive Director of the Department shall respond in writing to the appeal not later than the 14th day after the date of receipt of the appeal. If the Applicant is not satisfied with the Executive Director's response to the appeal, the Applicant may appeal directly in writing to the Board, provided that an appeal filed with the Board under this subsection must be received by the Board before:~~

~~(A) the seventh day preceding the date of the board meeting at which the relevant allocation decision is expected to be made; or~~

~~(B) the third day preceding the date of the board meeting described by subparagraph (A) of this paragraph, if the Executive Director does not respond to the appeal before the date described by subparagraph (A) of this paragraph.~~

~~(5) Board review of an appeal under paragraph (4) of this subsection is based on the original Application and additional documentation filed with the original Application. The Board may not review any information not contained in or filed with the original Application. The decision of the Board regarding the appeal is final.~~

~~(6) The Department will post to its web site an appeal filed with the Department or Board and any other document relating to the processing of the appeal.~~

~~(l) Waiting List. If the entire State Housing Credit Ceiling for the applicable calendar year has been committed or allocated in accordance with this chapter, the Board shall generate a waiting list. All such waiting list Applications will be weighed one against the other and a priority list shall be developed by the Board. If at any time prior to the end of the Application Round, one or more Commitment Notices expire and a sufficient amount of the State Housing Credit Ceiling becomes available, the Board shall issue a Commitment Notice to Applications on the waiting list in order of priority subject to the amount of returned credits, the regional allocation goals and the Set Aside categories, including the 10% Nonprofit Set-Aside allocation required under the Code, §42(h)(5). In the event that the Department makes a Commitment Notice or offers a commitment within the last month of the calendar year, it will require immediate action by the Applicant to assure that an allocation or Carryover Allocation can be issued before the end of that same calendar year. At the end of each calendar year, all Applications which have not received a Commitment Notice shall be deemed terminated, unless the Department shall determine to retain or act upon such Applications as provided in §49.17 of this title. The Applicant may re-apply to the Department during the next Application Acceptance Period.~~

~~(m) Agreement and Election Statement. Together with or following the Development Owner's acceptance of the commitment or determination, the Development Owner may execute an Agreement and Election Statement, in the form prescribed by the Department, for the purpose of fixing the applicable credit percentage for the Development as that for the month in which the commitment was accepted (or the month the bonds were issued for Tax Exempt Bond Developments), as provided in the Code, §42(b)(2). For non Tax Exempt Bond Developments, the Agreement and Election Statement shall be executed by the Development Owner no later than five days after the end of the month in which the offer of commitment was accepted. Current Treasury Regulations, §1.42-8(a)(1)(v), suggest that in order to permit a Development Owner to make an effective election to fix the applicable credit percentage for a Development, the Commitment Notice must be executed by the Department and the Development Owner in the same month. The Department staff will cooperate with a Development Owner, as needed, to assure that the Commitment Notice can be so executed.~~

~~(n) Cost Certification or Carryover Filings. Developments that will be placed in service and request IRS Forms 8609 in the year the Commitment Notice was issued must submit the required Cost Certification documentation and the compliance and monitoring fee to the Department by the second Friday in November of that same year. All other Developments which received a Commitment Notice, must submit the Carryover documentation to the Department no later than the second Friday in October of the year in which the Commitment Notice is issued. The Carryover Allocation must be properly completed and delivered to the Department as prescribed by the Carryover Allocation Procedures Manual. All complete Carryover filings will be reviewed and executed by the Department no later than 90 days from the date of receipt of the Carryover documentation. The Department will issue IRS Forms 8609 no later than 90 days from the date of receipt of the Cost Certification documentation, so long as all subsequent documentation requested by the Department related to the processing of the Cost Certification documentation has been provided on or before the seventy-fifth day from the date of receipt of the original Cost Certification documentation. Any deficiency letters issued to the Owner pertaining to the Cost Certification documentation will also be copied to the syndicator.~~

~~(c) Land Use Restriction Agreement (LURA). Prior to the Department's issuance of the IRS Form 8609 declaring that the Development has been placed in service for purposes of the Code, §42, Development Owners must date, sign and acknowledge before a notary public a LURA and send the original to the Department for execution. The Development Owner shall then record said LURA, along with any and all exhibits attached thereto, in the real property records of the county where the Development is located and return the original document, duly certified as to recordation by the appropriate county official, to the Department. If any liens (other than mechanics' or materialmen's liens) shall have been recorded against the Development and/or the Property prior to the recording of the LURA, the Development Owner shall obtain the subordination of the rights of any such lienholder, or other effective consent, to the survival of certain obligations contained in the LURA following the foreclosure of any such lien. Receipt of such certified recorded original LURA by the Department is required prior to issuance of IRS Form 8609. A representative of the Department shall physically inspect the Development for compliance with the Application and the representatives, warranties, covenants, agreements and undertakings contained therein before the IRS Form 8609 is issued, but in no event later than the end of the second calendar year following the year the last building in the Development is placed in service. The Development Owner for Tax Exempt Bond Developments shall obtain a subordination agreement wherein the lien of the mortgage is subordinated to the LURA.~~

**§49.5. Ineligibility, Disqualification and Debarment, Applicant Standards, Representation by Former Board Member or Other Person. Ineligible and Disqualified Applications; Debarment from Program Participation.**

(a) **Ineligibility.** An Application will be ineligible if: ~~a member of the Development Team has been or is:~~

(1) ~~A member of the Development Team has been or is b~~Barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs; or,

(2) ~~A member of the Development Team has been or is convicted of, under indictment for, or on probation for a state or federal crime involving fraud, bribery, theft, misrepresentations of material facts, misappropriation of funds, or other similar criminal offenses; or,~~

(3) ~~A member of the Development Team has been or is subject to enforcement action under state or federal securities law, or is the subject of an enforcement proceeding with any Governmental Entity unless such action has been concluded and no adverse action or finding (or entry into a consent order) has been taken with respect to such member.~~

(4) ~~A Person with any past due audits has not submitted those past due audits to the Department in a satisfactory format on or before the close of the Application Acceptance Period. A Person is not eligible to receive an allocation of credits from the Department until any unresolved audit finding or questioned or disallowed cost is resolved, pursuant to 10 TAC §1.3.~~

(b) **Disqualification and Debarment.** Additionally, the Department will disqualify, and may disbar, an Applicant if it is determined by the Department that those issues identified in paragraphs (1) through (10~~9~~) exist. A person debarred by the Department from participation in the program may appeal the person's debarment to the Board. The Department shall debar a person for the longer of, one year from the date of debarment, or until the violation causing the debarment has been remedied.

(1) fraudulent information, knowingly false documentation or other material misrepresentation has been provided in the Application or other information submitted to the Department. The aforementioned policy will apply at any stage of the evaluation or approval process; or,

(2) at the time of application or at any time during the two-year period preceding the date the application round begins, the Applicant or a Related Party is or has been:

(A) a member of the Board; or

(B) the executive director, a deputy director, the director of housing programs, the director of compliance, the director of underwriting, or the Low Income Housing Tax Credit Program manager employed by the Department.

(3) the Applicant or any Person, ~~General Partner~~ general partner, general contractor and their respective principals or Affiliates active in the ownership or control of other low income housing tax credit property in the state of Texas who received an allocation of tax credits in the 2001 or 2002 Application Round but did not close the construction loan, or meet the deadlines for the commencement of substantial construction as required under the Carryover Allocation (including any extension period granted by the Board) except for instances where an extension has been approved by the Board. ~~reasons beyond the control of the Applicant as determined by the Department; or~~

(4) the Applicant proposes to replace in less than 15 years any private activity bond financing of the development described by the Application, unless:

(A) the applicant proposes to maintain for a period of 30 years or more 100 percent of the development units supported by low income housing tax credits as rent-restricted and exclusively for occupancy by individuals and families earning not more than 50 percent of the area median income, adjusted for family size; and

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

(5) the Applicant or any Person, ~~General Partner~~ general partner, general contractor and their respective principals or Affiliates active in the ownership or control of other low income housing tax credit property has failed to place in service buildings or removed from service buildings for which credits were allocated (either Carryover Allocation or issuance of 8609s). The Department may consider the facts and circumstances on a case-by-case basis, including whether the credits were returned prior to the expiration date for re-issuance of the credits, in its sole determination of Applicant eligibility; or,

(6) the Applicant or any Person, ~~General Partner~~ general partner, general contractor and their respective principals or Affiliates active in the ownership or control of other low income rental housing property in the state of Texas funded by the Department that is in Material Non-Compliance with the LURA (or any other document containing an Extended Low Income Housing Commitment) or the program rules in effect for such property ~~as of the last day of the Application Acceptance Period on the date the Pre-Application Acceptance Period opens~~ or upon the date of filing Volume I of the Application for a Tax Exempt Bond Development. Any corrective action documentation affecting the Material Non-Compliance status score for Applicant's competing in the ~~20032~~ Application Round must be received by the Department no later than February 1, 2003. ~~November 15, 2001~~. The Department may take into consideration the representations of the Applicant regarding compliance violations described in §49.7(e)(7)(C) and (D) of this title; however, the records of the Department are controlling; or,

(7) the Applicant or any Person, ~~General Partner~~ general partner, ~~General Contractor~~ general contractor and their respective principals or Affiliates active in the ownership or control of other low income rental housing ~~tax credit~~ property outside of the state of Texas has incidence of non-compliance with the LURA or the program rules in effect for such tax credit property as reported on the Uniform Application Previous Participation Certification Exhibits 105C and 105D and/or as determined by the state regulatory authority for such state and such non-compliance is determined to be Material Non-Compliance by the Department using methodology as set forth in §49.19 of this title; or,

(8) the Applicant or any Person, General Partner, General Contractor and their respective principals or Affiliates active in the ownership or control of other low income housing tax credit properties in the state of Texas has failed to pay in full any fees billed by the Department, as further described in §49.21 of this title; or

~~(9)~~ the Development is located on a site that has been determined to be "unacceptable" by the Department staff; or

~~(10)~~ the Applicant or a Related Party, or any person who is active in the construction, rehabilitation, ownership, or control of the Development including a General Partner ~~general partner~~ or general contractor and their respective principals or affiliates, or person employed as a lobbyist or in another capacity on behalf of the Development, communicates with any Board member or member of the Committee with respect to the Development during the period of time starting with the time an Application is submitted until the time the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application.

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

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

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

(3) the housing sponsor is not financially responsible;

(4) the housing sponsor ~~hasis not~~, or will ~~not~~ enter into a contract for the proposed housing development with, a Person ~~housing developer~~ that:

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

(B) breached a contract with a public agency; or

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

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

(6) the housing development will not be undertaken within the authority granted by this chapter to the housing finance division and the housing sponsor.

**(dd) Representation by Former Board Member or Other Person.**

(1) A former board member or a former director, deputy director, director of housing programs, director of compliance, director of underwriting, or Low Income Housing Tax Credit Program Manager previously employed by the Department may not:

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

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

(2) A person commits an offense if the person violates this section. An offense under this section is a Class A misdemeanor.

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

(a) Floodplain. No Development may have buildings, driveways or parking lots constructed within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain.

(b) Ineligible Building Types. Applications involving Ineligible Building Types as defined in §49.3(48) will not be considered for allocation of tax credits under this QAP and the Rules.

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

(d) Credit Amount. The Department shall issue tax credits only in the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period. The issuance of tax credits or the determination of any allocation amount in no way represents or purports to warrant the feasibility or viability of the Development by the Department, or that the Development will qualify for and be able to claim such credits. The Department will limit the allocation of tax credits to no more than \$1.2 million per Development. The allocation of tax credits shall also be limited to not more than \$1.6 million per Applicant, Related Party or entity receiving any portion of the developer fee, in a single Application round. Tax Exempt Bond Development Applications are not subject to these credit limitations, and Tax Exempt Bond Developments will not count towards the total limit on tax credits per Applicant. The limitation does not apply:

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

(2) to the provision by an entity of "qualified commercial financing" within the meaning of the Code, §49(a)(1)(D)(ii) (without regard to the 80% limitation thereof);

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

(4) to a Development Consultant with respect to the provision of consulting services.

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

(1) The minimum Development size will be 16 Units.

(2) Developments involving new construction, that are not Tax Exempt Bond Developments, will be limited to 200 Units. Tax Exempt Bond Developments will be limited to 250 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum unit restrictions. For those Developments which are a second phase or are otherwise adjacent to an existing tax credit Development unless such proposed Development is being constructed to replace previously existing affordable multifamily units on its site, the combined Unit total for the Developments may not exceed the maximum allowable Development size, unless the first phase has been completed and stabilized for at least six months.

(f) Rehabilitation Costs. Rehabilitation Developments must establish that the rehabilitation will be substantial improve the condition of the housing and will involve at least \$6,000 per unit in direct hard costs.

**§49.76. Regional Allocation Formula, and Set-Asides, Redistribution of Credits.**

(a) **Regional Allocation Formula.** As required by Section 2306.111 of the Texas Government Code, the Department will use a regional distribution formula developed by the Department to distribute credits from the State Housing Credit Ceiling. The formula will be based on the need for housing assistance, and the availability of housing resources, and the Department will use the information contained in the Department's annual state low income housing plan and other appropriate data to develop the formula. This formula will establish targeted tax credit amounts for each of the state service regions. Each region's targeted tax credit amount will be published in the Texas Register and on the Department's web site concurrently with the publication of the QAP.

(b) **Set-Asides.** The regional credit distribution amounts are additionally subject to the factors presented in paragraphs (1) through (5) of this subsection. An Applicant may elect to compete in as many of the following set-asides for which the proposed Development would qualify:

(1) At least 10% of the State Housing Credit Ceiling for each calendar year shall be allocated to Qualified Nonprofit Developments which meet the requirements of the Code, §42(h)(5). Qualified Nonprofit Organizations must have a controlling interest in the Qualified Nonprofit Development applying for this set-aside. If the organization's Application is filed on behalf of a limited partnership, the Qualified Nonprofit Organization must be the managing General Partner. If the organization's Application is filed on behalf of a limited liability company, the Qualified Nonprofit Organization must be the Managing Member.

(2) At least 15% of the State Housing Credit Ceiling for each calendar year shall be allocated to Developments which meet the Rural Development definition or are located in Prison Communities. ~~Rural Developments applying for greater than 76 Units will be ineligible for the Rural Set-Aside.~~ Of this 15% allocation, 25% will be set-aside for ~~Developments~~ projects financed through TX-USDA-RHS Rural Development (TxRD-USDA). ~~Developments~~ Projects financed through TX-USDA-RHS ~~TXRD-USDA's~~ 538 Guaranteed Rural Rental Housing Program will not be considered under the 25% portion. Should there not be sufficient qualified applications submitted for the ~~TX-USDA-RHS~~ ~~TXRD-USDA~~ set-aside, then the credits would revert to ~~Developments~~ projects that meet the Rural ~~Development~~ Project definition or are located in Prison Communities.

(3) At least 15% of the State Housing Credit Ceiling will be allocated to the At-Risk Development Set-Aside. Through this set-aside, the Department, to the extent possible, shall allocate credits to Applications involving the preservation of developments designated as At-Risk Developments as defined in §49.3(12)(44) of this title and in both urban and rural communities in approximate proportion to the housing needs of each uniform state service region.

(4) At least 60% of the State Housing Credit Ceiling will be allocated to General Set-Aside.

(5) At least 15% of the State Housing Credit Ceiling for each calendar year shall be allocated to Qualified Elderly Developments. ~~Qualified Elderly Developments will not constitute an additional exclusive set-aside; however at least 15% of Developments allocated through the set-asides identified in paragraphs (1) through (4) of this subsection will also be Qualified Elderly Developments. Prior to making recommendations to the Board~~

~~with respect to Applications which, if funded in accordance with such recommendations, would total, taking into account all Commitment Notices previously issued during the calendar year, at least 85% of the State Housing Credit Ceiling for such year, the Committee shall advise the Board as to the percentage of Qualified Elderly Developments which have received commitments or are recommended to receive commitments for the year.~~

~~(c) **Redistribution of Credits.** If any amount of housing tax credits remain after the initial allocation of housing tax credits among the regions and set-asides, the Department may redistribute the credits amongst the different regions and set asides depending on the quality of Applications submitted as evaluated under the factors described in §49.9(c)7(c) and (d) of this title and the level of demand exhibited in the regions during the Allocation Round. However as described in paragraph (1) of this subsection, no more than 90% of the State's Housing Credit Ceiling for the calendar year may go to Developments which are not Qualified Nonprofit Developments. If credits will be transferred from a region which does not have enough qualified applications to meet its regional credit distribution amount, then those credits will be apportioned to the other regions based on oversubscription in the other regions and the quality of the Applications. If forward commitments are approved by the Board, they shall be distributed with regard to the relative regional percentages established by the regional distribution formula. The Department will provide for the reallocation of tax credits as described in this subsection if any Commitment Notice is terminated.~~

#### **§49.8. Pre-Application: Submission, Evaluation Process, Threshold ~~and~~ Criteria and Review, Results.**

(a) **Pre-Application Submission.** Any Applicant requesting a Housing Credit Allocation may submit a Pre-Application to the Department during the Pre-Application Acceptance Period along with the required Pre-Application Fee as described in §49.21 of this title. Only one Pre-Application may be submitted by an Applicant for each site under the Credit Ceiling. The Pre-Application submission is a voluntary process. While the Pre-Application Acceptance Period is open, Applicants may withdraw their Pre-Application and subsequently file a new Pre-Application along with the required Pre-Application Fee. The Department is authorized to request the Applicant to provide additional information it deems relevant to clarify information contained in the Pre-Application or to submit documentation for items it considers to be an Administrative Deficiency. The rejection of a Pre-Application shall not preclude an Applicant from submitting an Application with respect to a particular Development or site at the appropriate time.

(b) **Pre-Application Evaluation Process.** Eligible Pre-Applications will be evaluated for Pre-Application Threshold Criteria, and as requested, evaluated in regards to the Department's concentration policy. Applications that involve financing from TX-USDA-RHS, and Applications for the rehabilitation of TX-USDA-RHS properties that do not have new financing, are exempted from the Pre-Application Evaluation Process and are not eligible to receive points for submission of a Pre-Application. An Application that has not received confirmation from the state office of RHS of its financing from TX-USDA-RHS may qualify for Pre-Application points, but such points shall be withdrawn upon the Development's receipt of TX-USDA-RHS financing.

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

(1) Submission of a "Pre-Application Submission Form" and "Application Self-Scoring Form," and  
(2) Evidence of site control as evidenced by the documentation required under Sections 49.9(e)(6)(A) of this title.

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

Applicant will receive points for a Pre-Application. To receive points an Applicant must meet the requirements of §49.9(f)(11) of this title.

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

(a) Application Submission. Any Applicant requesting a Housing Credit Allocation or a Determination Notice must submit an Application, and the required Application fee as described in §49.21 of this title, to the Department during the Application Acceptance Period. A complete Application may be submitted at any time during the Application Acceptance Period, and is not limited to submission after the close of the Pre-Application Cycle. Only one Application may be submitted for –a site during the Application Acceptance Period. While the Application Acceptance Period is open, Applicants may withdraw their Application and subsequently file a new Application along with a new required Application fee. The Department is authorized, but not required, to request the Applicant to provide additional information it deems relevant to clarify information contained in the Application or to submit documentation for items it considers to be an Administrative Deficiency, including both threshold and selection criteria documentation. An Applicant may not change or supplement an Application in any manner after the filing deadline, except as it relates to a direct request from the Department to remedy an Administrative Deficiency as further described in §49.3(1) of this title or to the amendment of an application after an allocation of tax credits as further described in §49.18 of this title.

(b) Adherence to Obligations. All representations, undertakings and commitments made by an Applicant in the application process for a Development, whether with respect to Threshold Criteria, Selection Criteria or otherwise, shall be deemed to be a condition to any Commitment Notice, Determination Notice, or Carryover Allocation for such Development, the violation of which shall be cause for cancellation of such Commitment Notice, Determination Notice, or Carryover Allocation by the Department, and if concerning the ongoing features or operation of the Development, shall be reflected in the LURA. All such representations are enforceable by the Department and the tenants of the Development, including enforcement by administrative penalties for failure to perform, in accordance with the LURA.

(c) Evaluation Process. Applications will be reviewed according to the process outlined in this subsection.

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

(2) Selection Criteria Review. For an Application to be considered under the Selection Criteria, the Applicant must demonstrate that the Development meets all of the Threshold Criteria requirements. Applications that satisfy the Threshold Criteria will then be scored and ranked according to the Selection Criteria listed in subsection (f) of this section. The Department may not award points for a scoring criterion that is disproportionate to the degree to which a proposed Development complied with that criterion. Applications not scored by the Department's staff shall be deemed to have the points allocated through self-scoring by the Applicants until actually scored. This shall apply only for ranking purposes.

(3) Subsequent Evaluation of Prioritized Applications. After the Application is scored under the Selection Criteria, the Department will assign which Development's will be reviewed for financial feasibility by the Department's credit underwriting division. Assignments for financial feasibility will be determined by selecting the Applications with the highest scores in each set aside statewide and then in each region. Based on Application rankings, the Department shall continue to underwrite Applications until the Department has processed enough Applications satisfying the Department's underwriting criteria to enable the allocation of all available housing tax credits according to regional allocation goals and Set Aside categories. To enable the Board to establish a Waiting List, the Department shall underwrite as many additional Applications as the Committee and Board consider necessary to ensure that all available housing tax credits are allocated within the period required by law.

(4) Underwriting Evaluation and Criteria. Underwriting of the Development will include a determination by the Department, pursuant to the Code, §42, that the amount of credits recommended for allocation to a Development is necessary for the financial feasibility of the Development and its long-term viability as a

qualified low income housing property. In making this determination, the Department will use the TDHCA Multifamily Underwriting Rules and Guidelines, Subchapter B of this Chapter, Section 1.32.

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

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

(5) Compliance Evaluation. After the Department has determined which Developments will be reviewed for financial feasibility, those same Developments will be reviewed for evaluation of the compliance status of all members of the ownership structure by the Department's compliance division, in accordance with §49.19 of this title.

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

(d) Required Pre-Certification and Acknowledgement Procedures. No later than 7 days prior to the close of the Application Acceptance Period, an Applicant must submit the documents required in this subsection to obtain the required pre-certification and acknowledgement.

(1) Experience Certificate. Upon receipt of the evidence required under this paragraph, a certification from the Department will be provided to the Applicant for inclusion in their Application(s). Evidence must show that the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), developer or their principals have a record of successfully constructing or developing residential units or comparable commercial property (i.e. dormitory and hotel/motel) in the capacity of owner, General Partner, developer or managing member. If rehabilitation experience is being claimed to qualify for an Application involving new construction, then the rehabilitation must have been substantial and involved at least \$6,000 of direct hard cost per unit.

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

(i) at least 100 residential units or comparable commercial property; or

(ii) at least 36 residential units or comparable commercial property if the Development applying for credits is a rural Development.

(B) One of the following documents must be submitted: American Institute of Architects (AIA) Document A111 - Standard Form of Agreement Between Owner & Contractor, AIA Document G704 - Certificate of Substantial Completion, IRS Form 8609, HUD Form 9822, development agreements, partnership agreements, or other appropriate documentation verifying that the General Partner or their principals have the required experience. If submitting the IRS Form 8609, only one form per Development is required. The evidence must clearly indicate:

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

(ii) that the names on the forms and agreements tie back to the ownership entity, General Partner and their respective principals as listed in the Application; and

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

(2) Personal Financial and Credit Statement and Authorization to Release Credit Information. Upon receipt of the evidence required under this paragraph, an acknowledgement from the Department will be provided to the Applicant for inclusion in their Application(s). A "Personal Financial and Credit Statement and Authorization to Release Credit Information" must be completed and signed by each Person with a General Partner (or if Applicant is to be a Limited Liability Company, managing member) interest in the Applicant. The



statement must not be older than 90 days from the date of submission. If submitting partnership or corporate financials in addition to the statements of individual persons, the certified financial statements, or audited financial statements if available, should be for the most recent fiscal year ended 90 days prior to the day the documentation is submitted. This document is required for an entity even if the entity is wholly-owned by a person who has submitted this document as an individual. Entities that have not yet been formed and entities that have been formed recently but have no assets, liabilities or net worth are not required to submit this documentation, but must submit a statement that this is the case.

(e) **Threshold Criteria.** The following Threshold Criteria listed in paragraphs (1) through (14) of this subsection are mandatory requirements at the time of Application submission:

(1) Completion and submission of the Application provided in the Application Submission Procedures Manual, which includes the entire Uniform Application and any other supplemental forms which may be required by the Department.

(2) Completion and submission of the Site Packet as provided in the Application Submission Procedures Manual.

(3) Set Aside Eligibility. Documentation must be provided that confirms eligibility for all Set-Asides under which the Application is seeking funds, other than the General Set-Aside as required in the Application Submission Procedures Manual.

(4) Certifications and Design Items. The "Certification Form" provided in the Application Submission Procedures Manual and supporting documents. This exhibit will provide:

(A) A description of the type of amenities proposed for the development. The amenities selected must be made available for the benefit of all tenants. If fees in addition to rent are charged for amenities reserved for an individual tenant's use (i.e. covered parking, storage, etc.), then the amenity may not be included among those provided to complete this exhibit. Developments with more than 36 units must provide at least four of the amenities provided in clauses (i) through (viii) of this subparagraph. Developments with 36 Units or less and Developments receiving funding from TX-USDA-RHS must provide at least two of the amenities provided in clauses (i) through (viii) of this subparagraph. Any future changes in these amenities, or substitution of these amenities, may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in a cancellation of a Commitment Notice or Carryover Allocation if the Threshold Criteria are no longer met.

(i) Full perimeter fencing with controlled gate access;

(ii) designated playground and equipment;

(iii) community laundry room and/or laundry hook-ups in Units (no hook-up fees of any kind may be charged to a tenant for use of the hook-ups);

(iv) furnished community room;

(v) recreation facilities;

(vi) public telephone(s) available to tenants 24 hours a day;

(vii) on-site day care, senior center, or community meals room; or

(viii) computer facilities including internet access.

(B) A certification that the Development will adhere to the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere at a minimum to the International Building Code as it relates to access, lighting and life safety issues.

(C) A certification that the Applicant is in compliance with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. Section 3601 et seq.), and the Fair Housing Amendments Act of 1988 (42 U.S.C. Section 3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. Section 2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.); and the Rehabilitation Act of 1973 (29 U.S.C. Section 701 et seq.)

(D) A certification that the Applicant will attempt to ensure that at least 30% of the construction and management businesses with which the Applicant contracts in connection with the Development are Minority Owned Businesses, and that the Applicant will submit at least once in each 90-day period following the date of the Commitment Notice a report, in a format prescribed by the Department and provided at the time a Commitment Notice is received, on the percentage of businesses with which the Applicant has contracted that qualify as Minority Owned Businesses.

(E) A certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for 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), shall be deemed to meet this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for persons with hearing

or vision impairments. Additionally, in Developments where all Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type must provide an accessible entry level in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. At the construction loan closing, a certification from an accredited architect will be required stating that the Development was designed in conformance with these standards and that all features have been or will be installed to make the Unit accessible for persons with mobility impairments or persons with hearing or vision impairments. A similar certification will also be required after the Development is completed. This requirement applies to all Developments including new construction and rehabilitation.

(F) A certification that the Development will adhere to the 2000 International Energy Conservation Code (IECC) and the Department's Minimum Standard Energy Saving Devices in the construction of each tax credit Unit. Minimum Standard Energy Saving Measures are identified in clauses (i) through (vi) of this subparagraph. All Units must be air-conditioned. The measures must be certified by the Development architect as being included in the design of each tax credit Unit prior to the closing of the construction loan and in actual construction upon Cost Certification.

(i) New Construction to have components of the exterior walls that total at least R-15, ceiling insulation at a minimum of R-30, and roof decking to have radiant barriers. Rehabilitation to have ceiling insulation at a minimum of R-30, soffit and ridge vents and storm windows;

(ii) If newly installed, Energy Star or equivalently rated air handler and condenser; or heating and cooling systems with minimum SEER 12 A/C and AFUE 90% furnace if using gas; or in dry climates an evaporative cooling system may replace the Energy Star cooling system;

(iii) All appliances installed to be Energy Star rated and water heaters to have an energy factor greater than .93 for electric or greater than .62 for gas;

(iv) Maximum 2.5 gallon/minute showerheads and maximum 1.5 gallon/minute faucet aerators;

(v) Installation of ceiling fans in living room and each sleeping room; and

(vi) Installation of solar screens or permanently fixed shading devices at sun-exposed windows.

(G) A certification that the Development will be built by a General Contractor that satisfies the requirements of the General Appropriation Act, Article VII, Rider 11(c) applicable to the Department which requires that the General Contractor hired by the Development Owner or the Applicant, if the Applicant serves as General Contractor, must demonstrate a history of constructing similar types of housing without the use of federal tax credits.

(H) All of the architectural drawings identified in clauses (i) through (v) of this subparagraph. While full size design or construction documents are not required, the drawings must have an accurate and legible scale and show the dimensions. All Developments involving new construction, or conversion of existing buildings not configured in the unit pattern proposed in the Application, must provide all of the items identified in clauses (i) through (v) of this subparagraph. For Developments involving rehabilitation for which the unit configurations are not being altered, only the items identified in clauses (i), (ii) and (iii) are required:

(i) a site survey or drawing of the entire property that is under the control the prospective ownership entity, which must be a professionally generated (e.g. computer-generated or architectural draft; not a sketch) plat drawn to scale from a metes and bounds description;

(ii) a site plan which:

(I) is consistent with the number of Units and Unit mix specified in the "Rent Schedule" provided in the Application;

(II) identifies all residential, common buildings and amenities; and

(III) clearly delineates the flood plain boundary lines and other easements shown in the site survey;

(iii) floor plans for each type of residential building and each type of common area building;

(iv) floor plans and elevations for each type of residential building and each common area building clearly depicting the height of each floor and a percentage estimate of the exterior composition;

(v) unit floor plans for each type of Unit showing special accessibility and energy features. The use of each room must be labeled. The net rentable areas these unit floor plans represent should be consistent with those shown in the "Rent Schedule" provided in the application; and

(I) Rehabilitation Developments must submit photographs of the existing signage, typical building elevations and interiors, existing Development amenities, and site work. These photos should clearly document the typical areas and building components which exemplify the need for rehabilitation.

(5) Evidence of the Development's development costs and corresponding credit request and syndication information as described in subparagraphs (A) through (G) of this paragraph.

(A) A written narrative describing the financing plan for the Development, including any non-traditional financing arrangements; the use of funds with respect to the Development; the funding sources for the Development including construction, permanent and bridge loans, and rents, operating subsidies, and

replacement reserves; and the commitment status of the funding sources for the Development. This information must be consistent with the information provided throughout the Application.

(B) All Developments must submit the "Development Cost Schedule" provided in the Application Submission Procedures Manual. This exhibit must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(C) Provide a letter of commitment from a syndicator that, at a minimum, provides an estimate of the amount of equity dollars expected to be raised for the Development in conjunction with the amount of housing tax credits requested for allocation to the Applicant, including pay-in schedules, syndicator consulting fees and other syndication costs. No syndication costs should be included in the eligible basis.

(D) For Developments located in a Qualified Census Tract (QCT) as determined by the Secretary of HUD and qualifying for a 30% increase in Eligible Basis, pursuant to the Code, §42(d)(5)(C), Applicants must submit a copy of the census map clearly showing that the proposed Development is located within a QCT. Census tract numbers must be clearly marked on the map, and must be identical to the QCT number stated in the Department's Reference Manual.

(E) Rehabilitation Developments must also submit the "Proposed Work Write Up for Rehabilitation Developments" provided in the Application Submission Procedures Manual. This form must be prepared and certified by a Third Party registered or licensed architect, engineer or construction inspector.

(F) If offsite costs are included in the budget as a line item, or embedded in the site acquisition contract, or referenced in the utility provider letters, then the supplemental form "Off Site Cost Breakdown" must be provided.

(G) If projected site work costs include unusual or extraordinary items or exceed \$7,500 per Unit, then the Applicant must provide a detailed cost breakdown prepared by a Third Party engineer or architect, and a letter from a certified public accountant allocating which portions of those site costs should be included in eligible basis and which ones may be ineligible.

(6) Evidence of readiness to proceed as evidenced by at least one of the items under each of subparagraphs (A) through (E) of this paragraph:

(A) Evidence of site control in the name of the ownership entity, or entities which comprise the Applicant. If the evidence is not in the name of the Development Owner, then the documentation should reflect an expressed ability to transfer the rights to the Development Owner. All individual Persons who are members of the ownership entity of the seller of the proposed Development property must be identified. One of the following items described in clauses (i) through (iii) of this subparagraph must be provided:

(i) a recorded warranty deed; or

(ii) a contract for sale or lease (the minimum term of the lease must be at least 45 years) which is valid for the entire period the Development is under consideration for tax credits or at least 90 days, whichever is greater; or

(iii) an exclusive option to purchase which is valid for the entire period the Development is under consideration for tax credits or at least 90 days, whichever is greater.

(B) Evidence from the appropriate local municipal authority that satisfies one of clauses (i) through (iii) of this subparagraph. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(i) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that the Development is located within the boundaries of a political subdivision which does not have a zoning ordinance;

(ii) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that:

(I) the Development is permitted under the provisions of the ordinance that apply to the location of the Development; or

(II) the Applicant is in the process of seeking the appropriate zoning and has signed and provided to the political subdivision a release agreeing to hold the political subdivision and all other parties harmless in the event that the appropriate zoning is denied, and a time schedule for completion of appropriate zoning. All appropriate zoning must be achieved and documentation of acceptable zoning for the Development as proposed in the Application must be provided to the Department at least 10 days prior to the June Board meeting.

(iii) In the case of a rehabilitation Development, if the property is currently a non-conforming use as presently zoned, a letter which discuss the items in subclauses (I) through (IV) of this clause:

(I) a detailed narrative of the nature of non-conformance;

(II) the applicable destruction threshold;

(III) owner's rights to reconstruct in the event of damage; and

(IV) penalties for noncompliance.

(C) This Exhibit is required for New Construction only. Evidence of the availability of all necessary utilities/services to the development site. Necessary utilities include natural gas (if applicable), electric, trash, water, and sewer. Such evidence must be a letter or a monthly utility bill from the appropriate municipal/local service provider. If utilities are not already accessible, then the letter must clearly state: an estimated time frame for provision of the utilities, an estimate of the infrastructure cost, and an estimate of any portion of that cost that will be borne by the developer. Letters must be from an authorized individual representing the organization which actually provides the services. Such documentation should clearly indicate the Development property. If utilities are not already accessible (undeveloped areas), then the letter should not be older than three months from the first day of the Application Acceptance Period.

(D) Evidence of interim and permanent financing sufficient to fund the proposed Total Housing Development Cost less any other funds requested from the Department and any other sources documented in the Application. Such evidence must be consistent with the sources and uses of funds represented in the Application and shall be provided in one or more of the following forms described in clauses (i) through (iv) of this subparagraph:

(i) bona fide financing in place as evidenced by a valid and binding loan agreement and a deed(s) of trust in the name of the ownership entity which identifies the mortgagor as the Applicant or entities which comprise the General Partner and/or expressly allows the transfer to the Proposed Development Owner; or,

(ii) bona fide commitment or term sheet issued by a lending institution or mortgage company that is actively and regularly engaged in the business of lending money which is addressed to the ownership entity, or entities which comprise the Applicant and which has been executed by the lender (the term of the loan must be for a minimum of 15 years with at least a 30 year amortization). The commitment must state an expiration date and all the terms and conditions applicable to the financing including the mechanism for determining the interest rate, if applicable, and the anticipated interest rate. Such a commitment may be conditional upon the completion of specified due diligence by the lender and upon the award of tax credits; or,

(iii) any Federal, State or local gap financing, whether of soft or hard debt, must be identified at the time of application. At a minimum, evidence from the lending agency that an application for funding has been made and a term sheet which clearly describes the amount and terms of the funding, and the date by which the funding determination will be made and any commitment issued, must be submitted. While evidence of application for funding from another TDHCA program is not required except as indicated on the Uniform Application, the Applicant must clearly indicate that such an application has been filed as required by the Application Submission Procedures Manual. If the necessary financing has not been committed by the applicable lending agency, the Commitment Notice, Housing Credit Allocation or Determination Notice, as the case may be, will be conditioned upon Applicant obtaining a commitment for the required financing by a date certain, but no later than the date the Carryover Allocation Document is due to the Department; or

(iv) if the Development will be financed through Development Owner contributions, provide a letter from an Third Party CPA verifying the capacity of the Applicant to provide the proposed financing with funds that are not otherwise committed together with a letter from the Applicant's bank or banks confirming that sufficient funds are available to the Applicant. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(E) A copy of the full legal description and either of the documents described in clauses (i) and (ii) of this subparagraph, and satisfying the requirements of clause (iii), if applicable:

(i) a copy of the current title policy which shows that the ownership (or leasehold) of the land/Development is vested in the exact name of the Applicant, or entities which comprise the Applicant; or

(ii) a copy of a current title commitment with the proposed insured matching exactly the name of the Applicant or entities which comprise the Applicant and the title of the land/Development vested in the name of the exact name of the seller or lessor as indicated on the sales contract or lease.

(iii) if the title policy or title commitment is more than six months old as of the day the Application Acceptance Period closes, than a letter from the title company indicating that nothing further has transpired on the policy or commitment.

(7) Evidence of all of the notifications described in subparagraphs (A) through (E) of this paragraph. Such notices must be prepared in accordance with "Public Notifications" provided in the Application Submission Procedures Manual.

(A) A copy of the public notice published in the most widely circulated newspaper in the area in which the proposed Development will be located. The newspaper must be intended for the general population and may not be a business newspaper or other specialized publication. Such notice must run at least twice within a thirty day period. Such notice must be published prior to the submission of the Application to the Department and can not be older than three months from the first day of the Application Acceptance Period. In communities located within a Metropolitan Statistical Area the notice should be published in the newspapers of both the

Development community and the Metropolitan Statistical Area. Developments that involve rehabilitation and which are already serving low income residents are not required to provide this exhibit.

(B) Evidence of notification of the local chief executive officer(s) (i.e., mayor and county judge), state senator, and state representative of the locality of the Development. Evidence of such notification shall include a letter which at a minimum contains a copy of the public notice sent to the official and proof of delivery in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from said official. Proof of notification should not be older than three months from the first day of the Application Acceptance Period.

(C) Evidence of notification to the Texas Department of Transportation district. Evidence of such notification shall include a letter which, at a minimum, contains the location of the proposed Development, the proposed population being served, a copy of the public notice, and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said office. A return letter from the Texas Department of Transportation is also required which describes the transportation options and availability for the location of the proposed Development. Proof of notification should not be older than six months from the close of the Application Acceptance Period.

(D) If any of the Units in the Development are occupied at the time of application, then the Applicant must post a copy of the public notice in a prominent location at the Development throughout the period of time the Application is under review by the Department. A picture of this posted notice must be provided with this exhibit. When the Department's public hearing schedule for comment on submitted applications becomes available, a copy of the schedule must also be posted until such hearings are completed. Compliance with these requirements shall be confirmed during the Department's site inspection.

(E) Public Housing Waiting List. Evidence that the Development Owner has committed in writing to the local public housing authority (PHA) the availability of Units and that the Development Owner agrees to consider households on the PHA's waiting list as potential tenants and that the Property is available to Section 8 certificate or voucher holders. Evidence of this commitment must include a copy of the Development Owner's letter to the PHA and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said PHA. Proof of notification should not be older than six months from the close of the Application Acceptance Period. If no PHA is within the locality of the Development, the Development Owner must utilize the nearest authority or office responsible for administering Section 8 programs.

(8) Evidence of the Development's proposed ownership structure and the Applicant's previous experience as described in subparagraphs (A) through (E) of this paragraph.

(A) A chart which clearly illustrates the complete organizational structure of the final proposed Development Owner, that provides the names and ownership percentages of Persons with an ownership interest in the Development. The percentage ownership of all Persons in Control of these entities and sub-entities must also be clearly defined. The Applicant, General Partner and their Principals, along with the proposed Limited Partner should be listed.

(B) The Applicant, General Partner (or Managing Member) and all Persons with an ownership interest in the General Partner (or the Managing Member) of these entities and sub-entities must also provide documentation of standing to include the following documentation as applicable under clauses (i) through (iii) of this subclause.

(i) For entities that are not yet formed but are to be formed either in or outside of the state of Texas:

(I) a certificate of reservation of the entity name from the Texas Secretary of State and from the state in which the entity is to be formed if different from Texas; and

(II) an executed letter of intent to organize, statement of partnership or partnership agreement.

(ii) For existing entities whether formed in or outside of the state of Texas:

(I) if the entity has been formed for three months or longer, a copy of the Certificate of Good Standing from the Comptroller showing good standing; if the entity has been formed for less than three months, a certificate of reservation of the entity name from the Texas Secretary of State and from the state in which the entity was formed if different from Texas; entities formed in other states must also submit a certificate of authority to do business in Texas or an application for a certificate of authority,

(II) a copy of the Articles of Incorporation, Organization or Partnership.

(iii) the Applicant must provide evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution or by-laws which indicate same from the sub-entity in Control of the Applicant, and that those persons constitute all persons required to sign or submit such documents. A cover sheet must be placed before the copy of the Articles of Incorporation, Organization or Partnership, identifying the relevant document(s) where the evidence of authority to sign is to be found and

specifying exactly where the applicable information exists within the all relevant documents by page number or by section and subsection if the pages are not numbered.

(C) A copy of the completed and executed " Previous Participation and Background Certification Form," must be submitted listing each Principal and their affiliates for each Person owning an interest in the General Partner (or, if Applicant is to be a limited liability company, the managing member) of the Applicant. If the developer of the Development is receiving more than 10% of the developer fee, he/she will also be required to submit documents for this exhibit. The 2003 versions of these forms, as required in the Uniform Application, must be submitted. Units of local government are also required to submit this document. The form must include a list of all developments that are, or were, previously under ownership or control of the Applicant and their Affiliates. All participation in any TDHCA funded or monitored activity, including non-housing activities, must be disclosed.

(D) If the Applicant or their Affiliates have, or have had, ownership or control of affordable housing, being housing that receives any form of financing and/or assistance from any unit of Federal, state or local government for the purpose of enhancing affordability to persons of low or moderate income, outside the state of Texas, then Evidence that each Person owning an interest in the General Partner (or if Applicant is to be a limited liability company, the managing member) of the Applicant has sent "National Previous Participation and Background Certification Form," to the appropriate Housing Credit Agency for each state in which they have developed or operated affordable housing. This form is only necessary when the Developments involved are outside of the state of Texas. An original form is not required. Evidence of such notification shall be a copy of the form sent to the agency and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said agency.

(E) Evidence that the developer and the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member) or their principals have a record of successfully constructing or developing residential units or comparable commercial property (i.e. dormitory and hotel/motel) in the capacity of developer, owner, General Partner or managing member. Evidence must be a certification from the Department that the Person with the experience satisfies this exhibit, as further described under §49.9(d) of this title. Applicants must request this certification at least seven days prior to the close of the Application Acceptance Period. Applicants should ensure that the individual whose name is on the certification appears in the organizational chart provided in paragraph (A) of this section.

(9) Evidence of the Development's projected income and operating expenses as described in subparagraphs (A) through (D) of this paragraph:

(A) All Developments must provide a 30-year proforma estimate of operating expenses and supporting documentation used to generate projections ( operating statements from comparable properties).

(B) If rental assistance, an operating subsidy, an annuity, or an interest rate reduction payment is proposed to exist or continue for the Development, any related contract or other agreement securing those funds must be provided, which at a minimum identifies the source and annual amount of the funds, the number of Units receiving the funds, and the term and expiration date of the contract or other agreement.

(C) Applicant must provide documentation from the source of the "Utility Allowance" estimate used in completing the Rent Schedule provided in the Application. This exhibit must clearly indicate which utility costs are included in the estimate. In the event of overlapping jurisdiction between local housing authorities, the utility allowance for the building must be based on where the Development property is located according to the Development's legal description.

(D) Occupied Developments undergoing rehabilitation must also submit the items described in clauses (i) through (iv) of the subparagraph.

(i) Unless the current property owner is unwilling to provide the required documentation, if which even a signed statement as to their unwillingness to do so is required:

(I) historical monthly operating statements of the subject Development for 12 consecutive months ending not more than 45 days prior to the first day of the Application Acceptance Period. In lieu of the monthly operating statements, two annual operating statement summaries may be provided. If 12 months of operating statements or two annual operating summaries cannot be obtained, then the monthly operating statements since the date of acquisition of the Development and any other supporting documentation used to generate projections may be provided; and

(II) a rent roll not more than 6 months old as of the day the Application Acceptance Period closes, that discloses the terms and rate of the lease, rental rates offered at the date of the rent roll, Unit mix, tenant names or vacancy, and dates of first occupancy and expiration of lease.

(ii) a written explanation of the process used to notify and consult with the tenants in preparing the application;

(iii) a relocation plan outlining relocation requirements and a budget with an identified funding source; and

(iv) if applicable, evidence that the relocation plan has been submitted to the appropriate legal agency.

(10) Applications involving Nonprofit General Partners and Qualified Nonprofit Developments.

(A) All Applicants involving a nonprofit General Partner (or Managing Member), regardless of the set-aside applied under, must submit all of the documents described in clauses (i) through (iii) of this subparagraph which confirm that the Applicant is a Qualified Nonprofit Organization pursuant to Code, §42(h)(5)(C):

(i) an IRS determination letter which states that the Qualified Nonprofit Organization is a 501(c)(3) or (4) entity;

(ii) a copy of the articles of incorporation of the nonprofit organization which specifically states that the fostering of affordable housing is one of the entity's exempt purposes;

(iii) "Nonprofit Participation Exhibit"; and

(B) Additionally, all Applicants applying under the Nonprofit Set-Aside, established under §49.7(b)(1) of this title, must also provide the following information with respect to each Development Owner and each General Partner of a Development Owner, as described in clauses (i) through (vi) of this subparagraph.

(i) evidence that one of the exempt purposes of the nonprofit organization is to provide low income housing;

(ii) evidence that the nonprofit organization prohibits a member of its board of directors, other than a chief staff member serving concurrently as a member of the board, from receiving material compensation for service on the board;

(iii) a Third Party legal opinion stating:

(I) that the nonprofit organization is not affiliated with or controlled by a for-profit organization and the basis for that opinion, and

(II) that the nonprofit organization is eligible, as further described, for a housing tax credit allocation from the Nonprofit Set-Aside and the basis for that opinion. Eligibility is contingent upon the nonprofit organization controlling a majority of the Development, or if the organization's Application is filed on behalf of a limited partnership, or limited liability company, being the managing General Partner (or Managing Member); and otherwise meet the requirements of the Code, §42(h)(5);

(iv) a copy of the nonprofit organization's most recent audited financial statement;

(v) a list of the names and home addresses of members of the board of directors of the nonprofit organization; and

(vi) evidence, in the form of a certification, that a majority of the members of the nonprofit organization's board of directors principally reside:

(I) in this state, if the Development is located in a rural area; or

(II) not more than 90 miles from the Development in the community in which the Development is located, if the Development is not located in a rural area.

(11) Applicants applying for acquisition credits or affiliated with the seller must provide all of the documentation described in subparagraphs (A) through (C) of this paragraph. Applicants applying for acquisition credits must also provide the items described in subparagraph (D) of this paragraph and as provided in the Application Submission Procedures Manual.

(A) an appraisal, not more than 6 months old as of the day the Application Acceptance Period closes, which complies with the Uniform Standards of Professional Appraisal Practice and the Department's Market Analysis and Appraisal Policy. For Developments qualifying in the TX-USDA-RHS set-aside, the appraisal may be more than 6 months old, but not more than 12 months old as of the day the Application Acceptance Period closes. This appraisal of the Property must separately state the as-is, pre-acquisition or transfer value of the land and the improvements where applicable;

(B) a valuation report from the county tax appraisal district;

(C) clear identification of the selling Persons or entities, and details of any relationship between the seller and the Applicant or any Affiliation with the Development Team, Qualified Market Analyst or any other professional or other consultant performing services with respect to the Development. If any such relationship exists, complete disclosure and documentation of the related party's original acquisition and holding and improvement costs since acquisition, and any and all exit taxes, to justify the proposed sales price must also be provided; and

(D) "Acquisition of Existing Buildings Form."

(12) Evidence of an "Acknowledgement of Receipt of Financial Statement and Authorization to Release Credit Information" must be provided for any person with an ownership interest in the General Partner (or Managing Member), interest in the Applicant or receiving a portion of the developer fee, or anticipated to provide guarantees to secure necessary financing, as required under §49.9(d) of this title.

(13) Supplemental Threshold Reports. Documents under subparagraph (A) and (B) must be submitted as further clarified in subparagraph (C) and (D) of this paragraph and in accordance with the Multifamily Market

Study and Environmental Site Assessment Rules and Guidelines, Subchapter B of this Chapter, Sections 1.33 and 1.35.

(A) A Phase I Environmental Site Assessment (ESA) on the subject Property, dated not more than 12 months prior to the first day of the Application Acceptance Period. In the event that a Phase I Environmental Site Assessment on the Development is older than 12 months as of the day the Application Acceptance Period closes, the Development Owner must supply the Department with an update letter from the Person or organization which prepared the initial assessment; provided however, that the Department will not accept any Phase I Environmental Site Assessment which is more than 24 months old as of the day the Application Acceptance Period closes. The ESA must be prepared in accordance with the Department Environmental Site Assessment Rules and Guidelines. Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply this information; however, the Development Owners of such Developments are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

(B) A comprehensive Market Study prepared at the developer's expense by a disinterested Qualified Market Analyst in accordance with the Multifamily Market Study Rules and Guidelines. In the event that a Market Study on the Development is older than 6 months as of the day the Application Acceptance Period closes, the Development Owner must supply the Department with an updated Market Study from the Person or organization which prepared the initial report; provided however, that the Department will not accept any Market Study which is more than 12 months old as of the day the Application Acceptance Period closes. The Market Study should be prepared for and addressed to the Department. For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11)(A) of this section, will satisfy the requirement for a Market Study; no additional Market Study is required, however the Department may request additional information as needed.

(i) The Department may determine from time to time that information not required in the Department Market Analysis and Appraisal Rules and Guidelines will be relevant to the Department's evaluation of the need for the Development and the allocation of the requested Housing Credit Allocation Amount. The Department may request additional information from the Qualified Market Analyst to meet this need.

(ii) All Applicants shall acknowledge by virtue of filing an Application that the Department shall not be bound by any such opinion or the Market Study itself, and may substitute its own analysis and underwriting conclusions for those submitted by the Qualified Market Analyst.

(C) Inserted at the front of each of these reports must be a transmission letter from the person preparing the report that states that the Department is granted full authority to rely on the findings and conclusions of the report.

(D) The requirements for each of the reports identified in subparagraphs (A) and (B) of this paragraph can be satisfied in either of the methods identified in clauses (i) or (ii) of this subparagraph.

(i) Upon Application submission, the documentation for each of these exhibits may be submitted in its entirety as described in subparagraphs (A) and (B) of this paragraph; or

(ii) Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than March 31, 2003. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, March 31, 2003. If the entire exhibit is not received by that time, the Application will be terminated for a Material Deficiency and will be removed from consideration.

(14) Self-Scoring. Applicant's self-score must be completed on the "Application Self-Scoring Form."

(f) Selection Criteria. All Applications will be evaluated according to the Selection Criteria listed in paragraphs (1) through (12) of this subsection.

(1) Development Location Characteristics. Evidence, not more than 6 months old from the date of the close of the Application Acceptance Period, that the subject Property is located within one of the geographical areas described in subparagraphs (A) through (D) of this paragraph. Areas qualifying under any one of the subparagraphs (A) through (D) of this paragraph will receive 5 points. A Development may only receive points under one of the subparagraphs (A) through (D) of this paragraph. A Development may receive points pursuant to subparagraph (E) in addition to any points awarded in subparagraphs (A) through (D).

(A) A geographical area which is:

(i) a Targeted Texas County (TTC) or Economically Distressed Area; or

(ii) a Colonia.

(B) a designated state or federal empowerment/enterprise zone, urban enterprise community, or urban enhanced enterprise community. Such Developments must submit a letter and a map from a city/county official verifying that the proposed Development is located within such a designated zone. Letter should be no older than 6 months from the close of the Application Acceptance Period; or



(C) a city-sponsored Tax Increment Financing Zone (TIF), Public Improvement District (PIDs), or other area or zone where a city or county has, through a local government initiative, specifically encouraged or channeled growth, neighborhood preservation or redevelopment. Significant incentives or benefits must be received from the local government which amount to at least 5% of the Total Development Costs. Such Developments must submit all of the following documentation: a letter from a city/county official verifying that the proposed Development is located within the city sponsored zone or district; a map from the city/county official which clearly delineates the boundaries of the district; and a certified copy of the appropriate resolution or documentation from the mayor, local city council, county judge, or county commissioners court which documents that the designated area was:

(i) created by the local city council/county commission,

(ii) targets a specific geographic area which was not created solely for the benefit of the Applicant, and

(iii) offers tangible and significant area-specific incentives or benefit over and above those normally provided by the city or county.

(D) a non-impacted Census Block pursuant to the Young vs. Martinez judgment. Such Developments must submit evidence in the form of a letter from HUD that the Development is located in such an area.

(E) a Development which is located in a city or county with a relatively low ratio of awarded tax credits (in dollars) to its population. If the Development is located in an incorporated city, the city ratio will be used and if the Development is located outside of an incorporated city, then the county ratio will be used. Such ratios shall be calculated by the Department based on its inventory of tax credit developments and the 2000 Census Data. In the event that census data does not have a figure for a specific place, the Department will rely on the Texas State Data Center's place population estimates, or as a final source the Department will rely on the local municipality's most recent population estimate to calculate the ratio. The ratios will be published in the Reference Manual. Geographic area will be eligible for points as described in clauses (i) through (iv) of this subparagraph.

(i) A city or county with no LIHTC developments will receive eight points.

(ii) A city or county with a ratio greater than zero and less than one will receive six points.

(iii) A city or county with a ratio equal to or greater than one, but less than two, will receive two points.

(iv) A city or county with a ratio greater than four, will have four points deducted from its score.

(2) Housing Needs Characteristics. Each Development, dependent on the city or county where it is located, will yield a score based on the Uniform Housing Needs Scoring Component. If a Development is in an incorporated city, the city score will be used. If a Development is outside the boundaries of an incorporated city, then the county score will be used. The listing of those scores by city and county will be published in the Reference Manual. (20 points maximum).

(3) Support and Consistency with Local Planning. All documents must not be older than 6 months from the close of the Application Acceptance Period. Points may be received under subparagraph (A) or (B) of this paragraph.

(A) Evidence from the local municipal authority stating that the Development fulfills a need for additional affordable rental housing as evidenced in a local consolidated plan, comprehensive plan, or other local planning document; or a letter from the local municipal authority stating that there is no local plan and that the city supports the Development must be submitted (6 points).

(B) Community Support. Points will be awarded based on the written statements of support from local and state elected officials representing constituents in areas that include the location of the Development and from neighborhood and/or community civic organizations for areas that encompass the location of the Development. Letters of support must identify the specific Development and must state support of the specific Development at the proposed location. This documentation must be provided as part of the Application. Letters of support from state officials that do not represent constituents in areas that include the location of the Development will not qualify for points under this Exhibit, nor do letters of support from organizations that are not active in the area that includes the location of the Development. For the purposes of this exhibit neighborhood and/or community civic organizations do not include governmental entities, taxing entities or educational entities. Letters of support received after the close of the Application Acceptance Period will not be accepted for this Exhibit. Points can be awarded for letters of support as identified in clauses (i) through (iv) of this subparagraph, not to exceed a total of 6 points:

(i) from United States Representative or Senate Member (3 points each, maximum of 6 points)

(ii) from State of Texas Representative or Senate Member (3 points each, maximum of 6 points);

(iii) from the Mayor, County Judge, City Council Member, or County Commissioner indicating support; or a resolution from the local governing entity indicating support of the Development (2 points);

(iv) from neighborhood and/or community civic organizations (1 point each, maximum of 2 points).

(4) Development Characteristics. Developments may receive points under as many of the following subparagraphs as are applicable; however to qualify for points under subparagraphs (B) through (J) of this paragraph, the Development must first meet the minimum requirements identified under subparagraph (A) of this paragraph. This minimum requirement does not apply to Developments involving rehabilitation or Developments receiving funding from TX-USDA-RHS.

(A) Unit Size. The square feet of all of the units in the Development, for each type of unit, must be at minimum:

- (i) 500 square feet for an efficiency unit;
- (ii) 650 square feet for a non-elderly one bedroom unit; 550 square feet for an elderly one bedroom unit;
- (iii) 900 square feet for a two bedroom unit; 750 square feet for an elderly two bedroom unit;
- (iv) 1,000 square feet for a three bedroom unit; and
- (v) 1,200 square feet for a four bedroom unit.

(B) Development provides Units for housing individuals with children. To qualify for these points, these Units must have at least 2 bathrooms and no fewer than three bedrooms and at least 1000 square feet of net rentable area for three bedroom Units or 1200 square feet of net rentable area for four bedroom Units; these Unit size and bathroom requirements are not required for Developments involving rehabilitation to be eligible for the points below. Unless the building is served by an elevator, 3 or 4 bedroom Units located above the building's second floor will not qualify for these points. If the Development is a mixed-income development, only tax credit Units will be used in computing the percentage of qualified Units for this selection item.

- (i) 15% of the Units in the Development are three or four bedrooms (5 points); and
- (ii) an additional point will be awarded for each additional 5% increment of Units that are three or four bedrooms up to 30% of the Units (a maximum of three points) (3 points).

(C) Cost per Square Foot. For this exhibit hard costs shall be defined as construction costs, including site work, contractor profit, overhead and general requirements, as represented in Exhibit 102B. This calculation does not include indirect construction costs. The calculation will be hard costs per square foot of net rentable area (NRA). The calculations will be based on the hard cost listed in Exhibit 102B and NRA shown in the Rent Schedule of the Application. Developments do not exceed \$60 per square foot. (1 point).

(D) Unit Amenities and Quality. Developments providing specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure provided in clauses (i) through (xii) of this subparagraph, not to exceed 10 points in total. Developments involving rehabilitation will double the points listed for each item, not to exceed 10 points in total.

- (i) Covered entries (1 point);
- (ii) Computer line/phone jack available in all bedrooms (only one phone line needed) (1 point);
- (iii) Mini blinds or window coverings for all windows (1 point);
- (iv) Ceramic tile floors in entry, kitchen and bathrooms (2 point);
- (v) laundry connections (1 point);
- (vi) storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets (1 point);
- (vii) Laundry equipment (washers and dryers) in units (3 point);
- (viii) Twenty-five year architectural shingle roofing (1 point);
- (ix) Covered patios or covered balconies (1 point);
- (x) Covered parking of at least one covered space per Unit (2 points);
- (xi) Garages, which do not also qualify as covered parking (3 points);
- (xii) Greater than 75% masonry on exterior, excluding cementitious board products (3 points);

(E) The Development is an existing Residential Development without maximum rent limitations or set-asides for affordable housing for which the proposed rehabilitation is part of a community revitalization plan. If maximum rent limitations had existed previously, then the restrictions must have expired at least one year prior to the date of Application to the Department (4 points).

(F) The proposed Development will support the future quality of the Development by including operating reserves in an amount no less than \$300 per Unit for Developments involving rehabilitation and no less than \$200 per Unit for Developments involving new construction. The operating reserve figure must be reflected in the Development's operating budget and proforma. The Development must not only book the reserves but also have the cash deposits to support the reserves. (6 points).

(G) Evidence that the proposed historic Residential Development has received an historic property designation by a federal, state or local Governmental Entity. Such evidence must be in the form of a letter from the designating entity identifying the Development by name and address and stating that the Development is:

- (i) listed in the National Register of Historic Places under the United States Department of the Interior in accordance with the National Historic Preservation Act of 1966;
- (ii) located in a registered historic district and certified by the United States Department of the Interior as being of historic significance to that district;
- (iii) identified in a city, county, or state historic preservation list; or
- (iv) designated as a state landmark (6 points).

(H) The Development consists of not more than 36 Units and is not a part of, or contiguous to, a larger Development (5 points).

(I) Evidence that the proposed Development is partially funded by a HOPE VI, Section 202 or Section 811 grant from HUD. The Development must have already applied for funding from HUD. Evidence shall include a copy of the application to HUD and a letter from HUD indicating that the application was received. (5 points).

(J) The proposed Development involves the rehabilitation of units that are, and will continue to be, owned by a Public Housing Authority (5 points.)

(5) Sponsor Characteristics. Developments may only receive points for one of the two criteria listed in subparagraphs (A) and (B) of this paragraph. To satisfy the requirements of subparagraphs (A) or (B), a copy of an agreement between the two partnering entities must be provided which shows that the nonprofit organization or HUB will hold an ownership interest in and materially participate (within the meaning of the Code §469(h)) in the development and operation of the Development throughout the Compliance Period and clearly identifies the ownership percentages of all parties (3 points maximum for subparagraphs (A) and (B) of this paragraph).

(A) Evidence that a HUB, as certified by the Texas Building and Procurement Commission (formerly General Services Commission), has an ownership interest in and materially participates in the development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas Building and Procurement Commission (formerly General Services Commission) that the Person is a HUB at the close of the Application Acceptance Period. Evidence will need to be supplemented, either at the time the Application is submitted or at the time a HUB certification renewal is received by the Applicant, confirming that the certification is valid through July 31, 2003 and renewable after that date.

(B) Joint Ventures with Qualified Nonprofit Organizations. Evidence that the Development involves a joint venture between a for profit organization and a Qualified Nonprofit Organization. The Qualified Nonprofit Organization must be materially participating in the Development as one of the General Partners (or Managing Members), but is not required to have Control, to receive these points. However, to also be eligible for the Nonprofit Set-Aside, as further described in §49.6 of this title, the Qualified Nonprofit Organization must have Control.

(6) Development Provides Supportive Services to Tenants. Points may be received under both subparagraphs (A) and (B) of this paragraph.

(A) An Applicant will receive points for coordinating their tenant services with those services provided through state workforce development and welfare programs as evidenced by execution of a Tenant Supportive Services Certification (2 points).

(B) The Development Owner must certify that the Development will provide a combination of special supportive services appropriate for the proposed tenants. The provision of supportive services will be included in the LURA as selected from the list of services identified in this paragraph. Services must be provided on-site or transportation to off-site services must be provided (maximum of 6 points).

(i) Applicants will be awarded points for selecting services listed in clause (ii) of this subparagraph based on the following scoring range:

(I) Two points will be awarded for providing one of the services; or

(II) Four points will be awarded for providing two of the services; or

(III) Six points will be awarded for providing three of the services.

(ii) Service options include child care; transportation; basic adult education; legal assistance; counseling services; GED preparation; English as a second language classes; vocational training; home buyer education; credit counseling; financial planning assistance or courses; health screening services; health and nutritional courses; youth programs; scholastic tutoring; social events and activities; community gardens or computer facilities; any other program described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families; or any other services approved in writing by the Department.

(7) Tenant Characteristics - Populations with Special Needs. Evidence that the Development is designed solely for transitional housing for homeless persons on a non-transient basis, with supportive services designed to assist tenants in locating and retaining permanent housing. For the purpose of this exhibit, homeless persons are

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individuals or families that lack a fixed, regular, and adequate nighttime residence as more fully defined in 24 Code of Federal Regulations, §91.5, and as may be amended from time to time. All of the items described in clauses (A) through (E) of this subparagraph must be submitted:

- (A) a detailed narrative describing the type of proposed housing;
- (B) a referral agreement, not more than 12 months old from the first day of the Application Acceptance Period, with an established organization which provides services to the homeless;
- (C) a marketing plan designed to attract qualified tenants and housing providers;
- (D) a list of supportive services; and
- (E) adequate additional income source and executed guarantee to supplement any anticipated operating and funding gaps (15 points).

(8) Serving Low Income Tenants. Applicants may receive points for serving low income tenants under sub-paragraphs (A) and (B) of this paragraph.

(A) Applicants will be eligible for points for serving tenants with rents below the maximum tax credit rents for only one of the clauses listed in this subparagraph. The calculation for these points will be made based on the figures provided in the Rent Schedule submitted with the Application. All representation made will be included in the LURA. In monitoring adherence to these representations, Units rented to Section 8 voucher holders are excluded from this requirement:

- (i) All low income rents are 5% less than the maximum tax credit rents (4 points); or
- (ii) All low income rents are 10% less than the maximum tax credit rents (8 points); or
- (iii) All low income rents are 15% less than the maximum tax credit rents (12 points).

(B) Low Income Targeting Points. An Applicant may qualify for points under clause (iv) of this section. To qualify for these points, the rents for the rent-restricted Units must not be higher than the allowable tax credit rents at the rent-restricted AMGI level. For Section 8 residents, or other rental assistance tenants, the tenant paid rent plus the utility allowance is compared to the rent limit to determine compliance. The Development Owner, upon making selections for this exhibit will set aside Units at the rent-restricted levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA.

(i) To qualify for points for Units set aside for tenants at or below 30% of AMGI, an Applicant must provide evidence of a subsidy as documented by a commitment letter or in the case of local, state or federal subsidy, a copy of the application and evidence that the awarding entity has received the application. Commitments of funds must specify the amount of funds committed, the terms of the commitment and the number of Units targeted at the AMGI level. Evidence of subsidy should be submitted in accordance with 49.7(e) XXX of this section. The commitment of funds can not be provided by any Person with an ownership interest in the Applicant or General Partner(s), the equity provider, the lender, a Related Party, any member of the Development Team, or any entity receiving any portion of the developer fee. Tenant based Section 8 contracts do not constitute evidence of a commitment of subsidy for the Development. If project-based Section 8 is utilized, a letter from the public housing authority indicating that they are committing Section 8 to the Development and that they are permitted by HUD to commit Units to a specific Development.

(ii) No more than 50% of the total number of LI units can be designated as serving tenants at or below 40% of the AMGI for purposes of determining the points in the 40% and 30% AMGI categories. For Developments located in a Qualified Census Tract no more than 30% of the total number of LI units can be designated as serving tenants at or below 40% of the AMGI for purposes of determining the points in the 40% and 30% of AMGI categories.

(iii) For purposes of calculating points no Unit may be counted twice in determining point eligibility.

(iv) Developments should be scored based on the structure in the table below. Only Developments located in cities (or counties for developments not located within a city) whose AMGI is below the statewide AMGI, may use Weight Factor B. All other Applicants are required to use Weight Factor A.

<u>% of AMGI</u>	<u># of Rent Restricted Units (a)</u>	<u>Portion of Rent Restricted Units (a/b)</u>	<u>Weight A</u>	<u>OR</u>	<u>Weight B*</u>	<u>Points</u>
<u>50%</u>	<u>(a)</u>	<u>(c)</u>	<u>X</u>	<u>10</u>	<u>15</u>	
<u>40%</u>	<u>(a)</u>	<u>(c)</u>	<u>X</u>	<u>25</u>	<u>30</u>	
<u>30%</u>	<u>(a)</u>	<u>(c)</u>	<u>X</u>	<u>50</u>	<u>60</u>	

TOTAL LI  
UNITS (b) \_\_\_\_\_

TOTAL  
POINTS = \_\_\_\_\_

(9) Length of Affordability Period. The initial compliance period for a development is fifteen years. In accordance with Code, developments are required to adhere to an extended low income use period for an additional 15 years. To receive points the Development Owner elects, in the Application, to extend the affordability period beyond the extended low income use period. The period commences with the first year of the Credit Period.

(A) Extend the affordability period for an additional 10 years, with an Extended Use Period of 40 years (8 points);

(B) Extend the affordability period for an additional 15 years, with an Extended Use Period of 45 years (10 points);

(C) Extend the affordability period for an additional 20 years, with an Extended Use Period of 50 years (12 points); or

(D) Extend the affordability period for an additional 25 years, with an Extended Use Period of 55 years (14 points);

(10) Evidence that Development Owner agrees to provide a right of first refusal to purchase the Development upon or following the end of the Compliance Period for the minimum purchase price provided in, and in accordance with the requirements of, §42(i)(7) of the Code (the "Minimum Purchase Price"), to a Qualified Nonprofit Organization, the Department; and either an individual tenant with respect to a single family building; or a tenant cooperative, a resident management corporation in the Development or other association of tenants in the Development with respect to multifamily developments (together, in all such cases, including the tenants of a single family building, a "Tenant Organization"). Development Owner may qualify for these points by providing the right of first refusal in the following terms (5 points).

(A) Upon the earlier to occur of:

(i) the Development Owner's determination to sell the Development, or

(ii) the Development Owner's request to the Department, pursuant to §42(h)(6)(I) of the Code, to find a buyer who will purchase the Development pursuant to a "qualified contract" within the meaning of §42(h)(6)(F) of the Code, the Development Owner shall provide a notice of intent to sell the Development ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Development Owner determines that it will sell the Development at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period. If the Development Owner determines that it will sell the Development at some point later than the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to date upon which the Development Owner intends to sell the Development.

(B) During the two years following the giving of Notice of Intent, the Sponsor may enter into an agreement to sell the Development only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(i) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department,

(ii) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(iii) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iv) If, during such two-year period, the Development Owner shall receive an offer to purchase the Development at the Minimum Purchase Price from one of the organizations designated in clauses (i), (ii), and (iii) of this subparagraph (within the period(s) appropriate to such organization), the Development Owner shall sell the Development at the Minimum Purchase Price to such organization. If, during such period, the Development Owner shall receive more than one offer to purchase the Development at the Minimum Purchase Price from one or more of the organizations designated in clauses (i), (ii), and (iii) of this subparagraph (within the period(s) appropriate to such organizations), the Development Owner shall sell the Development at the Minimum Purchase Price to whichever of such organizations it shall choose.

(C) After the later to occur of:

(i) the end of the Compliance Period; or

(ii) two years from delivery of a Notice of Intent,

the Development Owner may sell the Development without regard to any right of first refusal established by the LURA if no offer to purchase the Development at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or a period of 120 days has expired from the date of acceptance of all such offers as shall have been received without the sale having occurred, provided that the failure(s) to close within any such 120-day period shall not have been caused by the Development Owner or matters related to the title for the Development.

(D) At any time prior to the giving of the Notice of Intent, the Development Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Development for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Development by such organization in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(E) The Department shall, at the request of the Development Owner, identify in the LURA a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Development at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(F) The Department shall have the right to enforce the Development Owner's obligation to sell the Development as herein contemplated by obtaining a power-of-attorney from the Development Owner to execute such a sale or by obtaining an order for specific performance of such obligation or by such other means or remedy as shall be, in the Department's discretion, appropriate.

(11) Pre-Application Points. Developments which submit a Pre-Application during the Pre-Application Acceptance Period and meet the requirements of this paragraph shall receive 7 points. To be eligible for these points, the proposed Development in the Application must:

(A) be for the identical site as the proposed Development in the Pre-Application;

(B) have met the Pre-Application Threshold Criteria;

(C) be serving the same target population (family or elderly) in the Pre-Application in the same set-asides; and

(D) achieve an Application score that is not more than 5% greater or less than the number of points requested at Pre-Application.

(12) Point Reductions. Penalties will be imposed on Applicants or Affiliates who have requested extensions of Department deadlines, and did not meet the original submission deadlines, relating to developments receiving a housing tax credit allocation made in the application round preceding the current round. Extensions that will receive penalties include all types of extensions identified in Section 49.13 of this title, received on or before the close of Application Acceptance Period, including Developments whose extensions were authorized by the Board. For each extension request made, the Applicant will be required to pay a \$2,500 extension fee as provided in §50.13(j) and receive a 2 point deduction.

(g) Evaluation Factors. In the event that two or more Applications receive the same number of points in any given set-aside category and region, and are both practicable and economically feasible, the Department will utilize the factors in paragraphs (1) through (8) of this subsection, in the order they are presented, to determine which Development will receive a preference in consideration for a tax credit commitment. The Committee and Board may also choose to evaluate the recommendations of credits for factors other than scoring, or for Tax Exempt Bond Developments, for one or more of the following reasons:

(1) to serve a greater number of lower income families for fewer credits;

(2) to serve a greater number of lower income families for a longer period of time in the form of a longer affordability period;

(3) to ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan;

(4) to ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built as required under the Texas General Appropriations Act applicable to the Department;

(5) to give preference to a Development which is located in a QCT or a Difficult Development Area as specifically designated by the Secretary of HUD, and which also contributes to a concerted community revitalization plan;

(6) to ensure geographic dispersion within each state service region;

(7) to provide the greatest number of quality residential Units; and

(8) to provide integrated, affordable accessible housing for individuals and families with different levels of income.

(h) Staff Recommendations. After eligible Applications have been evaluated, ranked and underwritten in accordance with the QAP and the Rules, the Department staff shall make its recommendations to the Executive

Award and Review Advisory Committee. This Committee will develop funding priorities and shall make allocation recommendations to the Board. Such recommendation and supporting documentation shall be made in advance of the meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. The Committee will provide written, documented recommendations to the Board which will include at a minimum the financial or programmatic viability of each Application and a list of all submitted Applications which enumerates the reason(s) for the Development's proposed selection or denial, including all evaluation factors provided in §49.9(g) of this title that were used in making this determination.

#### **§49.10 Board Decisions; Waiting List; Forward Commitments**

(a) Board Decisions. The Board's decisions shall be based upon its evaluation of the Development's consistency with the criteria and requirements set forth in the QAP and the Rules.

(1) In making a determination to allocate tax credits, the Board shall be authorized not to rely solely on the number of points scored by an Applicant. They shall in addition, be entitled to take into account, as appropriate, the factors described in §49.9(g) of this title. If the Board disapproves or fails to act upon the Application, the Department shall issue to the Development Owner a written notice stating the reason(s) for the Board's disapproval or failure to act.

(2) Before the Board approves any Development Application, the Department shall assess the compliance history of the Applicant and any Affiliate of the Applicant with respect to all applicable requirements; and the compliance issues associated with the proposed Development. The Committee shall provide to the Board a written report regarding the results of the assessments. The written report will be included in the appropriate Development file for Board and Department review. The Board shall fully document and disclose any instances in which the Board approves a Development Application despite any noncompliance associated with the Development, Applicant or Affiliate.

(3) On awarding tax credit allocations, the Board shall document the reasons for each Development's selection, including an explanation of all discretionary factors used in making its determination, and the reasons for any decision that conflicts with the recommendations made by Department staff. The Board may not make, without good cause, an allocation decision that conflicts with the recommendations of Department staff.

(b) Waiting List. If the entire State Housing Credit Ceiling for the applicable calendar year has been committed or allocated in accordance with this chapter, the Board shall generate a waiting list of additional Applications ranked by score in descending order of priority based on Set Aside categories and regional allocation goals. If at any time prior to the end of the Application Round, one or more Commitment Notices expire and a sufficient amount of the State Housing Credit Ceiling becomes available, the Board shall issue a Commitment Notice to Applications on the waiting list subject to the amount of returned credits, the regional allocation goals and the Set Aside categories, including the 10% Nonprofit Set-Aside allocation required under the Code, §42(h)(5). At the end of each calendar year, all Applications which have not received a Commitment Notice shall be deemed terminated. The Applicant may re-apply to the Department during the next Application Acceptance Period.

(c) Forward Commitments. The Board may determine to issue commitments of tax credit authority with respect to Developments from the State Housing Credit Ceiling for the calendar year following the year of issuance (each a "forward commitment"). The Board will utilize its discretion in determining the amount of credits to be allocated as forward commitments and the reasons for those allocations in meeting compelling housing needs. The Board may utilize the forward commitment authority to allocate credits to TX-USDA-RHS Developments which are experiencing foreclosure or loan acceleration at any time during the 2003 calendar year.

(1) Unless otherwise provided in the Commitment Notice with respect to a Development selected to receive a forward commitment, actions which are required to be performed under this chapter by a particular date within a calendar year shall be performed by such date in the calendar year of the anticipated allocation rather than in the calendar year of the forward commitment.

(2) Any forward commitment made pursuant to this section shall be made subject to the availability of State Housing Credit Ceiling in the calendar year with respect to which the forward commitment is made. If a forward commitment shall be made with respect to a Development placed in service in the year of such commitment, the forward commitment shall be a "binding commitment" to allocate the applicable credit dollar amount within the meaning of the Code, §42(h)(1)(C).

(3) If tax credit authority shall become available to the Department later in a calendar year in which forward commitments have been awarded, the Department may allocate such tax credit authority to any eligible Development which received a forward commitment, in which event the forward commitment shall be canceled with respect to such Development.

**§49.11. Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants; Viewing of Pre-Applications and Applications; Confidential Information.**

**(a) Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants.**

(1) Within approximately seven business days of the close of the Pre-Application Acceptance Period, the Department shall publish a Pre-Application Submission Log on its web site. Such log shall contain the Development name, address, set-aside, number of units, requested credits, owner contact name and phone number.

(2) Approximately 30 days before the close of the Application Acceptance Period, the Department will release the evaluation and assessment of the Pre-Applications on its web site.

(3) Within approximately 15 business days of the close of the Application Acceptance Period, the Department shall:

(A) publish an Application submission log, as further described in §49.12(b) of this title, on its web site.

(B) give notice of a proposed Development in writing to the:

(i) mayor or other equivalent chief executive officer of the municipality, if the Development or a part thereof is located in a municipality; otherwise the Department shall notify the chief executive officer of the county in which the Development or a part thereof is located, to advise such individual that the Development or a part thereof will be located in his/her jurisdiction and request any comments which such individual may have concerning such Development. If the local municipal authority expresses opposition to the Development, the Department will give consideration to the objections raised and will visit the proposed site or Development within 30 days of notification to conduct a physical inspection of the Development site and consult with the mayor or county judge before the Application is scored, if opposition is received prior to scoring being completed; and

(ii) state representative and state senator representing the area where a Development would be located. The state representative or senator may hold a community meeting at which the Department shall provide appropriate representation.

(C) The elected officials identified in clauses (i) and (ii) of subparagraph (B) of this paragraph will be provided an opportunity to comment on the Application during the Application evaluation process.

(4) The Department shall hold at least three public hearings in different regions of the state to receive comment on the submitted Applications and on other issues relating to the Low Income Housing Tax Credit Program.

(5) The Department shall provide notice of and information regarding public hearings, board meetings and application opening and closing dates relative to housing tax credits to local housing departments, to appropriate newspapers of general or limited circulation that serve the community in which a proposed Development is to be located, to nonprofit organizations, to on-site property managers of occupied Developments that are the subject of Applications for posting in prominent locations at those Developments, and to any other interested persons including community groups, who request the information and shall post all such information to its web site.

(6) Approximately forty days prior to the date of the July Board Meeting at which the issuance of Commitment Notices shall be discussed, the Department will notify each Applicant of the receipt of any opposition received by the Department relating to his or her Development at that time.

(7) Not later than the third working day after the date of the relevant determinations, the results of each stage of the Application process, including the results of the application scoring and underwriting phases and the allocation phase, will be posted to the Department's web site.

(8) At least thirty days prior to the date of the July Board meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed, the Department will:

(A) provide the application scores to the Board;

(B) if feasible, post to the Department's web site the entire Application, including all supporting documents and exhibits, the Application Log, a scoring sheet providing details of the Application score, and any other documents relating to the processing of the Application.

(9) A summary of comments received by the Department on specific Applications shall be part of the documents required to be reviewed by the Board under this subsection if it is received 30 business days prior to the date of the Board Meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. Comments received after this deadline will not be part of the documentation submitted to the Board. However, a public comment period will be available prior to the Board's decision, at the Board meeting where tax credit allocation decisions will be made.



(140) Not later than the 120<sup>th</sup> day after the date of the initial issuance of Commitment Notices for housing tax credits, the Department shall provide an Applicant who did not receive a commitment for housing tax credits with an opportunity to meet and discuss with the Department the Application's deficiencies, scoring and underwriting.

(b) Viewing of Pre-Applications and Applications. Pre-Applications and Applications for tax credits are public information and are available upon request after the Pre-Application and Application Acceptance Periods close, respectively. All Pre-Applications and Applications, including all exhibits and other supporting materials, except Personal Financial Statements and Social Security numbers, will be made available for public disclosure after the Pre-Application and Application periods close, respectively. The content of Personal Financial Statements may still be made available for public disclosure upon request if the Attorney General's office deems it is not protected from disclosure by the Texas Public Information Act.

(c) Confidential Information. The Department may treat the financial statements of any Applicant as confidential and may elect not to disclose those statements to the public. A request for such information shall be processed in accordance with §552.305 of the Government Code.

#### **§49.12. Tax Exempt Bond Financed Developments: Filing of Applications, Applicability of Rules, Supportive Services, Financial Feasibility Evaluation, Satisfaction of Requirements.**

(a) Filing of Applications for Tax Exempt Bond Financed Developments. Applications for a Tax Exempt Bond Development may be submitted to the Department as described in paragraphs (1) and (3) of this subsection:

(1) Applicants which receive notice of a Program Year 2003 reservation as a result of the Texas Bond Review Board's (TBRB) lottery for the private activity volume cap, and for which the issuer of the bonds is the Department, a complete Application must be filed no later than 10 days after the date of the issuance of the bond reservation. Such filing must be accompanied by the Application fee described in §49.21 of this title.

(2) Applicants which receive advance notice of a Program Year 2003 reservation as a result of the Texas Bond Review Board's (TBRB) lottery for the private activity volume cap, and for which the issuer of the bonds is an entity other than the Department, must file a complete Application not later than 60 days after the date of the TBRB lottery. Such filing must be accompanied by the Application fee described in §49.21 of this title.

(3) Applicants which receive advance notice of a Program Year 2003 reservation after being placed on the waiting list as a result of the TBRB lottery for private activity volume cap, and for which the issuer of the bonds is an entity other than the Department, must submit Volume 1 of the Application and the Application fee described in §49.21 of this title prior to the Applicant's bond reservation date as assigned by the TBRB. Any outstanding documentation required under this section must be submitted to the Department at least 45 days prior to the Board meeting at which the decision to issue a Determination Notice would be made.

(b) Applicability of Rules for Tax Exempt Bond Financed Developments. Tax Exempt Bond Financed Development Applications are subject to all rules in this title, with the only exception being to the following sections: §49.4, §49.7, §49.8, §49.9(c)(2) and (3), §49.9(f), §49.10(b) and (c), §49.11(a) and §49.14. Such Developments requesting a Determination Notice in the current calendar year must meet all Threshold Criteria requirements stipulated in §49.9(e) of this title. Such Developments which received a Determination Notice in a prior calendar year must meet all Threshold Criteria requirements stipulated in the QAP and Rules in effect for the calendar year in which the Determination Notice was issued; provided, however, that such Developments shall comply with all procedural requirements for obtaining Department action in the current QAP and Rules; and such other requirements of the QAP and Rules as the Department determines applicable. At the time of Application, Developments must demonstrate the Development's consistency with the bond issuer's consolidated plan or other similar planning document. Consistency with the local municipality's consolidated plan or similar planning document must also be demonstrated in those instances where the city or county has a consolidated plan.

(c) Supportive Services for Tax Exempt Bond Financed Developments. Tax Exempt Bond Development Applications must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of these services will be included in the LURA. Acceptable services as described in paragraphs (1) through (3) of this paragraph include:

(1) the services must be in one of the following categories: child care, transportation, basic adult education, legal assistance, counseling services, GED preparation, English as a second language classes, vocational training, home buyer education, credit counseling, financial planning assistance or courses, health

screening services, health and nutritional courses, youth programs, scholastic tutoring, social events and activities, community gardens or computer facilities; or

(2) any other program described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families, or

(3) any other services approved in writing by the Issuer. The plan for tenant supportive services submitted for review and approval of the Issuer must contain a plan for coordination of services with state workforce development and welfare programs. The coordinated effort will vary depending upon the needs of the tenant profile at any given time as outlined in the plan.

(d) **Financial Feasibility Evaluation for Tax Exempt Bond Financed Developments.** Code §42(m)(2)(D) required the bond issuer (if other than the Department) to make sure that a Tax Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period. Treasury Regulations prescribe the occasions upon which this determination must be made. In light of the requirement, issuers may either elect to underwrite the Development for this purpose in accordance with the QAP and the Department's underwriting guidelines; or delegate, by agreement, that function to the Department. If the issuer underwrites the Development, the Department will, nonetheless, review the underwriting report and may make such changes in the amount of credits which the Development may be allowed as are appropriate under the Department's guidelines. The Determination Notice issued by the Department and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the Development is determined to be eligible in accordance with this paragraph, and the amount of tax credits reflected in the IRS Form 8609 may be greater or less than the amount set forth in the Determination Notice, based upon the Department's and the bond issuer's determination as of each building's placement in service.

(e) **Satisfaction of Requirements for Tax Exempt Bond Financed Developments.** If the Department staff determines that all requirements of subsection (i) of this section have been met, the Board, shall authorize the Department to issue a Determination Notice to the Applicant that the Development satisfies the requirements of the QAP and Rules in accordance with the Code, §42(m)(1)(D).

### **§49.13 Commitment and Determination Notices; Agreement and Election Statement.**

(a) **Commitment and Determination Notices.** If the Board approves the Application, the Department will:

(1) if the Application is for a Housing Credit Allocation, issue a Commitment Notice to the Development Owner which shall:

(A) confirm that the Board has approved the Application; and

(B) state the Department's commitment to make a Housing Credit Allocation to the Applicant in a specified amount, subject to the feasibility determination described at §49.17 of this title, compliance by the Development Owner with the remaining requirements of this chapter, and any other conditions set forth therein by the Department. This commitment shall expire on the date specified therein unless the Development Owner indicates acceptance of the commitment by executing the Commitment Notice or Determination Notice, pays the required fee specified in §49.21 of this title, and satisfies any other conditions set forth therein by the Department. A Development Owner may request an extension of the Commitment Notice expiration date by submitting extension request and associated extension fee as described in §49.21 of this title. In no event shall the expiration date of a Commitment Notice be extended beyond the last business day of the applicable calendar year.

(2) if the Application is with respect to a Tax Exempt Bond Development, issue a Determination Notice to the Development Owner which shall:

(A) confirm the Board's determination that the Development satisfies the requirements of this QAP; and

(B) state the Department's commitment to issue IRS Form(s) 8609 to the Applicant in a specified amount, subject to the requirements set forth at §49.7(i)12 of this title, compliance by the Development Owner with all applicable requirements of this title, and any other conditions set forth therein by the Department. The Determination Notice shall expire on the date specified therein unless the Development Owner indicates acceptance by executing the Determination Notice and paying the required fee specified in §49.21 of this title. The Determination Notice shall also expire unless the Development Owner satisfies any conditions set forth therein by the Department within the applicable time period.

(3) notify, in writing, the mayor or other equivalent chief executive officer of the municipality in which the Property is located informing him/her of the Board's issuance of a Commitment Notice or Determination Notice, as applicable.

(4) A Commitment or Determination Notice shall not be issued with respect to any Development for an unnecessary amount or where the cost for the total development, acquisition, construction or rehabilitation exceeds the limitations established from time to time by the Department and the Board, unless the Department staff make a recommendation to the Board based on the need to fulfill the goals of the Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.

(5) A Commitment or Determination Notice shall not be issued with respect to any Development in violation of the Concentration Policy, unless the Committee makes a recommendation to the Board based on the need to fulfill the goals of the Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.

(6) A Commitment or Determination Notice shall not be issued with respect to any Applicant or any Person, General Partner, general contractor and their respective principals or Affiliates active in the ownership or control of other low income rental housing property in the state of Texas funded by the Department, or outside the state of Texas, that is in Material Non-Compliance with the LURA (or any other document containing an Extended Low Income Housing Commitment) or the program rules in effect for such property as of June 30, 2003. Any corrective action documentation affecting the Material Non-Compliance status score for Applicants must be received by the Department no later than May 15, 2003.

(b) Agreement and Election Statement. Together with or following the Development Owner's acceptance of the commitment or determination, the Development Owner may execute an Agreement and Election Statement, in the form prescribed by the Department, for the purpose of fixing the applicable credit percentage for the Development as that for the month in which the commitment was accepted (or the month the bonds were issued for Tax Exempt Bond Developments), as provided in the Code, §42(b)(2). Current Treasury Regulations, §1.42-8(a)(1)(v), suggest that in order to permit a Development Owner to make an effective election to fix the applicable credit percentage for a Development, the Carryover Allocation Document must be executed by the Department and the Development Owner in the same month. The Department staff will cooperate with a Development Owner, as needed, to assure that the Commitment Notice can be so executed.

#### **§49.14. Carryover, 10% Test.**

(a) Carryover. All Developments which received a Commitment Notice, and will not be placed in service and receive IRS Form 8609 in the year the Commitment Notice was issued, must submit the Carryover documentation to the Department no later than November 1 of the year in which the Commitment Notice is issued. Commitments for credits will be terminated if the Carryover documentation has not been received by this deadline, or an extension approved by the Board. In the event that a Development Owner intends to submit the Carryover documentation in October of the year in which the Commitment Notice is issued, in order to fix the applicable credit percentage for the Development in October, it must be submitted no later than the first Friday in October. The Carryover Allocation must be properly completed and delivered to the Department as prescribed by the Carryover Allocation Procedures Manual. All Carryover Allocations will be contingent upon the following, in addition to all other conditions placed upon the Application in the Commitment Notice:

(1) A current original plat of survey of the land, prepared by a duly licensed Texas Registered Professional Land Surveyor. Such survey shall conform to standards prescribed in the Manual of Practice for Land Surveying in Texas as promulgated and amended from time to time by the Texas Surveyors Association as more fully described in the Carryover Procedures Manual.

(2) A review of information provided by the IRS as permitted pursuant to IRS Form 8821, Tax Information Authorization, for the release of tax information relating to non-disclosure or recapture issues. Each Applicant must execute and provide to the Department Form 8821 within ten business days of the issuance of a Commitment Notice or Determination Notice. The form must be signed and executed on behalf of the Development Owner. Any information provided by the IRS will be evaluated by the Department in accordance with §49.2(53) and may be utilized by the Board to determine if a Carryover Allocation will be made.

(3) Attendance of the Development Owner and Development architect at eight hours of Fair Housing training on or before the closing of the construction loan.

(b) 10% Test. No later than six months from the date the Carryover Allocation Document is executed by the Department and the Development Owner, more than 10% of the Development Owner's reasonably expected basis has to have been incurred pursuant to Section 42(h)(1)(E)(i) and (ii) of the Internal Revenue Code and Treasury Regulation, Section 1.42-6. The evidence to support the satisfaction of this requirement must be submitted to the Department no later than June 30 in a format proscribed by the Department.

#### **§49.15. Closing of the Construction Loan, Commencement of Substantial Construction.**

(a) Closing of the Construction Loan. The Development Owner must submit evidence of having closed the construction loan no later than the second Friday in June of the year after the execution of the Carryover Allocation Document with the possibility of an extension as described in §49.21 of this title. At the time of submission of the documentation, the Development Owner must also submit a Management Plan and an Affirmative Marketing Plan as further described in the Carryover Allocation Procedures Manual. The Carryover Allocation will automatically be revoked if the Development Owner fails to meet the aforementioned closing deadline, and has not had an extension approved, and all credits previously allocated to that Development will be returned to the general pool for reallocation.

(b) Commencement of Substantial Construction. The Development Owner must commence and continue substantial construction activities not later than the last Friday in August of the year after the execution of the Carryover Allocation Document with the possibility of an extension as described in §49.21 of this title. The minimum activity necessary to meet the requirement of substantial construction for new Developments will be defined as having poured foundations for at least 50% of all of the buildings in the Development. Evidence of such activity shall be provided in a format proscribed by the Department.

#### **§49.16. Cost Certification, LURA.**

(a) Cost Certification Filings. Developments that will be placed in service and request IRS Forms 8609 in the year the Commitment Notice was issued must submit the required Cost Certification documentation and the compliance and monitoring fee to the Department by the second Friday in November of that same year. The Department will issue IRS Forms 8609 no later than 90 days from the date of receipt of the Cost Certification documentation, so long as all subsequent documentation requested by the Department related to the processing of the Cost Certification documentation has been provided on or before the seventy-fifth day from the date of receipt of the original Cost Certification documentation. Any deficiency letters issued to the Owner pertaining to the Cost Certification documentation will also be copied to the syndicator.

(b) Land Use Restriction Agreement (LURA). Prior to the Department's issuance of the IRS Form 8609 declaring that the Development has been placed in service for purposes of the Code, §42, Development Owners must date, sign and acknowledge before a notary public a LURA and send the original to the Department for execution. The Development Owner shall then record said LURA, along with any and all exhibits attached thereto, in the real property records of the county where the Development is located and return the original document, duly certified as to recordation by the appropriate county official, to the Department. If any liens (other than mechanics' or materialmen's liens) shall have been recorded against the Development and/or the Property prior to the recording of the LURA, the Development Owner shall obtain the subordination of the rights of any such lienholder, or other effective consent, to the survival of certain obligations contained in the LURA following the foreclosure of any such lien. Receipt of such certified recorded original LURA by the Department is required prior to issuance of IRS Form 8609. A representative of the Department shall physically inspect the Development for compliance with the Application and the representatives, warranties, covenants, agreements and undertakings contained therein before the IRS Form 8609 is issued, but in no event later than the end of the second calendar year following the year the last building in the Development is placed in service. The Development Owner for Tax Exempt Bond Developments shall obtain a subordination agreement wherein the lien of the mortgage is

subordinated to the LURA. If an Owner intends for the Department to execute a LURA by the end of a the calendar year, then the proposed LURA, executed by the Owner and/or lienholder, must be submitted to the Department for execution no later than December 1 of that calendar year.

#### **§49.17. Housing Credit Allocations.**

(a) In making a Housing Credit Allocation under this chapter, the Department shall rely upon information contained in the Applicant's Application to determine whether a building is eligible for the credit under the Code, §42. The Applicant shall bear full responsibility for claiming the credit and assuring that the Development

complies with the requirements of the Code, §42. The Department shall have no responsibility for ensuring that an Applicant who receives a housing credit allocation from the Department will qualify for the housing credit.

(b) The Housing Credit Allocation Amount shall not exceed the dollar amount the Department determines is necessary for the financial feasibility and the long term viability of the Development throughout the Compliance Period. Such determination shall be made by the Department at the time of issuance of the Commitment Notice or Determination Notice; at the time the Department makes a Housing Credit Allocation; and/or the date the building is placed in service. Any Housing Credit Allocation Amount specified in a Commitment Notice, Determination Notice or Carryover Allocation Document is subject to change by the Department dependent upon such determination. Such a determination shall be made by the Department based on its evaluation and procedures, considering the items specified in the Code, §42(m)(2)(B), and the department in no way or manner represents or warrants to any applicant, sponsor, investor, lender or other entity that the Development is, in fact, feasible or viable.

(c) The General Contractor hired by the Applicant must meet specific criteria as defined by the Seventy-fifth Legislature. A general contractor hired by an applicant or an applicant, if the applicant serves as general contractor must demonstrate a history of constructing similar types of housings without the use of federal tax credits. Evidence must be submitted to the Department which sufficiently documents that the general contractor has constructed some housing without the use of low income housing credits. This documentation will be required as a condition of the commitment notice or carryover agreement, and must be complied with prior to commencement of construction and at cost certification and final allocation of credits.

(d) An allocation will be made in the name of the Applicant identified in the related Commitment Notice or Determination Notice. If an allocation is made in the name of the party expected to be the General Partner in an eventual owner partnership, the Department may, upon request, approve a transfer of allocation to such owner partnership in which such party is the sole General Partner. Any other transfer of an allocation will be subject to review and approval by the Department. The approval of any such transfer does not constitute a representation to the effect that such transfer is permissible under §42 of the Code or without adverse consequences thereunder, and the Department may condition its approval upon receipt and approval of complete documentation regarding the new owner including all the criteria for scoring, evaluation and underwriting, among others, which were applicable to the original Applicant.

(e) The Department shall make a Housing Credit Allocation, either in the form of IRS Form 8609, with respect to current year allocations for buildings placed in service, or in the Carryover Allocation Document, for buildings not yet placed in service, to any Development Owner who holds a Commitment Notice which has not expired, and for which all fees as specified in §49.21 of this title, have been received by the Department. For Tax Exempt Bond Developments, the Housing Credit Allocation shall be made in the form of a Determination Notice. For an IRS Form 8609 to be issued with respect to a building in a Development with a Housing Credit Allocation, satisfactory evidence must be received by the Department that such building is completed and has been placed in service in accordance with the provisions of the Department's Cost Certification Procedures Manual. The Cost Certification documentation requirements will include a certification and inspection report prepared by a Third-Party accredited accessibility inspector to certify that the Development meets all required accessibility standards. IRS Form 8609 will not be issued until the certifications received by the Department. The Department shall mail or deliver IRS Form 8609 (or any successor form adopted by the Internal Revenue Service) to the Development Owner, with Part I thereof completed in all respects and signed by an authorized official of the Department. The delivery of the IRS Form 8609 will occur only after the Development Owner has complied with all procedures and requirements listed within the Cost Certification Procedures Manual. Regardless of the year of Application to the Department for low income housing tax credits, the current year's Cost Certification Procedures Manual must be utilized when filing all cost certification requests. A separate housing credit allocation shall be made with respect to each building within a Development which is eligible for a housing credit; provided, however, that where an allocation is made pursuant to a Carryover Allocation Document on a Development basis in accordance with the Code, §42(h)(1)(F), a housing credit dollar amount shall not be assigned to particular buildings in the Development until the issuance of IRS Form 8609s with respect to such buildings.

(f) In making a Housing Credit Allocation, the Department shall specify a maximum Applicable Percentage, not to exceed the Applicable Percentage for the building permitted by the Code, §42(b), and a maximum Qualified Basis amount. In specifying the maximum applicable percentage and the maximum Qualified Basis amount, the Department shall disregard the first-year conventions described in the Code, §42(f)(2)(A) and §42(f)(3)(B). The housing credit allocation made by the Department shall not exceed the amount necessary to support the extended low income housing commitment as required by the Code, §42(h)(6)(C)(i).

(g) Development inspections shall be required to show that the Development is built or rehabilitated according to required plans and specifications. At a minimum, all Development inspections must include an inspection for quality during the construction process while defects can reasonably be corrected and a final inspection at the time the Development is placed in service. All such Development inspections shall be performed by the Department or by an independent, third party inspector acceptable to the Department. The Development Owner shall pay all fees and costs of said inspections as described in §49.21 of this title.

(h) After the entire Development is placed in service, which must occur prior to the deadline specified in the Carryover Allocation Document, the Development Owner shall be responsible for furnishing the Department with documentation which satisfies the requirements set forth in the Cost Certification Procedures Manual. A newly constructed or rehabilitated building is not placed in service until all units in such building have been completed and certified by the appropriate local authority or registered architect as ready for occupancy. The Cost Certification must be submitted for the entire Development, therefore partial Cost Certifications are not allowed. The Department may require copies of invoices and receipts and statements for materials and labor utilized for the new construction or rehabilitation and, if applicable, a closing statement for the acquisition of the Development as well as for the closing of all interim and permanent financing for the Development. If the Applicant does not fulfill all representations made in the Application, the Department may make reasonable reductions to the tax credit amount allocated via the IRS Form 8609 or may withhold issuance of the IRS Form 8609s until these representations are met.

(i) The Board in its sole discretion may allocate credits to a Development Owner in addition to those awarded at the time of the initial Carryover Allocation in instances where there is bona fide substantiation of cost overruns and the Department has made a determination that the allocation is needed to maintain the Development's financial viability as a qualified low income Development.

(j) The Department may, at any time and without additional administrative process, determine to award credits to Developments previously evaluated and awarded credits if it determines that such previously awarded credits are or may be invalid and the owner was not responsible for such invalidity. The Department may also consider an amendment to a Commitment Notice or Carryover Allocation or other requirement with respect to a Development if the revisions:

- (1) are consistent with the Code and the tax credit program;
- (2) do not occur while the Development is under consideration for tax credits;
- (3) do not involve a change in the number of points scored (unless the Development's ranking is adjusted because of such change);
- (4) do not involve a change in the Development's site; or
- (5) do not involve a change in the set-aside election.

~~**§49.7. Pre-Application Evaluation Process and Criteria; Application Evaluation Process; Evaluation Factors; Tie Breaker Criteria; Threshold Criteria; Selection Criteria; Credit Amount; Limitations on the Size of Developments; Tax Exempt Bond Financed Developments; Adherence to Obligations; Amendment of Applications; Housing Tax Credit and Ownership Transfers.**~~

~~(a) Pre-Application Evaluation Process and Criteria. Eligible Pre-Applications will be evaluated for Pre-Application Threshold Criteria, Pre-Application Selection Criteria, and as requested, adherence to the Subsection §49.9(b) of this title, in accordance with this section of the QAP and the Rules. Applications that have new TxRD-USDA financing for either new construction or rehabilitation, as evidenced by confirmation from the state office of TxRD, are exempted from the Pre-Application Evaluation Process and are not eligible to receive points for submission of a Pre-Application. Applications for rehabilitation of TxRD properties that do not have new financing from TxRD-USDA are not exempt from the Pre-Application Evaluation Process and are eligible to receive points for submission of a Pre-Application.~~

~~(1) Pre-Application Threshold Criteria and Review. Applicants submitting a Pre-Application will be required to submit information demonstrating their satisfaction of the Pre-Application Threshold Criteria. The Pre-Applications not meeting the Pre-Application Threshold Criteria will be returned to the Applicant without further review and with a written notice to the effect that the Pre-Application Threshold Criteria have not been met. The Department shall not be responsible for the Applicant's failure to meet the Pre-Application Threshold Criteria and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Pre-Application Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled. The Pre-Application Threshold Criteria include:~~

~~(A) Submission of the Uniform Application and any other supporting forms required by the Department;~~

~~(B) Evidence of site control and site depiction as evidenced by the documentation required under Sections 49.7(e)(5)(A) and 49.7(e)(3)(H)(i) of this title;~~

~~(C) Evidence of appropriate zoning or steps toward zoning as evidenced by the documentation required under Section 49.7(e)(5)(B) of this title; and~~

~~(D) Evidence of notification to public officials as evidenced by the documentation required under Section 49.7(e)(6)(B).~~

~~(2) Pre-Application Selection Criteria and Review. Only Pre-Applications which have satisfied all of the Pre-Application Threshold Criteria requirements set forth in paragraph (1) of this subsection and for which the Applicant has been found to be in compliance, will be reviewed according to the points scored under the Pre-Application Selection Criteria, which include all of the Selection Criteria, and supporting documentation to justify that Criteria, identified in §49.7(f) of this title.~~

~~(3) While not required, an Applicant submitting a Pre-Application may also submit a Market Study, in accordance with Exhibit 49.7(e)(12)(B), if they would like the Department to review the Development as it relates to §49.9(b) of this title.~~

~~(4) Pre-Application Results and Rules. After the Pre-Applications have been reviewed for Pre-Application Threshold Criteria and Pre-Application Selection Criteria, the Developments having satisfied the requirements of the Pre-Application Threshold Criteria will be released with their Pre-Application Selection Criteria scores, sorted by region. The order and scores of those Developments released on the Pre-Application log do not represent a commitment on the part of the Department or the Board to allocate tax credits to any Development and the Department bears no liability for decisions made by Applicants based on the results of the Pre-Application Log. Inclusion of a Development on the Pre-Application Log does not ensure that an Applicant will receive Bonus Points for a Pre-Application. To receive Bonus Points an Applicant must meet the requirements of §49.7(f)(10) of this title.~~

~~(b) Application Evaluation Process. After eligible Applications have been evaluated, ranked and underwritten in accordance with this section of the QAP and the Rules, an application may be eligible for a recommendation to the Board as described in §49.4(g) of this title.~~

~~(1) Threshold Criteria Review. Applications will be initially evaluated against the Threshold Criteria. Applications not meeting Threshold Criteria will be terminated, unless the Department determines that the failure to meet the Threshold Criteria is the result of correctable deficiencies, in which event the Applicant shall be given an opportunity to correct such deficiencies. Applications not meeting Threshold Criteria will be rejected and will be returned to the Applicant without further review with a written notice to the effect that the Threshold Criteria have not been met. The Department shall not be responsible for the Applicant's failure to meet the Threshold Criteria, and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled. Applications will also be reviewed to ensure that they are not in violation of §49.9(b) of this title, relating to concentration.~~

~~(2) Selection Criteria Review. For an Application to be considered under the Selection Criteria, the Applicant must demonstrate that the Development meets all of the Threshold Criteria requirements set forth in subsection (e) of this section. Applications that satisfy the Threshold Criteria will then be scored and ranked according to the Selection Criteria listed in subsection (f) of this section. The Department may not award points for a scoring criterion that is disproportionate to the degree to which a proposed Development complied with that criterion. Applications not scored by the Department's staff shall be deemed to have the points allocated through self-scoring by the Applicants until actually scored. This shall apply only for ranking purposes.~~

~~(3) Underwriting Evaluation and Criteria. After the Application is scored under the Selection Criteria, the Department will assign the Development for evaluation of compliance status by the Department's compliance division and financial feasibility by the Department's credit underwriting division.~~

~~(A) The Department will evaluate compliance status and underwrite the Applications ranked under paragraph (2) of this subsection beginning with the Applications with the highest scores in each region and in each Set Aside identified in §49.6 of this title. Based on Application rankings, the Department shall continue to underwrite Applications until the Department has processed enough Applications satisfying the Department's underwriting criteria to enable the allocation of all available housing tax credits according to regional allocation goals and Set Aside categories. To enable the Board to establish a Waiting List, the Department shall underwrite as many additional Applications as the Committee and Board consider necessary to ensure that all available housing tax credits are allocated within the period required by law.~~

~~(B) Underwriting of the Development will include a determination by the Department, pursuant to the Code, §42, that the amount of credits recommended for allocation to a Development is necessary for the financial feasibility of the Development and its long-term viability as a qualified low income housing property. In making this determination, the Department will use the guidelines identified in §49.8 of this title and take into account:~~

- ~~(i) the Development's total development costs;~~
- ~~(ii) actual or Development's operating expenses and reserves for replacement;~~
- ~~(iii) Development's sources of financing;~~
- ~~(iv) proceeds from the syndication of the tax credits;~~
- ~~(v) the Development's debt coverage ratio; and~~
- ~~(vi) the Development's overall conformance with the Department's underwriting guidelines as~~

~~described in §49.8 of this title.~~

~~(C) The Department may have an outside third party perform the underwriting evaluation to the extent it determines appropriate, consistent with the guidelines outlined in §49.8 of this title. The expense of any third party underwriting evaluation shall be paid by the Applicant prior to the commencement of the aforementioned evaluation.~~

~~(4) Site Evaluation. Site conditions shall be evaluated through a physical site inspection by Department staff. Such inspection will evaluate the site based on the Site Evaluation form provided in the Application and provide a site evaluation of "Excellent," "Acceptable," "Poor" or "Unacceptable". The evaluations shall be based on condition of the surrounding neighborhood and proximity to retail, medical, recreational, and educational facilities, and employment centers. The site's visibility to prospective tenants and accessibility of the site via the existing transportation infrastructure and public transportation systems shall be considered. "Unacceptable" sites would include a non-mitigable environmental factor that would impact the health and safety of the residents.~~

~~(c) Evaluation Factors. The Committee and Board may choose to evaluate the recommendations of credits for factors other than scoring for one or more of the following reasons:~~

- ~~(1) to serve a greater number of lower income families for fewer credits;~~
- ~~(2) to serve a greater number of lower income families for a longer period of time;~~
- ~~(3) to ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.~~

~~(4) to ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built as required under the Texas General Appropriations Act applicable to the Department.~~

~~(d) Tie Breaker Criteria. In the event that two or more Applications receive the same number of points in any given set-aside category and region and compare equally under the factors described in subsection (c) of this section, the Department will utilize the factors in paragraphs (1) through (9) of this subsection, in the order they are presented, to determine which Development will receive a preference in consideration for a tax credit commitment. As described by these paragraphs, preference in recommending credits for allocation will be given to Developments which are practicable and economically feasible, and which:~~

- ~~(1) serve persons with the lowest percentage of area median family income;~~
- ~~(2) serve low income tenants for the longest period of time, in the form of a longer Compliance Period and/or extended low income use period (as set forth in the LURA);~~
- ~~(3) is located in a Qualified Census Tract, the development of which contributes to a concerted community revitalization plan;~~

~~(4) has substantial community support as evidenced by the commitment of local public funds toward the construction, rehabilitation and acquisition and subsequent rehabilitation of the Development or use other funding sources to minimize the amount of subsidy needed to complete the Development;~~

~~(5) provides for the most efficient usage of the low income housing tax credit on a per Unit basis;~~

~~(6) has a Unit composition that provides the highest percentage of three bedrooms or greater sized Units;~~

~~(7) provides integrated, affordable accessible housing for individuals and families with different levels of income;~~

~~(8) provides the greatest number of quality residential units; or~~

~~(9) in the case of Applications involving preservation, support or approval by an association of residents of the multifamily housing development will be considered.~~

~~(e) Threshold Criteria. The following Threshold Criteria listed in paragraphs (1) through (12) of this subsection are mandatory requirements at the time of Application submission:~~

~~(1) Completion and submission of the Application provided in the Application Submission Procedures Manual, which includes the Uniform Application and any other supplemental forms which may be required by the Department. The Application, at a minimum, will include the names, company names, company contact persons, address and telephone number of any Persons, including Affiliates of those Persons and Related Parties, providing developmental or operations services to the Development including a Development Owner, an architect, an attorney, a tax professional, a property management company, a consultant, a market analyst, a tenant service provider, a syndicator, a real estate broker or agent or a person receiving a fee in connection~~



with services usually provided by a real estate broker or agent, the owners of the property on which the Development is located at the time the Application is submitted, a developer, and a builder or general contractor.

(2) Completion and submission of the Site Packet as provided in the Application Submission Procedures Manual.

(3) Exhibit 101. Certifications and Design Items. The "Certification Form" provided in the Application Submission Procedures Manual and supporting documents. This exhibit will provide:

(A) A description of the type of amenities proposed for the development. If fees in addition to rent are charged for amenities reserved for an individual tenant's use (i.e. covered parking, storage, etc.), then the amenity may not be included among those provided to complete this exhibit. Developments with more than 36 units must provide at least four of the amenities provided in clauses (i) through (viii) of this subparagraph. Developments with 36 Units or less, Developments receiving funding from TxRD-USDA, and Preservation Developments must provide at least two of the amenities provided in clauses (i) through (viii) of this subparagraph. Any future changes in these amenities, or substitution of these amenities, may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in a cancellation of a Commitment Notice or Carryover Allocation if the Threshold Criteria are no longer met.

(i) Full perimeter fencing with controlled gate access;

(ii) designated playground and equipment;

(iii) community laundry room and/or laundry hook-ups in Units (no hook-up fees of any kind may be charged to a tenant for use of the hook-ups);

(iv) furnished community room;

(v) recreation facilities;

(vi) public telephone(s) available to tenants 24 hours a day;

(vii) on-site day care, senior center, or community meals room; or

(viii) computer facilities.

(B) A certification that the Development will adhere to the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere at a minimum to the International Building Code as it relates to access, lighting and life safety issues.

(C) A certification that the Applicant is in compliance with with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. Section 3601 et seq.), and the Fair Housing Amendments Act of 1988 (42 U.S.C. Section 3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. Section 2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.); and the Rehabilitation Act of 1973 (29 U.S.C. Section 701 et seq.)

(D) A certification that the Applicant will attempt to ensure that at least 30% of the construction and management businesses with which the Applicant contracts in connection with the Development are Minority Owned Businesses, and that the Applicant will submit at least once in each 90-day period following the date of the Commitment Notice a report, in a format proscribed by the Department and provided at the time a Commitment Notice is received, on the percentage of businesses with which the Applicant has contracted that qualify as Minority Owned Businesses.

(E) A certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for 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 designed as Townhomes or other two-story dwelling Units, the Applicant must include one bedroom and one bathroom on the ground level of 20% of all Units for each Unit type, include a bathroom with at least a toilet and a sink on the ground level of all Units, and meet Fair Housing standards. At the construction loan closing a certification from an accredited architect will be required stating that the Development was designed in conformance with these standards and that all features have been or will be installed to make the Unit accessible for persons with mobility impairments or persons with hearing or vision impairments. A similar certification will also be required after the Development is completed.

(F) A certification that the Development will adhere to the Department's Minimum Standard Energy Saving Devices in the construction of each tax credit Unit identified in clauses (i) through (vi) of this subparagraph, and that all Units must be air-conditioned. The devices must be certified by the Development architect as being included in the design of each tax credit Unit prior to the closing of the construction loan and in actual construction upon Cost Certification.

~~(i) Wall insulation at a minimum of R-15. ceiling insulation at a minimum of R-30. Roof decking to have radiant barriers;~~  
~~(ii) Energy Star rated heating and cooling systems, or in dry climates an evaporative cooling system may replace the Energy Star cooling system;~~  
~~(iii) All appliances installed, including water heaters, to be Energy Star rated;~~  
~~(iv) Maximum 2.5 gallon/minute showerheads and maximum 1.5 gallon/minute faucet aerators;~~  
~~(v) If used, natural gas heating systems must have a minimum energy factor of 0.85; and~~  
~~(vi) If recessed lighting is used, it must use either compact fluorescent lights or fluorescent tube lights.~~

~~(G) A certification that the Development will be built by a General Contractor that satisfies the requirements of the General Appropriation Act, Article VII, Rider 11(c) applicable to the Department which requires that the General Contractor hired by the Development Owner or the Applicant, if the Applicant serves as General Contractor, must demonstrate a history of constructing similar types of housing without the use of federal tax credits. (H) All of the architectural drawings identified in clauses (i) through (vi) of this subparagraph. If documentation for clause (i) was already submitted as part of a Pre-Application, and no alterations have been made to the document, then the Applicant is not required to submit this documentation in the Application. While full size design or construction documents are not required, the drawings must have an accurate and legible scale and show the dimensions:~~

~~(i) a drawing of the entire property that is under the control the prospective ownership entity, which must be a professionally generated (e.g. computer-generated or architectural draft; not a sketch) plat drawn to scale from a metes and bounds description;~~

~~(ii) a site plan which:~~

~~(I) is consistent with the number of Units and Unit mix specified in the "Rent Schedule" provided in the Application;~~

~~(II) identifies all residential, common buildings and proposed amenities; and~~

~~(III) clearly delineates the flood plain boundary lines and other easements shown in the site survey;~~

~~(iii) floor plans and elevations for each type of residential building;~~

~~(iv) floor plans and elevations for each type of common area building;~~

~~(v) unit floor plans for each type of Unit. The use of each room must be labeled. The net rentable areas these unit floor plans represent should be consistent with those shown in the "Rent Schedule" provided in the application; and~~

~~(vi) elevations of residential and common area buildings which include a percentage estimate of the exterior composition, i.e. 50% brick, 50% siding.~~

~~(I) Rehabilitation Developments must submit photographs of the existing signage, typical building elevations and interiors, existing Development amenities, and site work. These photos should clearly document the typical areas and building components which exemplify the need for rehabilitation.~~

~~(4) Exhibit 102. Evidence of the Development's development costs and corresponding credit request and syndication information as described in subparagraphs (A) through (G) of this paragraph.~~

~~(A) Exhibit 102A. A written narrative describing the financing plan for the Development, including any non-traditional financing arrangements; the use of funds with respect to the Development; the funding sources for the Development including construction, permanent and bridge loans, and rents, operating subsidies, and replacement reserves; and the commitment status of the funding sources for the Development. This information must be consistent with the information provided throughout the Application.~~

~~(B) Exhibit 102B. All Developments must submit the "Development Cost Schedule" provided in the Application Submission Procedures Manual. This exhibit must have been prepared and executed not more than 90 days prior to the close of the Application Acceptance Period.~~

~~(C) Exhibit 102C. "Cost of Syndication" Worksheet. A syndicator or financial consultant of the Applicant must provide an estimate of the amount of equity dollars expected to be raised for the Development in conjunction with the amount of housing tax credits requested for allocation to the applicant, including pay-in schedules, syndicator consulting fees and other syndication costs. If syndication costs are included in the eligible basis, a justification of the syndication costs for each cost category by an attorney or accountant specializing in tax matters must also be provided.~~

~~(D) Exhibit 102D. For Developments located in a Qualified Census Tract (QCT) as determined by the Secretary of HUD and qualifying for a 30% increase in Eligible Basis, pursuant to the Code, §42(d)(5)(C), Applicants must submit a copy of the census map clearly showing that the proposed Development is located within a QCT. Census tract numbers must be clearly marked on the map, and must be identical to the QCT number stated in the Department's Reference Manual.~~

~~(E) Exhibit 102E. Rehabilitation Developments must also submit the "Proposed Work Write Up for Rehabilitation Developments" provided in the Application Submission Procedures Manual. This form must be prepared and certified by a third party registered architect, professional engineer or general Contractor. Rehabilitation Developments must establish that the rehabilitation will be substantial and will involve at least \$6,000 per unit in direct hard costs.~~

~~(F) Exhibit 102F. If offsite costs are included in the budget as a line item, or embedded in the site acquisition contract, or referenced in the utility provider letters, then the supplemental form "Off Site Cost Breakdown" must be provided.~~

~~(G) Exhibit 102G. If projected site work costs include unusual or extraordinary items or exceed \$6,500 per unit, then the Applicant must provide a detailed cost breakdown prepared by a third party engineer or architect, and a letter from a certified public accountant allocating which portions of those site costs should be included in eligible basis and which ones are ineligible.~~

~~(5) Exhibit 103. Evidence of readiness to proceed as evidenced by at least one of the items under each of subparagraphs (A) through (E) of this paragraph:~~

~~(A) Exhibit 103A. Evidence of site control in the name of the ownership entity, or entities which comprise the Applicant. If the evidence is not in the name of the Development Owner, then the documentation should reflect an expressed ability to transfer the rights to the Development Owner. If this documentation was already submitted as part of a Pre-Application, and no alterations have been made to the documents, then the Applicant is not required to submit this documentation in the Application. One of the following items described in clauses (i) through (iii) of this subparagraph must be provided:~~

~~(i) a recorded warranty deed; or~~

~~(ii) a contract for sale or lease (the minimum term of the lease must be at least 45 years) which is valid through July 31, 2002 or at least 90 days, whichever is greater; or~~

~~(iii) an exclusive option to purchase which is valid for the entire period the Development is under consideration for tax credits or at least 90 days, whichever is greater.~~

~~(B) Exhibit 103B. Evidence from the appropriate local municipal authority that satisfies one of clauses (i) through (iii) of this subparagraph. Documentation must have been prepared and executed not more than 90 days prior to the close of the Application Acceptance Period. If this documentation was already submitted as part of a Pre-Application, and no alterations have been made to the documents, then the Applicant is not required to submit this documentation in the Application.~~

~~(i) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that the Development is located within the boundaries of a political subdivision which does not have a zoning ordinance;~~

~~(ii) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that:~~

~~(I) the Development is permitted under the provisions of the ordinance that apply to the location of the Development; or~~

~~(II) the Applicant is in the process of seeking the appropriate zoning and has signed and provided to the political subdivision a release agreeing to hold the political subdivision and all other parties harmless in the event that the appropriate zoning is denied.~~

~~(iii) In the case of a rehabilitation Development, if the property is currently a non-conforming use as presently zoned, a letter which discuss the items in subclauses (I) through (IV) of this clause:~~

~~(I) a detailed narrative of the nature of non-conformance;~~

~~(II) the applicable destruction threshold;~~

~~(III) owner's rights to reconstruct in the event of damage; and~~

~~(IV) penalties for noncompliance.~~ (C) Exhibit 103C. This Exhibit is required for New Construction only. Evidence of the availability of all necessary utilities/services to the development site. Necessary utilities include natural gas (if it will be utilized by the Development), electric, trash, water, and sewer. Such evidence must be a letter or a monthly utility bill from the appropriate municipal/local service provider. If utilities are not already accessible, then the letter must clearly state: an estimated time frame for provision of the utilities, an estimate of the infrastructure cost, and an estimate of any portion of that cost that will be borne by the developer. Letters must be from an authorized individual representing the organization which actually provides the services. Such documentation should clearly indicate the address of the proposed site. If utilities are not already accessible (undeveloped areas), then the letter should not be older than three months from the first day of the Application Acceptance Period.

~~(D) Exhibit 103D. Evidence of interim and permanent financing sufficient to fund the proposed Total Housing Development Cost less any other funds requested from the Department and any other sources documented in the Application. Such evidence must be consistent with the sources and uses of funds represented~~

in the Application and shall be provided in one or more of the following forms described in clauses (i) through (iv) of this subparagraph:

~~(i) bona fide financing in place as evidenced by a valid and binding loan agreement and a deed(s) of trust in the name of the ownership entity which identifies the mortgagor as the Applicant or entities which comprise the general partner and/or expressly allows the transfer to the Proposed Development Owner; or,~~

~~(ii) bona fide commitment or term sheet issued by a lending institution or mortgage company that is actively and regularly engaged in the business of lending money which is addressed to the ownership entity, or entities which comprise the Applicant and which has been executed and accepted by both parties (the term of the loan must be for a minimum of 15 years with at least a 30-year amortization). The commitment must state an expiration date. Such a commitment may be conditional upon the completion of due diligence by the lender and upon the award of tax credits; or,~~

~~(iii) any Federal, State or locally subsidized gap financing of soft debt must be identified at the time of application. At a minimum, evidence from the lending agency that an application for funding has been made and a term sheet which clearly describes the amount and terms of the funding must be submitted. While evidence of application for funding from another TDHCA program is not required (as these funds will be presented to the Board concurrently with the recommendation for tax credits), the Applicant must clearly indicate that such an application has been filed as required by the Application Submission Procedures Manual. If the necessary financing has not been committed by the applicable lending agency, the Commitment Notice, Housing Credit Allocation or Determination Notice, as the case may be, will be conditioned upon Applicant obtaining a commitment for the required financing by a date certain; or~~

~~(iv) if the Development will be financed through Development Owner contributions, provide a letter from an independent CPA verifying the capacity of the Applicant to provide the proposed financing with funds that are not otherwise committed together with a letter from the Applicant's bank or banks confirming that sufficient funds are available to the Applicant. Documentation must have been prepared and executed not more than 90 days prior to the close of the Application Acceptance Period.(E) Exhibit 103E. A copy of the full legal description and either of the documents described in clauses (i) and (ii) of this subparagraph, and satisfying the requirements of clause (iii), if applicable:~~

~~(i) a copy of the current title policy which shows that the ownership (or leasehold) of the land/Development is vested in the exact name of the Applicant, or entities which comprise the Applicant; or~~

~~(ii) a copy of a current title commitment with the proposed insured matching exactly the name of the Applicant or entities which comprise the Applicant and the title of the land/Development vested in the name of the exact name of the seller or lessor as indicated on the sales contract or lease.~~

~~(iii) if the title policy or title commitment is more than six months old as of the day the Application Acceptance Period closes, than a letter from the title company indicating that nothing further has transpired on the policy or commitment.~~

~~(6) Exhibit 104. Evidence of all of the notifications described in subparagraphs (A) through (D) of this paragraph. Such notices must be prepared in accordance with "Exhibit 104, Pre-Application Public Notifications" provided in the Application Submission Procedures Manual.~~

~~(A) Exhibit 104A. A copy of the public notice published in a widely circulated newspaper in the area in which the proposed Development will be located. Such notice must run at least twice within a thirty day period. The notice should not run on holidays or weekends. Such notice must be published prior to the submission of the Application to the Department and can not be older than three months from the first day of the Application Acceptance Period. In communities located in close proximity to a larger metropolitan area and whose citizens may subscribe to a local newspaper as well as a widely circulated metropolitan newspaper, the notice should be published in both newspapers.~~

~~(B) Exhibit 104B. Evidence of notification of the local chief executive officer(s) (i.e., mayor and county judge), state senator, and state representative of the locality of the Development. Evidence of such notification shall include a letter which at a minimum contains a copy of the public notice sent to the official and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said official. Proof of notification should not be older than three months from the first day of the Application Acceptance Period. If this documentation was already submitted as part of a Pre-Application, and no alterations have been made to the documents, then the Applicant is not required to submit this documentation in the Application.~~

~~(C) Exhibit 104C. If any of the units in the Development are occupied at the time of application, then the Applicant must post a copy of the public notice in a prominent location at the Development throughout the period of time the Application is under review by the Department. A picture of this posted notice must be provided with this exhibit. When the Department's public hearing schedule for comment on submitted~~

applications becomes available, a copy of the schedule must also be posted until such hearings are completed. Compliance with these requirements shall be confirmed during the Department's site inspection.

~~(D) Exhibit 104D. Public Housing Waiting List. Evidence that the Development Owner has committed in writing to the local public housing authority (PHA) the availability of Units and that the Development Owner agrees to consider households on the PHA's waiting list as potential tenants and that the Property is available to Section 8 certificate or voucher holders. Evidence of this commitment must include a copy of the Development Owner's letter to the PHA and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said PHA. Proof of notification should not be older than three months from the first day of the Application Acceptance Period. If no PHA is within the locality of the Development, the Development Owner must utilize the nearest authority or office responsible for administering Section 8 programs.~~

~~(7) Exhibit 105. Evidence of the Development's ownership structure and the Applicant's previous experience as described in subparagraphs (A) through (E) of this paragraph. The 2002 versions of these forms must be submitted.~~

~~(A) Exhibit 105A. A chart which clearly illustrates the complete organizational structure of the Development Owner. This chart should provide the names and ownership percentages of Persons with an ownership interest in the Development. The percentage ownership of all Persons in Control of these entities and sub-entities must also be clearly defined.~~

~~(B) Exhibit 105B. The Applicant, General Partner (or Managing Member) and all Persons with an ownership interest in the General Partner (or the Managing Member) of these entities and sub-entities must also provide documentation of standing to include the following documentation as applicable under clauses (i) through (iii) of this subclause.~~

~~(i) For entities that are not yet formed:~~

~~(I) a certificate of reservation of the entity name from the Texas Secretary of State; and~~

~~(II) an executed letter of intent to organize, statement of partnership or partnership agreement.~~

~~(ii) For existing entities:~~

~~(I) if the entity has been formed for three months or longer, a copy of the Certificate of Good Standing from the Comptroller showing good standing; if the entity has been formed for less than three months, a certificate of reservation of the entity name from the Texas Secretary of State,~~

~~(II) a copy of the Articles of Incorporation, Organization or Partnership.~~

~~(iii) the Applicant must provide evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution or by-laws which indicate same from the sub-entity in Control of the Applicant, and that those persons constitute all persons required to sign or submit such documents.~~

~~(C) Exhibit 105C. A copy of the completed and executed "Exhibit 105C, Previous Participation and Background Certification Form," which is provided in the Application Submission Procedures Manual must be submitted for each Person owning an interest in the general partner (or, if Applicant is to be a limited liability company, the managing member) of the Applicant. If the developer of the Development is receiving more than 10% of the developer fee, he/she will also be required to submit documents for this exhibit.~~

~~(D) Exhibit 105D. Evidence that each Person owning an interest in the general partner (or if Applicant is to be a limited liability company, the managing member) of the Applicant has sent "Exhibit 105D, National Previous Participation and Background Certification Form," to the appropriate Housing Credit Agency for each state in which they have developed or operated affordable housing. This form is only necessary when the Developments involved are outside of the state of Texas. An original form is not required. Evidence of such notification shall be a copy of the form sent to the agency and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said agency.~~

~~(E) Exhibit 105E. Evidence that the Development Owner's general partner, partner (or if Applicant is to be a limited liability company, the managing member) General Contractor or their principals have a record of successfully constructing or developing residential units or comparable commercial property (i.e. dormitory and hotel/motel) in the capacity of owner, general partner, managing member, or General Contractor. If the General Contractor's experience is being claimed for this exhibit, then the Development Owner must request the Department's approval prior to replacing the General Contractor. If rehabilitation experience is being claimed to qualify for an Application involving new construction, then the rehabilitation must have been substantial and involved at least \$6,000 of direct hard cost per unit.~~

~~(i) The term "successfully" is defined as acting in a capacity as the general contractor or developer of:~~

~~(I) at least 100 residential units or comparable commercial property; or~~

~~(II) at least 36 residential units or comparable commercial property if the Development applying for credits is a Rural Development.~~

~~(ii) Evidence must be one of the following documents:~~

~~(I) A certification from the Department that the Person with the experience satisfies this exhibit. Applicants who have previously applied for a Tax Credit Allocation must request this certification at least seven days prior to the beginning of the Application Acceptance Period. Applicants should ensure that the individual whose name is on the certification appears in the organizational chart provided in Exhibit 105A. If the certification is for the General Contractor, then this should be clearly indicated on the document.~~

~~(II) If the Department has not previously certified that the experience of the Development Owner, general partner, managing member or General Contractor qualifies for this exhibit, then one of the following documents must be submitted: American Institute of Architects (AIA) Document A111 – Standard Form of Agreement Between Owner & Contractor, AIA Document G704 – Certificate of Substantial Completion, IRS Form 8609, HUD Form 9822, development agreements, partnership agreements, or other appropriate documentation verifying that the general partner, General Contractor or their principals have the required experience. If submitting the IRS Form 8609, only one form per Development is required. The evidence must clearly indicate:~~

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

~~(b) that the names on the forms and agreements tie back to the ownership entity, general partner, general contractor and their respective principals as listed in the Application; and~~

~~(c) the number of units completed or substantially completed.~~

~~(8) Exhibit 106. Evidence of the Development's projected income and operating expenses as described in subparagraphs (A) through (D) of this paragraph:~~

~~(A) All Developments must provide a 15-year proforma estimate of operating expenses and supporting documentation used to generate projections (excerpts from the market study, operating statements from comparable properties, etc).~~

~~(B) If rental assistance, an operating subsidy, an annuity, or an interest rate reduction payment is proposed to exist or continue for the Development, any related contract or other agreement securing those funds must be provided, which at a minimum identifies the source and annual amount of the funds, the number of Units receiving the funds, and the term and expiration date of the contract or other agreement.~~

~~(C) Applicant must provide documentation from the source of the "Utility Allowance" estimate used in completing the Rent Schedule provided in the Application. This exhibit must clearly indicate which utility costs are included in the estimate. If there is more than one entity (Section 8 administrator, public housing authority) responsible for setting the utility allowance(s) in the area of the Development location, then the Utility Allowance selected must be the one which most closely reflects the actual utility costs in that Development area. In this case, documentation from the local utility provider supporting the selection must be provided.~~

~~(D) Occupied Developments undergoing rehabilitation must also submit the items described in clauses (i) through (iv) of the subparagraph.~~

~~(i) If the current property owner is unwilling to provide the required documentation, then a signed statement as to their unwillingness to do so is required.~~

~~(I) historical monthly operating statements of the subject Development for 12 consecutive months ending not more than 45 days prior to the first day of the Application Acceptance Period. In lieu of the monthly operating statements, two annual operating statement summaries may be provided. If 12 months of operating statements or two annual operating summaries can not be obtained, then the monthly operating statements since the date of acquisition of the Development and any other supporting documentation used to generate projections may be provided; and~~

~~(II) a rent roll not more than 90 days old as of the day the Application Acceptance Period closes, that discloses the terms and rate of the lease, rental rates offered at the date of the rent roll, Unit mix, tenant names or vacancy, and dates of first occupancy and expiration of lease.~~

~~(ii) a written explanation of the process used to notify and consult with the tenants in preparing the application;~~

~~(iii) a relocation plan outlining relocation requirements and a budget with an identified funding source; and~~

~~(iv) if applicable, evidence that the relocation plan has been submitted to the appropriate legal agency.~~

~~(9) Exhibit 107. Applications involving Nonprofit General Partners and Qualified Nonprofit Developments.~~

~~(A) All Applicants involving a nonprofit general partner (or Managing Member), regardless of the set-aside applied under, must submit all of the documents described in clauses (i) through (iii) of this subparagraph which confirm that the Applicant is a Qualified Nonprofit Organization pursuant to Code, §42(h)(5)(C):~~

~~(i) an IRS determination letter which states that the Qualified Nonprofit Organization is a 501(c)(3) or (4) entity;~~

~~(ii) a copy of the articles of incorporation of the nonprofit organization which specifically states that the fostering of affordable housing is one of the entity's exempt purposes;~~

~~(iii) "Exhibit 107A, Nonprofit Participation Exhibit"; and~~

~~(B) Additionally, all Applicants applying under the Nonprofit Set-Aside, as defined by the Code, §42(h)(5), must also provide the following information with respect to each Development Owner and each general partner of a Development Owner, as described in clauses (i) through (vii) of this subparagraph.~~

~~(i) evidence that one of the exempt purposes of the nonprofit organization is to provide low income housing;~~

~~(ii) evidence that the nonprofit organization prohibits a member of its board of directors, other than a chief staff member serving concurrently as a member of the board, from receiving material compensation for service on the board;~~

~~(iii) a thirdparty legal opinion stating that the nonprofit organization is not affiliated with or controlled by a for-profit organization and the basis for that opinion;~~

~~(iv) a copy of the nonprofit organization's most recent audited financial statement;~~

~~(v) a list of the names and home addresses of members of the board of directors of the nonprofit organization;~~

~~(vi) a third-party legal opinion stating that the nonprofit organization is eligible, as further described, for a housing tax credit allocation from the nonprofit set-aside and the basis for that opinion. Eligibility is contingent upon the non-profit organization controlling a majority of the Development, or if the organization's Application is filed on behalf of a limited partnership, or limited liability company, be the managing partner (or Managing Member); and otherwise meet the requirements of the Code, §42(h)(5); and~~

~~(vii) evidence, in the form of a certification, that a majority of the members of the nonprofit organization's board of directors principally reside:~~

~~(I) in this state, if the Development is located in a rural area; or~~

~~(II) not more than 90 miles from the Development in the community in which the Development is located, if the Development is not located in a rural area.~~

~~(10) Exhibit 108. Applicants applying for acquisition credits or affiliated with the seller must provide all of the documentation described in subparagraphs (A) through (C) of this paragraph. Applicants applying for acquisition credits must also provide the items described in subparagraph (D) of this paragraph and as provided in the Application Submission Procedures Manual.~~

~~(A) an appraisal, not more than 6 months old as of the day the Application Acceptance Period closes, which complies with the Uniform Standards of Professional Appraisal Practice and the Department's Market Analysis and Appraisal Policy. This appraisal of the Property must separately state the as-is, pre-acquisition or transfer value of the land and the improvements where applicable;~~

~~(B) a valuation report from the county tax appraisal district;~~

~~(C) clear identification of the selling Persons or entities, and details of any relationship between the seller and the Applicant or any Affiliation with the Development Team, Qualified Market Analyst or any other professional or other consultant performing services with respect to the Development. If any such relationship exists, complete disclosure and documentation of the related party's original acquisition and holding costs since acquisition to justify the proposed sales price must also be provided; and~~

~~(D) "Exhibit 108D, Acquisition of Existing Buildings Form."~~

~~(11) Exhibit 109. Evidence of the Applicant's, or any person with an ownership interest in the General Partner (or Managing Member), financial status as provided by both documents described in subparagraphs (A) and (B) of this paragraph and as provided in the Application Submission Procedures Manual. If the developer of the Development is receiving a development fee of 10% or more of total development costs, he/she will also be required to submit documents for this exhibit. Such evidence must be filed separately from the volume containing the Threshold Criteria and placed in a large envelope labeled as Exhibit 109, as instructed in the Application Submission Procedures Manual.~~

~~(A) Exhibit 109A. A Personal Financial and Credit Statement completed and signed by each Person with a general partner (or if Applicant is to be a Limited Liability Company, managing member) interest in the Applicant. Applicant's statement must not be older than 90 days from the first day of the Application Acceptance Period. If submitting partnership and corporate financials in addition to the individual statements, the certified financial statements should not be older than 12 months. This document is required for an entity even if the entity is wholly-owned by a person who has submitted this document as an individual.~~

~~(B) Exhibit 109B. Authorization to Release Credit Information must be completed by all Persons with an ownership interest in the Applicant.~~

~~(12) Supplemental Threshold Reports. Documents under subparagraph (A) and (B) must be submitted as further clarified in subparagraph (C) and (D) of this paragraph and §49.9 of this title.~~

~~(A) Exhibit 110. A Phase I Environmental Site Assessment (ESA) on the subject Property, dated not more than 12 months prior to the first day of the Application Acceptance Period. In the event that a Phase I Environmental Site Assessment on the Development is older than 12 months as of the day the Application Acceptance Period closes, the Development Owner must supply the Department with an update letter from the Person or organization which prepared the initial assessment; provided however, that the Department will not accept any Phase I Environmental Site Assessment which is more than 24 months old as of the day the Application Acceptance Period closes. The ESA must be prepared in accordance with the policies provided in §49.9 of this title. The ESA must contain a FEMA panel with the site precisely superimposed on the map and a copy of the cover of the FEMA map panel, showing the panel number. If the Development is identified as being in a flood plain, the Applicant must also provide a written explanation of what portion of the Development will be located in the flood plain (i.e., filled, used as parking, used as green space).~~

~~(B) Exhibit 111. A comprehensive Market Study prepared at the developer's expense by a disinterested Qualified Market Analyst in accordance with the Market Analysis and Appraisal Policy provided in §49.9 of this title. In the event that a Market Study on the Development is older than 6 months as of the day the Application Acceptance Period closes, the Development Owner must supply the Department with an updated Market Study from the Person or organization which prepared the initial report; provided however, that the Department will not accept any Market Study which is more than 12 months old as of the day the Application Acceptance Period closes. The Market Study should be prepared for and addressed to the Department.~~

~~(i) The Department may determine from time to time that information not requested in the Third Party Market Study Standards will be relevant to the Department's evaluation of the need for the Development and the allocation of the requested Housing Credit Allocation Amount. The Department may request additional information from the Qualified Market Analyst to meet this need.~~

~~(ii) All Applicants shall acknowledge by virtue of filing an Application that the Department shall not be bound by any such opinion or the Market Study itself, and may substitute its own analysis and underwriting conclusions for those submitted by the Qualified Market Analyst.~~

~~(C) Inserted at the front of each of these reports must be a transmission letter from the person preparing the report that states that the Department is granted full authority to rely on the findings and conclusions of the report.~~

~~(D) The requirements for each of the reports identified in subparagraphs (A) and (B) of this paragraph can be satisfied in either of the methods identified in clauses (i) or (ii) of this subparagraph.~~

~~(i) Upon Application submission, the documentation for each of these exhibits may be submitted in its entirety as described in subparagraphs (A) and (B) of this paragraph; or~~

~~(ii) Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than March 29, 2002. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, March 29, 2002. If the entire exhibit is not received by that time, the Application will be terminated for a Material Deficiency and will be removed from consideration.~~

~~(f) Selection Criteria. All Applications will be ranked according to the Selection Criteria listed in paragraphs (1) through (11) of this subsection. If this documentation was already submitted as part of a Pre-Application, and no alterations have been made to the documents, then the Applicant is not required to submit this documentation in the Application.~~

~~(1) Exhibit 201, Development Location Characteristics. Evidence, not more than 90 days old from the date of the Application Acceptance Period, that the subject Property is located within one of the geographical areas described in subparagraphs (A) through (E) of this paragraph. Areas qualifying under any one of the subparagraphs (A) through (E) of this paragraph will receive 5 points. A Development may only receive points under one of the subparagraphs (A) through (E) of this paragraph. A Development may receive points pursuant to subparagraph (F) in addition to any points awarded in subparagraphs (A) through (E).~~

~~(A) A geographical area which is:~~

~~(i) a Targeted Texas County (TTC) or Economically Distressed Area; or~~

~~(ii) a Colonia.~~

~~(B) a designated state or federal empowerment/enterprise zone, urban enterprise community, or urban enhanced enterprise community. Such Developments must submit a letter and a map from a city/county official verifying that the proposed Development is located within such a designated zone. Letter should be no older than 90 days from the first day of Application Acceptance Period; or~~

~~(C) a city-sponsored Tax Increment Financing Zone (TIF), Public Improvement District (PIDs), or other area or zone where a city or county has, through a local government initiative, specifically encouraged or~~



channeled growth, neighborhood preservation or redevelopment. Significant incentives or benefits must be received from the local government which amount to at least 5% of the Total Development Costs. Such Developments must submit all of the following documentation: a letter from a city/county official verifying that the proposed Development is located within the city sponsored zone or district; a map from the city/county official which clearly delineates the boundaries of the district; and a certified copy of the appropriate resolution or documentation from the mayor, local city council, county judge, or county commissioners court which documents that the designated area was:

(i) created by the local city council/county commission,

(ii) targets a specific geographic area which was not created solely for the benefit of the Applicant, and

(iii) offers tangible and significant area-specific incentives or benefit over and above those normally provided by the city or county.

(D) a Development which is located in a QCT or a "Difficult Development Area" as specifically designated by the Secretary of HUD, and contributes to a concerted community revitalization plan. To qualify for these points, the Development Owner, in addition to submitting Exhibit 102 (B), must also submit a letter from a city/county official which verifies that the Development is located in a Qualified Census Tract as defined by HUD, effective January 1, 2002, or a DDA, and provides a detailed description of the revitalization plan under way in the community, including how the Development contributes to such concerted revitalization efforts.

(E) a non-impacted Census Block pursuant to the Young vs. Martinez judgement. Such Developments must submit evidence in the form of a certification from HUD that the Development is located in such an area.

(F) a Development which is located in a city or county with a relatively low ratio of awarded tax credits (in dollars) to its population. If the Development is located in an incorporated city, the city ratio will be used and if the Development is located outside of an incorporated city, then the county ratio will be used. Such ratios shall be calculated by the Department based on its inventory of tax credit developments and the 2000 Census Data. In the event that census data does not have a figure for a specific place, the Department will rely on the Texas State Data Center's place population estimates, or as a final source the Department will rely on the local municipality's most recent population estimate to calculate the ratio. The ratios will be published in the Reference Manual. Geographic area will be eligible for points as described in clauses (i) through (iv) of this subparagraph.

(i) A city or county with no LIHTC developments will receive six points.

(ii) A city or county with a ratio greater than zero and less than one will receive four points.

(iii) A city or county with a ratio equal to or greater than one, but less than two, will receive two points.

(iv) A city or county with a ratio greater than four, will have four points deducted from its score.

(2) Housing Needs Characteristics. Each Development, dependent on the city or county where it is located, will yield a score based on the Uniform Housing Needs Scoring Component. If a Development is in an incorporated city, the city score will be used. If a Development is outside the boundaries of an incorporated city, then the county score will be used. The listing of those scores by city and county will be published in the Reference Manual. (20 points maximum).

(3) Exhibit 202. Support and Consistency with Local Planning. All documents must not be older than 90 days from the first day of the Application Acceptance Period.

(A) Evidence from the local municipal authority stating that the Development fulfills a need for additional affordable rental housing as evidenced in a local consolidated plan, comprehensive plan, or other local planning document. If the municipality does not have such a planning document, then a letter from the local municipal authority stating that there is no local plan and that the city supports the Development must be submitted (6 points).

(B) Community Support. Points will be awarded based on the written statements of support from local and state elected officials representing constituents in areas that include the location of the Development. Letters of support must identify the specific Development and must specifically state the officials support of the Development at the proposed location. This documentation must be provided as part of the Application. Letters of support from state officials that do not represent constituents in areas that include the location of the Development will not qualify for points under this Exhibit. Letters of support received after the close of the Application Acceptance Period will not be accepted for this Exhibit. Points can be awarded for letters of support as identified in clauses (i) and (ii) of this subparagraph (maximum 4 points):

(i) from State of Texas Representative or Senate Member (1 point each, maximum of 2 points); and

(ii) from the Mayor, County Judge, City Council Member, or County Commissioner indicating support; or a resolution from the local governing entity indicating support of the Development (2 points)

~~(C) Points will be awarded based on the written statements of support from neighborhood and/or community civic organizations for areas that encompass the location of the Development. Letters of support must identify the specific Development and must specifically state the organization's support of the Development at the proposed location. This documentation must be provided as part of the Application. Letters of support from organizations that are not active in the area including the location of the Development will not qualify for points under this Exhibit. Letters of support received after the close of the Application Acceptance Period will not be accepted for this Exhibit. (1 point each, maximum of 2 points.)~~

~~(4) Development Characteristics. Developments may receive points under as many of the following subparagraphs as are applicable. This minimum requirement does not apply to Developments involving rehabilitation or Developments receiving funding from TxRD-USDA. To qualify for points under subparagraphs (D) through (H) of this paragraph, the Development must first meet the minimum requirements identified under subparagraph (A) of this paragraph.~~

~~(A) Unit Size. The square feet of all of the units in the Development, for each type of unit, must be at minimum:~~

- ~~(i) 500 square feet for an efficiency unit;~~
- ~~(ii) 750 square feet for a non-elderly one bedroom unit; 550 square feet for an elderly one bedroom unit;~~
- ~~(iii) 900 square feet for a two bedroom unit; 750 square feet for an elderly two bedroom unit;~~
- ~~(iv) 1,000 square feet for a three bedroom unit; and~~
- ~~(v) 1,100 square feet for a four bedroom unit.~~

~~(B) Exhibit 203. Evidence that the Development to be purchased qualifies as a federally assisted building within the meaning of the Code, §42(d)(6)(B), and is in danger of having the mortgage assigned to HUD, TxRD-USDA, or creating a claim on a federal mortgage insurance fund (such evidence must be a letter from the institution to which the Development is in danger of being assigned); OR evidence that the Applicant is purchasing(ed) a Property owned by HUD, an insured depository institution in default, or a receiver or conservator of such an institution, or is an REO Property or other existing Property which is being rehabilitated as part of a community revitalization plan. Such evidence must be in the form of a binding contract to purchase from such federal or other entity as described in this subparagraph, closing statements, or recorded warranty deed, not more than 6 months old from the first day of the Application Acceptance Period. For an existing Development which is part of a community revitalization plan, documentation must include a letter from the city/county which verifies that the Development is part of a community revitalization plan and provides a detailed description of the contribution to the revitalization plan (5 points).~~

~~(C) Exhibit 204. Evidence that the Development is an At-Risk Development. Applicant shall also provide a statement as to its willingness to maintain low-income use restrictions for the period applicable to the type of HUD assistance involved, and the actions taken or required by it in order to assure that the HUD assistance will continue to be provided to the Development (8 points).~~

~~(D) Development provides Units for housing individuals with children. To qualify for these points, these Units must have at least 2 bathrooms and no fewer than three bedrooms and at least 1000 square feet of net rentable area for three bedroom Units or 1200 square feet of net rentable area for four bedroom Units; these Unit size and bathroom requirements are not required for Developments involving rehabilitation to be eligible for the points below. Unless the building is served by an elevator, 3 or 4 bedroom Units located above the building's second floor will not qualify for these points. If the Development is a mixed-income development, only tax credit Units will be used in computing the percentage of qualified Units for this selection item.~~

- ~~(i) 15% of the Units in the Development are three or four bedrooms (5 points); and~~
- ~~(ii) an additional point will be awarded for each additional 5% increment of Units that are three or four bedrooms up to 30% of the Units (a maximum of three points) (3 points).~~

~~(E) Cost per Square Foot. For this exhibit hard costs shall be defined as construction costs, including contractor profit, overhead and general requirements. The calculation will be hard costs per square foot of net rentable area (NRA). The calculations will be based on the hard cost listed in Exhibit 102B and NRA shown in the Rent Schedule of the Application. Developments do not exceed \$60 per square foot. (1 point).~~

~~(F) Exhibit 205. Unit Amenities and Quality. Developments providing specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure provided in clauses (i) through (xiv) of this subparagraph, not to exceed 10 points in total. Developments involving rehabilitation will double the points listed for each item, not to exceed 10 points in total.~~

- ~~(i) Lighting Package: Includes heat light and vent fans in all bathrooms and all rooms have ceiling fixtures with accessible wall switches (1 point);~~
- ~~(ii) Kitchen Amenity Package: Includes microwave, disposal, dish washer, range/oven, fan/hood, and refrigerator (1 point);~~
- ~~(iii) Covered entries (1 point);~~

- (iv) Computer line/phone jack available in all bedrooms (only one phone line needed) (1 point);
- (v) Mini-blinds or window coverings for all windows (1 point);
- (vi) Ceramic tile floors in entry, kitchen and bathrooms (2 point);
- (vii) laundry connections (1 point);
- (viii) storage area(1 point);
- (ix) Laundry equipment (washers and dryers) in units (3 point);
- (x) Twenty-five year architectural shingle roofing (1 point);
- (xi) Covered patios or balconies (1 point);
- (xii) Covered parking (2 points);
- (xiii) Garages (3 points);(xiv) Greater than 75% masonry on exterior (3 points);

(G) The proposed Development provides housing density of no more than 42 Units per acre for multi-story elderly or urban infill Developments and no more than 24 Units per acre for all other Developments, as follows: (i) 34 Units per acre or less for multi-story elderly or urban infill developments, or 16 Units or less per acre for all other Developments (6 points); or

(ii) 35 to 38 Units per acre for multi-story elderly or urban infill developments, or 17 to 20 Units per acre for all other Developments (4 points); or

(iii) 39 to 42 Units per acres for multi-story elderly or urban infill developments, 21 to 24 Units per acre for all other Developments (2 points).

(H) Exhibit 206. The Development is an existing Residential Development without maximum rent limitations or set-asides for affordable housing. If maximum rent limitations had existed previously, then the restrictions must have expired at least one year prior to the date of Application to the Department (4 points).

(I) The Development is a mixed-income development comprised of both market rate Units and qualified tax credit Units. To qualify for these points, the project must be located in a submarket where the average rents based on the number of bedrooms for comparable market rate units are at least 10% higher on a per net rentable square foot basis than the maximum allowable rents under the Program. Additionally, excluding 4-bedroom Units, the proposed rents for the market rate units in the project must be at least 5% higher on a per net rentable square foot basis than the maximum allowable rents under the Program. The Market Study required by subsection (e)(12)(B) of this section must provide an analysis of these requirements for each bedroom type shown in proposed unit mix. Points will be awarded to Development's with a Unit based Applicable Fraction which is no greater than:

- (i) 80% (8 points); or,
- (ii) 85% (6 points); or,
- (iii) 90% (4 points); or
- (iv) 95% (2 points).

(J) Exhibit 207. Evidence that the proposed historic Residential Development has received an historic property designation by a federal, state or local Governmental Entity. Such evidence must be in the form of a letter from the designating entity identifying the Development by name and address and stating that the Development is:

- (i) listed in the National Register of Historic Places under the United States Department of the Interior in accordance with the National Historic Preservation Act of 1966;
- (ii) located in a registered historic district and certified by the United States Department of the Interior as being of historic significance to that district;
- (iii) identified in a city, county, or state historic preservation list; or
- (iv) designated as a state landmark (6 points).

(K) The Development consists of not more than 36 Units and is not a part of, or contiguous to, a larger Development (5 points).

(L) Exhibit 208. Evidence that the proposed Development is partially funded by a HOPE VI, Section 202 or Section 811 grant from HUD. The Project must have already received the commitment from HUD. Submission of a HOPE VI, Section 202 or Section 811 grant application to HUD does not qualify a Development for these points. Evidence shall include a copy of the commitment letter from HUD indicating the HOPE VI, Section 202 or Section 811 grant terms and grant award amount (5 points).

(5) Sponsor Characteristics. Developments may only receive points for one of the two criteria listed in subparagraphs (A) and (B) of this paragraph. To satisfy the requirements of subparagraphs (A) or (B), a copy of an agreement between the two partnering entities must be provided which shows that the nonprofit organization or HUB will hold an ownership interest in and materially participate (within the meaning of the Code §469(h)) in the development and operation of the Development throughout the Compliance Period and clearly identifies the ownership percentages of all parties (3 points maximum for subparagraphs (A) and (B) of this paragraph).

~~(A) Exhibit 209. Evidence that a HUB, as certified by the Texas Building and Procurement Commission (formerly General Services Commission), has an ownership interest in and materially participates in the development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas Building and Procurement Commission (formerly General Services Commission) that the Person is a HUB and is valid through July 31, 2002 and renewable after that date.~~

~~(B) Exhibit 210. Joint Ventures with Qualified Nonprofit Organizations. Evidence that the Development involves a joint venture between a for profit organization and a Qualified Nonprofit Organization. The Qualified Nonprofit Organization must be materially participating in the Development as one of the General Partners (or Managing Members), but is not required to have Control, to receive these points. However, Developments without Control will not be eligible for the nonprofit set-aside.~~

~~(6) Exhibit 211. Development Provides Supportive Services to Tenants. Evidence that the Development Owner has an executed agreement with a for profit organization or a tax-exempt entity for the provision of special supportive services for the tenants. The service provider must be an existing organization qualified by the Internal Revenue Service or other governmental entity. The provision of supportive services will be included in the LURA (up to 7 points, depending upon the services committed in accordance with subparagraph (B) of this paragraph, plus two additional points pursuant to clause (vi) of subparagraph (B) of this paragraph). Acceptable services are described in subparagraphs (C) through (E) of this paragraph.~~

~~(A) Both documents described in clauses (i) and (ii) of this subparagraph must be submitted for the service provider to be considered under this exhibit.~~

~~(i) A fully executed contract, not more than 6 months old from the first day of the Application Acceptance Period between the service provider and the Applicant that establishes that the services offered provide a benefit that would not be readily available to the tenants if they were not residing in the Development.~~

~~(ii) A copy of the service provider's Articles of Incorporation or comparable chartering document.~~

~~(B) The supportive services contract will be evaluated using the criteria described in clauses (i) through (vi) of this subparagraph. The contract must clearly state the:~~

~~(i) Cost of Services to the Development Owner. The cost shown in the contract must also be included in the Development's operating budget and proforma. The costs must be reasonable for the benefit derived by the tenants. Services for which the Development Owner does not pay, will not receive a point for this item, except in the event that a supportive service provider is able to provide services with funds they receive from other sources. Evidence of the provider's other funding source(s) enabling the provision of service to the tenants of the proposed Development must be provided (1 point).~~

~~(ii) Availability of Services - The services must be provided on site or with transportation provided to offsite locations (1 point).~~

~~(iii) Duration of Contract - A commitment to provide the services for not less than five years or an option to renew the contract annually for not less than five years must be provided (1 point).~~

~~(iv) Experience of Service Provider - The Department will evaluate the experience of the organization as well as the professional and educational qualifications of the individuals delivering the services (1 point).~~

~~(v) Appropriateness - Services must be appropriate and provide a tangible benefit in enhancing the standard of living of a majority of low-income tenants (1 point).~~

~~(vi) Coordination with tenant services provided through housing programs - An extra two points will be awarded for services that are provided through state workforce development and welfare programs as evidenced by execution of a Tenant Supportive Services Certification (2 points).~~

~~(C) the services must be in one of the following categories: child care, transportation, basic adult education, legal assistance, counseling services, GED preparation, English as a second language classes, vocational training, home buyer education, credit counseling, financial planning assistance or courses, health screening services, health and nutritional courses, youth programs, scholastic tutoring, social events and activities, community gardens or computer facilities; or~~

~~(D) any other program described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of-wedlock pregnancies; and encourages the formation and maintenance of two-parent families, or~~

~~(E) any other services approved in writing by the Department.~~

~~(7) Tenant Characteristics - Populations with Special Needs Housing & Rent and Income Levels. Developments may receive points under as many of the subparagraphs as apply, in accordance with the terms of those subparagraphs.~~

~~(A) This criterion applies to elderly Developments which provide significant facilities and services specifically designed to meet the physical and social needs of the residents. Significant services may include congregate dining facilities, social and recreation programs, continuing education, welfare information and counseling, referral services, transportation and recreation. Other attributes of such Developments include providing hand rails along steps and interior hallways, grab bars in bathrooms, routes that allow for barrier-free travel, lever type doorknobs and single lever faucets. All multistory buildings (two or more floors) must be served by an elevator. Individual Units shall not be multistory. Elderly Developments must not contain any Units with three or more bedrooms. Such a Development must conform to the Federal Fair Housing Act and must be a Development which meets the definition of Qualified Elderly Development (8 points).~~

~~(B) Exhibit 212. Evidence that the Development is designed solely for transitional housing for homeless persons on a non-transient basis, with supportive services designed to assist tenants in locating and retaining permanent housing. For the purpose of this exhibit, homeless persons are individuals or families that lack a fixed, regular, and adequate nighttime residence as more fully defined in 24 Code of Federal Regulations, §91.5, and as may be amended from time to time. All of the items described in clauses (i) through (v) of this subparagraph must be submitted:~~

- ~~(i) a detailed narrative describing the type of proposed housing;~~
- ~~(ii) a referral agreement, not more than 12 months old from the first day of the Application Acceptance Period, with an established organization which provides services to the homeless;~~
- ~~(iii) a marketing plan designed to attract qualified tenants and housing providers;~~
- ~~(iv) a list of supportive services; and~~
- ~~(v) adequate additional income source and executed guarantee to supplement any anticipated operating and funding gaps (15 points).~~

#### **§49.18 Board Reevaluation, Appeals; Amendments, Housing Tax Credit and Ownership Transfers, Withdrawals, Cancellations.**

(a) Board Reevaluation. Regardless of project stage, the Board must reevaluate a Development that undergoes a substantial change between the time of initial Board approval of the Development and the time of issuance of a Commitment Notice or Determination Notice for the Development. For the meaning of this subsection, substantial change shall be those items identified in subsection (c)(3) of this section. The Board may revoke any Commitment Notice or Determination Notice issued for a Development that has been unfavorably reevaluated by the Board.

(b) Appeals Process. An Applicant may appeal decisions made by the Department.

(1) The decisions that may be appealed are identified in subparagraphs (A) through (C) of this paragraph.

(A) a determination regarding the Applicant's satisfaction of:

- (i) Pre-Application or Application Threshold Criteria;
- (ii) Underwriting Criteria;

(B) the scoring of the Application under the Application Selection Criteria; and

(C) a recommendation as to the amount of housing tax credits to be allocated to the Application.

(2) An Applicant may not appeal a decision made regarding an Application filed by another Applicant.

(3) An Applicant must file its appeal in writing, with the Department not later than the seventh day after the date the Department publishes the results of the Application evaluation process identified in §49.9 of this title. In the appeal, the Applicant must specifically identify the Applicant's grounds for appeal, based on the original Application and additional documentation filed with the original Application. If the appeal relates to the amount of housing tax credits recommended to be allocated, the Department will provide the Applicant with the underwriting report upon request.

(4) The Executive Director of the Department shall respond in writing to the appeal not later than the 14th day after the date of receipt of the appeal. If the Applicant is not satisfied with the Executive Director's response to the appeal, the Applicant may appeal directly in writing to the Board, provided that an appeal filed with the Board under this subsection must be received by the Board before:

(A) the seventh day preceding the date of the board meeting at which the relevant allocation decision is expected to be made; or

(B) the third day preceding the date of the board meeting described by subparagraph (A) of this paragraph, if the Executive Director does not respond to the appeal before the date described by subparagraph (A) of this paragraph.

(5) Board review of an appeal under paragraph (4) of this subsection is based on the original Application and additional documentation filed with the original Application. The Board may not review any information not contained in or filed with the original Application. The decision of the Board regarding the appeal is final.

(6) The Department will post to its web site an appeal filed with the Department or Board and any other document relating to the processing of the appeal.

~~(C) Low Income Targeting Points. Applications are eligible to receive points under subclauses (I),(II) and (III) of clause (iv) of this subparagraph. To qualify for these points, the rents for the rent-restricted Units must not be higher than the allowable tax credit rents at the rent-restricted AMGI level. For Section 8 residents, or other rental assistance tenants, the tenant paid rent plus the utility allowance is compared to the rent limit to determine compliance. The Development Owner, upon making selections for this exhibit will set aside Units at the rent-restricted levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA. For the purposes of this subparagraph (maintaining the promised percentage of Units at the selected levels of AMGI), if at re-certification the tenant's household income exceeds the specified 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 at the specified level of AMGI may be increased over the LIHTC requirements. Rent increases, if any, should comply with lease provisions and local tenant-landlord laws.~~

~~(i) To qualify for points for Units set aside for tenants at or below 30% of AMGI, an Applicant must provide evidence of a commitment of funds that specifies the amount of funds committed, terms of the commitment and the number of Units targeted at the AMGI level.,.~~

~~(ii) Notwithstanding anything to the contrary contained herein, Applicants may not elect to set aside Units at 30%, 40% or 50% of AMGI for points hereunder to the extent the deferred developers fee as determined by staff at underwriting exceeds 50% of the entire developer fee.~~

~~(iii) If local HOME funds are to be used for Units set aside for tenants at 30%, 40% or 50% of AMGI, the Applicant shall have proof of application for these local funds to receive the points; however, if a firm commitment for local HOME funds is not received by the Department prior to 30 days preceding the meeting where allocation recommendations will be made, the points shall be deducted.~~

~~(iv) For purposes of calculating percentages of units, all figures should be rounded down to the nearest whole number. No Unit may be counted twice in determining point eligibility.~~

~~(I) Development owners selecting to set aside units for individuals and families earning less than 50% of AMGI shall receive the corresponding points:~~

- ~~(-a-) 1% to 9% of tax credit Units set aside for 50% or less of AMGI (4 points)~~
- ~~(-b-) 10% to 19% of tax credit Units set aside for 50% or less of AMGI (8 points)~~
- ~~(-c-) 20% to 29% of tax credit Units set aside for 50% or less AMGI (12 points)~~
- ~~(-d-) 30% to 39% of tax credit Units set aside for 50% or less AMGI (16 points)~~
- ~~(-e-) 40% or more of tax credit Units set aside for 50% of less AMGI(20 points)~~

~~(II) Development owners selecting to set aside units for individuals and families earning less than 40% of AMGI shall receive the corresponding points listed below:————~~

- ~~(-a-) 1% to 9% of tax credit Units set aside for 40% or less of AMGI ( 6 points)~~
- ~~(-b-) 10% to 19% of tax credit Units set aside for 40% or less of AMGI (10 points)~~
- ~~(-c-) 20% to 29% of tax credit Units set aside for 40% or less AMGI (14 points)~~
- ~~(-d-) 30% to 39% of tax credit Units set aside for 40% or less AMGI (18 points)~~
- ~~(-e-) 40% or more of tax credit Units set aside for 40% or less AMGI (22 points)~~

~~(III) Development owners selecting to set aside units for individuals and families earning less than 30% of AMGI shall receive the corresponding points listed below:~~

- ~~(-a-) 1% to 9% of tax credit Units set aside for 30% or less of AMGI ( 8 points)~~
- ~~(-b-) 10% to 19% of tax credit Units set aside for 30% or less of AMGI (12 points)~~
- ~~(-c-) 20% to 29% of tax credit Units set aside for 30% or less AMGI (16 points)~~
- ~~(-d-) 30% to 39% of tax credit Units set aside for 30% or less AMGI (20 points)~~

~~(e) 40% or more of tax credit Units set aside for 30% or less AMGI (24 points).~~

~~(8) Exhibit 213. Length of Compliance Period. The initial compliance period for a development is fifteen years. In accordance with Code, developments are required to adhere to an extended low income use period for an additional 15 years. To receive points the Development Owner elects, in the Application, to extend the compliance period beyond the extended low income use period. The period commences with the first year of the Credit Period.~~

~~(A) Extend the compliance period for an additional 10 years, with an Extended Use Period of 40 years (8 points);~~

~~(B) Extend the compliance period for an additional 15 years, with an Extended Use Period of 45 years (10 points);~~

~~(C) Extend the compliance period for an additional 20 years, with an Extended Use Period of 50 years (12 points); or~~

~~(D) Extend the compliance period for an additional 25 years, with an Extended Use Period of 55 years (14 points);~~

~~(9) Exhibit 214. Evidence that Development Owner agrees to provide a right of first refusal to purchase the Development upon or following the end of the Compliance Period for the minimum purchase price provided in, and in accordance with the requirements of, §42(i)(7) of the Code (the "Minimum Purchase Price"), to a Qualified Nonprofit Organization, the Department; and either an individual tenant with respect to a single family building; or a tenant cooperative, a resident management corporation in the Development or other association of tenants in the Development with respect to multifamily developments (together, in all such cases, including the tenants of a single family building, a "Tenant Organization"). Development Owner may qualify for these points by providing the right of first refusal in the following terms (5 points).~~

~~(A) Upon the earlier to occur of:~~

~~(i) the Development Owner's determination to sell the Development, or~~

~~(ii) the Development Owner's request to the Department, pursuant to §42(h)(6)(I) of the Code, to find a buyer who will purchase the Development pursuant to a "qualified contract" within the meaning of §42(h)(6)(F) of the Code, the Development Owner shall provide a notice of intent to sell the Development ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Development Owner determines that it will sell the Development at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period. If the Development Owner determines that it will sell the Development at some point later than the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to date upon which the Development Owner intends to sell the Development.~~

~~(B) During the two years following the giving of Notice of Intent, the Sponsor may enter into an agreement to sell the Development only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:~~

~~(i) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department,~~

~~(ii) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and~~

~~(iii) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.~~

~~(iv) If, during such two-year period, the Development Owner shall receive an offer to purchase the Development at the Minimum Purchase Price from one of the organizations designated in clauses (i), (ii), and (iii) of this subparagraph (within the period(s) appropriate to such organization), the Development Owner shall sell the Development at the Minimum Purchase Price to such organization. If, during such period, the Development Owner shall receive more than one offer to purchase the Development at the Minimum Purchase Price from one or more of the organizations designated in clauses (i), (ii), and (iii) of this subparagraph (within the period(s) appropriate to such organizations), the Development Owner shall sell the Development at the Minimum Purchase Price to whichever of such organizations it shall choose.~~

~~(C) After the later to occur of:~~

- ~~(i) the end of the Compliance Period; or~~
- ~~(ii) two years from delivery of a Notice of Intent,~~

~~the Development Owner may sell the Development without regard to any right of first refusal established by the LURA if no offer to purchase the Development at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or a period of 120 days has expired from the date of acceptance of all such offers as shall have been received without the sale having occurred, provided that the failure(s) to close within any such 120-day period shall not have been caused by the Development Owner or matters related to the title for the Development.~~

~~(D) At any time prior to the giving of the Notice of Intent, the Development Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Development for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Development by such organization in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.~~

~~(E) The Department shall, at the request of the Development Owner, identify in the LURA a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Development at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.~~

~~(F) The Department shall have the right to enforce the Development Owner's obligation to sell the Development as herein contemplated by obtaining a power-of-attorney from the Development Owner to execute such a sale or by obtaining an order for specific performance of such obligation or by such other means or remedy as shall be, in the Department's discretion, appropriate.~~

~~(10) Pre-Application Points. Developments which submit a Pre-Application during the Pre-Application Acceptance Period and meet the requirements of this paragraph shall receive 15 points. To be eligible for these points, the proposed development in the Pre-Application must:~~

- ~~(A) be for the identical site and unit mix as the proposed development in the Application;~~
- ~~(B) have met the Pre-Application Threshold Criteria;~~
- ~~(C) be serving the same target population in the Application in the same set-asides; and~~
- ~~(D) not have altered the documentation for the Pre-Application Selection.~~

~~(11) Point Reductions. Penalties will be imposed on Applicants or Affiliates who have requested extensions of Department deadlines, and did not meet the original submission deadlines, relating to developments receiving a housing tax credit allocation made in the application round preceding the current round. Extensions that will receive penalties include all types of extensions identified in Section 49.13 of this title, including Projects whose extensions were authorized by the Board. The schedule of penalties to Applicants or Affiliates requesting extensions is as follows:~~

- ~~(A) First extension request - \$2,500 extension penalty fee plus 2 point deduction;~~
- ~~(B) Second extension request - \$25//Unit plus 2 point deduction; and~~
- ~~(C) Third extension request - \$35/Unit plus 2 point deduction.~~

~~(g) Credit Amount. The Department shall issue tax credits only in the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period. The issuance of tax credits or the determination of any allocation amount in no way represents or purports to warrant the feasibility or viability of the Development by the Department. The Department will limit the allocation of tax credits to no more than \$1.2 million per Development. The allocation of tax credits shall also be limited to not more than \$1.6 million per Applicant per year. These limitations will apply to any Applicant or Related Party unless otherwise provided for by the Board. Tax Exempt Bond Development Applications are not subject to the per Development and per Applicant or Related Party credit limitations, and Tax Exempt Bond Developments will not count towards the total limit on tax credits per Applicant. The limitation does not apply:~~

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



~~(2) to the provision by an entity of "qualified commercial financing" within the meaning of the Code, §49(a)(1)(D)(ii) (without regard to the 80% limitation thereof);~~

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

~~(4) to a Development Consultant with respect to the provision of consulting services.~~

~~(h) Limitations on the Size of Developments.~~

~~(1) The minimum Development size will be limited to 16 units unless otherwise provided for under the Ineligible Building Types definition.~~

~~(2) Rural Developments involving new construction will be limited to 76 Units unless the Market Study clearly documents that larger developments are consistent with the comparables in the community and that there is a significant demand for additional units. Rural Developments exceeding 76 Units based on the Market Study will be ineligible for the Rural Set-Aside. All other Developments involving new construction will be limited to 250 units. These maximum unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum unit restrictions. For those developments which are a second phase or are otherwise adjacent to an existing tax credit development unless such proposed development is being constructed to replace previously existing affordable multifamily units on its site, the combined Unit total for the developments may not exceed the maximum allowable Development size, unless the first phase has been completed and stabilized for at least six months.~~

~~(3) Tax Exempt Bond Developments will be limited to 280 Units.~~

~~(i) Tax Exempt Bond Financed Developments.~~

~~(1) Tax Exempt Bond Development Applications are also subject to evaluation under the QAP and Rules and the requirements and underwriting review criteria described in the Application Submission Procedures Manual. Such Developments requesting a Determination Notice in the current calendar year must meet all Threshold Criteria requirements stipulated in subsection (e) of this section. Such Developments which received a Determination Notice in a prior calendar year must meet all Threshold Criteria requirements stipulated in the QAP and Rules in effect for the calendar year in which the Determination Notice was issued; provided, however, that such Developments shall comply with all procedural requirements for obtaining Department action in the current QAP and Rules; and such other requirements of the QAP and Rules as the Department determines applicable. Tax Exempt Bond Financed Developments are not subject to the Selection Criteria set forth in subsection (f) of this section and are not required to submit documentation relating thereto.~~

~~(2) Tax Exempt Bond Development Applications will be evaluated under the factors set forth at paragraphs (2) and (4) of subsection (c) of this section. With respect to paragraph (3) of subsection (b) of this section, Developments determined to be infeasible by the Department will not receive a Determination Notice. With respect to paragraph (3) of section 49.9(b) of this title, Developments determined by the Department to result in an excessive concentration of affordable housing developments within a particular market area will not receive a Determination Notice. With respect to paragraph (2) of subsection (c) of this section, Developments determined by the Department to be located on an "Unacceptable" site will not receive a Determination Notice. For purposes of paragraph (4) of subsection (c) of this section, Developments must demonstrate the Development's consistency with the bond issuer's consolidated plan or other similar planning document. Consistency with the local municipality's consolidated plan or similar planning document must also be demonstrated in those instances where the city or county has a consolidated plan.~~

~~(3) Tax Exempt Bond Developments may not include Ineligible Building Types unless the Department determines that it is in the best interests of the particular Development, its market area and the tax credit program to permit a particular building type to be included in the Development.~~

~~(4) Tax Exempt Bond Developments are subject to the requirements and restrictions set forth in §49.5 of this title.~~

~~(5) Tax Exempt Bond Development Applications are not subject to the limitations on amount of tax credits per Applicant or per Development set forth in subsection (g) of this section.~~

~~(6) Tax Exempt Bond Development Applications must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants.~~

The provision of these services will be included in the LURA. Acceptable services as described in subparagraphs (A) through (C) of this paragraph include:

~~(A) the services must be in one of the following categories: child care, transportation, basic adult education, legal assistance, counseling services, GED preparation, English as a second language classes, vocational training, home buyer education, credit counseling, financial planning assistance or courses, health screening services, health and nutritional courses, youth programs, scholastic tutoring, social events and activities, community gardens or computer facilities; or~~

~~(B) any other program described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of-wedlock pregnancies; and encourages the formation and maintenance of two-parent families; or~~

~~(C) any other services approved in writing by the Issuer. The plan for tenant supportive services submitted for review and approval of the Issuer must contain a plan for coordination of services with state workforce development and welfare programs. The coordinated effort will vary depending upon the needs of the tenant profile at any given time as outlined in the plan.~~

~~(7) Code §42(m)(2)(D) required the bond issuer (if other than the Department) to make sure that a Tax Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period. Treasury Regulations prescribe the occasions upon which this determination must be made. In light of the requirement, issuers may either elect to underwrite the Development for this purpose in accordance with the QAP and the Department's underwriting guidelines; or delegate, by agreement, that function to the Department. If the issuer underwrites the Development, the Department will, nonetheless, review the underwriting report and may make such changes in the amount of credits which the Development may be allowed as are appropriate under the Department's guidelines. The Determination Notice issued by the Department and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the Development is determined to be eligible in accordance with this paragraph, and the amount of tax credits reflected in the IRS Form 8609 may be greater or less than the amount set forth in the Determination Notice, based upon the Department's and the bond issuer's determination as of each building's placement in service.~~

~~(8) If the Department staff determines that all requirements of subsection (i) of this section have been met, the Board, shall authorize the Department to issue a Determination Notice to the Applicant that the Development satisfies the requirements of the QAP and Rules in accordance with the Code, §42(m)(1)(D).~~

~~(j) Adherence to Obligations. All representations, undertakings and commitments made by an Applicant in the applications process for a Development, whether with respect to Threshold Criteria, Selection Criteria or otherwise, shall be deemed to be a condition to any Commitment Notice, Determination Notice, or Carryover Allocation for such Development, the violation of which shall be cause for cancellation of such Commitment Notice, Determination Notice, or Carryover Allocation by the Department, and if concerning the ongoing features or operation of the Development, shall be reflected in the LURA. All such representations are enforceable by the Department and the tenants of the Development, including enforcement by administrative penalties for failure to perform as stated in the representation and enforcement by inclusion in deed restrictions to which the Department is a party.~~

~~(k) Amendment of Application Subsequent to Allocation by Board.~~

~~(1) If a proposed modification would materially alter a Development approved for an allocation of a housing tax credit, the Department shall require the Applicant to file a formal, written request for an amendment to the Application, on a form prescribed by the Department.~~

~~(2) The Executive Director of the Department shall require the Department staff assigned to underwrite Applications to evaluate the amendment and provide an analysis and written recommendation to the Board. The appropriate party monitoring compliance during construction in accordance with §49.190 of this title shall also provide to the Board an analysis and written recommendation regarding the amendment.~~

~~(3) For Applications approved by the Board prior to September 1, 2001, the Executive Director will approve or deny the amendment request. For Applications approved by the Board after September 1, 2001, the Board must vote on whether to approve the amendment. The Board by vote may reject an amendment and, if appropriate, rescind a Commitment Notice or terminate the allocation of housing tax credits and reallocate the credits to other Applicants on the Waiting List if the Board determines that the modification proposed in the amendment:~~

~~(A) would materially alter the Development in a negative manner; or~~

- (B) would have adversely affected the selection of the Application in the Application Round.
- (4) Material alteration of a Development includes, but is not limited to:
  - (A) a significant modification of the site plan;
  - (B) a modification of the number of units or bedroom mix of units;
  - (C) a substantive modification of the scope of tenant services;
  - (D) a reduction of three percent or more in the square footage of the units or common areas;
  - (E) a significant modification of the architectural design of the Development;
  - (F) a modification of the residential density of the Development of at least five percent; and
  - (G) any other modification considered significant by the Board.
- (5) In evaluating the amendment under this subsection, the Department staff shall consider whether the need for the modification proposed in the amendment was:
  - (A) reasonably foreseeable by the Applicant at the time the Application was submitted; or
  - (B) preventable by the Applicant.
- (6) This section shall be administered in a manner that is consistent with the Code, §42.
- (7) Before the 15<sup>th</sup> day preceding the date of Board action on the amendment, notice of an amendment and the recommendation of the Executive Director and monitor regarding the amendment will be posted to the Department's web site.

**(d) Housing Tax Credit and Ownership Transfers.** An Applicant may not transfer an allocation of housing tax credits or ownership of a Development supported with an allocation of housing tax credits to any person other than an Affiliate unless the Applicant obtains the Executive Director's prior, written approval of the transfer. The Executive Director may not unreasonably withhold approval of the transfer. An Applicant seeking Executive Director approval of a transfer and the proposed transferee must provide to the Department a copy of any applicable agreement between the parties to the transfer, including any third-party agreement with the Department. ~~On request, a~~An Applicant seeking Executive Director approval of a transfer must provide to the Department a list of the names of transferees and Related Parties; and detailed information describing the experience and financial capacity of transferees and related parties. The Development Owner shall certify to the Executive Director that the tenants in the Development have been notified in writing of the transfer before the 30th day preceding the date of submission of the transfer request to the Department. Not later than the fifth working day after the date the Department receives all necessary information under this section, the Department shall conduct a qualifications review of a transferee to determine the transferee's past compliance with all aspects of the low income housing tax credit program, LURAs; and the sufficiency of the transferee's experience with Developments supported with housing tax credit allocations.

**(e) Withdrawals.** An Applicant may withdraw an Application prior to receiving a Commitment Notice, Determination Notice, Carryover Allocation Document or Housing Credit Allocation, or may cancel a Commitment Notice or Determination Notice by submitting to the Department a notice, as applicable, of withdrawal or cancellation.

**(f) Cancellations.** The Department may cancel a Commitment Notice, Determination Notice or Carryover Allocation prior to the issuance of IRS Form 8609 with respect to a Development if:

- (1) the Development Owner or any member of the Development Team, or the Development, as applicable, fails to meet any of the conditions of such Commitment Notice or Carryover Allocation or any of the undertakings and commitments made by the Development Owner in the applications process for the Development;
- (2) any statement or representation made by the Development Owner or made with respect to the Development Owner, the Development Team or the Development is untrue or misleading;
- (3) an event occurs with respect to any member of the Development Team which would have made the Development's Application ineligible for funding pursuant to §49.5 of this title if such event had occurred prior to issuance of the Commitment Notice or Carryover Allocation; or
- (4) the Development Owner, any member of the Development Team, or the Development, as applicable, fails to comply with these Rules or the procedures or requirements of the Department.

**~~§49.8. Underwriting Guidelines.~~**

~~(a) The Department will award, as computed during the underwriting review, the lesser amount calculated by the eligible basis method, equity gap method, or the amount requested by the Applicant as further described in paragraphs (1) through (3) of this subsection.~~

~~(1) Eligible Basis Method. Based upon calculation of eligible basis after applying all cost containment measures and limits on profit, overhead, general requirements and developer fees. The~~

~~Applicable Percentage will be used in the Eligible Basis Method as defined in Section 49.2(6) of this title.~~

~~(2) Equity Gap Method. The amount of credits needed to fill the gap created by total Development cost less total debt. In making this determination, the Department will consider the percentage of the total Development that will be financed by proceeds of the tax credits and reserve the right to adjust the permanent loan amount as necessary.~~

~~(3) The amount requested by the Applicant will be used if it is lower than the Department's determination of eligible basis except as related to adjustments made to the applicable percentage.~~

~~(b) Construction Standards. The cost basis is defined using Average quality as defined by Marshall & Swift Residential Cost Handbook. If the Development contains amenities not included in the Average quality standard, the Department will take into account the costs of the amenities as designed in the Development. If the Development will contain single family buildings as permitted under the "Ineligible Building Type" definition in §49.2(49) of this title, then the cost basis should be consistent with single family Average quality as defined by Marshall & Swift Residential Cost Handbook.~~

~~(c) Development Costs. The Department's estimate of the Development's cost will be based on the use of Marshall and Swift cost evaluation data. Total Housing Development Costs include all costs associated with the construction of the Development including common space, and as defined under §49.2(84) of this title. The Applicant's cost estimate will be compared against the Department's and the Total Housing Development Cost and corresponding credit allocation will be adjusted accordingly. Exceptions may be made at the Department's discretion but only if they are well documented by the Applicant at the time of Application submission. The underwriting staff will evaluate rehabilitation Developments for comprehensiveness of the third party work write-up and will determine if additional information is needed. The Applicant must provide their best estimate of how much it would cost to develop the Development. Adjustments will be made with respect to assisted living, congregate care, or elderly projects which may require larger common areas. The Department is also aware that differences in land costs may account for significant cost variations among Developments. Hard construction costs include contractor profit, overhead and general requirements.~~

~~(d) For Acquisition Developments. The proposed acquisition price verified in the site control document will be compared to the unsubsidized as-is market value conclusion of the Appraiser whose appraisal is consistent with the Department's Market analysis and Appraisal Policy and USPAP Guidelines. For Developments where an identity of interest exists between the buyer and seller the original acquisition cost of the Development to the seller along with holding costs and capitalized improvements will also be considered. Holding costs may include a rate of return consistent with the historical return of similar risk on any equity position in the Development. The Department will also consider exit taxes that may be required as a result of the transfer of ownership if they are detailed and well documented and certified to by the owners CPA. The ultimate credit amount may be reduced to meet the rehabilitation need after all available reserves have been expended.~~

~~(e) Site Work. If Project site work costs exceed \$6,500 per Unit, the Applicant must submit a detailed cost breakdown prepared by a third party engineer or architect, and a letter from a certified public accountant properly allocating which portions of those site costs should be included in eligible basis and which ones are ineligible, in keeping with the holding of the Internal Revenue Service Technical Advice Memoranda.~~

~~(f) Operating Reserves. The Department will utilize the terms proposed by the syndicator or lender or 4 to 6 months of operating expenses plus debt service. These reserves must be included in Exhibit 102B, Project Cost Schedule, of the application.~~

~~(g) Fee Limits. The development cost associated with general requirements cannot exceed 6% of the eligible basis associated with onsite sitework and construction hard costs. The development cost associated with contractor overhead cannot exceed 2% of the eligible basis associated with onsite sitework and construction hard costs. For Developments also receiving financing from TxRD-USDA, the combination of builder's general requirements, builder's overhead, and builder's profit should not exceed the lower of TDHCA or TxRD-USDA requirements. The development cost associated with contractor profit cannot exceed 6% of the eligible basis associated with onsite sitework and construction hard costs. The development cost associated with developer's Fees cannot exceed 15% of the project's Total Eligible Basis (adjusted for the reduction of federal grants, below market rate~~

loans, historic credits, etc.), as defined in §49.2(34), not inclusive of the developer fees themselves. The 15% can be divided between overhead and fee as desired but the sum of both items must not exceed 15%. The Developer Fee may be earned on non-eligible basis activities, but only 15% of eligible basis items may be included in basis for the purpose of calculating a project's credit amount.

(h) ~~Income and Expenses.~~ Financial feasibility will be tested by adding rental income to miscellaneous income, and subtracting vacancy and expenses to achieve a net operating income. The net operating income will be divided by the yearly debt service to achieve the debt coverage ratio. These figures will be calculated using the methods identified in paragraphs (1) through (5) of this subsection.

(1) ~~Rental Income.~~ LIHTC rent restricted rates less utility allowances and market rent rates (if the project is not 100% LIHTC) will be utilized in calculating the rental income. If the market rate rents are lower than the net LIHTC program rents, then the market rents will be utilized. The Department will always use the HUD Rental and Income Limits that are most current.

(2) ~~Miscellaneous Income.~~ A range of \$5 to \$15 per unit which will encompass any and all income from application fees, late fees, laundry, storage, garage rentals, or any other ancillary income. Exceptions may be made for special uses, such as congregate care, elderly and child care facilities or where comparables within the submarket are realizing higher miscellaneous income. The exemptions will be evaluated on a case by case basis. Applicants must submit documentation that explains their projected miscellaneous income.

(3) ~~Vacancy:~~ Typically the greater of the market vacancy rate or 7.5% (5% vacancy plus 2.5% for collection loss) will be utilized by the Department to underwrite the development.

(4) ~~Expenses:~~ Applicants should provide an estimate of their expected expenses based on their own research (internal historical operating data, IREM, etc.) For new developments, the expenses must include at least \$200 per unit in reserve for replacement. For rehabilitation developments, the expenses must include at least \$300 per unit in reserve for replacement. CHDOs must identify if they will be obtaining a property tax exemption or not. If they indicate that they will have an exemption, they must provide reasonable proof that the exemption can be attained. If no reasonable proof is provided, the Development will be underwritten under the assumption that property taxes must be paid. The Applicant's expenses will be compared against the most current information contained in the Department's database and expenses submitted by other comparable projects. The underwriter will analyze the development based on the current TDHCA operating database, the project's existing historical performance, if any, the application proforma, the market study and any additional documentation provided for consideration. A line by line review by expense category will on a project-by-project basis determine the appropriate anticipated operating expense for each project.

(5) ~~Debt Coverage Ratio (DCR).~~ The DCR will be sized at a minimum of 1.10 by the first year of stabilized rents and be restricted to not more than 1.25. The projects DCR should remain above 1.10 over the life of the project estimated in the proforma using a 3% income growth factor and a 4% expense growth factor. Projects in rural areas and projects which fulfill special needs may be allowed a DCR below this level but must maintain a positive net cash flow once stabilized occupancy levels have been reached. A recommendation for increasing or decreasing the development's serviceable debt may be made by the Department should the DCR exceed or fall below the above stated range.

#### ~~§49.9. Market Study Requirements; Concentration; and Environmental Site Assessment Guidelines.~~

##### ~~(a) Market Study Requirements.~~

(1) ~~Market Analyst Qualifications.~~ The qualifications of each Report Provider are determined and approved on a case-by-case basis by the chief underwriter or the review appraiser, based upon the quality of the report, itself and the experience and educational background of the report provider as a market analyst, as set forth in a Statement of Qualifications appended to the Report. The Department will maintain a list of approved Market Analysts. Such determination will be at the discretion of the Department. Generally, a qualified Market Analyst will be:

(A) ~~a real estate appraiser certified or licensed by the Texas Appraiser Licensing and Certification Board; or,~~

~~(B) a real estate consultant or other professional currently active in the subject property's market area who demonstrates competency, expertise, and the ability to render a high quality, written report.~~

~~(2) A market study prepared for the Department must evaluate the need for decent, safe, and sanitary housing at rental rates or sales prices that eligible tenants can afford. The study must determine the feasibility of the subject property and state conclusions as to the impact of the property with respect to the determined housing needs. The market study should be self-contained and must describe in sufficient detail and with adequate data, such conclusions. Any third party reports relied upon in the market study must be verified directly by the market analyst as to the validity of the data and the conclusions.~~

~~(3) The market study must contain sufficient data and analysis to allow the reader to understand the market data presented, the analysis of the data, and the conclusion(s) of such analysis and its relationship to the subject property. The complexity of this requirement will vary in direct proportion with the complexity of the real estate and the real estate market being analyzed. The study should lead the reader to the same or similar conclusion(s) reached by the market analyst.~~

~~(4) The primary market or submarket will be defined on a case-by-case basis by the market analyst engaged by the Applicant to provide a market study for the Development. The market study should contain a map defining the market and submarket and a narrative of the salient features that helped the analyst make such a determination. As a general guide for the market analyst, the Department encourages the use of natural political/geographical boundaries whenever possible. Furthermore, the primary or submarket for a project chosen by the market analyst will generally be most informative if it contains between 50,000 and 250,000 persons, though a sub-market with fewer or more residents may be indicated at the discretion of the market analyst where political/geographic boundaries indicate doing so.~~

~~(5) An acceptable market study must also include at the minimum in quantitative as well as narrative form the information required under subparagraphs (A) through (C) of this paragraph. The Department reserves the right to require the Report Provider to address such other issues as may be relevant to the Department's evaluation of the need for the subject property and the provisions of the particular program guidelines. All Applicants shall acknowledge by virtue of filing an Application that the Department shall not be bound by any such opinion or market study, and may substitute its own analysis and underwriting conclusions for those submitted by the report provider.~~

~~(A) a comprehensive evaluation of the existing supply of comparable multifamily or single family subdivision property(ies) as appropriate in the same market and submarket area as the Development. The study should include census data documenting the amount and condition of local housing stock as well as information on building permits since the census data was collected. The study should evaluate existing market rate housing as well as existing subsidized housing to include local housing authority units and any and all other rent or income restricted units with respect to:~~

~~(i) rental rates including an attribute adjustment matrix for the most comparable Units to the Units proposed in the Development;~~

~~(ii) affordability analysis of the comparable unrestricted units;~~

~~(iii) current physical condition of the comparable property based upon a cursory exterior inspection evidenced by photographs;~~

~~(iv) occupancy rates of each of the comparable properties and occupancy trends by property class;~~

~~(v) annual turnover rates of each of the comparable properties and turnover trends by property class;~~

~~(vi) historic, current and anticipated absorption rates taking into account all other new or proposed development and the availability of other comparable sites;~~

~~(vii) an analysis of the number of existing or proposed units being set-aside or constructed for persons with disabilities; and~~

~~(viii) an itemization of all LIHTC Program Units within the defined submarket.~~

~~(B) a comprehensive evaluation of the demand for the housing the subject is proposed to provide. The study must include an analysis of the need for market and affordable housing within the Development's market and submarket area using the most current census and demographic data~~

available, with copies of such source data included in the report or in the report addenda. The demand for housing should be quantified, well reasoned and should be segmented to include only relevant income and age eligible targets of the subject. Each segment should be addressed independently and overlapping segments should be minimized and clearly identified when required. The final quantified demand calculation may include demand due to:

- (i) documented population and household growth trends for targeted income-eligible rental households;
  - (ii) documented turnover of existing income-eligible targeted rental households;
  - (iii) confirmed new employment growth for targeted income-eligible rental households;
- and
- (iv) other well reasoned and documented sources of demand determined by the market analyst.

(C) a comprehensive evaluation of the Development in terms of:

- (i) correlation of market and submarket demographics of housing demand to the current and proposed supply of housing and the need for the Development;
- (ii) rental rate conclusion for each unit type and rental restriction category. Conclusions of rental rates below the maximum net rent limit rents must be well reasoned, documented and consistent with the market data and should address any inconsistencies with the conclusions of the demand for the units. Alternative market acceptable rent for each rent restricted unit should also be included to evaluate the potential to achieve increases in the restricted rents as allowable increases occur;
- (iii) absorption projections for the subject until a sustaining occupancy level has been achieved (if absorption projections for the subject differ significantly from historic data, an explanation of such should be included);
- (iv) appropriateness of unit mix and unit sizes especially in regard to the income eligible targeted demand and existing or proposed supply for any proposed three and four bedroom units;
- (v) appropriateness of interior and exterior physical amenities including appliance package;
- (vi) location of the subject in relationship to employment centers, retail businesses, public transportation, schools, etc.; and

(ix) the capture rate for the Development defined as the sum of the proposed units for a given project plus any previously approved but not yet stabilized new units in the sub-market divided by the total income-eligible targeted renter demand identified by the market analysis for a specific Development's primary market or submarket. The Department defines comparable units as units that are dedicated to the same household type as the proposed subject property using the classifications of family, elderly or transitional as housing types. The Department defines a stabilized project as one that has maintained a 90% occupancy level for at least 12 consecutive months. The Department will independently verify the number of affordable multifamily units included in the market study and will ensure that all projects previously allocated funds through the Department are included in the final analysis.

(b) Concentration. The Department intends to limit the approval of funds to new multifamily housing projects requesting funds where the anticipated capture rate is in excess of 25% for the primary or sub-market unless the market is a rural market. In rural markets, the Department intends to limit the approval of funds to new multifamily housing projects requesting funds from the Department where the anticipated capture rate is in excess of 100% of the qualified demand. Affordable housing which replaces previously existing substandard affordable housing within the same sub-market on a Unit for Unit basis, and which gives the displaced tenants of the previously existing affordable housing a leasing preference, is excepted from these concentration restrictions. The documentation needed to support decisions relating to concentration are identified in subsection (a) of this section.

(c) Environmental Site Assessment Guidelines. The environmental assessment required under Section 50.7(e) of this title should be conducted and reported in conformity with the standards of the American Society for Testing and Materials (ASTM) and such other recognized industry standards as a reasonable person would deem relevant in view of the Property's anticipated use for human

habitation. The environmental assessment shall be conducted by an environmental or professional engineer and be prepared at the expense of the Development Owner.

(1) The report must include, but is not limited to:

(A) a review of records, interviews with people knowledgeable about the property;

(B) a certification that the environmental engineer has conducted an inspection of the property, the building(s), and adjoining properties, as well as any other industry standards concerning the preparation of this type of environmental assessment;

(C) a noise study is recommended for developments located in close proximity to industrial zones, major highways, active rail lines and civil and military airfields;

(D) a copy of the current FEMA Flood Map encompassing the site and a determination of the flood risk for the proposed Development;

(E) the report should include a statement that clearly states that the person or company preparing the environmental assessment will not materially benefit from the Development in any other way than receiving a fee for the environmental assessment; and

(2) if the report recommends further studies or establishes that environmental hazards currently exist on the Property, or are originating off-site but would nonetheless affect the Property, the Development Owner must act on such a recommendation or provide either a plan for the abatement or elimination of the hazard. Evidence of action or a plan for the abatement or elimination of the hazard must be presented upon Application submittal.

(3) Developments which have had a Phase II Environmental Assessment performed and hazards identified, the Development Owner is required to maintain a copy of said assessment on-site available for review by all persons which either occupy the Development or are applying for tenancy.

(4) Developments whose funds have been obligated by TxRD will not be required to supply this information; however, the Development Owners of such Developments are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

(5) Those Developments which have or are to receive first lien financing from HUD may submit HUD's environmental assessment report, provided that it conforms with the requirements of this subsection.

#### **§49.109. Compliance Monitoring and Material Non-Compliance.**

(a) The Code, §42(m)(1)(B)(iii), requires the Department as the housing credit agency to include in its QAP a procedure that the Department will follow in monitoring Developments for noncompliance with the provisions of the Code, §42 and in notifying the IRS of such noncompliance of which the Department becomes aware. Such procedure is set out in this QAP and in the Owner's Compliance Manual prepared by the Department's Compliance Division, as amended from time to time. Such procedure only addresses forms and records that may be required by the Department to enable the Department to monitor a Development for violations of the Code and the LURA and to notify the IRS of any such non-compliance. This procedure does not address forms and other records that may be required of Development Owners by the IRS more generally, whether for purposes of filing annual returns or supporting Development Owner tax positions during an IRS audit.

(b) The Department, through the division with responsibility for compliance matters, shall monitor for compliance with all applicable requirements the entire construction phase associated with any Development under this title. The Department will monitor under this requirement by requiring a copy of all construction inspections performed for the lender and/or syndicator for the Development. If necessary, the Department may obtain a Third-Party inspection report for purposes of monitoring. The Applicant must provide the Department with copies of all inspections made throughout the construction of the Development within fifteen days of the date the inspection occurred. The Department, or any third-party inspector hired by the Department, shall be provided, upon request, any construction documents, plans or specifications for the Development to perform these inspections. The monitoring level for each Development must be based on the amount of risk associated with the Development. The Department shall use the division responsible for credit underwriting matters and the division responsible for compliance matters to determine the amount of risk associated with each Development. After completion of a Development's construction phase, the Department shall periodically review the performance of the Development to confirm the accuracy of the Department's initial compliance evaluation during the construction phase. Developments having financing from ~~TX-USDA-RHST~~~~xRD-USDA~~ will be exempt from these inspections, provided that the Applicant provides the Department with copies of all inspections made



by ~~TX-USDA-RHS~~ ~~TX-RD-USDA~~ throughout the construction of the Development within fifteen days of the date the inspection occurred.

(c) The Department will monitor compliance with all covenants made by the Development Owner in the Application and in the LURA, whether required by the Code, Treasury Regulations or other rulings of the IRS, or undertaken by the Development Owner in response to Department requirements or criteria.

(d) The Department may contract with an independent third party to monitor a Development during its construction or rehabilitation and during its operation for compliance with any conditions imposed by the Department in connection with the allocation of housing tax credits to the Development and appropriate state and federal laws, as required by other state law or by the Board. The Department may assign Department staff other than housing tax credit division staff to perform the relevant monitoring functions required by this section in the construction or rehabilitation phase of a Development.

(e) The Department shall create an easily accessible database that contains all Development compliance information developed under this section.

(f) The Development Owner must keep records for each qualified low income building in the Development, showing on a monthly basis (with respect to the first year of a building's Credit Period and on an annual basis, thereafter):

(1) the total number of residential rental Units in the building (including the number of bedrooms and the size in square feet of each residential rental Unit);

(2) the percentage of residential rental Units in the building that are low income Units;

(3) the rent charged for each residential rental Unit in the building including, with respect to low income Units, documentation to support the utility allowance applicable to such Unit;

(4) the number of occupants in each low income Unit;

(5) the low income Unit vacancies in the building and information that shows when, and to whom, all available Units were rented;

(6) the annual income certification of each tenant of a low income Unit, in the form designated by the Department in the Compliance Manual, as may be modified from time to time;

(7) documentation to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures required by HUD under Section 8 of the United States Housing Act of 1937 ("Section 8"), not in accordance with determination of gross income for federal income tax purposes. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the Development Owner declaring that the tenant's income does not exceed the applicable income limit under the Code, §42(g) as described in the Compliance Manual;

(8) the Eligible Basis and Qualified Basis of the building at the end of the first year of the Credit Period;

(9) the character and use of the nonresidential portion of the building included in the building's Eligible Basis under the Code, §42(d), (e.g. whether tenant facilities are available on a comparable basis to all tenants; whether any fee is charged for use of the facilities; whether facilities are reasonably required by the Development); and

(10) any additional information as required by the Department.

(g) The Development Owner will deliver to the Department no later than March 1 each year ~~within 90 days after the end of each calendar year~~, the current audited financial statements, in form and content satisfactory to the Department, itemizing the income and expenses of the Development for the prior year.

(h) Specifically, to evidence compliance with the requirements of the Code, Section 42(h)(6)(B)(iv) which requires that the LURA prohibit Development Owners of all tax credit Developments placed in service after August 10, 1993 from refusing to lease to persons holding Section 8 vouchers or certificates because of their status as holders of such Section 8 voucher or certificate, Development Owners must comply with Department rule under Title 10 Part 1 Chapter 1 Subchapter A 10 TAC 1.14. A housing development funded or administered by the Department is prohibited from:

(1) excluding an individual or family from admission to the Development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. Section 143F); and

(2) using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than 2.5 times the individual or family's share of the total monthly rent payable to the Development. A Development Owner must maintain a written management plan that is available for review upon request. Such management plan must clearly state the following objectives: an intention of the Development Owner to comply with state and federal fair housing

~~and anti-discrimination laws. Owners and managers of all tax credit Developments placed in service after August 10, 1993, are prohibited from having policies, practices, procedures and/or screening criteria which exclude applicants solely because they have a Section 8 voucher or certificate. Such management plan must also clearly state the objectives identified in subparagraphs (A) through (C) of this paragraph. Failure to have the required objectives set forth clearly in the management plan or failure to follow such required objectives in the operation of the Development will be treated by the Department as noncompliance with the LURA.~~

(A) prospective applicants who hold Section 8 vouchers or certificates are welcome to apply and will be provided the same consideration for occupancy as any other applicant;

(B) any minimum income requirements for Section 8 voucher and certificate holders will only be applied to the portion of the rent the prospective tenant would pay, provided, however, that if Section 8 pays 100% of the rent for the Unit, the Development Owner may establish other reasonable minimum income requirements to ensure that the tenant has the financial resources to meet daily living expenses. Minimum income requirements for Section 8 voucher and certificate holders will not exceed 2.5 times the portion of rent the tenant pays; and

(C) all other screening criteria, including employment policies or procedures and other leasing criteria (such as rental history, credit history, criminal history, etc.) must be applied to applicants uniformly and in a manner consistent with the Texas and federal Fair Housing Acts and with Department and Code requirements;

~~(32) post Fair Housing logos and the Fair Housing poster in the leasing office;~~

~~(43) approve and distribute a written Affirmative Marketing Plan to the property management and on-site staff;~~

~~(54) communicate annually during the first quarter of each year in writing with the administratordirector of each Section 8 program which has jurisdiction within the geographic area where the Development is located. Such communication will include information on the unit characteristics and rents and will advise the administrating agency that the property accepts Section 8 vouchers and certificates and will treat referrals in a fair and equal manner. Copies of such correspondence must be available during on-site reviews conducted by the Department; and-~~

(6) A prospective tenant participating in the voucher program shall report to the administrator of the Section 8 program that provided the certificate or voucher an exclusion from admission to a housing development based on a financial or minimum income standard requiring the tenant to have a monthly income of more than 2.5 times the tenant or tenant's family share of the total monthly rent payable to the Development Owner. The administrator shall promptly report such exclusion to the Department.

(7) A Housing Sponsor that fails to comply with these procedures are subject to the following sanctions:

(A) Failure to lease to a prospective tenant due to the applicant's status as a recipient of a federal rental assistance voucher or certificate will result in a material non-compliance score.

(B) A complaint of exclusion from admittance as described in subsection (C)(6) that has been verified by the Department shall result in a non-compliance score for a period of one year from the date of the Department's verification of the complaint.

(i) Record retention provision. The Development Owner is required to retain the records described in subsection (f) of this section for at least six years after the due date (with extensions) for filing the federal income tax return for that year; however, the records for the first year of the Credit Period must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building.

(j) Certification and Review.

(1) On or before February 1st of each year, the Department will send each Development Owner of a completed Development an Owner's Certification of Program Compliance (form provided by the Department) to be completed by the Owner and returned to the Department on or before the first day of March of each year in the Compliance Period. Any Development for which the certification is not received by the Department, is received past due, or is incomplete, improperly completed or not signed by the Development Owner, will be considered not in compliance with the provisions of §42 of the Code and reported to the IRS on Form 8823, Low Income Housing Credit Agencies Report of Non Compliance. The Owner Certification of Program Compliance shall cover the proceeding calendar year and shall include at a minimum the following statements of the Development Owner:

(A) the Development met the minimum set-aside test which was applicable to the Development;

(B) there was no change in the Applicable Fraction of any building in the Development, or that there was a change and list the applicable fraction to be reported to the IRS for each building in the Development for the certification year, and a description of the change;

- (C) the owner has received an annual income certification from each low income resident tenant and documentation to support that certification;
- (D) each low income Unit in the Development was rent-restricted under the Code, §42(g)(2); ~~and Treasury Regulation §1.42-10 regarding utility allowances;~~
- (E) all low income Units in the Development are and have been ~~were~~ for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under the Code, §42(l)(3)(B)(iii));
- (F) No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this Development. A finding of discrimination includes an adverse final decision by the Secretary of HUD, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or ~~an~~ adverse judgement from a federal court;
- (G) each building in the Development is and has been~~was~~ suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income Unit in the Development. If a violation report or notice was issued by the governmental unit, the Development Owner must attach either a statement summarizing the violation report or notice or a copy of the violation report or notice., ~~and~~ in addition, the Development Owner must state whether the violation has been corrected;
- (H) either there was no change in the Eligible Basis (as defined in the Code, §42(d)) of any building in the Development, or that there has been a change, and the nature of the change (e.g., a common area has become commercial space, a fee is now charged for a tenant facility formerly provided without charge, or the Development Owner has received federal subsidies with respect to the Development which had not been disclosed to the allocating authority in writing);
- (I) all tenant facilities included in the Eligible Basis under the Code, §42(d), of any building in the Development, such as swimming pools, other recreational facilities, washer/dryer hook ups, appliances and parking areas, were provided on a comparable basis without charge to all tenants in the building;
- (J) if a low income Unit in the Development became vacant during the year, reasonable attempts were, or are being, made to rent that Unit or the next available Unit of comparable or smaller size to tenants having a qualifying income before any other Units in the Development were, or will be, rented to tenants not having a qualifying income;
- (K) if the income of tenants of a low income Unit in the Development increased above the limit allowed in the Code, §42(g)(2)(D)(ii), the next available Unit of comparable or smaller size in that building~~the Development~~ was, or will be, rented to resident tenants having a qualifying income;
- (L) a LURA including an Extended Low Income Housing Commitment as described in the Code, §42(h)(6)(B), was in effect for buildings subject to section 7108(c)(1) of the Omnibus Budget the Revenue Reconciliation Act of 1989, 103 Stat. 2106, 2308-2311, §7106(c)(1) (generally any building receiving an allocation after 1989), including the requirement under the Code, §42(h)(6)(B)(iv) that a Development Owner cannot refuse to lease a Unit in the Development to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to section 1314c(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438-439; ~~and the Development Owner has not refused to lease a Unit to an applicant because of his or her status as a holder of a Section 8 voucher nor is the Development out of compliance with the provisions, including any special provisions, outlined in the Extended Low Income Housing Commitment;~~
- (M) All low income Units in the Development were used on a nontransient basis (except for transitional housing for the homeless provided under §42(i)(3)(B)(iv));
- (N) no change in the ownership of a Development has occurred during the reporting period;
- (~~ON~~) the Development Owner has not been notified by IRS that the Development is no longer "a qualified low income housing Development" within the meaning of the Code, §42;
- (~~PO~~) the Development met all terms and conditions which were recorded in the LURA, or if no LURA was required to be recorded, the Development met all representations of the Development Owner in the Application for credits;
- (~~QP~~) if the Development Owner received its Housing Credit Allocation from the portion of the state ceiling set-aside for Developments involving Qualified Nonprofit Organizations under the Code, §42(h)(5), a Qualified Nonprofit Organization owned an interest in and materially participated in the operation of the Development within the meaning of the Code, §469(h); and
- (~~Q~~) all low income Units in the Development were used on a nontransient basis (except for transitional housing for the homeless provided under §42(i)(3)(B)(iii) of the Code or single-room occupancy units rented on a month-by-month basis under §42(i)(3)(B)(iv) of the Code; and

(R) no low income Units in the Development were occupied by households in which all members were Students.

(2) Review.

(A) The Department staff will review each Owner's Certification of Program Compliance for compliance with the requirements of the Code, §42.

(B) The Department will perform on-site inspections of all buildings in each low income housing Development by the end of the second calendar year following the year the last building in the Development is placed in service and, for at least 20% of the low income Units in each Development, inspect the Units and review the low income certifications, the documentation the Development Owner has received to support the certifications, the rent records for each low income tenant in those Units, and any additional information that the Department deems necessary.

(C) At least once every three years, the Department will conduct on-site inspections of all buildings in the Development, and for at least 20% of the Development's low income Units, inspect the Units and review the low income certifications, the documentation supporting the certifications, and the rent records for the tenants in those Units; and

~~perform on-site monitoring reviews at least once every three years on low income housing Developments. A monitoring review will include an inspection of the income certification, the documentation the Development Owner has received to support that certification, the rent record for each low income tenant, and a property inspection including individual Units and any additional information that the Department deems necessary, for at least 20% of the low income Units in those Developments.~~

(D) The Department may, at the time and in the form designated by the Department, require the Development Owners to submit for compliance review, information on tenant income and rent for each low income Unit, and may require a Development Owner to submit for compliance review copies of the tenant files, including copies of the income certification, the documentation the Development Owner has received to support that certification and the rent record for any low income tenant.

(E) The Department will randomly select which low income Units and tenant records are to be inspected and reviewed by the Department. ~~The Department may determine to review of the tenant records may be undertaken wherever the Development Owner maintains or they are stored the records, whether on-site or off-site.~~ Units and tenant records to be inspected and reviewed will be selected in a manner that will not give Development Owners advance notice that a particular Unit and tenant records for a particular year will or will not be inspected or reviewed. However, the Department will give reasonable notice to the Development Owner that an on-site inspection or a tenant record review will occur, so that the Development Owner may notify tenants of the inspection or assemble tenant records for review.

(3) Exception. The Department may, at its discretion, enter into a Memorandum of Understanding with the TX-USDA-RHS ~~TXRD-USDA~~, whereby the TX-USDA-RHS ~~TXRD-USDA~~ agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed by the TX-USDA-RHS ~~TXRD-USDA~~ under its §515 program. Owners of such buildings may be excepted from the review procedures of subparagraph (B) or (C) of this paragraph or both; however, if the information provided by TX-USDA-RHS ~~TXRD-USDA~~ is not sufficient for the Department to make a determination that the income limitation and rent restrictions of the Code, §42(g)(1) and (2), are met, the Development Owner must provide the Department with additional information. TX-USDA-RHS ~~TXRD-USDA~~ Developments satisfy the definition of Qualified Elderly Development if they meet the definition for elderly used by TX-USDA-RHS ~~TXRD-USDA~~, which includes persons with disabilities.

(k) Inspection provision. The Department retains the right to perform an on site inspection of any low income housing Development including all books and records pertaining thereto through either the end of the Compliance Period or the end of the period covered by any Extended Low Income Housing Commitment, whichever is later. An inspection under this subsection may be in addition to any review under paragraph (j)(2) of this section.

(l) Inspection Standard. For the on-site inspections of buildings and low income Units, the Department must review any local health, safety, or building code violations reported, or noticed retained by the Development Owner, under paragraph (j)(1)(G) of this section; or determine whether the Units satisfy the uniform physical condition standards for public housing established by HUD (24 CFR 5.703). The HUD physical condition standards do not supersede or preempt local health, safety and building codes. Developments must continue to satisfy these codes and if the Department becomes aware of any violation of these codes, the violations must be reported to the IRS.

(m) The Department retains the right to require the Owner to submit tenant data in the electronic format as developed by the Department. The Department will provide general instruction regarding the electronic transfer of data.

(~~nm~~) Notices to Owner. The Department will provide prompt written notice to the Development Owner if the Department does not receive the certification described in subsection (jg)(1) of this section or discovers through audit, inspection, review or any other manner, that the Development is not in compliance with the provisions of the Code, §42 or the LURA. The notice will specify a correction period which will not exceed 90 days, during which the Development Owner may respond to the Department's findings, bring the Development into compliance, or supply any missing certifications. The Department may extend the correction period for up to six months if it determines there is good cause for granting an extension. If any communication to the Development Owner under this section is returned to the Department as unclaimed or undeliverable, the Development may be considered not in compliance without further notice to the Development Owner.

(~~oa~~) Notice to the IRS.

(1) Regardless of whether the noncompliance is corrected, the Department is required to file IRS Form 8823 with the IRS. IRS Form 8823 will be filed not later than 45 days after the end of the correction period specified in the Notice to Owner (including any extensions permitted by the Department), but will not be filed before the end of the correction period. The Department will explain on IRS Form 8823 the nature of the noncompliance and will indicate whether the Development Owner has corrected the noncompliance or failure to certify. ~~or has otherwise responded to the Department's findings.~~

(2) If the non-compliance is not reported as corrected within three years after the end of the correction period, the Department is not required to file a corrected form 8823 with the IRS.

(3) The Department will retain records of noncompliance or failure to certify for six years beyond the Department's filing of the respective IRS Form 8823. In all other cases, the Department will retain the certification and records described in ~~§49.1940~~ of this title for three years from the end of the calendar year the Department receives the certifications and records.

(~~po~~) Notices to the Department. A Development Owner must notify the division responsible for compliance within the Department in writing of the events listed in paragraphs (1) through (3) of this subsection.

(1) prior to any sale, transfer, exchange, or renaming of the Development or any portion of the Development. For Rural Developments that are federally assisted or purchased from HUD, the Department shall not authorize the sale of any portion of the Development;

(2) any change of address to which subsequent notices or communications shall be sent; or

(3) within thirty days of the placement in service of each building, the Department must be provided the in service date of each building.

(~~qp~~) Liability. Compliance with the requirements of the Code, §42 is the sole responsibility of the Development Owner of the building for which the credit is allowable. By monitoring for compliance, the Department in no way assumes any liability whatsoever for any action or failure to act by the Development Owner including the Development Owner's noncompliance with the Code, §42.

(~~rq~~) These provisions apply to all buildings for which a low income housing credit is, or has been, allowable at any time. The Department is not required to monitor whether a building or Development was in compliance with the requirements of the Code, §42, prior to January 1, 1992. However, if the Department becomes aware of noncompliance that occurred prior to January 1, 1992, the Department is required to notify the IRS in a manner consistent with subsection (j) of this section.

(~~sf~~) Material Non-Compliance. In accordance with ~~§49.5(b)(6) and (7)~~, the Department will disqualify an Application for funding if the Applicant or other Persons, General Partner ~~general partner~~, general contractor, and their respective principals or Affiliates active in the ownership or control of low income housing located in the State of Texas is determined by the Department to be in Material Non-Compliance on the date the ~~Pre-Application Round closes~~opens. The Department will classify a property as being in Material Non-Compliance when such property has a Non-Compliance score that is equal to or exceeds 30 points in accordance with the methodology and point system set forth in this subsection, or if in accordance with §49.5(b)(7), the Department makes a determination that the non-compliance reported would equal a non-compliance score that is equal to or exceeds 30 points in accordance with the methodology and point system set forth in this subsection.

(1) Each property that has received an allocation from the Department will be scored according to the type and number of non-compliance events as it relates to the tax credit program or other Department programs. All ~~development~~projects regardless of status that have received an allocation are scored even if the project no longer actively participates in the program.

(2) Uncorrected non-compliance will carry the maximum number of points until the non-compliance event has been reported corrected by the Department. Once reported corrected by the Department the score will reduce to the "corrected value" in paragraph (4) of this subsection. Corrected non-compliance will no longer be included in the ~~development~~project score three years after the date the non-compliance was reported

corrected by the Department. Non-compliance events that occurred and were identified by the Department through the issuance of the IRS form 8823 prior to January 1, 1998 are assigned corrected point values to each non-compliance event. The score for these events will no longer be included in the ~~development's~~ ~~project's~~ score three years after the date the form 8823 was executed. For Applicants under this QAP, a non-compliance report will be run by the Department's Compliance Division on the date the ~~Pre-Application Round closes~~ ~~opens~~. Any corrective action documentation affecting this compliance status score must be received by the Department no later than ~~February 1, 2003~~ ~~November 15, 2001~~.

(3) Events of non-compliance are categorized as either "~~development~~ ~~project~~ events" or "unit/building events". ~~Development~~ ~~Project~~ events of non-compliance affect all the buildings in the property. However, the property will receive only one score for the event rather than a score for each building. Other types of non-compliance are identified individually by unit. This type of non-compliance will receive the appropriate score for each building cited with an event. The building scores accumulate towards the total score of the ~~development~~ ~~project~~.

(4) Each type of non-compliance is assigned a point value. The point value for non-compliance is reduced upon correction of the non-compliance. The scoring point system and values are as described in subparagraphs (A) and (B) of this paragraph. The point system weighs certain types of non-compliance more heavily than others; therefore certain non-compliance events carry a sufficient number of points to automatically place the property in Material Non-Compliance. However other types of non-compliance by themselves do not warrant the classification of Material Non-Compliance. Multiple occurrences of these types of non-compliance events may produce enough points to cause the property to be in Material Non-Compliance. Scores identified below become effective April 1, 2003.

(A) ~~Development~~ ~~Project~~ Non-Compliance items are identified in clauses (i) through ~~(xxi)~~ ~~(xviii)~~ of this subparagraph.

(i) Major property condition violations. As determined by the Department the project displays major violations of health, safety and building code or the property does not satisfy the uniform physical condition standards. Uncorrected is 30 points. Corrected is 20 points.

(ii) Owner refused to lease to a holder of rental assistance certificate/voucher because of the status of the prospective tenant as such a holder. Uncorrected is 30 points. Corrected is 10 points.

(iii) Development not available to general public. Determination of violation under the Fair Housing Act. Uncorrected is 30 points. Corrected is 10 points.

(iv) Development is out of compliance and never expected to comply. Uncorrected is 30 points.

(v) Failure to meet minimum low-income occupancy levels. Development failed to meet required minimum low-income occupancy levels of 20/50 (20% of the units occupied by tenants with household incomes of less than or equal to 50% of area median gross income) or 40/60. Uncorrected is 20 points. Corrected is 10 points.

(vi) No evidence or failure to certify to non-profit material participation. Uncorrected is 10 points. Corrected is 3 points.

(vii) Failure to meet additional State required rent and occupancy restrictions. Development has failed to meet state restrictions that exist in addition to the federal requirements. Uncorrected is 10 points. Corrected is 3 points.

(viii) Failure to provide required supportive services as promised at application. Uncorrected is 10 points. Corrected is 3 points.

(ix) Failure to provide housing to the elderly as promised at application. Uncorrected is 10 points. Corrected is 3 points.

(x) Failure to provide special needs housing. Development has failed to provide housing for tenants with special needs as promised at application. Uncorrected is 10 points. Corrected is 3 points.

(xi) Owner failed to provide required annual notification to local administering agency for the Section 8 program. Uncorrected is 5 points. Corrected is 2 point.

(xii) Changes in eligible basis. Changes occur when common areas become commercial; fees are charged for facilities, etc. Uncorrected is 10 points. Corrected is 3 point.

(xiii) Owner failed to post Fair Housing Logo and/or poster in leasing offices. Uncorrected is 3 points. Corrected is 1 point.

(xiv) LURA not in effect. The LURA was not executed within the required time period. Uncorrected is 10 points. Corrected is 3 point.

(xv) Owner failed to pay fees or allow on-site monitoring review. Uncorrected is 3 points. Corrected is 1 point.

(xvi) Failure to submit annual Owner Certification of Program Compliance or other annual, monthly, or quarterly reports. Uncorrected is 10 points. Corrected is 3 point.

(xviii) Owner failed to make available or maintain management plan with required language. Uncorrected is 3 points. Corrected is 1 point.

(xix) Owner failed to approve and distribute Affirmative Marketing Plan. Uncorrected is 3 points. Corrected is 1 points.

(xx) Pattern of minor property condition violations. Development displays a pattern of property violations. However those violations do not impair essential services and safeguards for tenants. Uncorrected is 5 points. Corrected is 2 point.

(xxi) Failure to comply with minimum income standards for Section 8 residents. Complaints verified by the Department regarding violations of the income standard which cause exclusion from admission of section 8 resident(s) results in a violation. Uncorrected score 10 points. Corrected 3 point.

~~(i) Major property condition violations. Project displays major violations of health and safety standards documented by the city. Uncorrected is 30 points. Corrected is 20 points.~~

~~(ii) Failure to meet minimum low-income occupancy levels. Project failed to meet required minimum low-income occupancy levels of 20/50 (20% of the units occupied by tenants with household incomes of less than or equal to 50% of area median gross income) or 40/60. Uncorrected is 20 points. Corrected is 10 points.~~

~~(iii) Failure to meet additional State required rent and occupancy restrictions. DevelopmentProject has failed to meet state restrictions that exist in addition to the federal requirements. Uncorrected is 10 points. Corrected is 3 points.~~

~~(iv) Failure to provide required supportive services as promised at application. Uncorrected is 10 points. Corrected is 3 points.~~

~~(v) Failure to provide housing to the elderly as promised at application. Uncorrected is 10 points. Corrected is 3 points.~~

~~(vi) Failure to provide special needs housing. Project has failed to provide housing for tenants with special needs as promised at application. Uncorrected is 10 points. Corrected is 3 points.~~

~~(vii) No evidence or failure to certify to non-profit material participation. Uncorrected is 10 points. Corrected is 3 points.~~

~~(viii) Owner refused to lease to holder of rental assistance certificate/voucher because of the status of the prospective tenant as such a holder. Uncorrected is 30 points. Corrected is 10 points.~~

~~(ix) Changes in eligible basis. Changes occur when common areas become commercial; fees are charged for facilities, etc. Uncorrected is 3 points. Corrected is 1 point.~~

~~(x) LURA not in effect. The LURA was not executed within the required time period. Uncorrected is 3 points. Corrected is 1 point.~~

~~(xi) Owner failed to pay fees or allow on-site monitoring review. Uncorrected is 3 points. Corrected is 1 point.~~

~~(xii) Failure to submit annual, monthly, or quarterly reports. Uncorrected is 3 points. Corrected is 1 point.~~

~~(xiii) Pattern of minor property condition violations. Project displays a pattern of property violations. However those violations do not impair essential services and safeguards for tenants. Uncorrected is 3 points. Corrected is 1 point.~~

~~(xiv) Owner failed to make available or maintain management plan. Uncorrected is 10 points. Corrected is 3 point.~~

~~(xv) Owner failed to post Fair Housing Logo and/or poster in leasing offices. Uncorrected is 10 points. Corrected is 3 point.~~

~~(xvi) Owner failed to approve and distribute Affirmative Marketing Plan. Uncorrected is 10 points. Corrected is 3 point.~~

~~(xvii) Owner failed to provide required annual notification to local administering agency for the Section 8 program. Uncorrected is 10 points. Corrected is 3 point.~~

~~(xviii) Project is out of compliance and never expected to comply. Uncorrected is 30 points. Not correctable.~~

(B) Unit Non-Compliance items are identified in clauses (i) through (ix) of this subparagraph.

(i) Unit not leased to Low Income Household. Development has units that are leased to households whose income was above the income limit upon initial occupancy. Uncorrected is 3 points. Corrected is 1 point.

(ii) Low-income units occupied by nonqualified full-time students. Uncorrected is 3 points. Corrected is 1 point.

(iii) Low income units used on transient basis. Uncorrected is 3 points. Corrected is 1 point.

(iv) Household Income increased above the re-certification limit and available unit was rented to market tenant. Uncorrected is 3 points. Corrected is 1 point.

(v) Gross rent exceeds tax credit rent limits. Uncorrected is 3 points. Corrected is 1 point.  
(vi) Utility allowance not calculated properly. Uncorrected is 3 points. Corrected is 1 point.  
(vii) Failure to maintain or provide tenant income certification and documentation. Uncorrected is 3 points. Corrected is 1 point.

(viii) Casualty loss. Units not available for occupancy due to natural disaster or hazard due to no fault of the Owner. This carries no point value.

(ix) When a low income unit became vacant, owner failed to lease to a low income household before any units were rented to tenants not having a qualifying income. Uncorrected 3 points. Corrected 1 point.

(x) Unit not available for rent. Unit is used for non-residential purposes. Uncorrected is 3 points. Corrected is 1 point.

~~(i) Unit not leased to Low Income Household. Project has units that are leased to households that do not meet the income requirements. Uncorrected is 3 points. Corrected is 1 point.~~

~~(ii) Unit(s) occupied by students. Project has units leased to non-qualified students. Typically, full-time students are non-qualified. Uncorrected is 3 points. Corrected is 1 point.~~

~~(iii) Units used on transient basis. Project has units that are leased for less than six months. Uncorrected is 3 points. Corrected is 1 point.~~

~~(iv) Unit not available to general public. Uncorrected is 3 points. Corrected is 1 point.~~

~~(v) Income of household increased above the re-certification limit and unit not replaced. Uncorrected is 3 points. Corrected is 1 point.~~

~~(vi) Rent exceeds rent limit. Project has units in which the rent exceeds the allowable program limits. Uncorrected is 3 points. Corrected is 1 point.~~

~~(vii) Utility allowance not calculated properly or not available for review. Uncorrected is 3 points. Corrected is 1 point.~~

~~(viii) Income not certified or documentation not maintained. Project management has not maintained tenant income certifications or supporting documentation. Uncorrected is 3 points. Corrected is 1 point.~~

~~(ix) Failure to annually inspect HOME units. Project has failed to inspect units as required by the HOME program. Uncorrected is 3 points. Corrected is 1 point.~~

~~(x) Units not available for occupancy due to natural disaster or hazard due to no fault of the Owner. This carries no point value.~~

(t) Utility Allowances utilized during Affordability Period. The Department will monitor to determine whether rents comply with the published tax credit rent limits using the utility allowances established by the local housing authority. When there are overlapping jurisdictions between local housing authorities, the utility allowance for the building will be utilized based on where the property is located according to the Development's legal description.

#### **§49.11. Housing Credit Allocations.**

~~(a) In making a Housing Credit Allocation under this chapter, the Department shall rely upon information contained in the Applicant's Application to determine whether a building is eligible for the credit under the Code, §42. The Applicant shall bear full responsibility for claiming the credit and assuring that the Development complies with the requirements of the Code, §42. The Department shall have no responsibility for ensuring that an Applicant who receives a housing credit allocation from the Department will qualify for the housing credit.~~

~~(b) The Housing Credit Allocation Amount shall not exceed the dollar amount the Department determines is necessary for the financial feasibility and the long-term viability of the Development throughout the Compliance Period. Such determination shall be made by the Department at the time of issuance of the Commitment Notice or Determination Notice; at the time the Department makes a Housing Credit Allocation; and/or the date the building is placed in service. Any Housing Credit Allocation Amount specified in a Commitment Notice, Determination Notice or Carryover Allocation Document is subject to change by the Department dependent upon such determination. Such a~~



determination shall be made by the Department based on its evaluation and procedures, considering the items specified in the Code, §42(m)(2)(B), and the department in no way or manner represents or warrants to any applicant, sponsor, investor, lender or other entity that the Development is, in fact, feasible or viable.

~~(c) The General Contractor hired by the Applicant must meet specific criteria as defined by the Seventy-fifth Legislature. A general contractor hired by an applicant or an applicant, if the applicant serves as general contractor must demonstrate a history of constructing similar types of housings without the use of federal tax credits. Evidence must be submitted to the Department which sufficiently documents that the general contractor has constructed some housing without the use of low income housing credits. This documentation will be required as a condition of the commitment notice or carryover agreement, and must be complied with prior to commencement of construction and at cost certification and final allocation of credits.~~

~~(d) All Carryover Allocations will be contingent upon the following:~~

~~(1) A current original plat of survey of the land, prepared by a duly licensed Texas Registered Professional Land Surveyor. Such survey shall conform to standards prescribed in the Manual of Practice for Land Surveying in Texas as promulgated and amended from time to time by the Texas Surveyors Association as more fully described in the Carryover Procedures Manual.~~

~~(2) A review of information provided by the IRS as permitted pursuant to IRS Form 8821, Tax Information Authorization, for the release of tax information relating to non-disclosure or recapture issues. Each Applicant must execute and provide to the Department Form 8821 within ten business days of the issuance of a Commitment Notice or Determination Notice. The form must be signed and executed on behalf of the Development Owner. If any issues of recapture or non-disclosure are identified by the IRS, the Board may determine if a Carryover Allocation will be made.~~

~~(3) Attendance of the Development Owner and Development architect at eight hours of Fair Housing training.~~

~~(4) the Development Owner's closing of the construction loan shall occur not later than the second Friday in June of the year after the execution of the Carryover Allocation Document with the possibility of a one-time 30 day extension as described in §49.13 of this title. Copies of the closing documents must be submitted to the Department within two weeks after the closing. At the time of submission of Construction Closing documentation, the Development Owner must also submit a Management Plan and a Affirmative Marketing Plan as further described in the Carryover Allocation Procedures Manual. The Carryover Allocation will automatically be revoked if the Development Owner fails to meet the aforementioned closing deadline, and all credits previously allocated to that Development will be returned to the general pool for reallocation.~~

~~(5) the Development Owner must commence and continue substantial construction activities not later than the second Friday in November of the year after the execution of the Carryover Allocation Document with the possibility of an extension as described in §49.13(j) of this title. Substantial construction activities for new Developments will generally be defined as post foundation construction activities. Evidence of such activity shall be provided in a format prescribed by the Department in the LIHTC Progress Report - Commencement of Construction which will document progress towards placing the Development in service in an expeditious manner.~~

~~(e) An allocation will be made in the name of the Applicant identified in the related Commitment Notice or Determination Notice. If an allocation is made in the name of the party expected to be the general partner in an eventual owner partnership, the Department may, upon request, approve a transfer of allocation to such owner partnership in which such party is the sole general partner. Any other transfer of an allocation will be subject to review and approval by the Department. The approval of any such transfer does not constitute a representation to the effect that such transfer is permissible under §42 of the Code or without adverse consequences thereunder, and the Department may condition its approval upon receipt and approval of complete documentation regarding the new owner including all the criteria for scoring, evaluation and underwriting, among others, which were applicable to the original Applicant.~~

~~(f) The Department shall make a Housing Credit Allocation, either in the form of IRS Form 8609, with respect to current year allocations for buildings placed in service, or in the Carryover Allocation Document, for buildings not yet placed in service, to any Development Owner who holds a~~

~~Commitment Notice which has not expired, and for which all fees as specified in §49.13 of this title, have been received by the Department. For Tax Exempt Bond Developments, the Housing Credit Allocation shall be made in the form of a Determination Notice. For an IRS Form 8609 to be issued with respect to a building in a Development with a Housing Credit Allocation, satisfactory evidence must be received by the Department that such building is completed and has been placed in service in accordance with the provisions of the Department's Cost Certification Procedures Manual. The manual will require, in addition to other items, that a self-evaluation form for compliance with Americans with Disabilities Act, Fair Housing Act and Section 504 of the Rehabilitation Act has been completed by the Owner. The Department shall mail or deliver IRS Form 8609 (or any successor form adopted by the Internal Revenue Service) to the Development Owner, with Part I thereof completed in all respects and signed by an authorized official of the Department. The delivery of the IRS Form 8609 will occur only after the Development Owner has complied with all procedures and requirements listed within the Cost Certification Procedures Manual. Regardless of the year of Application to the Department for low income housing tax credits, the current year's Cost Certification Procedures Manual must be utilized when filing all cost certification requests. A separate housing credit allocation shall be made with respect to each building within a Development which is eligible for a housing credit; provided, however, that where an allocation is made pursuant to a Carryover Allocation Document on a Development basis in accordance with the Code, §42(h)(1)(F), a housing credit dollar amount shall not be assigned to particular buildings in the Development until the issuance of IRS Form 8609s with respect to such buildings.~~

~~(g) In making a Housing Credit Allocation, the Department shall specify a maximum Applicable Percentage, not to exceed the Applicable Percentage for the building permitted by the Code, §42(b), and a maximum Qualified Basis amount. In specifying the maximum applicable percentage and the maximum Qualified Basis amount, the Department shall disregard the first-year conventions described in the Code, §42(f)(2)(A) and §42(f)(3)(B). The housing credit allocation made by the Department shall not exceed the amount necessary to support the extended low income housing commitment as required by the Code, §42(h)(6)(C)(i).~~

~~(h) Development inspections shall be required to show that the Development is built or rehabilitated according to required plans and specifications. At a minimum, all Development inspections must include an inspection for quality during the construction process while defects can reasonably be corrected and a final inspection at the time the Development is placed in service. All such Development inspections shall be performed by the Department or by an independent, third party inspector acceptable to the Department. The Development Owner shall pay all fees and costs of said inspections as described in §49.13(g) of this title.~~

~~(i) After the entire Development is placed in service, which must occur prior to the deadline specified in the Carryover Allocation Document, the Development Owner shall be responsible for furnishing the Department with documentation which satisfies the requirements set forth in the Cost Certification Procedures Manual. A newly constructed or rehabilitated building is not placed in service until all units in such building have been completed and certified by the appropriate local authority or registered architect as ready for occupancy. The Cost Certification must be submitted for the entire Development, therefore partial Cost Certifications are not allowed. The Department may require copies of invoices and receipts and statements for materials and labor utilized for the new construction or rehabilitation and, if applicable, a closing statement for the acquisition of the Development as well as for the closing of all interim and permanent financing for the Development. If the Applicant does not fulfill all representations made in the Application, the Department may make reasonable reductions to the tax credit amount allocated via the IRS Form 8609 or may withhold issuance of the IRS Form 8609s until these representations are met.~~

#### **§49.2012. Department Records, Application Log, IRS Filings.; ~~Certain Required Filings.~~**

(a) **Department Records.** At all times during each calendar year the Department shall maintain a record of the following:

(1) the cumulative amount of the State Housing Credit Ceiling that has been reserved pursuant to reservation notices during such calendar year;

- (2) the cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Commitment Notices during such calendar year;
- (3) the cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Carryover Allocation Documents during such calendar year;
- (4) the cumulative amount of housing credit allocations made during such calendar year; and
- (5) the remaining unused portion of the State Housing Credit Ceiling for such calendar year.

(b) **Application Log.** The Department shall maintain for each Application an Application Log that tracks the Application from the date of its submission. The Application Log will contain, at a minimum, the information identified in paragraphs (1) through (9) of this subsection.

- (1) the names of the Applicant and Related Parties, the owner contact name and phone number, and full contact information for all members of the Development Team;
- (2) the name, physical location, and address of the Development, including the relevant region of the state;
- (3) the number of Units and the amount of housing tax credits requested for allocation by the Department to the Applicant;
- (4) any set-aside category under which the Application is filed;
- (5) the requested and awarded score of the Application in each scoring category adopted by the Department under the Qualified Allocation Plan;
- (6) any decision made by the Department or Board regarding the Application, including the Department's decision regarding whether to underwrite the Application and the Board's decision regarding whether to allocate housing tax credits to the Development;
- (7) the names of persons making the decisions described by paragraph (6) of this subsection, including the names of Department staff scoring and underwriting the Application, to be recorded next to the description of the applicable decision;
- (8) the amount of housing tax credits allocated to the Development; and
- (9) a dated record and summary of any contact between the Department staff, the Board, and the Applicant or any Related Parties.

(c-) **IRS Filings.** The Department shall mail to the Internal Revenue Service, not later than the 28th day of the second calendar month after the close of each calendar year during which the Department makes housing credit allocations, the original of each completed (as to Part I) IRS Form 8609, a copy of which was mailed or delivered by the Department to a Development Owner during such calendar year, along with a single completed IRS Form 8610, Annual Low Income Housing Credit Agencies Report. When a Carryover Allocation is made by the Department, a copy of IRS Form 8609 will be mailed or delivered to the Development Owner by the Department in the year in which the building(s) is placed in service, and thereafter the original will be mailed to the Internal Revenue Service in the time sequence in this subsection. The original of the Carryover Allocation Document will be filed by the Department with IRS Form 8610 for the year in which the allocation is made. The original of all executed Agreement and Election Statements shall be filed by the Department with the Department's IRS Form 8610 for the year a housing credit allocation is made as provided in this section. The Department shall be authorized to vary from the requirements of this section to the extent required to adapt to changes in IRS requirements.

**§49.1321. Program Fees, Refunds, Public Information Requests, Amendments of Fees and Notification of Fees, and Extensions.**

(a) Timely Payment of Fees. All fees must be paid as indicated in this section. Any fees, as further described in this section, that are unpaid will cause an Applicant to be ineligible to apply for additional tax credits and ineligible to submit extension requests, ownership changes and application amendments. Payments made by check, for which no funds are available, will cause the processing of the Application for that stage of review to be terminated.

(a) **Pre-Application Fee.** Each Applicant that submits a Pre-Application shall submit to the Department, along with such Pre-Application, a non refundable Pre-Application fee, in the amount of \$45\$5 per Unit. Units for the calculation of the Pre-Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Pre-Applications without the specified Pre-Application Fee in the form of a ~~cashiers~~ check will not be accepted. Community Housing Development Organizations (CHDOs) and Qualified Nonprofit Organizations will receive a discount of 10% off the calculated Pre-Application fee.

(b) **Application Fee.** Each Applicant that submits an Application shall submit to the Department, along with such Application, an Application fee. For Applicants having submitted a Pre-Application which met Pre-Application Threshold and for which a Pre-Application fee was paid, the Application fee will be \$15 per Unit. For

Applicants not having submitted a Pre-Application, the Application fee will be \$20 per Unit. Units for the calculation of the Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Applications without the specified Application Fee in the form of a ~~cashier's~~ check will not be accepted. Community Housing Development Organizations and Qualified Nonprofit Organizations will receive a discount of 10% off the calculated Application fee.

(c) **Refunds of Pre-Application or Application Fees.** The Department shall refund the balance of any fees collected for a Pre-Application or Application that is withdrawn by the Applicant or that is not fully processed by the Department. The amount of refund on Applications not fully processed by the Department will be commensurate with the level of review completed. Intake and data entry will constitute 30% of the review, the site visit will constitute 45% of the review, and Threshold and Selection review will constitute 25% of the review. The Department must provide the refund to the Applicant not later than the 30<sup>th</sup> day after the date the last official action is taken with respect to the Application.

(d) **Third Party Underwriting Fee.** Applicants will be notified in writing prior to the evaluation of a Development by an independent third party underwriter in accordance with §49.7(b)(3) of this title if such a review is required. The fee must be received by the Department prior to the engagement of the underwriter. The fees paid by the Development Owner to the Department for the third party underwriting will be credited against the commitment fee established in subsection (e) of this section, in the event that a Commitment Notice or Determination Notice is issued by the Department to the Development Owner.

(e) **Commitment or Determination Notice Fee.** Each Development Owner that receives a Commitment Notice or Determination Notice shall submit to the Department, not later than the expiration date on the commitment notice, a non-refundable commitment fee equal to 4% of the annual housing credit allocation amount. The commitment fee shall be paid by ~~cashier's~~ check.

(f) **Compliance Monitoring Fee.** Upon the Development being placed in service, the Development Owner will pay a compliance monitoring fee in the form of a ~~cashier's~~ check equal to \$25 per tax credit Unit per year or \$100, whichever is greater. Payment of the first year's compliance monitoring fee must be received by the Department prior to the release of the IRS Form 8609 on the Development. Subsequent anniversary dates on which compliance monitoring fee payments are due shall be determined by the date the Development was placed in service.

~~(g) **Building Inspection Fee.** Development Owners must pay for any inspections that the Department requires, whether during construction or after completion, and estimated charges for all such inspections may be aggregated and distributed among the Developments according to Development size, cost or other criteria. The Building Inspection Processing Fee must be paid at the time the Commitment Fee is paid. The Building Inspection Fee for all Developments is \$500. All outstanding building inspection fees must be received by the Department prior to the release of the IRS Form 8609.~~

(h) **Public Information Requests.** Public information requests are processed by the Department in accordance with the provisions of the Government Code, Chapter 552. The Texas Building and Procurement Commission (formerly General Services Commission) determines the cost of copying, and other costs of production.

(i) **Amendment of Fees by the Department and Notification of Fees.** All fees charged by the Department in the administration of the tax credit program will be revised by the Department from time to time as necessary to ensure that such fees compensate the Department for its administrative costs and expenses. The Department shall publish not later than July 1 of each year a schedule of Application fees that specifies the amount to be charged at each stage of the application process.

(j) **Extension Requests.** All extension requests relating to the Commitment Notice, Carryover, Closing of Construction Loan, Substantial Construction Commencement, Placed in Service or Cost Certification requirements shall be submitted to the Department in writing and be accompanied by a non-refundable extension fee in the form of a ~~cashier's~~ check in the amount of \$2,500. Such requests must be submitted to the Department at least 30 days ~~ten business days~~ prior to the date for which an extension is being requested. Extension requests and fees will not be accepted any later than this deadline date. The extension request shall specify a requested extension date and the reason why such an extension is required. The Department, in its sole discretion, may consider and grant such extension requests for all items except for the Closing of Construction Loan and Substantial Construction Commencement. The Board may grant extensions, for the Closing of Construction Loan and Substantial Construction Commencement. The Board may waive related fees.

#### **§49.1422. Manner and Place of Filing Applications and Other All Required Documentation.**

~~(a) An Application or Pre-Application for a Housing Credit Allocation from the State Housing Credit Ceiling and the required Application or Pre-Application fee as described in §49.13(a) and (b) of this title must be filed during the Application Acceptance Periods published periodically in the Texas Register.~~

~~(b) Applications for a Determination Notice for a Tax Exempt Bond Development may be submitted to the Department as described in paragraphs (1) and (2) of this subsection:~~

~~(1) Applicants which receive advance notice of a Program Year 2002 reservation as a result of the Texas Bond Review Board's (TBRB) lottery for the private activity volume cap must file a complete Application per the requirements of §49.7(h) of this title not later than 60 days after the date of the TBRB lottery. Such filing must be accompanied by the Application fee described in §49.13(b) of this title.~~

~~(2) Applicants which receive advance notice of a Program Year 2003<sup>2</sup> reservation after being placed on the waiting list as a result of the TBRB lottery for private activity volume cap must submit Volume 1 of the Application prior to the Applicant's bond reservation date as assigned by the TBRB. The Application fee described in §49.13(b) of this title and any outstanding documentation required under §49.7(i) of this title must be submitted to the Department at least 45 days prior to the Board meeting at which the decision to issue a Determination Notice would be made.~~

~~(e<sub>a</sub>) All Applications, letters, documents, or other papers filed with the Department will be received only between the hours of 8:00 a.m. and 5:00 p.m. on any day which is not a Saturday, Sunday or a holiday established by law for state employees.~~

~~(e<sub>b</sub>) All notices, information, correspondence and other communications under this title shall be deemed to be duly given if delivered or sent and effective in accordance with this subsection. Such correspondence must reference that the subject matter is pursuant to the Tax Credit Program and must be addressed to the Low Income Housing Tax Credit Program, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, TX 78711-3941 or for hand delivery or courier to 507 Sabine, Suite 400, Austin, Texas 78701. Every such correspondence required or contemplated by this title to be given, delivered or sent by any party may be delivered in person or may be sent by courier, telecopy, express mail, telex, telegraph or postage prepaid certified or registered air mail (or its equivalent under the laws of the country where mailed), addressed to the party for whom it is intended, at the address specified in this subsection. Notice by courier, express mail, certified mail, or registered mail will be effective on the date it is officially recorded as delivered by return receipt or equivalent and in the absence of such record of delivery it will be presumed to have been delivered by the fifth business day after it was deposited, first-class postage prepaid, in the United States first class mail. Notice by telex or telegraph will be deemed given at the time it is recorded by the carrier in the ordinary course of business as having been delivered, but in any event not later than one business day after dispatch. Notice not given in writing will be effective only if acknowledged in writing by a duly authorized officer of the Department.~~

#### ~~§49.15. Withdrawals, Cancellations, Amendments.~~

~~(a) An Applicant may withdraw an Application prior to receiving a Commitment Notice, Determination Notice, Carryover Allocation Document or Housing Credit Allocation, or may cancel a Commitment Notice or Determination Notice by submitting to the Department a notice, as applicable, of withdrawal or cancellation.~~

~~(b) The Board in its sole discretion may allocate credits to a Development Owner in addition to those awarded at the time of the initial Carryover Allocation in instances where there is bona fide substantiation of cost overruns and the Department has made a determination that the allocation is needed to maintain the Development's financial viability as a qualified low income Development.~~

~~(c) The Department may, at any time and without additional administrative process, determine to award credits to Developments previously evaluated and awarded credits if it determines that such previously awarded credits are or may be invalid and the owner was not responsible for such invalidity. The Department may also consider an amendment to a Commitment Notice, Determination Notice or Carryover Allocation or other requirement with respect to a Development if the revisions:~~

~~(1) are consistent with the Code and the tax credit program;~~

~~(2) do not occur while the Development is under consideration for tax credits;~~

~~(3) do not involve a change in the number of points scored (unless the Development's ranking is adjusted because of such change);~~

~~(4) do not involve a change in the Development's site; or~~

~~(5) do not involve a change in the set-aside election.~~

~~(d) The Department may cancel a Commitment Notice, Determination Notice or Carryover Allocation prior to the issuance of IRS Form 8609 with respect to a Development if:~~

~~(1) the Development Owner or any member of the Development Team, or the Development, as applicable, fails to meet any of the conditions of such Commitment Notice or Carryover Allocation or any of the undertakings and commitments made by the Development Owner in the applications process for the Development;~~

~~(2) any statement or representation made by the Development Owner or made with respect to the Development Owner, the Development Team or the Development is untrue or misleading;~~

~~(3) an event occurs with respect to any member of the Development Team which would have made the Development's Application ineligible for funding pursuant to §49.5 of this title if such event had occurred prior to issuance of the Commitment Notice or Carryover Allocation; or~~

~~(4) the Development Owner, any member of the Development Team, or the Development, as applicable, fails to comply with these Rules or the procedures or requirements of the Department.~~

#### **§49.4623. Waiver and Amendment of Rules.**

(a) The Board, in its discretion, may waive any one or more of these Rules in cases in which the Board finds that compelling circumstances exist outside the control of the Applicant or Development Owner of natural disasters such as fires, hurricanes, tornadoes, earthquakes, or other acts of nature as declared by Federal or State authorities.

(b) The Department may amend this chapter and the Rules contained herein at any time in accordance with the Government Code, Chapter 2001, as may be amended from time to time.

#### **§49.17. Forward Reservations; Binding Commitments.**

~~(a) Anything in §49.4 of this title or elsewhere in this chapter to the contrary notwithstanding, the Department with approval of the Board may determine to issue commitments of tax credit authority with respect to Developments from the State Housing Credit Ceiling for the calendar year following the year of issuance (each a "forward commitment"). The Department may make such forward commitments:~~

~~(1) with respect to Developments placed on a waiting list in any previous Application Round during the year; or~~

~~(2) pursuant to an additional Application Round.~~

~~(b) If the Department determines to make forward commitments pursuant to a new Application Round, it shall provide information concerning such round in the Texas Register. In inviting and evaluating Applications pursuant to an additional Allocation Round, the Department may waive or modify any of the set-asides set forth in §49.6 of this title and make such modifications as it determines appropriate in the Threshold Criteria, evaluation factors and Selection Criteria set forth in §49.7 of this title and in the dates and times by which actions are required to be performed under this chapter. The Department may also, in an additional Application Round, include Developments previously evaluated within the calendar year and rank such Developments together with those for which Applications are newly received.~~

~~(c) Unless otherwise provided in the Commitment Notice with respect to a Development selected to receive a forward commitment or in the announcement of an Application Round for Developments seeking a forward commitment, actions which are required to be performed under this chapter by a particular date within a calendar year shall be performed by such date in the calendar year of the anticipated allocation rather than in the calendar year of the forward commitment.~~

~~(d) Any forward commitment made pursuant to this section shall be made subject to the availability of State Housing Credit Ceiling in the calendar year with respect to which the forward~~

~~commitment is made. No more than 15% of the per capita component of State Housing Credit Ceiling anticipated to be available in the State of Texas in a particular year shall be allocated pursuant to forward commitments to Development Applications carried forward without being ranked in the new Application Round pursuant to subsection (f) of this section. If a forward commitment shall be made with respect to a Development placed in service in the year of such commitment, the forward commitment shall be a "binding commitment" to allocate the applicable credit dollar amount within the meaning of the Code, §42(h)(1)(C).~~

~~(e) If tax credit authority shall become available to the Department later in a calendar year in which forward commitments have been awarded, the Department may allocate such tax credit authority to any eligible Development which received a forward commitment, in which event the forward commitment shall be canceled with respect to such Development.~~

~~(f) In addition to or in lieu of making forward commitments pursuant to subsection (a) of this section, the Department may determine to carry forward Development Applications on a waiting list or otherwise received and ranked in any Application Round within a calendar year to the subsequent calendar year, requiring such additional information, Applications and/or fees, if any, as it determines appropriate. Development Applications carried forward may, within the discretion of the Department, either be awarded credits in a separate allocation round on the basis of rankings previously assigned or may be ranked together with Development Applications invited and received in a new Application Round. The Department may determine in a particular calendar year to carry forward some Development Applications under the authority provided in this subsection, while issuing forward commitments pursuant to subsection (a) of this section with respect to others.~~

#### **§49.2418. Deadlines for Allocation of Low Income Housing Tax Credits.**

(a) Not later than September 30 of each year, the Department shall prepare and submit to the Board for adoption the draft Qualified Allocation Plan required by federal law for use by the Department in setting criteria and priorities for the allocation of tax credits under the low income housing tax credit program.

(b) The Board shall adopt and submit to the Governor the Qualified Allocation Plan not later than November 15 of each year.

(c) The Governor shall approve, reject, or modify and approve the Qualified Allocation Plan not later than December 1 of each year.

(d) An Applicant for a low income housing tax credit to be issued a Commitment Notice during the Application Round -in a calendar year must submit an Application to the Department not later than March 1.

(e) The Board shall review the recommendations of Department staff regarding Applications and shall issues a list of approved Applications each year in accordance with the Qualified Allocation Plan not later than June 30.

(f) The Board shall issue final Commitment Notices for allocations of housing tax credits each year in accordance with the Qualified Allocation Plan not later than July 31.



## 2003 Draft Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules

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### **§49.1. Purpose, Program Statement, Allocation Goals.**

(a) **Purpose.** The Rules in this chapter apply to the allocation by the Texas Department of Housing and Community Affairs (the Department) of low income housing tax credits authorized by applicable federal income tax laws. The Internal Revenue Code of 1986, §42, as amended, provides for credits against federal income taxes for owners of qualified low income rental housing Developments. That section provides for the allocation of the available tax credit amount by state housing credit agencies. Pursuant to Executive Order AWR-91-4 (June 17, 1991), the Department was authorized to make housing credit allocations for the State of Texas. As required by the Internal Revenue Code, §42(m)(1), the Department developed a Qualified Allocation Plan (QAP) which is set forth in §§49.1 through 49.24 of this title. Sections in this chapter establish procedures for applying for and obtaining an allocation of the low income housing tax credit, along with ensuring that the proper threshold criteria, selection criteria, priorities and preferences are followed in making such allocations.

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

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

### **§49.2. Coordination with Rural Agencies.**

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

### **§49.3. Definitions.**

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

(1) **Administrative Deficiencies** - The absence of information or documents from the Application which are essential to a review and scoring of the Development. If an Application contains deficiencies which, in the determination of the Department staff, require clarification of information submitted at the time of the Application, the Department staff shall request correction of such Administrative Deficiencies. The Department staff shall provide this in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If such Administrative Deficiencies are not corrected to the satisfaction of the Department within three business days of the deficiency notice date, then five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains uncorrected. If such deficiencies are not corrected within five business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period.

(2) **Affiliate** - An individual, corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with any other Person, and specifically shall include parents or subsidiaries.

(3) **Agreement and Election Statement** - A document in which the Development Owner elects, irrevocably, to fix the applicable credit percentage with respect to a building or buildings, as that in effect for

the month in which the Department and the Development Owner enter into a binding agreement as to the housing credit dollar amount to be allocated to such building or buildings.

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

(5) **Applicable Percentage** - The percentage used to determine the amount of the low income housing tax credit, as defined more fully in the Code, §42(b). For purposes of the Application, the Applicable Percentage will be projected at 10 basis points above the greater of:

(A) the current applicable percentage, or

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

(6) **Applicant** - Any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a housing tax credit allocation. For purposes hereof, the Applicant is sometimes referred to as the "housing sponsor."

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

(8) **Application Acceptance Period** - That period of time during which Applications for either a Housing Credit Allocation from the State Housing Credit Ceiling or a Determination Notice for Tax Exempt Bond Developments may be submitted to the Department as more fully described in §49.9(a) and §49.22 of this title.

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

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

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

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

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

(i) Sections 221(d)(3), (4) and (5), National Housing Act (12 U.S.C. Section 1715l);

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

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

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

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

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

1486); or

(vii) Section 42 of the Internal Revenue Code of 1986, and

(B) is subject to the following conditions:

(i) the stipulation to maintain affordability in the contract granting the subsidy is nearing expiration (expiration will occur within two calendar years); or

(ii) the federally insured mortgage on the development is eligible for prepayment or is nearing the end of its mortgage term (the term will end within two calendar years).

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

(14) **Beneficial Owner** - A "Beneficial Owner" means:

(A) Any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares;

(i) voting power which includes the power to vote, or to direct the voting as any other Person or the securities thereof; and/or

(ii) investment power which includes the power to dispose, or direct the disposition of, any Person or the securities thereof.

(B) Any Person who, directly or indirectly, creates or uses a trust, proxy, power of attorney, pooling arrangement or any other contract, arrangement or device with the purpose or effect of divesting such Person of Beneficial Ownership (as defined herein) of a security or preventing the vesting of such Beneficial Ownership as part of a plan or scheme to evade inclusion within the definitional terms contained herein; and

(C) Any Person who has the right to acquire Beneficial Ownership during the Compliance Period, including but not limited to any right to acquire any such Beneficial Ownership:

- (i) through the exercise of any option, warrant or right,
- (ii) through the conversion of a security,
- (iii) pursuant to the power to revoke a trust, discretionary account or similar arrangement, or
- (iv) pursuant to the automatic termination of a trust, discretionary account, or similar arrangement.

(D) Provided, however, that any Person who acquires a security or power specified in clauses (i), (ii) or (iii) of subparagraph (C) of this paragraph, with the purpose or effect of changing or influencing the control of any other Person, or in connection with or as a participant in any transaction having such purpose or effect, immediately upon such acquisition is deemed to be the Beneficial Owner of the securities which may be acquired through the exercise or conversion of such security or power. Any securities not outstanding which are subject to options, warrants, rights or conversion privileges as deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such Person but are not deemed to be outstanding for the purpose of computing the percentage of the class by any other Person.

(15) **Board** - The governing Board of Directors of the Department.

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

(17) **Carryover Allocation Document** - A document issued by the Department to a Development Owner pursuant to §49.14 of this title.

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

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

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

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

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

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

(22) **Compliance Period** - With respect to a building, the period of 15 taxable years, beginning with the first taxable year of the Credit Period pursuant to the Code, §42(i)(1).

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

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

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

(26) **Department** - The Texas Department of Housing and Community Affairs, an agency of the State of Texas, established at Chapter 2306, Texas Government Code.

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

(28) **Development** - A proposed qualified low income housing Development, for new construction or rehabilitation, for purposes of the Code, §42(g), that consists of one or more buildings containing multiple Units,

and that, if the Development shall consist of multiple buildings, is financed under a common plan and is owned by the same Person for federal tax purposes, and the buildings of which are either:

- (A) located on a single site or contiguous site; or
- (B) located on scattered sites and contain only rent-restricted units.

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

(30) **Development Owner** - Any Person or Affiliate of a Person who owns or proposes a Development or expects to acquire control of a Development under a purchase contract approved by the Department.

(31) **Development Team** - All Persons or Affiliates thereof which play(s) a material role in the development, construction, rehabilitation, management and/or continuing operation of the subject Property, which will include any consultant(s) hired by the Applicant for the purpose of the filing of an Application for low income housing tax credits with the Department.

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

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

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

(C) an established residential subdivision was located on June 1, 1989, as determined by the board.

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

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

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

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

(37) **General Developments** - Any Development which is not a Qualified Nonprofit Development or is not under consideration in the Rural, At-Risk Development or Elderly set-asides as such terms are defined by the Department.

(38) **General Partner** - The partner, or collective of partners, which has general liability for the partnership during the construction and lease-up period. In addition, unless the context shall clearly indicate to the contrary, if the entity in question is a limited liability company, the term "General Partner" shall also mean the managing member or other party with management responsibility for the limited liability company.

(39) **General Pool** - The pool of credits that have been returned or recovered from prior years' allocations or the current year's Commitment Notices after the Board has made its initial allocation of the current year's available credit ceiling. General pool credits will be used to fund Applications on the waiting list without regard to set-aside except for the 10% Nonprofit Set-Aside allocation required under §42(h)(5) of the Code.

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

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

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

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

(44) **Housing Credit Allocation** - An allocation by the Department to a Development Owner of low income housing tax credit in accordance with §49.17 of this title.

(45) **Housing Credit Allocation Amount** - With respect to a Development or a building within a Development, that amount the Department determines to be necessary for the financial feasibility of the Development and its viability as a qualified low income housing Development throughout the Compliance Period and allocates to the Development.

(46) **Housing Tax Credit** ("tax credits") - A tax credit allocated, or for which a Development may qualify, under the low income housing tax credit program, pursuant to the Code, §42.

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

(48) **Ineligible Building Types** - Those buildings or facilities which are ineligible, pursuant to this QAP, for funding under the tax credit program as follows:

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

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

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

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

(50) **Land Use Restriction Agreement (LURA)** - An agreement between the Department and the Development Owner which is binding upon the Development Owner's successors in interest, that encumbers the Development with respect to the requirements of this title and the requirements of the Code, §42.

(51) **Material Deficiencies** - Deficiencies that are not eligible to be remedied pursuant to paragraph (1) of this subsection. Deficiencies caused by the omission of Threshold Criteria documentation specifically required by §49.9(e) of this title shall automatically be considered Material Deficiencies and shall be cause for termination.

(52) **Material Non-Compliance** - A property located within the state of Texas will be classified by the Department as being in material non-compliance status if the non-compliance score for such property is equal to or exceeds 30 points in accordance with the provisions of §49.5(b)(6) and under the methodology and point system set forth in §49.19 of this title. Non-Compliance reported on properties located outside the state of Texas will be evaluated and determination of Material Non-Compliance will be made if the non-compliance score for such property is equal to or exceeds 30 points in accordance with the provisions of §49.5(b)(7) and under the methodology and point system set forth in §49.19 of this title.

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

(54) **Office of Rural Community Affairs (ORCA)** - The state agency designated by the legislature as primarily responsible for rural area development in the state.

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

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

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

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

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

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

(B) has a developmental disability, as defined in Section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001-6007).

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

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

(59) **Prison Community** - A city or town which is located outside of a Metropolitan Statistical Area (MSA) or Primary Metropolitan Statistical Area (PMSA) and was awarded a state prison.

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

(61) **Qualified Allocation Plan (QAP)** - A plan adopted by the Board, and approved by the Governor, under this title, and as provided in the Code, Section 42(m)(1) (specifically including preference for Developments located in Qualified Census Tracts and the development of which contributes to a concerted community revitalization plan) and as further provided in Sections 49.1 through 49.24 of this title, that:

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

(B) gives preference in housing tax credit allocations to Developments that, as compared to other developments:

(i) when practicable and feasible based on available funding sources, serve the lowest income tenants; and

(ii) are affordable to qualified tenants for the longest economically feasible period.

(C) provides a procedure for the Department, the Department's agent, or another private contractor of the Department to use in monitoring compliance with the Qualified Allocation Plan.

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

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

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

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

(B) 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 where the Development Owner publishes 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.

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

(66) **Qualified Nonprofit Organization** - An organization that is described in the Code, §501(c)(3) or (4), as these cited provisions may be amended from time to time, that is exempt from federal income taxation under the Code, §501(a), that is not Affiliated with or Controlled by a for profit organization, and includes as one of its exempt purposes the fostering of low income housing within the meaning of the Code, §42(h)(5)(C). A Qualified Nonprofit Organization may select to compete in one or more of the set-asides, including, but not limited to, the nonprofit set-aside, the rural developments set-aside, the At-Risk Developments set-aside and the general set-aside.

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

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

(69) **Related Party** - As defined,

(A) The following individuals or entities:

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

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

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

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

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

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

(iv) a grantor and fiduciary of any trust;

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

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

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

(I) the trust; or

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

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

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

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

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

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

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

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

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

(B) As a note to Applicants, nothing in this definition is intended to constitute the Department's determination as to what relationship might cause entities to be considered "related" for various purposes under the Code.

(70) **Rules** - The Department's low income housing tax credit Rules as presented in this title.

(71) **Rural Area** - An area that is located:

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

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

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

(72) **Rural Development** - A Development located within a Rural Area and for which the Applicant applies for tax credits under the Rural Set Aside.

(73) **Selection Criteria** - Criteria used to determine housing priorities of the State under the Low Income Housing Tax Credit Program as specifically defined in §49.9(f) of this title.

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

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

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

(A) by an individual who is:

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

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

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

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

(ii) married and file a joint return."

(77) **Tax Exempt Bond Development** - A Development which receives a portion of its financing from the proceeds of tax exempt bonds which are subject to the state volume cap as described in the Code, §42(h)(4)(B),

such that the Development does not receive an allocation of tax credit authority from the State Housing Credit Ceiling.

(78) **Third Party** - a Person who is not an Affiliate, Related Party or Beneficial Owner of the Applicant, General Partner, developer or Person(s) receiving a portion of the developer fee or contractor fee.

(79) **Threshold Criteria** - Criteria used to determine whether the Development satisfies the minimum level of acceptability for consideration as specifically defined in §49.9(e) of this title.

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

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

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

#### **§49.4. State Housing Credit Ceiling.**

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

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

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

(1) A member of the Development Team has been or is barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs; or,

(2) A member of the Development Team has been or is convicted of, under indictment for, or on probation for a state or federal crime involving fraud, bribery, theft, misrepresentations of material facts, misappropriation of funds, or other similar criminal offenses; or,

(3) A member of the Development Team has been or is subject to enforcement action under state or federal securities law, or is the subject of an enforcement proceeding with any Governmental Entity unless such action has been concluded and no adverse action or finding (or entry into a consent order) has been taken with respect to such member.

(4) A Person with any past due audits has not submitted those past due audits to the Department in a satisfactory format on or before the close of the Application Acceptance Period. A Person is not eligible to receive an allocation of credits from the Department until any unresolved audit finding or questioned or disallowed cost is resolved, pursuant to 10 TAC §1.3.

(b) **Disqualification and Debarment.** Additionally, the Department will disqualify, and may disbar, an Application if it is determined by the Department that those issues identified in paragraphs (1) through (10) exist. A person debarred by the Department from participation in the program may appeal the person's debarment to the Board. The Department shall debar a person for the longer of, one year from the date of debarment, or until the violation causing the debarment has been remedied.

(1) fraudulent information, knowingly false documentation or other material misrepresentation has been provided in the Application or other information submitted to the Department. The aforementioned policy will apply at any stage of the evaluation or approval process; or,

(2) at the time of application or at any time during the two-year period preceding the date the application round begins, the Applicant or a Related Party is or has been:

(A) a member of the Board; or



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(B) the executive director, a deputy director, the director of housing programs, the director of compliance, the director of underwriting, or the Low Income Housing Tax Credit Program manager employed by the Department.

(3) the Applicant or any Person, General Partner, general contractor and their respective principals or Affiliates active in the ownership or control of other low income housing tax credit property in the state of Texas who received an allocation of tax credits in the 2001 or 2002 Application Round but did not close the construction loan, or meet the deadlines for the commencement of substantial construction as required under the Carryover Allocation (including any extension period granted by the Board) except for instances where an extension has been approved by the Board.

(4) the Applicant proposes to replace in less than 15 years any private activity bond financing of the development described by the Application, unless:

(A) the applicant proposes to maintain for a period of 30 years or more 100 percent of the development units supported by low income housing tax credits as rent-restricted and exclusively for occupancy by individuals and families earning not more than 50 percent of the area median income, adjusted for family size; and

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

(5) the Applicant or any Person, General Partner, general contractor and their respective principals or Affiliates active in the ownership or control of other low income housing tax credit property has failed to place in service buildings or removed from service buildings for which credits were allocated (either Carryover Allocation or issuance of 8609s). The Department may consider the facts and circumstances on a case-by-case basis, including whether the credits were returned prior to the expiration date for re-issuance of the credits, in its sole determination of Applicant eligibility; or,

(6) the Applicant or any Person, General Partner, general contractor and their respective principals or Affiliates active in the ownership or control of other low income rental housing property in the state of Texas funded by the Department that is in Material Non-Compliance with the LURA (or any other document containing an Extended Low Income Housing Commitment) or the program rules in effect for such property as of the last day of the Application Acceptance Period or upon the date of filing Volume I of the Application for a Tax Exempt Bond Development. Any corrective action documentation affecting the Material Non-Compliance status score for Applicant's competing in the 2003 Application Round must be received by the Department no later than February 1, 2003. The Department may take into consideration the representations of the Applicant regarding compliance violations described in §49.7(e)(7)(C) and (D) of this title; however, the records of the Department are controlling; or,

(7) the Applicant or any Person, General Partner, General Contractor and their respective principals or Affiliates active in the ownership or control of other low income rental housing property outside of the state of Texas has incidence of non-compliance with the LURA or the program rules in effect for such tax credit property as reported on the Uniform Application Previous Participation Certification and/or as determined by the state regulatory authority for such state and such non-compliance is determined to be Material Non-Compliance by the Department using methodology as set forth in §49.19 of this title; or,

(8) the Applicant or any Person, General Partner, General Contractor and their respective principals or Affiliates active in the ownership or control of other low income housing tax credit properties in the state of Texas has failed to pay in full any fees billed by the Department, as further described in §49.21 of this title; or

(9) the Development is located on a site that has been determined to be "unacceptable" by the Department staff; or

(10) the Applicant or a Related Party, or any person who is active in the construction, rehabilitation, ownership, or control of the Development including a General Partner or general contractor and their respective principals or affiliates, or person employed as a lobbyist or in another capacity on behalf of the Development, communicates with any Board member or member of the Committee with respect to the Development during the period of time starting with the time an Application is submitted until the time the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application.

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

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

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

(3) the housing sponsor is not financially responsible;

(4) the housing sponsor has, or will enter into a contract for the proposed housing development with, a Person that:

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

(B) breached a contract with a public agency; or

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

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

(6) the housing development will not be undertaken within the authority granted by this chapter to the housing finance division and the housing sponsor.

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

(1) A former board member or a former director, deputy director, director of housing programs, director of compliance, director of underwriting, or Low Income Housing Tax Credit Program Manager previously employed by the Department may not:

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

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

(2) A person commits an offense if the person violates this section. An offense under this section is a Class A misdemeanor.

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

(a) **Floodplain.** No Development may have buildings, driveways or parking lots constructed within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain.

(b) **Ineligible Building Types.** Applications involving Ineligible Building Types as defined in §49.3(48) will not be considered for allocation of tax credits under this QAP and the Rules.

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

(d) **Credit Amount.** The Department shall issue tax credits only in the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period. The issuance of tax credits or the determination of any allocation amount in no way represents or purports to warrant the feasibility or viability of the Development by the Department, or that the Development will qualify for and be able to claim such credits. The Department will limit the allocation of tax credits to no more than \$1.2 million per Development. The allocation of tax credits shall also be limited to not more than \$1.6 million per Applicant, Related Party or entity receiving any portion of the developer fee, in a single Application round. Tax Exempt Bond Development Applications are not subject to these credit limitations, and Tax Exempt Bond Developments will not count towards the total limit on tax credits per Applicant. The limitation does not apply:

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

(2) to the provision by an entity of "qualified commercial financing" within the meaning of the Code, §49(a)(1)(D)(ii) (without regard to the 80% limitation thereof);

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

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

- (1) The minimum Development size will be 16 Units.
- (2) Developments involving new construction, that are not Tax Exempt Bond Developments, will be limited to 200 Units. Tax Exempt Bond Developments will be limited to 250 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum unit restrictions. For those Developments which are a second phase or are otherwise adjacent to an existing tax credit Development unless such proposed Development is being constructed to replace previously existing affordable multifamily units on its site, the combined Unit total for the Developments may not exceed the maximum allowable Development size, unless the first phase has been completed and stabilized for at least six months.

(f) **Rehabilitation Costs.** Rehabilitation Developments must establish that the rehabilitation will be substantial improve the condition of the housing and will involve at least \$6,000 per unit in direct hard costs.

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

(a) **Regional Allocation Formula.** As required by Section 2306.111 of the Texas Government Code, the Department will use a regional distribution formula developed by the Department to distribute credits from the State Housing Credit Ceiling. The formula will be based on the need for housing assistance, and the availability of housing resources, and the Department will use the information contained in the Department's annual state low income housing plan and other appropriate data to develop the formula. This formula will establish targeted tax credit amounts for each of the state service regions. Each region's targeted tax credit amount will be published in the Texas Register and on the Department's web site concurrently with the publication of the QAP.

(b) **Set-Asides.** The regional credit distribution amounts are additionally subject to the factors presented in paragraphs (1) through (5) of this subsection. An Applicant may elect to compete in as many of the following set-asides for which the proposed Development would qualify:

(1) At least 10% of the State Housing Credit Ceiling for each calendar year shall be allocated to Qualified Nonprofit Developments which meet the requirements of the Code, §42(h)(5). Qualified Nonprofit Organizations must have a controlling interest in the Qualified Nonprofit Development applying for this set-aside. If the organization's Application is filed on behalf of a limited partnership, the Qualified Nonprofit Organization must be the managing General Partner. If the organization's Application is filed on behalf of a limited liability company, the Qualified Nonprofit Organization must be the Managing Member.

(2) At least 15% of the State Housing Credit Ceiling for each calendar year shall be allocated to Developments which meet the Rural Development definition or are located in Prison Communities. Of this 15% allocation, 25% will be set-aside for Developments financed through TX-USDA-RHS. Developments financed through TX-USDA-RHS's 538 Guaranteed Rural Rental Housing Program will not be considered under the 25% portion. Should there not be sufficient qualified applications submitted for the TX-USDA-RHS set-aside, then the credits would revert to Developments that meet the Rural Development definition or are located in Prison Communities.

(3) At least 15% of the State Housing Credit Ceiling will be allocated to the At-Risk Development Set-Aside. Through this set-aside, the Department, to the extent possible, shall allocate credits to Applications involving the preservation of developments designated as At-Risk Developments as defined in §49.3(12) of this title and in both urban and rural communities in approximate proportion to the housing needs of each uniform state service region.

(4) At least 60% of the State Housing Credit Ceiling will be allocated to General Set-Aside.

(5) At least 15% of the State Housing Credit Ceiling for each calendar year shall be allocated to Qualified Elderly Developments.

(c) **Redistribution of Credits.** If any amount of housing tax credits remain after the initial allocation of housing tax credits among the regions and set-asides, the Department may redistribute the credits amongst the different regions and set asides depending on the quality of Applications submitted as evaluated under the factors described in §49.9(c) of this title and the level of demand exhibited in the regions during the Allocation Round. However as described in paragraph (1) of this subsection, no more than 90% of the State's Housing Credit Ceiling for the calendar year may go to Developments which are not Qualified Nonprofit Developments. If credits will be transferred from a region which does not have enough qualified applications to meet its regional credit

distribution amount, then those credits will be apportioned to the other regions based on the quality of the Applications.

#### **§49.8. Pre-Application: Submission, Evaluation Process, Threshold Criteria and Review, Results.**

(a) **Pre-Application Submission.** Any Applicant requesting a Housing Credit Allocation may submit a Pre-Application to the Department during the Pre-Application Acceptance Period along with the required Pre-Application Fee as described in §49.21 of this title. Only one Pre-Application may be submitted by an Applicant for each site under the Credit Ceiling. The Pre-Application submission is a voluntary process. While the Pre-Application Acceptance Period is open, Applicants may withdraw their Pre-Application and subsequently file a new Pre-Application along with the required Pre-Application Fee. The Department is authorized to request the Applicant to provide additional information it deems relevant to clarify information contained in the Pre-Application or to submit documentation for items it considers to be an Administrative Deficiency. The rejection of a Pre-Application shall not preclude an Applicant from submitting an Application with respect to a particular Development or site at the appropriate time.

(b) **Pre-Application Evaluation Process.** Eligible Pre-Applications will be evaluated for Pre-Application Threshold Criteria, and as requested, evaluated in regards to the Department's concentration policy. Applications that involve financing from TX-USDA-RHS, and Applications for the rehabilitation of TX-USDA-RHS properties that do not have new financing, are exempted from the Pre-Application Evaluation Process and are not eligible to receive points for submission of a Pre-Application. An Application that has not received confirmation from the state office of RHS of its financing from TX-USDA-RHS may qualify for Pre-Application points, but such points shall be withdrawn upon the Development's receipt of TX-USDA-RHS financing.

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

- (1) Submission of a "Pre-Application Submission Form" and "Application Self-Scoring Form," and
- (2) Evidence of site control as evidenced by the documentation required under Sections 49.9(e)(6)(A) of this title.

(d) **Pre-Application Results.** Only Pre-Applications which have satisfied all of the Pre-Application Threshold Criteria requirements set forth in subsection (c) of this section, will be eligible for Pre-Application points. The order and scores of those Developments released on the Pre-Application Submission log do not represent a commitment on the part of the Department or the Board to allocate tax credits to any Development and the Department bears no liability for decisions made by Applicants based on the results of the Pre-Application Submission Log. Inclusion of a Development on the Pre-Application Submission Log does not ensure that an Applicant will receive points for a Pre-Application. To receive points an Applicant must meet the requirements of §49.9(f)(11) of this title.

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

(a) **Application Submission.** Any Applicant requesting a Housing Credit Allocation or a Determination Notice must submit an Application, and the required Application fee as described in §49.21 of this title, to the Department during the Application Acceptance Period. A complete Application may be submitted at any time during the Application Acceptance Period, and is not limited to submission after the close of the Pre-Application Cycle. Only one Application may be submitted for a site during the Application Acceptance Period. While the Application Acceptance Period is open, Applicants may withdraw their Application and subsequently file a new Application along with a new required Application fee. The Department is authorized, but not required, to request the Applicant to provide additional information it deems relevant to clarify information contained in the Application or to submit documentation for items it considers to be an Administrative Deficiency, including both threshold and selection criteria documentation. An Applicant may not change or supplement an Application in any manner after the filing deadline, except as it relates to a direct request from the Department to remedy an Administrative Deficiency as further described in §49.3(1) of this title or to the amendment of an application after an allocation of tax credits as further described in §49.18 of this title.

(b) **Adherence to Obligations.** All representations, undertakings and commitments made by an Applicant in the application process for a Development, whether with respect to Threshold Criteria, Selection Criteria or otherwise, shall be deemed to be a condition to any Commitment Notice, Determination Notice, or Carryover Allocation for such Development, the violation of which shall be cause for cancellation of such Commitment Notice, Determination Notice, or Carryover Allocation by the Department, and if concerning the ongoing features or operation of the Development, shall be reflected in the LURA. All such representations are enforceable by the Department and the tenants of the Development, including enforcement by administrative penalties for failure to perform, in accordance with the LURA.

(c) **Evaluation Process.** Applications will be reviewed according to the process outlined in this subsection.

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

(2) **Selection Criteria Review.** For an Application to be considered under the Selection Criteria, the Applicant must demonstrate that the Development meets all of the Threshold Criteria requirements. Applications that satisfy the Threshold Criteria will then be scored and ranked according to the Selection Criteria listed in subsection (f) of this section. The Department may not award points for a scoring criterion that is disproportionate to the degree to which a proposed Development complied with that criterion. Applications not scored by the Department's staff shall be deemed to have the points allocated through self-scoring by the Applicants until actually scored. This shall apply only for ranking purposes.

(3) **Subsequent Evaluation of Prioritized Applications.** After the Application is scored under the Selection Criteria, the Department will assign which Development's will be reviewed for financial feasibility by the Department's credit underwriting division. Assignments for financial feasibility will be determined by selecting the Applications with the highest scores in each set aside statewide and then in each region. Based on Application rankings, the Department shall continue to underwrite Applications until the Department has processed enough Applications satisfying the Department's underwriting criteria to enable the allocation of all available housing tax credits according to regional allocation goals and Set Aside categories. To enable the Board to establish a Waiting List, the Department shall underwrite as many additional Applications as the Committee and Board consider necessary to ensure that all available housing tax credits are allocated within the period required by law.

(4) **Underwriting Evaluation and Criteria.** Underwriting of the Development will include a determination by the Department, pursuant to the Code, §42, that the amount of credits recommended for allocation to a Development is necessary for the financial feasibility of the Development and its long-term viability as a qualified low income housing property. In making this determination, the Department will use the TDHCA Multifamily Underwriting Rules and Guidelines, Subchapter B of this Chapter, Section 1.32.

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

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

(5) **Compliance Evaluation.** After the Department has determined which Developments will be reviewed for financial feasibility, those same Developments will be reviewed for evaluation of the compliance status of all members of the ownership structure by the Department's compliance division, in accordance with §49.19 of this title.

(6) **Site Evaluation.** Site conditions shall be evaluated through a physical site inspection by the Department. Such inspection will evaluate the site based upon the criteria set forth in Site Evaluation form provided in the Application and the inspector shall provide a written report of such site evaluation. The evaluations shall be based on the condition of the surrounding neighborhood, including appropriate environmental and aesthetic conditions and proximity to retail, medical, recreational, and educational facilities,

and employment centers. The site's appearance and visibility to prospective tenants and its accessibility via the existing transportation infrastructure and public transportation systems shall be considered. "Unacceptable" sites would include, without limitation of any sort, those containing a non-mitigable environmental factor that might adversely affect the health and safety of the residents. For Developments applying under the TX-USDA-RHS Set-Aside, the Department will rely on the physical site inspection performed by TX-USDA-RHS.

(d) **Required Pre-Certification and Acknowledgement Procedures.** No later than 7 days prior to the close of the Application Acceptance Period, an Applicant must submit the documents required in this subsection to obtain the required pre-certification and acknowledgement.

(1) Experience Certificate. Upon receipt of the evidence required under this paragraph, a certification from the Department will be provided to the Applicant for inclusion in their Application(s). Evidence must show that the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), developer or their principals have a record of successfully constructing or developing residential units or comparable commercial property (i.e. dormitory and hotel/motel) in the capacity of owner, General Partner, developer or managing member. If rehabilitation experience is being claimed to qualify for an Application involving new construction, then the rehabilitation must have been substantial and involved at least \$6,000 of direct hard cost per unit.

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

(i) at least 100 residential units or comparable commercial property; or

(ii) at least 36 residential units or comparable commercial property if the Development applying for credits is a rural Development.

(B) One of the following documents must be submitted: American Institute of Architects (AIA) Document A111 - Standard Form of Agreement Between Owner & Contractor, AIA Document G704 - Certificate of Substantial Completion, IRS Form 8609, HUD Form 9822, development agreements, partnership agreements, or other appropriate documentation verifying that the General Partner or their principals have the required experience. If submitting the IRS Form 8609, only one form per Development is required. The evidence must clearly indicate:

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

(ii) that the names on the forms and agreements tie back to the ownership entity, General Partner and their respective principals as listed in the Application; and

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

(2) Personal Financial and Credit Statement and Authorization to Release Credit Information. Upon receipt of the evidence required under this paragraph, an acknowledgement from the Department will be provided to the Applicant for inclusion in their Application(s). A "Personal Financial and Credit Statement and Authorization to Release Credit Information" must be completed and signed by each Person with a General Partner (or if Applicant is to be a Limited Liability Company, managing member) interest in the Applicant. The statement must not be older than 90 days from the date of submission. If submitting partnership or corporate financials in addition to the statements of individual persons, the certified financial statements, or audited financial statements if available, should be for the most recent fiscal year ended 90 days prior to the day the documentation is submitted. This document is required for an entity even if the entity is wholly-owned by a person who has submitted this document as an individual. Entities that have not yet been formed and entities that have been formed recently but have no assets, liabilities or net worth are not required to submit this documentation, but must submit a statement that this is the case.

(e) **Threshold Criteria.** The following Threshold Criteria listed in paragraphs (1) through (14) of this subsection are mandatory requirements at the time of Application submission:

(1) Completion and submission of the Application provided in the Application Submission Procedures Manual, which includes the entire Uniform Application and any other supplemental forms which may be required by the Department.

(2) Completion and submission of the Site Packet as provided in the Application Submission Procedures Manual.

(3) Set Aside Eligibility. Documentation must be provided that confirms eligibility for all Set-Asides under which the Application is seeking funds, other than the General Set-Aside as required in the Application Submission Procedures Manual.

(4) Certifications and Design Items. The "Certification Form" provided in the Application Submission Procedures Manual and supporting documents. This exhibit will provide:

(A) A description of the type of amenities proposed for the development. The amenities selected must be made available for the benefit of all tenants. If fees in addition to rent are charged for amenities

reserved for an individual tenant's use (i.e. covered parking, storage, etc.), then the amenity may not be included among those provided to complete this exhibit. Developments with more than 36 units must provide at least four of the amenities provided in clauses (i) through (viii) of this subparagraph. Developments with 36 Units or less and Developments receiving funding from TX-USDA-RHS must provide at least two of the amenities provided in clauses (i) through (viii) of this subparagraph. Any future changes in these amenities, or substitution of these amenities, may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in a cancellation of a Commitment Notice or Carryover Allocation if the Threshold Criteria are no longer met.

(i) Full perimeter fencing with controlled gate access;  
(ii) designated playground and equipment;  
(iii) community laundry room and/or laundry hook-ups in Units (no hook-up fees of any kind may be charged to a tenant for use of the hook-ups);  
(iv) furnished community room;  
(v) recreation facilities;  
(vi) public telephone(s) available to tenants 24 hours a day;  
(vii) on-site day care, senior center, or community meals room; or  
(viii) computer facilities including internet access.

(B) A certification that the Development will adhere to the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere at a minimum to the International Building Code as it relates to access, lighting and life safety issues.

(C) A certification that the Applicant is in compliance with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. Section 3601 et seq.), and the Fair Housing Amendments Act of 1988 (42 U.S.C. Section 3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. Section 2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.); and the Rehabilitation Act of 1973 (29 U.S.C. Section 701 et seq.)

(D) A certification that the Applicant will attempt to ensure that at least 30% of the construction and management businesses with which the Applicant contracts in connection with the Development are Minority Owned Businesses, and that the Applicant will submit at least once in each 90-day period following the date of the Commitment Notice a report, in a format prescribed by the Department and provided at the time a Commitment Notice is received, on the percentage of businesses with which the Applicant has contracted that qualify as Minority Owned Businesses.

(E) A certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for 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), shall be deemed to meet this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for persons with hearing or vision impairments. Additionally, in Developments where all Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type must provide an accessible entry level in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. At the construction loan closing, a certification from an accredited architect will be required stating that the Development was designed in conformance with these standards and that all features have been or will be installed to make the Unit accessible for persons with mobility impairments or persons with hearing or vision impairments. A similar certification will also be required after the Development is completed. This requirement applies to all Developments including new construction and rehabilitation.

(F) A certification that the Development will adhere to the 2000 International Energy Conservation Code (IECC) and the Department's Minimum Standard Energy Saving Devices in the construction of each tax credit Unit. Minimum Standard Energy Saving Measures are identified in clauses (i) through (vi) of this subparagraph. All Units must be air-conditioned. The measures must be certified by the Development architect as being included in the design of each tax credit Unit prior to the closing of the construction loan and in actual construction upon Cost Certification.

(i) New Construction to have components of the exterior walls that total at least R-15, ceiling insulation at a minimum of R-30, and roof decking to have radiant barriers. Rehabilitation to have ceiling insulation at a minimum of R-30, soffit and ridge vents and storm windows;

(ii) If newly installed, Energy Star or equivalently rated air handler and condenser; or heating and cooling systems with minimum SEER 12 A/C and AFUE 90% furnace if using gas; or in dry climates an evaporative cooling system may replace the Energy Star cooling system;

- (iii) All appliances installed to be Energy Star rated and water heaters to have an energy factor greater than .93 for electric or greater than .62 for gas;
  - (iv) Maximum 2.5 gallon/minute showerheads and maximum 1.5 gallon/minute faucet aerators;
  - (v) Installation of ceiling fans in living room and each sleeping room; and
  - (vi) Installation of solar screens or permanently fixed shading devices at sun-exposed windows.
- (G) A certification that the Development will be built by a General Contractor that satisfies the requirements of the General Appropriation Act, Article VII, Rider 11(c) applicable to the Department which requires that the General Contractor hired by the Development Owner or the Applicant, if the Applicant serves as General Contractor, must demonstrate a history of constructing similar types of housing without the use of federal tax credits.
- (H) All of the architectural drawings identified in clauses (i) through (v) of this subparagraph. While full size design or construction documents are not required, the drawings must have an accurate and legible scale and show the dimensions. All Developments involving new construction, or conversion of existing buildings not configured in the unit pattern proposed in the Application, must provide all of the items identified in clauses (i) through (v) of this subparagraph. For Developments involving rehabilitation for which the unit configurations are not being altered, only the items identified in clauses (i), (ii) and (iii) are required:
- (i) a site survey or drawing of the entire property that is under the control the prospective ownership entity, which must be a professionally generated (e.g. computer-generated or architectural draft; not a sketch) plat drawn to scale from a metes and bounds description;
  - (ii) a site plan which:
    - (I) is consistent with the number of Units and Unit mix specified in the "Rent Schedule" provided in the Application;
    - (II) identifies all residential, common buildings and amenities; and
    - (III) clearly delineates the flood plain boundary lines and other easements shown in the site survey;
  - (iii) floor plans for each type of residential building and each type of common area building;
  - (iv) floor plans and elevations for each type of residential building and each common area building clearly depicting the height of each floor and a percentage estimate of the exterior composition;
  - (v) unit floor plans for each type of Unit showing special accessibility and energy features. The use of each room must be labeled. The net rentable areas these unit floor plans represent should be consistent with those shown in the "Rent Schedule" provided in the application; and
- (I) Rehabilitation Developments must submit photographs of the existing signage, typical building elevations and interiors, existing Development amenities, and site work. These photos should clearly document the typical areas and building components which exemplify the need for rehabilitation.
- (5) Evidence of the Development's development costs and corresponding credit request and syndication information as described in subparagraphs (A) through (G) of this paragraph.
- (A) A written narrative describing the financing plan for the Development, including any non-traditional financing arrangements; the use of funds with respect to the Development; the funding sources for the Development including construction, permanent and bridge loans, and rents, operating subsidies, and replacement reserves; and the commitment status of the funding sources for the Development. This information must be consistent with the information provided throughout the Application.
- (B) All Developments must submit the "Development Cost Schedule" provided in the Application Submission Procedures Manual. This exhibit must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.
- (C) Provide a letter of commitment from a syndicator that, at a minimum, provides an estimate of the amount of equity dollars expected to be raised for the Development in conjunction with the amount of housing tax credits requested for allocation to the Applicant, including pay-in schedules, syndicator consulting fees and other syndication costs. No syndication costs should be included in the eligible basis.
- (D) For Developments located in a Qualified Census Tract (QCT) as determined by the Secretary of HUD and qualifying for a 30% increase in Eligible Basis, pursuant to the Code, §42(d)(5)(C), Applicants must submit a copy of the census map clearly showing that the proposed Development is located within a QCT. Census tract numbers must be clearly marked on the map, and must be identical to the QCT number stated in the Department's Reference Manual.
- (E) Rehabilitation Developments must also submit the "Proposed Work Write Up for Rehabilitation Developments" provided in the Application Submission Procedures Manual. This form must be prepared and certified by a Third Party registered or licensed architect, engineer or construction inspector.
- (F) If offsite costs are included in the budget as a line item, or embedded in the site acquisition contract, or referenced in the utility provider letters, then the supplemental form "Off Site Cost Breakdown" must be provided.



(G) If projected site work costs include unusual or extraordinary items or exceed \$7,500 per Unit, then the Applicant must provide a detailed cost breakdown prepared by a Third Party engineer or architect, and a letter from a certified public accountant allocating which portions of those site costs should be included in eligible basis and which ones may be ineligible.

(6) Evidence of readiness to proceed as evidenced by at least one of the items under each of subparagraphs (A) through (E) of this paragraph:

(A) Evidence of site control in the name of the ownership entity, or entities which comprise the Applicant. If the evidence is not in the name of the Development Owner, then the documentation should reflect an expressed ability to transfer the rights to the Development Owner. All individual Persons who are members of the ownership entity of the seller of the proposed Development property must be identified. One of the following items described in clauses (i) through (iii) of this subparagraph must be provided:

(i) a recorded warranty deed; or

(ii) a contract for sale or lease (the minimum term of the lease must be at least 45 years) which is valid for the entire period the Development is under consideration for tax credits or at least 90 days, whichever is greater; or

(iii) an exclusive option to purchase which is valid for the entire period the Development is under consideration for tax credits or at least 90 days, whichever is greater.

(B) Evidence from the appropriate local municipal authority that satisfies one of clauses (i) through (iii) of this subparagraph. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(i) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that the Development is located within the boundaries of a political subdivision which does not have a zoning ordinance;

(ii) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that:

(I) the Development is permitted under the provisions of the ordinance that apply to the location of the Development; or

(II) the Applicant is in the process of seeking the appropriate zoning and has signed and provided to the political subdivision a release agreeing to hold the political subdivision and all other parties harmless in the event that the appropriate zoning is denied, and a time schedule for completion of appropriate zoning. All appropriate zoning must be achieved and documentation of acceptable zoning for the Development as proposed in the Application must be provided to the Department at least 10 days prior to the June Board meeting.

(iii) In the case of a rehabilitation Development, if the property is currently a non-conforming use as presently zoned, a letter which discuss the items in subclauses (I) through (IV) of this clause:

(I) a detailed narrative of the nature of non-conformance;

(II) the applicable destruction threshold;

(III) owner's rights to reconstruct in the event of damage; and

(IV) penalties for noncompliance.

(C) This Exhibit is required for New Construction only. Evidence of the availability of all necessary utilities/services to the development site. Necessary utilities include natural gas (if applicable), electric, trash, water, and sewer. Such evidence must be a letter or a monthly utility bill from the appropriate municipal/local service provider. If utilities are not already accessible, then the letter must clearly state: an estimated time frame for provision of the utilities, an estimate of the infrastructure cost, and an estimate of any portion of that cost that will be borne by the developer. Letters must be from an authorized individual representing the organization which actually provides the services. Such documentation should clearly indicate the Development property. If utilities are not already accessible (undeveloped areas), then the letter should not be older than three months from the first day of the Application Acceptance Period.

(D) Evidence of interim and permanent financing sufficient to fund the proposed Total Housing Development Cost less any other funds requested from the Department and any other sources documented in the Application. Such evidence must be consistent with the sources and uses of funds represented in the Application and shall be provided in one or more of the following forms described in clauses (i) through (iv) of this subparagraph:

(i) bona fide financing in place as evidenced by a valid and binding loan agreement and a deed(s) of trust in the name of the ownership entity which identifies the mortgagor as the Applicant or entities which comprise the General Partner and/or expressly allows the transfer to the Proposed Development Owner; or,

(ii) bona fide commitment or term sheet issued by a lending institution or mortgage company that is actively and regularly engaged in the business of lending money which is addressed to the ownership entity, or entities which comprise the Applicant and which has been executed by the lender (the term of the

loan must be for a minimum of 15 years with at least a 30 year amortization). The commitment must state an expiration date and all the terms and conditions applicable to the financing including the mechanism for determining the interest rate, if applicable, and the anticipated interest rate. Such a commitment may be conditional upon the completion of specified due diligence by the lender and upon the award of tax credits; or,

(iii) any Federal, State or local gap financing, whether of soft or hard debt, must be identified at the time of application. At a minimum, evidence from the lending agency that an application for funding has been made and a term sheet which clearly describes the amount and terms of the funding, and the date by which the funding determination will be made and any commitment issued, must be submitted. While evidence of application for funding from another TDHCA program is not required except as indicated on the Uniform Application, the Applicant must clearly indicate that such an application has been filed as required by the Application Submission Procedures Manual. If the necessary financing has not been committed by the applicable lending agency, the Commitment Notice, Housing Credit Allocation or Determination Notice, as the case may be, will be conditioned upon Applicant obtaining a commitment for the required financing by a date certain, but no later than the date the Carryover Allocation Document is due to the Department; or

(iv) if the Development will be financed through Development Owner contributions, provide a letter from an Third Party CPA verifying the capacity of the Applicant to provide the proposed financing with funds that are not otherwise committed together with a letter from the Applicant's bank or banks confirming that sufficient funds are available to the Applicant. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(E) A copy of the full legal description and either of the documents described in clauses (i) and (ii) of this subparagraph, and satisfying the requirements of clause (iii), if applicable:

(i) a copy of the current title policy which shows that the ownership (or leasehold) of the land/Development is vested in the exact name of the Applicant, or entities which comprise the Applicant; or

(ii) a copy of a current title commitment with the proposed insured matching exactly the name of the Applicant or entities which comprise the Applicant and the title of the land/Development vested in the name of the exact name of the seller or lessor as indicated on the sales contract or lease.

(iii) if the title policy or title commitment is more than six months old as of the day the Application Acceptance Period closes, than a letter from the title company indicating that nothing further has transpired on the policy or commitment.

(7) Evidence of all of the notifications described in subparagraphs (A) through (E) of this paragraph. Such notices must be prepared in accordance with "Public Notifications" provided in the Application Submission Procedures Manual.

(A) A copy of the public notice published in the most widely circulated newspaper in the area in which the proposed Development will be located. The newspaper must be intended for the general population and may not be a business newspaper or other specialized publication. Such notice must run at least twice within a thirty day period. Such notice must be published prior to the submission of the Application to the Department and can not be older than three months from the first day of the Application Acceptance Period. In communities located within a Metropolitan Statistical Area the notice should be published in the newspapers of both the Development community and the Metropolitan Statistical Area. Developments that involve rehabilitation and which are already serving low income residents are not required to provide this exhibit.

(B) Evidence of notification of the local chief executive officer(s) (i.e., mayor and county judge), state senator, and state representative of the locality of the Development. Evidence of such notification shall include a letter which at a minimum contains a copy of the public notice sent to the official and proof of delivery in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from said official. Proof of notification should not be older than three months from the first day of the Application Acceptance Period.

(C) Evidence of notification to the Texas Department of Transportation district. Evidence of such notification shall include a letter which, at a minimum, contains the location of the proposed Development, the proposed population being served, a copy of the public notice, and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said office. A return letter from the Texas Department of Transportation is also required which describes the transportation options and availability for the location of the proposed Development. Proof of notification should not be older than six months from the close of the Application Acceptance Period.

(D) If any of the Units in the Development are occupied at the time of application, then the Applicant must post a copy of the public notice in a prominent location at the Development throughout the period of time the Application is under review by the Department. A picture of this posted notice must be provided with this exhibit. When the Department's public hearing schedule for comment on submitted applications becomes available, a copy of the schedule must also be posted until such hearings are completed. Compliance with these requirements shall be confirmed during the Department's site inspection.

(E) Public Housing Waiting List. Evidence that the Development Owner has committed in writing to the local public housing authority (PHA) the availability of Units and that the Development Owner agrees to consider households on the PHA's waiting list as potential tenants and that the Property is available to Section 8 certificate or voucher holders. Evidence of this commitment must include a copy of the Development Owner's letter to the PHA and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said PHA. Proof of notification should not be older than six months from the close of the Application Acceptance Period. If no PHA is within the locality of the Development, the Development Owner must utilize the nearest authority or office responsible for administering Section 8 programs.

(8) Evidence of the Development's proposed ownership structure and the Applicant's previous experience as described in subparagraphs (A) through (E) of this paragraph.

(A) A chart which clearly illustrates the complete organizational structure of the final proposed Development Owner, that provides the names and ownership percentages of Persons with an ownership interest in the Development. The percentage ownership of all Persons in Control of these entities and sub-entities must also be clearly defined. The Applicant, General Partner and their Principals, along with the proposed Limited Partner should be listed.

(B) The Applicant, General Partner (or Managing Member) and all Persons with an ownership interest in the General Partner (or the Managing Member) of these entities and sub-entities must also provide documentation of standing to include the following documentation as applicable under clauses (i) through (iii) of this subclause.

(i) For entities that are not yet formed but are to be formed either in or outside of the state of Texas:

(I) a certificate of reservation of the entity name from the Texas Secretary of State and from the state in which the entity is to be formed if different from Texas; and

(II) an executed letter of intent to organize, statement of partnership or partnership agreement.

(ii) For existing entities whether formed in or outside of the state of Texas:

(I) if the entity has been formed for three months or longer, a copy of the Certificate of Good Standing from the Comptroller showing good standing; if the entity has been formed for less than three months, a certificate of reservation of the entity name from the Texas Secretary of State and from the state in which the entity was formed if different from Texas; entities formed in other states must also submit a certificate of authority to do business in Texas or an application for a certificate of authority,

(II) a copy of the Articles of Incorporation, Organization or Partnership.

(iii) the Applicant must provide evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution or by-laws which indicate same from the sub-entity in Control of the Applicant, and that those persons constitute all persons required to sign or submit such documents. A cover sheet must be placed before the copy of the Articles of Incorporation, Organization or Partnership, identifying the relevant document(s) where the evidence of authority to sign is to be found and specifying exactly where the applicable information exists within the all relevant documents by page number or by section and subsection if the pages are not numbered.

(C) A copy of the completed and executed "Previous Participation and Background Certification Form," must be submitted listing each Principal and their affiliates for each Person owning an interest in the General Partner (or, if Applicant is to be a limited liability company, the managing member) of the Applicant. If the developer of the Development is receiving more than 10% of the developer fee, he/she will also be required to submit documents for this exhibit. The 2003 versions of these forms, as required in the Uniform Application, must be submitted. Units of local government are also required to submit this document. The form must include a list of all developments that are, or were, previously under ownership or control of the Applicant and their Affiliates. All participation in any TDHCA funded or monitored activity, including non-housing activities, must be disclosed.

(D) If the Applicant or their Affiliates have, or have had, ownership or control of affordable housing, being housing that receives any form of financing and/or assistance from any unit of Federal, state or local government for the purpose of enhancing affordability to persons of low or moderate income, outside the state of Texas, then Evidence that each Person owning an interest in the General Partner (or if Applicant is to be a limited liability company, the managing member) of the Applicant has sent "National Previous Participation and Background Certification Form," to the appropriate Housing Credit Agency for each state in which they have developed or operated affordable housing. This form is only necessary when the Developments involved are outside of the state of Texas. An original form is not required. Evidence of such notification shall be a copy of the form sent to the agency and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said agency.

(E) Evidence that the developer and the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member) or their principals have a record of successfully constructing or developing residential units or comparable commercial property (i.e. dormitory and hotel/motel) in the capacity of developer, owner, General Partner or managing member. Evidence must be a certification from the Department that the Person with the experience satisfies this exhibit, as further described under §49.9(d) of this title. Applicants must request this certification at least seven days prior to the close of the Application Acceptance Period. Applicants should ensure that the individual whose name is on the certification appears in the organizational chart provided in paragraph (A) of this section.

(9) Evidence of the Development's projected income and operating expenses as described in subparagraphs (A) through (D) of this paragraph:

(A) All Developments must provide a 30-year proforma estimate of operating expenses and supporting documentation used to generate projections ( operating statements from comparable properties).

(B) If rental assistance, an operating subsidy, an annuity, or an interest rate reduction payment is proposed to exist or continue for the Development, any related contract or other agreement securing those funds must be provided, which at a minimum identifies the source and annual amount of the funds, the number of Units receiving the funds, and the term and expiration date of the contract or other agreement.

(C) Applicant must provide documentation from the source of the "Utility Allowance" estimate used in completing the Rent Schedule provided in the Application. This exhibit must clearly indicate which utility costs are included in the estimate. In the event of overlapping jurisdiction between local housing authorities, the utility allowance for the building must be based on where the Development property is located according to the Development's legal description.

(D) Occupied Developments undergoing rehabilitation must also submit the items described in clauses (i) through (iv) of the subparagraph.

(i) Unless the current property owner is unwilling to provide the required documentation, if which even a signed statement as to their unwillingness to do so is required:

(I) historical monthly operating statements of the subject Development for 12 consecutive months ending not more than 45 days prior to the first day of the Application Acceptance Period. In lieu of the monthly operating statements, two annual operating statement summaries may be provided. If 12 months of operating statements or two annual operating summaries cannot be obtained, then the monthly operating statements since the date of acquisition of the Development and any other supporting documentation used to generate projections may be provided; and

(II) a rent roll not more than 6 months old as of the day the Application Acceptance Period closes, that discloses the terms and rate of the lease, rental rates offered at the date of the rent roll, Unit mix, tenant names or vacancy, and dates of first occupancy and expiration of lease.

(ii) a written explanation of the process used to notify and consult with the tenants in preparing the application;

(iii) a relocation plan outlining relocation requirements and a budget with an identified funding source; and

(iv) if applicable, evidence that the relocation plan has been submitted to the appropriate legal agency.

(10) Applications involving Nonprofit General Partners and Qualified Nonprofit Developments.

(A) All Applicants involving a nonprofit General Partner (or Managing Member), regardless of the set-aside applied under, must submit all of the documents described in clauses (i) through (iii) of this subparagraph which confirm that the Applicant is a Qualified Nonprofit Organization pursuant to Code, §42(h)(5)(C):

(i) an IRS determination letter which states that the Qualified Nonprofit Organization is a 501(c)(3) or (4) entity;

(ii) a copy of the articles of incorporation of the nonprofit organization which specifically states that the fostering of affordable housing is one of the entity's exempt purposes;

(iii) "Nonprofit Participation Exhibit"; and

(B) Additionally, all Applicants applying under the Nonprofit Set-Aside, established under §49.7(b)(1) of this title, must also provide the following information with respect to each Development Owner and each General Partner of a Development Owner, as described in clauses (i) through (vi) of this subparagraph.

(i) evidence that one of the exempt purposes of the nonprofit organization is to provide low income housing;

(ii) evidence that the nonprofit organization prohibits a member of its board of directors, other than a chief staff member serving concurrently as a member of the board, from receiving material compensation for service on the board;

(iii) a Third Party legal opinion stating:

(I) that the nonprofit organization is not affiliated with or controlled by a for-profit organization and the basis for that opinion, and

(II) that the nonprofit organization is eligible, as further described, for a housing tax credit allocation from the Nonprofit Set-Aside and the basis for that opinion. Eligibility is contingent upon the nonprofit organization controlling a majority of the Development, or if the organization's Application is filed on behalf of a limited partnership, or limited liability company, being the managing General Partner (or Managing Member); and otherwise meet the requirements of the Code, §42(h)(5);

(iv) a copy of the nonprofit organization's most recent audited financial statement;

(v) a list of the names and home addresses of members of the board of directors of the nonprofit organization; and

(vi) evidence, in the form of a certification, that a majority of the members of the nonprofit organization's board of directors principally reside:

(I) in this state, if the Development is located in a rural area; or

(II) not more than 90 miles from the Development in the community in which the Development is located, if the Development is not located in a rural area.

(11) Applicants applying for acquisition credits or affiliated with the seller must provide all of the documentation described in subparagraphs (A) through (C) of this paragraph. Applicants applying for acquisition credits must also provide the items described in subparagraph (D) of this paragraph and as provided in the Application Submission Procedures Manual.

(A) an appraisal, not more than 6 months old as of the day the Application Acceptance Period closes, which complies with the Uniform Standards of Professional Appraisal Practice and the Department's Market Analysis and Appraisal Policy. For Developments qualifying in the TX-USDA-RHS set-aside, the appraisal may be more than 6 months old, but not more than 12 months old as of the day the Application Acceptance Period closes. This appraisal of the Property must separately state the as-is, pre-acquisition or transfer value of the land and the improvements where applicable;

(B) a valuation report from the county tax appraisal district;

(C) clear identification of the selling Persons or entities, and details of any relationship between the seller and the Applicant or any Affiliation with the Development Team, Qualified Market Analyst or any other professional or other consultant performing services with respect to the Development. If any such relationship exists, complete disclosure and documentation of the related party's original acquisition and holding and improvement costs since acquisition, and any and all exit taxes, to justify the proposed sales price must also be provided; and

(D) "Acquisition of Existing Buildings Form."

(12) Evidence of an "Acknowledgement of Receipt of Financial Statement and Authorization to Release Credit Information" must be provided for any person with an ownership interest in the General Partner (or Managing Member), interest in the Applicant or receiving a portion of the developer fee, or anticipated to provide guarantees to secure necessary financing, as required under §49.9(d) of this title.

(13) Supplemental Threshold Reports. Documents under subparagraph (A) and (B) must be submitted as further clarified in subparagraph (C) and (D) of this paragraph and in accordance with the Multifamily Market Study and Environmental Site Assessment Rules and Guidelines, Subchapter B of this Chapter, Sections 1.33 and 1.35.

(A) A Phase I Environmental Site Assessment (ESA) on the subject Property, dated not more than 12 months prior to the first day of the Application Acceptance Period. In the event that a Phase I Environmental Site Assessment on the Development is older than 12 months as of the day the Application Acceptance Period closes, the Development Owner must supply the Department with an update letter from the Person or organization which prepared the initial assessment; provided however, that the Department will not accept any Phase I Environmental Site Assessment which is more than 24 months old as of the day the Application Acceptance Period closes. The ESA must be prepared in accordance with the Department Environmental Site Assessment Rules and Guidelines. Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply this information; however, the Development Owners of such Developments are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

(B) A comprehensive Market Study prepared at the developer's expense by a disinterested Qualified Market Analyst in accordance with the Multifamily Market Study Rules and Guidelines. In the event that a Market Study on the Development is older than 6 months as of the day the Application Acceptance Period closes, the Development Owner must supply the Department with an updated Market Study from the Person or organization which prepared the initial report; provided however, that the Department will not accept any Market Study which is more than 12 months old as of the day the Application Acceptance Period closes. The Market Study should be prepared for and addressed to the Department. For Applications in the TX-USDA-RHS Set-Aside, the

appraisal, required under paragraph (11)(A) of this section, will satisfy the requirement for a Market Study; no additional Market Study is required, however the Department may request additional information as needed.

(i) The Department may determine from time to time that information not required in the Department Market Analysis and Appraisal Rules and Guidelines will be relevant to the Department's evaluation of the need for the Development and the allocation of the requested Housing Credit Allocation Amount. The Department may request additional information from the Qualified Market Analyst to meet this need.

(ii) All Applicants shall acknowledge by virtue of filing an Application that the Department shall not be bound by any such opinion or the Market Study itself, and may substitute its own analysis and underwriting conclusions for those submitted by the Qualified Market Analyst.

(C) Inserted at the front of each of these reports must be a transmission letter from the person preparing the report that states that the Department is granted full authority to rely on the findings and conclusions of the report.

(D) The requirements for each of the reports identified in subparagraphs (A) and (B) of this paragraph can be satisfied in either of the methods identified in clauses (i) or (ii) of this subparagraph.

(i) Upon Application submission, the documentation for each of these exhibits may be submitted in its entirety as described in subparagraphs (A) and (B) of this paragraph; or

(ii) Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than March 31, 2003. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, March 31, 2003. If the entire exhibit is not received by that time, the Application will be terminated for a Material Deficiency and will be removed from consideration.

(14) Self-Scoring. Applicant's self-score must be completed on the "Application Self-Scoring Form."

(f) **Selection Criteria.** All Applications will be evaluated according to the Selection Criteria listed in paragraphs (1) through (12) of this subsection.

(1) Development Location Characteristics. Evidence, not more than 6 months old from the date of the close of the Application Acceptance Period, that the subject Property is located within one of the geographical areas described in subparagraphs (A) through (D) of this paragraph. Areas qualifying under any one of the subparagraphs (A) through (D) of this paragraph will receive 5 points. A Development may only receive points under one of the subparagraphs (A) through (D) of this paragraph. A Development may receive points pursuant to subparagraph (E) in addition to any points awarded in subparagraphs (A) through (D).

(A) A geographical area which is:

- (i) a Targeted Texas County (TTC) or Economically Distressed Area; or
- (ii) a Colonia.

(B) a designated state or federal empowerment/enterprise zone, urban enterprise community, or urban enhanced enterprise community. Such Developments must submit a letter and a map from a city/county official verifying that the proposed Development is located within such a designated zone. Letter should be no older than 6 months from the close of the Application Acceptance Period; or

(C) a city-sponsored Tax Increment Financing Zone (TIF), Public Improvement District (PIDs), or other area or zone where a city or county has, through a local government initiative, specifically encouraged or channeled growth, neighborhood preservation or redevelopment. Significant incentives or benefits must be received from the local government which amount to at least 5% of the Total Development Costs. Such Developments must submit all of the following documentation: a letter from a city/county official verifying that the proposed Development is located within the city sponsored zone or district; a map from the city/county official which clearly delineates the boundaries of the district; and a certified copy of the appropriate resolution or documentation from the mayor, local city council, county judge, or county commissioners court which documents that the designated area was:

- (i) created by the local city council/county commission,
- (ii) targets a specific geographic area which was not created solely for the benefit of the Applicant, and

(iii) offers tangible and significant area-specific incentives or benefit over and above those normally provided by the city or county.

(D) a non-impacted Census Block pursuant to the Young vs. Martinez judgment. Such Developments must submit evidence in the form of a letter from HUD that the Development is located in such an area.

(E) a Development which is located in a city or county with a relatively low ratio of awarded tax credits (in dollars) to its population. If the Development is located in an incorporated city, the city ratio will be used and if the Development is located outside of an incorporated city, then the county ratio will be used. Such ratios shall be calculated by the Department based on its inventory of tax credit developments and the 2000 Census Data. In the event that census data does not have a figure for a specific place, the Department will rely

on the Texas State Data Center's place population estimates, or as a final source the Department will rely on the local municipality's most recent population estimate to calculate the ratio. The ratios will be published in the Reference Manual. Geographic area will be eligible for points as described in clauses (i) through (iv) of this subparagraph.

(i) A city or county with no LIHTC developments will receive eight points.

(ii) A city or county with a ratio greater than zero and less than one will receive six points.

(iii) A city or county with a ratio equal to or greater than one, but less than two, will receive two points.

(iv) A city or county with a ratio greater than four, will have four points deducted from its score.

(2) Housing Needs Characteristics. Each Development, dependent on the city or county where it is located, will yield a score based on the Uniform Housing Needs Scoring Component. If a Development is in an incorporated city, the city score will be used. If a Development is outside the boundaries of an incorporated city, then the county score will be used. The listing of those scores by city and county will be published in the Reference Manual. (20 points maximum).

(3) Support and Consistency with Local Planning. All documents must not be older than 6 months from the close of the Application Acceptance Period. Points may be received under subparagraph (A) or (B) of this paragraph.

(A) Evidence from the local municipal authority stating that the Development fulfills a need for additional affordable rental housing as evidenced in a local consolidated plan, comprehensive plan, or other local planning document; or a letter from the local municipal authority stating that there is no local plan and that the city supports the Development must be submitted (6 points).

(B) Community Support. Points will be awarded based on the written statements of support from local and state elected officials representing constituents in areas that include the location of the Development and from neighborhood and/or community civic organizations for areas that encompass the location of the Development. Letters of support must identify the specific Development and must state support of the specific Development at the proposed location. This documentation must be provided as part of the Application. Letters of support from state officials that do not represent constituents in areas that include the location of the Development will not qualify for points under this Exhibit, nor do letters of support from organizations that are not active in the area that includes the location of the Development. For the purposes of this exhibit neighborhood and/or community civic organizations do not include governmental entities, taxing entities or educational entities. Letters of support received after the close of the Application Acceptance Period will not be accepted for this Exhibit. Points can be awarded for letters of support as identified in clauses (i) through (iv) of this subparagraph, not to exceed a total of 6 points:

(i) from United States Representative or Senate Member (3 points each, maximum of 6 points)

(ii) from State of Texas Representative or Senate Member (3 points each, maximum of 6 points);

(iii) from the Mayor, County Judge, City Council Member, or County Commissioner indicating support; or a resolution from the local governing entity indicating support of the Development (2 points);

(iv) from neighborhood and/or community civic organizations (1 point each, maximum of 2 points).

(4) Development Characteristics. Developments may receive points under as many of the following subparagraphs as are applicable; however to qualify for points under subparagraphs (B) through (J) of this paragraph, the Development must first meet the minimum requirements identified under subparagraph (A) of this paragraph. This minimum requirement does not apply to Developments involving rehabilitation or Developments receiving funding from TX-USDA-RHS.

(A) Unit Size. The square feet of all of the units in the Development, for each type of unit, must be at minimum:

(i) 500 square feet for an efficiency unit;

(ii) 650 square feet for a non-elderly one bedroom unit; 550 square feet for an elderly one bedroom unit;

(iii) 900 square feet for a two bedroom unit; 750 square feet for an elderly two bedroom unit;

(iv) 1,000 square feet for a three bedroom unit; and

(v) 1,200 square feet for a four bedroom unit.

(B) Development provides Units for housing individuals with children. To qualify for these points, these Units must have at least 2 bathrooms and no fewer than three bedrooms and at least 1000 square feet of net rentable area for three bedroom Units or 1200 square feet of net rentable area for four bedroom Units; these Unit size and bathroom requirements are not required for Developments involving rehabilitation to be eligible for the points below. Unless the building is served by an elevator, 3 or 4 bedroom Units located above the building's second floor will not qualify for these points. If the Development is a mixed-income development, only tax credit Units will be used in computing the percentage of qualified Units for this selection item.

- (i) 15% of the Units in the Development are three or four bedrooms (5 points); and
- (ii) an additional point will be awarded for each additional 5% increment of Units that are three or four bedrooms up to 30% of the Units (a maximum of three points) (3 points).

(C) Cost per Square Foot. For this exhibit hard costs shall be defined as construction costs, including site work, contractor profit, overhead and general requirements, as represented in Exhibit 102B. This calculation does not include indirect construction costs. The calculation will be hard costs per square foot of net rentable area (NRA). The calculations will be based on the hard cost listed in Exhibit 102B and NRA shown in the Rent Schedule of the Application. Developments do not exceed \$60 per square foot. (1 point).

(D) Unit Amenities and Quality. Developments providing specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure provided in clauses (i) through (xii) of this subparagraph, not to exceed 10 points in total. Developments involving rehabilitation will double the points listed for each item, not to exceed 10 points in total.

- (i) Covered entries (1 point);
- (ii) Computer line/phone jack available in all bedrooms (only one phone line needed) (1 point);
- (iii) Mini blinds or window coverings for all windows (1 point);
- (iv) Ceramic tile floors in entry, kitchen and bathrooms (2 point);
- (v) laundry connections (1 point);
- (vi) storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets (1 point);
- (vii) Laundry equipment (washers and dryers) in units (3 point);
- (viii) Twenty-five year architectural shingle roofing (1 point);
- (ix) Covered patios or covered balconies (1 point);
- (x) Covered parking of at least one covered space per Unit (2 points);
- (xi) Garages, which do not also qualify as covered parking (3 points);
- (xii) Greater than 75% masonry on exterior, excluding cementitious board products (3 points);

(E) The Development is an existing Residential Development without maximum rent limitations or set-asides for affordable housing for which the proposed rehabilitation is part of a community revitalization plan. If maximum rent limitations had existed previously, then the restrictions must have expired at least one year prior to the date of Application to the Department (4 points).

(F) The proposed Development will support the future quality of the Development by including operating reserves in an amount no less than \$300 per Unit for Developments involving rehabilitation and no less than \$200 per Unit for Developments involving new construction. The operating reserve figure must be reflected in the Development's operating budget and proforma. The Development must not only book the reserves but also have the cash deposits to support the reserves. (6 points).

(G) Evidence that the proposed historic Residential Development has received an historic property designation by a federal, state or local Governmental Entity. Such evidence must be in the form of a letter from the designating entity identifying the Development by name and address and stating that the Development is:

- (i) listed in the National Register of Historic Places under the United States Department of the Interior in accordance with the National Historic Preservation Act of 1966;
- (ii) located in a registered historic district and certified by the United States Department of the Interior as being of historic significance to that district;
- (iii) identified in a city, county, or state historic preservation list; or
- (iv) designated as a state landmark (6 points).

(H) The Development consists of not more than 36 Units and is not a part of, or contiguous to, a larger Development (5 points).

(I) Evidence that the proposed Development is partially funded by a HOPE VI, Section 202 or Section 811 grant from HUD. The Development must have already applied for funding from HUD. Evidence shall include a copy of the application to HUD and a letter from HUD indicating that the application was received. (5 points).

(J) The proposed Development involves the rehabilitation of units that are, and will continue to be, owned by a Public Housing Authority (5 points.)

(5) Sponsor Characteristics. Developments may only receive points for one of the two criteria listed in subparagraphs (A) and (B) of this paragraph. To satisfy the requirements of subparagraphs (A) or (B), a copy of an agreement between the two partnering entities must be provided which shows that the nonprofit organization or HUB will hold an ownership interest in and materially participate (within the meaning of the Code §469(h)) in the development and operation of the Development throughout the Compliance Period and clearly identifies the ownership percentages of all parties (3 points maximum for subparagraphs (A) and (B) of this paragraph).

(A) Evidence that a HUB, as certified by the Texas Building and Procurement Commission (formerly General Services Commission), has an ownership interest in and materially participates in the development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must



submit a certification from the Texas Building and Procurement Commission (formerly General Services Commission) that the Person is a HUB at the close of the Application Acceptance Period. Evidence will need to be supplemented, either at the time the Application is submitted or at the time a HUB certification renewal is received by the Applicant, confirming that the certification is valid through July 31, 2003 and renewable after that date.

(B) Joint Ventures with Qualified Nonprofit Organizations. Evidence that the Development involves a joint venture between a for profit organization and a Qualified Nonprofit Organization. The Qualified Nonprofit Organization must be materially participating in the Development as one of the General Partners (or Managing Members), but is not required to have Control, to receive these points. However, to also be eligible for the Nonprofit Set-Aside, as further described in §49.6 of this title, the Qualified Nonprofit Organization must have Control.

(6) Development Provides Supportive Services to Tenants. Points may be received under both subparagraphs (A) and (B) of this paragraph.

(A) An Applicant will receive points for coordinating their tenant services with those services provided through state workforce development and welfare programs as evidenced by execution of a Tenant Supportive Services Certification (2 points).

(B) The Development Owner must certify that the Development will provide a combination of special supportive services appropriate for the proposed tenants. The provision of supportive services will be included in the LURA as selected from the list of services identified in this paragraph. Services must be provided on-site or transportation to off-site services must be provided (maximum of 6 points).

(i) Applicants will be awarded points for selecting services listed in clause (ii) of this subparagraph based on the following scoring range:

(I) Two points will be awarded for providing one of the services; or

(II) Four points will be awarded for providing two of the services; or

(III) Six points will be awarded for providing three of the services.

(ii) Service options include child care; transportation; basic adult education; legal assistance; counseling services; GED preparation; English as a second language classes; vocational training; home buyer education; credit counseling; financial planning assistance or courses; health screening services; health and nutritional courses; youth programs; scholastic tutoring; social events and activities; community gardens or computer facilities; any other program described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families; or any other services approved in writing by the Department.

(7) Tenant Characteristics - Populations with Special Needs. Evidence that the Development is designed solely for transitional housing for homeless persons on a non-transient basis, with supportive services designed to assist tenants in locating and retaining permanent housing. For the purpose of this exhibit, homeless persons are individuals or families that lack a fixed, regular, and adequate nighttime residence as more fully defined in 24 Code of Federal Regulations, §91.5, and as may be amended from time to time. All of the items described in clauses (A) through (E) of this subparagraph must be submitted:

(A) a detailed narrative describing the type of proposed housing;

(B) a referral agreement, not more than 12 months old from the first day of the Application Acceptance Period, with an established organization which provides services to the homeless;

(C) a marketing plan designed to attract qualified tenants and housing providers;

(D) a list of supportive services; and

(E) adequate additional income source and executed guarantee to supplement any anticipated operating and funding gaps (15 points).

(8) Serving Low Income Tenants. Applicants may receive points for serving low income tenants under sub-paragraphs (A) and (B) of this paragraph.

(A) Applicants will be eligible for points for serving tenants with rents below the maximum tax credit rents for only one of the clauses listed in this subparagraph. The calculation for these points will be made based on the figures provided in the Rent Schedule submitted with the Application. All representation made will be included in the LURA. In monitoring adherence to these representations, Units rented to Section 8 voucher holders are excluded from this requirement:

(i) All low income rents are 5% less than the maximum tax credit rents (4 points); or

(ii) All low income rents are 10% less than the maximum tax credit rents (8 points); or

(iii) All low income rents are 15% less than the maximum tax credit rents (12 points).

(B) Low Income Targeting Points. An Applicant may qualify for points under clause (iv) of this section. To qualify for these points, the rents for the rent-restricted Units must not be higher than the allowable

tax credit rents at the rent-restricted AMGI level. For Section 8 residents, or other rental assistance tenants, the tenant paid rent plus the utility allowance is compared to the rent limit to determine compliance. The Development Owner, upon making selections for this exhibit will set aside Units at the rent-restricted levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA.

(i) To qualify for points for Units set aside for tenants at or below 30% of AMGI, an Applicant must provide evidence of a subsidy as documented by a commitment letter or in the case of local, state or federal subsidy, a copy of the application and evidence that the awarding entity has received the application. Commitments of funds must specify the amount of funds committed, the terms of the commitment and the number of Units targeted at the AMGI level. Evidence of subsidy should be submitted in accordance with 49.7(e) XXX of this section. The commitment of funds can not be provided by any Person with an ownership interest in the Applicant or General Partner(s), the equity provider, the lender, a Related Party, any member of the Development Team, or any entity receiving any portion of the developer fee. Tenant based Section 8 contracts do not constitute evidence of a commitment of subsidy for the Development. If project-based Section 8 is utilized, a letter from the public housing authority indicating that they are committing Section 8 to the Development and that they are permitted by HUD to commit Units to a specific Development.

(ii) No more than 50% of the total number of LI units can be designated as serving tenants at or below 40% of the AMGI for purposes of determining the points in the 40% and 30% AMGI categories. For Developments located in a Qualified Census Tract no more than 30% of the total number of LI units can be designated as serving tenants at or below 40% of the AMGI for purposes of determining the points in the 40% and 30% of AMGI categories.

(iii) For purposes of calculating points no Unit may be counted twice in determining point eligibility.

(iv) Developments should be scored based on the structure in the table below. Only Developments located in cities (or counties for developments not located within a city) whose AMGI is below the statewide AMGI, may use Weight Factor B. All other Applicants are required to use Weight Factor A.

% of AMGI	# of Rent Restricted Units (a)	Portion of Rent Restricted Units (a/b)		Weight A	OR	Weight B*	Points
50%	(a)	(c)	X	10		15	
40%	(a)	(c)	X	25		30	
30%	(a)	(c)	X	50		60	
TOTAL LI UNITS	(b)					TOTAL POINTS =	

(9) Length of Affordability Period. The initial compliance period for a development is fifteen years. In accordance with Code, developments are required to adhere to an extended low income use period for an additional 15 years. To receive points the Development Owner elects, in the Application, to extend the affordability period beyond the extended low income use period. The period commences with the first year of the Credit Period.

(A) Extend the affordability period for an additional 10 years, with an Extended Use Period of 40 years (8 points);

(B) Extend the affordability period for an additional 15 years, with an Extended Use Period of 45 years (10 points);

(C) Extend the affordability period for an additional 20 years, with an Extended Use Period of 50 years (12 points); or

(D) Extend the affordability period for an additional 25 years, with an Extended Use Period of 55 years (14 points);

(10) Evidence that Development Owner agrees to provide a right of first refusal to purchase the Development upon or following the end of the Compliance Period for the minimum purchase price provided in, and in accordance with the requirements of, §42(i)(7) of the Code (the "Minimum Purchase Price"), to a Qualified Nonprofit Organization, the Department; and either an individual tenant with respect to a single family building; or a tenant cooperative, a resident management corporation in the Development or other association of tenants

in the Development with respect to multifamily developments (together, in all such cases, including the tenants of a single family building, a "Tenant Organization"). Development Owner may qualify for these points by providing the right of first refusal in the following terms (5 points).

(A) Upon the earlier to occur of:

(i) the Development Owner's determination to sell the Development, or

(ii) the Development Owner's request to the Department, pursuant to §42(h)(6)(l) of the Code, to find a buyer who will purchase the Development pursuant to a "qualified contract" within the meaning of §42(h)(6)(F) of the Code, the Development Owner shall provide a notice of intent to sell the Development ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Development Owner determines that it will sell the Development at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period. If the Development Owner determines that it will sell the Development at some point later than the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to date upon which the Development Owner intends to sell the Development.

(B) During the two years following the giving of Notice of Intent, the Sponsor may enter into an agreement to sell the Development only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(i) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department,

(ii) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(iii) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iv) If, during such two-year period, the Development Owner shall receive an offer to purchase the Development at the Minimum Purchase Price from one of the organizations designated in clauses (i), (ii), and (iii) of this subparagraph (within the period(s) appropriate to such organization), the Development Owner shall sell the Development at the Minimum Purchase Price to such organization. If, during such period, the Development Owner shall receive more than one offer to purchase the Development at the Minimum Purchase Price from one or more of the organizations designated in clauses (i), (ii), and (iii) of this subparagraph (within the period(s) appropriate to such organizations), the Development Owner shall sell the Development at the Minimum Purchase Price to whichever of such organizations it shall choose.

(C) After the later to occur of:

(i) the end of the Compliance Period; or

(ii) two years from delivery of a Notice of Intent,

the Development Owner may sell the Development without regard to any right of first refusal established by the LURA if no offer to purchase the Development at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or a period of 120 days has expired from the date of acceptance of all such offers as shall have been received without the sale having occurred, provided that the failure(s) to close within any such 120-day period shall not have been caused by the Development Owner or matters related to the title for the Development.

(D) At any time prior to the giving of the Notice of Intent, the Development Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Development for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Development by such organization in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(E) The Department shall, at the request of the Development Owner, identify in the LURA a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Development at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(F) The Department shall have the right to enforce the Development Owner's obligation to sell the Development as herein contemplated by obtaining a power-of-attorney from the Development Owner to execute such a sale or by obtaining an order for specific performance of such obligation or by such other means or remedy as shall be, in the Department's discretion, appropriate.

(11) Pre-Application Points. Developments which submit a Pre-Application during the Pre-Application Acceptance Period and meet the requirements of this paragraph shall receive 7 points. To be eligible for these points, the proposed Development in the Application must:

(A) be for the identical site as the proposed Development in the Pre-Application;

- (B) have met the Pre-Application Threshold Criteria;
- (C) be serving the same target population (family or elderly) in the Pre-Application in the same set-asides; and
- (D) achieve an Application score that is not more than 5% greater or less than the number of points requested at Pre-Application.

(12) Point Reductions. Penalties will be imposed on Applicants or Affiliates who have requested extensions of Department deadlines, and did not meet the original submission deadlines, relating to developments receiving a housing tax credit allocation made in the application round preceding the current round. Extensions that will receive penalties include all types of extensions identified in Section 49.13 of this title, received on or before the close of Application Acceptance Period, including Developments whose extensions were authorized by the Board. For each extension request made, the Applicant will be required to pay a \$2,500 extension fee as provided in §50.13(j) and receive a 2 point deduction.

(g) **Evaluation Factors.** In the event that two or more Applications receive the same number of points in any given set-aside category and region, and are both practicable and economically feasible, the Department will utilize the factors in paragraphs (1) through (8) of this subsection, in the order they are presented, to determine which Development will receive a preference in consideration for a tax credit commitment. The Committee and Board may also choose to evaluate the recommendations of credits for factors other than scoring, or for Tax Exempt Bond Developments, for one or more of the following reasons:

- (1) to serve a greater number of lower income families for fewer credits;
- (2) to serve a greater number of lower income families for a longer period of time in the form of a longer affordability period;
- (3) to ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan;
- (4) to ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built as required under the Texas General Appropriations Act applicable to the Department;
- (5) to give preference to a Development which is located in a QCT or a Difficult Development Area as specifically designated by the Secretary of HUD, and which also contributes to a concerted community revitalization plan;
- (6) to ensure geographic dispersion within each state service region;
- (7) to provide the greatest number of quality residential Units; and
- (8) to provide integrated, affordable accessible housing for individuals and families with different levels of income.

(h) **Staff Recommendations.** After eligible Applications have been evaluated, ranked and underwritten in accordance with the QAP and the Rules, the Department staff shall make its recommendations to the Executive Award and Review Advisory Committee. This Committee will develop funding priorities and shall make allocation recommendations to the Board. Such recommendation and supporting documentation shall be made in advance of the meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. The Committee will provide written, documented recommendations to the Board which will include at a minimum the financial or programmatic viability of each Application and a list of all submitted Applications which enumerates the reason(s) for the Development's proposed selection or denial, including all evaluation factors provided in §49.9(g) of this title that were used in making this determination.

#### **§49.10 Board Decisions; Waiting List; Forward Commitments**

(a) **Board Decisions.** The Board's decisions shall be based upon its evaluation of the Development's consistency with the criteria and requirements set forth in the QAP and the Rules.

(1) In making a determination to allocate tax credits, the Board shall be authorized not to rely solely on the number of points scored by an Applicant. They shall in addition, be entitled to take into account, as appropriate, the factors described in §49.9(g) of this title. If the Board disapproves or fails to act upon the Application, the Department shall issue to the Development Owner a written notice stating the reason(s) for the Board's disapproval or failure to act.

(2) Before the Board approves any Development Application, the Department shall assess the compliance history of the Applicant and any Affiliate of the Applicant with respect to all applicable requirements; and the compliance issues associated with the proposed Development. The Committee shall provide to the Board a written report regarding the results of the assessments. The written report will be included in the appropriate Development file for Board and Department review. The Board shall fully document and disclose any instances in which the Board approves a Development Application despite any noncompliance associated with the Development, Applicant or Affiliate.

(3) On awarding tax credit allocations, the Board shall document the reasons for each Development's selection, including an explanation of all discretionary factors used in making its determination, and the reasons for any decision that conflicts with the recommendations made by Department staff. The Board may not make, without good cause, an allocation decision that conflicts with the recommendations of Department staff.

(b) **Waiting List.** If the entire State Housing Credit Ceiling for the applicable calendar year has been committed or allocated in accordance with this chapter, the Board shall generate a waiting list of additional Applications ranked by score in descending order of priority based on Set Aside categories and regional allocation goals. If at any time prior to the end of the Application Round, one or more Commitment Notices expire and a sufficient amount of the State Housing Credit Ceiling becomes available, the Board shall issue a Commitment Notice to Applications on the waiting list subject to the amount of returned credits, the regional allocation goals and the Set Aside categories, including the 10% Nonprofit Set-Aside allocation required under the Code, §42(h)(5). At the end of each calendar year, all Applications which have not received a Commitment Notice shall be deemed terminated. The Applicant may re-apply to the Department during the next Application Acceptance Period.

(c) **Forward Commitments.** The Board may determine to issue commitments of tax credit authority with respect to Developments from the State Housing Credit Ceiling for the calendar year following the year of issuance (each a "forward commitment"). The Board will utilize its discretion in determining the amount of credits to be allocated as forward commitments and the reasons for those allocations in meeting compelling housing needs. The Board may utilize the forward commitment authority to allocate credits to TX-USDA-RHS Developments which are experiencing foreclosure or loan acceleration at any time during the 2003 calendar year.

(1) Unless otherwise provided in the Commitment Notice with respect to a Development selected to receive a forward commitment, actions which are required to be performed under this chapter by a particular date within a calendar year shall be performed by such date in the calendar year of the anticipated allocation rather than in the calendar year of the forward commitment.

(2) Any forward commitment made pursuant to this section shall be made subject to the availability of State Housing Credit Ceiling in the calendar year with respect to which the forward commitment is made. If a forward commitment shall be made with respect to a Development placed in service in the year of such commitment, the forward commitment shall be a "binding commitment" to allocate the applicable credit dollar amount within the meaning of the Code, §42(h)(1)(C).

(3) If tax credit authority shall become available to the Department later in a calendar year in which forward commitments have been awarded, the Department may allocate such tax credit authority to any eligible Development which received a forward commitment, in which event the forward commitment shall be canceled with respect to such Development.

#### **§49.11. Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants; Viewing of Pre-Applications and Applications; Confidential Information.**

(a) **Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants.**

(1) Within approximately seven business days of the close of the Pre-Application Acceptance Period, the Department shall publish a Pre-Application Submission Log on its web site. Such log shall contain the Development name, address, set-aside, number of units, requested credits, owner contact name and phone number.

(2) Approximately 30 days before the close of the Application Acceptance Period, the Department will release the evaluation and assessment of the Pre-Applications on its web site.

(3) Within approximately 15 business days of the close of the Application Acceptance Period, the Department shall:

(A) publish an Application submission log, as further described in §49.12(b) of this title, on its web site.

(B) give notice of a proposed Development in writing to the:

(i) mayor or other equivalent chief executive officer of the municipality, if the Development or a part thereof is located in a municipality; otherwise the Department shall notify the chief executive officer of the county in which the Development or a part thereof is located, to advise such individual that the Development or a part thereof will be located in his/her jurisdiction and request any comments which such individual may have concerning such Development. If the local municipal authority expresses opposition to the Development, the Department will give consideration to the objections raised and will visit the proposed site or Development within 30 days of notification to conduct a physical inspection of the Development site and consult with the mayor or county judge before the Application is scored, if opposition is received prior to scoring being completed; and

(ii) state representative and state senator representing the area where a Development would be located. The state representative or senator may hold a community meeting at which the Department shall provide appropriate representation.

(C) The elected officials identified in clauses (i) and (ii) of subparagraph (B) of this paragraph will be provided an opportunity to comment on the Application during the Application evaluation process.

(4) The Department shall hold at least three public hearings in different regions of the state to receive comment on the submitted Applications and on other issues relating to the Low Income Housing Tax Credit Program.

(5) The Department shall provide notice of and information regarding public hearings, board meetings and application opening and closing dates relative to housing tax credits to local housing departments, to appropriate newspapers of general or limited circulation that serve the community in which a proposed Development is to be located, to nonprofit organizations, to on-site property managers of occupied developments that are the subject of Applications for posting in prominent locations at those Developments, and to any other interested persons including community groups, who request the information and shall post all such information to its web site.

(6) Approximately forty days prior to the date of the July Board Meeting at which the issuance of Commitment Notices shall be discussed, the Department will notify each Applicant of the receipt of any opposition received by the Department relating to his or her Development at that time.

(7) Not later than the third working day after the date of the relevant determinations, the results of each stage of the Application process, including the results of the application scoring and underwriting phases and the allocation phase, will be posted to the Department's web site.

(8) At least thirty days prior to the date of the July Board meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed, the Department will:

(A) provide the application scores to the Board;

(B) if feasible, post to the Department's web site the entire Application, including all supporting documents and exhibits, the Application Log, a scoring sheet providing details of the Application score, and any other documents relating to the processing of the Application.

(9) A summary of comments received by the Department on specific Applications shall be part of the documents required to be reviewed by the Board under this subsection if it is received 30 business days prior to the date of the Board Meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. Comments received after this deadline will not be part of the documentation submitted to the Board. However, a public comment period will be available prior to the Board's decision, at the Board meeting where tax credit allocation decisions will be made.

(10) Not later than the 120<sup>th</sup> day after the date of the initial issuance of Commitment Notices for housing tax credits, the Department shall provide an Applicant who did not receive a commitment for housing tax credits with an opportunity to meet and discuss with the Department the Application's deficiencies, scoring and underwriting.

(b) **Viewing of Pre-Applications and Applications.** Pre-Applications and Applications for tax credits are public information and are available upon request after the Pre-Application and Application Acceptance Periods close, respectively. All Pre-Applications and Applications, including all exhibits and other supporting materials, except Personal Financial Statements and Social Security numbers, will be made available for public disclosure after the Pre-Application and Application periods close, respectively. The content of Personal Financial Statements may still be made available for public disclosure upon request if the Attorney General's office deems it is not protected from disclosure by the Texas Public Information Act.

(c) **Confidential Information.** The Department may treat the financial statements of any Applicant as confidential and may elect not to disclose those statements to the public. A request for such information shall be processed in accordance with §552.305 of the Government Code.

#### **§49.12. Tax Exempt Bond Financed Developments: Filing of Applications, Applicability of Rules, Supportive Services, Financial Feasibility Evaluation, Satisfaction of Requirements.**

(a) **Filing of Applications for Tax Exempt Bond Financed Developments.** Applications for a Tax Exempt Bond Development may be submitted to the Department as described in paragraphs (1) and (3) of this subsection:

(1) Applicants which receive notice of a Program Year 2003 reservation as a result of the Texas Bond Review Board's (TBRB) lottery for the private activity volume cap, and for which the issuer of the bonds is the Department, a complete Application must be filed no later than 10 days after the date of the issuance of the bond reservation. Such filing must be accompanied by the Application fee described in §49.21 of this title.

(2) Applicants which receive advance notice of a Program Year 2003 reservation as a result of the Texas Bond Review Board's (TBRB) lottery for the private activity volume cap, and for which the issuer of the bonds is an entity other than the Department, must file a complete Application not later than 60 days after the date of the TBRB lottery. Such filing must be accompanied by the Application fee described in §49.21 of this title.

(3) Applicants which receive advance notice of a Program Year 2003 reservation after being placed on the waiting list as a result of the TBRB lottery for private activity volume cap, and for which the issuer of the bonds is an entity other than the Department, must submit Volume 1 of the Application and the Application fee described in §49.21 of this title prior to the Applicant's bond reservation date as assigned by the TBRB. Any outstanding documentation required under this section must be submitted to the Department at least 45 days prior to the Board meeting at which the decision to issue a Determination Notice would be made.

**(b) Applicability of Rules for Tax Exempt Bond Financed Developments.** Tax Exempt Bond Financed Development Applications are subject to all rules in this title, with the only exception being to the following sections: §49.4, §49.7, §49.8, §49.9(c)(2) and (3), §49.9(f), §49.10(b) and (c), §49.11(a) and §49.14. Such Developments requesting a Determination Notice in the current calendar year must meet all Threshold Criteria requirements stipulated in §49.9(e) of this title. Such Developments which received a Determination Notice in a prior calendar year must meet all Threshold Criteria requirements stipulated in the QAP and Rules in effect for the calendar year in which the Determination Notice was issued; provided, however, that such Developments shall comply with all procedural requirements for obtaining Department action in the current QAP and Rules; and such other requirements of the QAP and Rules as the Department determines applicable. At the time of Application, Developments must demonstrate the Development's consistency with the bond issuer's consolidated plan or other similar planning document. Consistency with the local municipality's consolidated plan or similar planning document must also be demonstrated in those instances where the city or county has a consolidated plan.

**(c) Supportive Services for Tax Exempt Bond Financed Developments.** Tax Exempt Bond Development Applications must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of these services will be included in the LURA. Acceptable services as described in paragraphs (1) through (3) of this paragraph include:

(1) the services must be in one of the following categories: child care, transportation, basic adult education, legal assistance, counseling services, GED preparation, English as a second language classes, vocational training, home buyer education, credit counseling, financial planning assistance or courses, health screening services, health and nutritional courses, youth programs, scholastic tutoring, social events and activities, community gardens or computer facilities; or

(2) any other program described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families, or

(3) any other services approved in writing by the Issuer. The plan for tenant supportive services submitted for review and approval of the Issuer must contain a plan for coordination of services with state workforce development and welfare programs. The coordinated effort will vary depending upon the needs of the tenant profile at any given time as outlined in the plan.

**(d) Financial Feasibility Evaluation for Tax Exempt Bond Financed Developments.** Code §42(m)(2)(D) required the bond issuer (if other than the Department) to make sure that a Tax Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period. Treasury Regulations prescribe the occasions upon which this determination must be made. In light of the requirement, issuers may either elect to underwrite the Development for this purpose in accordance with the QAP and the Department's underwriting guidelines; or delegate, by agreement, that function to the Department. If the issuer underwrites the Development, the Department will, nonetheless, review the underwriting report and may make such changes in the amount of credits which the Development may be allowed as are appropriate under the Department's guidelines. The Determination Notice issued by the Department and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the Development is determined to be eligible in accordance with this paragraph, and the amount of tax credits reflected in the IRS Form 8609 may be greater or less than the amount set forth in the Determination Notice, based upon the Department's and the bond issuer's determination as of each building's placement in service.

**(e) Satisfaction of Requirements for Tax Exempt Bond Financed Developments.** If the Department staff determines that all requirements of subsection (i) of this section have been met, the Board, shall authorize

the Department to issue a Determination Notice to the Applicant that the Development satisfies the requirements of the QAP and Rules in accordance with the Code, §42(m)(1)(D).

### **§49.13 Commitment and Determination Notices; Agreement and Election Statement.**

(a) **Commitment and Determination Notices.** If the Board approves the Application, the Department will:

(1) if the Application is for a Housing Credit Allocation, issue a Commitment Notice to the Development Owner which shall:

(A) confirm that the Board has approved the Application; and

(B) state the Department's commitment to make a Housing Credit Allocation to the Applicant in a specified amount, subject to the feasibility determination described at §49.17 of this title, compliance by the Development Owner with the remaining requirements of this chapter, and any other conditions set forth therein by the Department. This commitment shall expire on the date specified therein unless the Development Owner indicates acceptance of the commitment by executing the Commitment Notice or Determination Notice, pays the required fee specified in §49.21 of this title, and satisfies any other conditions set forth therein by the Department. A Development Owner may request an extension of the Commitment Notice expiration date by submitting extension request and associated extension fee as described in §49.21 of this title. In no event shall the expiration date of a Commitment Notice be extended beyond the last business day of the applicable calendar year.

(2) if the Application is with respect to a Tax Exempt Bond Development, issue a Determination Notice to the Development Owner which shall:

(A) confirm the Board's determination that the Development satisfies the requirements of this QAP; and

(B) state the Department's commitment to issue IRS Form(s) 8609 to the Applicant in a specified amount, subject to the requirements set forth at §49.12 of this title, compliance by the Development Owner with all applicable requirements of this title, and any other conditions set forth therein by the Department. The Determination Notice shall expire on the date specified therein unless the Development Owner indicates acceptance by executing the Determination Notice and paying the required fee specified in §49.21 of this title. The Determination Notice shall also expire unless the Development Owner satisfies any conditions set forth therein by the Department within the applicable time period.

(3) notify, in writing, the mayor or other equivalent chief executive officer of the municipality in which the Property is located informing him/her of the Board's issuance of a Commitment Notice or Determination Notice, as applicable.

(4) A Commitment or Determination Notice shall not be issued with respect to any Development for an unnecessary amount or where the cost for the total development, acquisition, construction or rehabilitation exceeds the limitations established from time to time by the Department and the Board, unless the Department staff make a recommendation to the Board based on the need to fulfill the goals of the Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.

(5) A Commitment or Determination Notice shall not be issued with respect to any Development in violation of the Concentration Policy, unless the Committee makes a recommendation to the Board based on the need to fulfill the goals of the Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.

(6) A Commitment or Determination Notice shall not be issued with respect to any Applicant or any Person, General Partner, general contractor and their respective principals or Affiliates active in the ownership or control of other low income rental housing property in the state of Texas funded by the Department, or outside the state of Texas, that is in Material Non-Compliance with the LURA (or any other document containing an Extended Low Income Housing Commitment) or the program rules in effect for such property as of June 30, 2003. Any corrective action documentation affecting the Material Non-Compliance status score for Applicants must be received by the Department no later than May 15, 2003.

(b) **Agreement and Election Statement.** Together with or following the Development Owner's acceptance of the commitment or determination, the Development Owner may execute an Agreement and Election Statement, in the form prescribed by the Department, for the purpose of fixing the applicable credit percentage for the Development as that for the month in which the commitment was accepted (or the month the bonds were issued for Tax Exempt Bond Developments), as provided in the Code, §42(b)(2). Current Treasury Regulations, §1.42-8(a)(1)(v), suggest that in order to permit a Development Owner to make an effective election to fix the applicable credit percentage for a Development, the Carryover Allocation Document must be executed by the Department and the Development Owner in the same month. The Department staff will cooperate with a Development Owner, as needed, to assure that the Commitment Notice can be so executed.



#### **§49.14. Carryover, 10% Test.**

(a) **Carryover.** All Developments which received a Commitment Notice, and will not be placed in service and receive IRS Form 8609 in the year the Commitment Notice was issued, must submit the Carryover documentation to the Department no later than November 1 of the year in which the Commitment Notice is issued. Commitments for credits will be terminated if the Carryover documentation has not been received by this deadline, or an extension approved by the Board. In the event that a Development Owner intends to submit the Carryover documentation in October of the year in which the Commitment Notice is issued, in order to fix the applicable credit percentage for the Development in October, it must be submitted no later than the first Friday in October. The Carryover Allocation must be properly completed and delivered to the Department as prescribed by the Carryover Allocation Procedures Manual. All Carryover Allocations will be contingent upon the following, in addition to all other conditions placed upon the Application in the Commitment Notice:

(1) A current original plat of survey of the land, prepared by a duly licensed Texas Registered Professional Land Surveyor. Such survey shall conform to standards prescribed in the Manual of Practice for Land Surveying in Texas as promulgated and amended from time to time by the Texas Surveyors Association as more fully described in the Carryover Procedures Manual.

(2) A review of information provided by the IRS as permitted pursuant to IRS Form 8821, Tax Information Authorization, for the release of tax information relating to non-disclosure or recapture issues. Each Applicant must execute and provide to the Department Form 8821 within ten business days of the issuance of a Commitment Notice or Determination Notice. The form must be signed and executed on behalf of the Development Owner. Any information provided by the IRS will be evaluated by the Department in accordance with §49.2(53) and may be utilized by the Board to determine if a Carryover Allocation will be made.

(3) Attendance of the Development Owner and Development architect at eight hours of Fair Housing training on or before the closing of the construction loan.

(b) **10% Test.** No later than six months from the date the Carryover Allocation Document is executed by the Department and the Development Owner, more than 10% of the Development Owner's reasonably expected basis has to have been incurred pursuant to Section 42(h)(1)(E)(i) and (ii) of the Internal Revenue Code and Treasury Regulation, Section 1.42-6. The evidence to support the satisfaction of this requirement must be submitted to the Department no later than June 30 in a format proscribed by the Department.

#### **§49.15. Closing of the Construction Loan, Commencement of Substantial Construction.**

(a) **Closing of the Construction Loan.** The Development Owner must submit evidence of having closed the construction loan no later than the second Friday in June of the year after the execution of the Carryover Allocation Document with the possibility of an extension as described in §49.21 of this title. At the time of submission of the documentation, the Development Owner must also submit a Management Plan and an Affirmative Marketing Plan as further described in the Carryover Allocation Procedures Manual. The Carryover Allocation will automatically be revoked if the Development Owner fails to meet the aforementioned closing deadline, and has not had an extension approved, and all credits previously allocated to that Development will be returned to the general pool for reallocation.

(b) **Commencement of Substantial Construction.** The Development Owner must commence and continue substantial construction activities not later than the last Friday in August of the year after the execution of the Carryover Allocation Document with the possibility of an extension as described in §49.21 of this title. The minimum activity necessary to meet the requirement of substantial construction for new Developments will be defined as having poured foundations for at least 50% of all of the buildings in the Development. Evidence of such activity shall be provided in a format prescribed by the Department.

#### **§49.16. Cost Certification, LURA.**

(a) **Cost Certification.** Developments that will be placed in service and request IRS Forms 8609 in the year the Commitment Notice was issued must submit the required Cost Certification documentation and the compliance and monitoring fee to the Department by the second Friday in November of that same year. The Department will issue IRS Forms 8609 no later than 90 days from the date of receipt of the Cost Certification documentation, so long as all subsequent documentation requested by the Department related to the processing of the Cost Certification documentation has been provided on or before the seventy-fifth day from the date of receipt of the original Cost Certification documentation. Any deficiency letters issued to the Owner pertaining to the Cost Certification documentation will also be copied to the syndicator.

(b) **Land Use Restriction Agreement (LURA).** Prior to the Department's issuance of the IRS Form 8609 declaring that the Development has been placed in service for purposes of the Code, §42, Development Owners must date, sign and acknowledge before a notary public a LURA and send the original to the Department for execution. The Development Owner shall then record said LURA, along with any and all exhibits attached thereto, in the real property records of the county where the Development is located and return the original document, duly certified as to recordation by the appropriate county official, to the Department. If any liens (other than mechanics' or materialmen's liens) shall have been recorded against the Development and/or the Property prior to the recording of the LURA, the Development Owner shall obtain the subordination of the rights of any such lienholder, or other effective consent, to the survival of certain obligations contained in the LURA following the foreclosure of any such lien. Receipt of such certified recorded original LURA by the Department is required prior to issuance of IRS Form 8609. A representative of the Department shall physically inspect the Development for compliance with the Application and the representatives, warranties, covenants, agreements and undertakings contained therein before the IRS Form 8609 is issued, but in no event later than the end of the second calendar year following the year the last building in the Development is placed in service. The Development Owner for Tax Exempt Bond Developments shall obtain a subordination agreement wherein the lien of the mortgage is subordinated to the LURA. If an Owner intends for the Department to execute a LURA by the end of a the calendar year, then the proposed LURA, executed by the Owner and/or lienholder, must be submitted to the Department for execution no later than December 1 of that calendar year.

#### **§49.17. Housing Credit Allocations.**

(a) In making a Housing Credit Allocation under this chapter, the Department shall rely upon information contained in the Applicant's Application to determine whether a building is eligible for the credit under the Code, §42. The Applicant shall bear full responsibility for claiming the credit and assuring that the Development complies with the requirements of the Code, §42. The Department shall have no responsibility for ensuring that an Applicant who receives a housing credit allocation from the Department will qualify for the housing credit.

(b) The Housing Credit Allocation Amount shall not exceed the dollar amount the Department determines is necessary for the financial feasibility and the long term viability of the Development throughout the Compliance Period. Such determination shall be made by the Department at the time of issuance of the Commitment Notice or Determination Notice; at the time the Department makes a Housing Credit Allocation; and/or the date the building is placed in service. Any Housing Credit Allocation Amount specified in a Commitment Notice, Determination Notice or Carryover Allocation Document is subject to change by the Department dependent upon such determination. Such a determination shall be made by the Department based on its evaluation and procedures, considering the items specified in the Code, §42(m)(2)(B), and the department in no way or manner represents or warrants to any applicant, sponsor, investor, lender or other entity that the Development is, in fact, feasible or viable.

(c) The General Contractor hired by the Applicant must meet specific criteria as defined by the Seventy-fifth Legislature. A general contractor hired by an applicant or an applicant, if the applicant serves as general contractor must demonstrate a history of constructing similar types of housings without the use of federal tax credits. Evidence must be submitted to the Department which sufficiently documents that the general contractor has constructed some housing without the use of low income housing credits. This documentation will be required as a condition of the commitment notice or carryover agreement, and must be complied with prior to commencement of construction and at cost certification and final allocation of credits.

(d) An allocation will be made in the name of the Applicant identified in the related Commitment Notice or Determination Notice. If an allocation is made in the name of the party expected to be the General Partner in an eventual owner partnership, the Department may, upon request, approve a transfer of allocation to such owner partnership in which such party is the sole General Partner. Any other transfer of an allocation will be subject to review and approval by the Department. The approval of any such transfer does not constitute a representation to the effect that such transfer is permissible under §42 of the Code or without adverse consequences thereunder, and the Department may condition its approval upon receipt and approval of complete documentation regarding the new owner including all the criteria for scoring, evaluation and underwriting, among others, which were applicable to the original Applicant.

(e) The Department shall make a Housing Credit Allocation, either in the form of IRS Form 8609, with respect to current year allocations for buildings placed in service, or in the Carryover Allocation Document, for buildings not yet placed in service, to any Development Owner who holds a Commitment Notice which has not expired, and for which all fees as specified in §49.21 of this title, have been received by the Department. For Tax Exempt Bond Developments, the Housing Credit Allocation shall be made in the form of a Determination Notice. For an

IRS Form 8609 to be issued with respect to a building in a Development with a Housing Credit Allocation, satisfactory evidence must be received by the Department that such building is completed and has been placed in service in accordance with the provisions of the Department's Cost Certification Procedures Manual. The Cost Certification documentation requirements will include a certification and inspection report prepared by a Third-Party accredited accessibility inspector to certify that the Development meets all required accessibility standards. IRS Form 8609 will not be issued until the certifications received by the Department. The Department shall mail or deliver IRS Form 8609 (or any successor form adopted by the Internal Revenue Service) to the Development Owner, with Part I thereof completed in all respects and signed by an authorized official of the Department. The delivery of the IRS Form 8609 will occur only after the Development Owner has complied with all procedures and requirements listed within the Cost Certification Procedures Manual. Regardless of the year of Application to the Department for low income housing tax credits, the current year's Cost Certification Procedures Manual must be utilized when filing all cost certification requests. A separate housing credit allocation shall be made with respect to each building within a Development which is eligible for a housing credit; provided, however, that where an allocation is made pursuant to a Carryover Allocation Document on a Development basis in accordance with the Code, §42(h)(1)(F), a housing credit dollar amount shall not be assigned to particular buildings in the Development until the issuance of IRS Form 8609s with respect to such buildings.

(f) In making a Housing Credit Allocation, the Department shall specify a maximum Applicable Percentage, not to exceed the Applicable Percentage for the building permitted by the Code, §42(b), and a maximum Qualified Basis amount. In specifying the maximum applicable percentage and the maximum Qualified Basis amount, the Department shall disregard the first-year conventions described in the Code, §42(f)(2)(A) and §42(f)(3)(B). The housing credit allocation made by the Department shall not exceed the amount necessary to support the extended low income housing commitment as required by the Code, §42(h)(6)(C)(i).

(g) Development inspections shall be required to show that the Development is built or rehabilitated according to required plans and specifications. At a minimum, all Development inspections must include an inspection for quality during the construction process while defects can reasonably be corrected and a final inspection at the time the Development is placed in service. All such Development inspections shall be performed by the Department or by an independent, third party inspector acceptable to the Department. The Development Owner shall pay all fees and costs of said inspections as described in §49.21 of this title.

(h) After the entire Development is placed in service, which must occur prior to the deadline specified in the Carryover Allocation Document, the Development Owner shall be responsible for furnishing the Department with documentation which satisfies the requirements set forth in the Cost Certification Procedures Manual. A newly constructed or rehabilitated building is not placed in service until all units in such building have been completed and certified by the appropriate local authority or registered architect as ready for occupancy. The Cost Certification must be submitted for the entire Development, therefore partial Cost Certifications are not allowed. The Department may require copies of invoices and receipts and statements for materials and labor utilized for the new construction or rehabilitation and, if applicable, a closing statement for the acquisition of the Development as well as for the closing of all interim and permanent financing for the Development. If the Applicant does not fulfill all representations made in the Application, the Department may make reasonable reductions to the tax credit amount allocated via the IRS Form 8609 or may withhold issuance of the IRS Form 8609s until these representations are met.

(i) The Board in its sole discretion may allocate credits to a Development Owner in addition to those awarded at the time of the initial Carryover Allocation in instances where there is bona fide substantiation of cost overruns and the Department has made a determination that the allocation is needed to maintain the Development's financial viability as a qualified low income Development.

(j) The Department may, at any time and without additional administrative process, determine to award credits to Developments previously evaluated and awarded credits if it determines that such previously awarded credits are or may be invalid and the owner was not responsible for such invalidity. The Department may also consider an amendment to a Commitment Notice or Carryover Allocation or other requirement with respect to a Development if the revisions:

- (1) are consistent with the Code and the tax credit program;
- (2) do not occur while the Development is under consideration for tax credits;
- (3) do not involve a change in the number of points scored (unless the Development's ranking is adjusted because of such change);
- (4) do not involve a change in the Development's site; or
- (5) do not involve a change in the set-aside election.

**§49.18 Board Reevaluation, Appeals; Amendments, Housing Tax Credit and Ownership Transfers, Withdrawals, Cancellations.**

(a) Board Reevaluation. Regardless of project stage, the Board must reevaluate a Development that undergoes a substantial change between the time of initial Board approval of the Development and the time of issuance of a Commitment Notice or Determination Notice for the Development. For the meaning of this subsection, substantial change shall be those items identified in subsection (c)(3) of this section. The Board may revoke any Commitment Notice or Determination Notice issued for a Development that has been unfavorably reevaluated by the Board.

**(b) Appeals Process.** An Applicant may appeal decisions made by the Department.

(1) The decisions that may be appealed are identified in subparagraphs (A) through (C) of this paragraph.

(A) a determination regarding the Applicant's satisfaction of:

(i) Pre-Application or Application Threshold Criteria;

(ii) Underwriting Criteria;

(B) the scoring of the Application under the Application Selection Criteria; and

(C) a recommendation as to the amount of housing tax credits to be allocated to the Application.

(2) An Applicant may not appeal a decision made regarding an Application filed by another Applicant.

(3) An Applicant must file its appeal in writing, with the Department not later than the seventh day after the date the Department publishes the results of the Application evaluation process identified in §49.9 of this title. In the appeal, the Applicant must specifically identify the Applicant's grounds for appeal, based on the original Application and additional documentation filed with the original Application. If the appeal relates to the amount of housing tax credits recommended to be allocated, the Department will provide the Applicant with the underwriting report upon request.

(4) The Executive Director of the Department shall respond in writing to the appeal not later than the 14th day after the date of receipt of the appeal. If the Applicant is not satisfied with the Executive Director's response to the appeal, the Applicant may appeal directly in writing to the Board, provided that an appeal filed with the Board under this subsection must be received by the Board before:

(A) the seventh day preceding the date of the board meeting at which the relevant allocation decision is expected to be made; or

(B) the third day preceding the date of the board meeting described by subparagraph (A) of this paragraph, if the Executive Director does not respond to the appeal before the date described by subparagraph (A) of this paragraph.

(5) Board review of an appeal under paragraph (4) of this subsection is based on the original Application and additional documentation filed with the original Application. The Board may not review any information not contained in or filed with the original Application. The decision of the Board regarding the appeal is final.

(6) The Department will post to its web site an appeal filed with the Department or Board and any other document relating to the processing of the appeal.

**(c) Amendment of Application Subsequent to Allocation by Board.**

(1) If a proposed modification would materially alter a Development approved for an allocation of a housing tax credit, the Department shall require the Applicant to file a formal, written request for an amendment to the Application.

(2) The Executive Director of the Department shall require the Department staff assigned to underwrite Applications to evaluate the amendment and provide an analysis and written recommendation to the Board. The appropriate party monitoring compliance during construction in accordance with §49.19 of this title shall also provide to the Board an analysis and written recommendation regarding the amendment.

(3) For Applications approved by the Board prior to September 1, 2001, the Executive Director will approve or deny the amendment request. For Applications approved by the Board after September 1, 2001, the Board must vote on whether to approve the amendment. The Board by vote may reject an amendment and, if appropriate, rescind a Commitment Notice or terminate the allocation of housing tax credits and reallocate the credits to other Applicants on the Waiting List if the Board determines that the modification proposed in the amendment:

(A) would materially alter the Development in a negative manner; or

(B) would have adversely affected the selection of the Application in the Application Round.

(4) Material alteration of a Development includes, but is not limited to:

(A) a significant modification of the site plan;

(B) a modification of the number of units or bedroom mix of units;

- (C) a substantive modification of the scope of tenant services;
- (D) a reduction of three percent or more in the square footage of the units or common areas;
- (E) a significant modification of the architectural design of the Development;
- (F) a modification of the residential density of the Development of at least five percent; and
- (G) any other modification considered significant by the Board.

(5) In evaluating the amendment under this subsection, the Department staff shall consider whether the need for the modification proposed in the amendment was:

- (A) reasonably foreseeable by the Applicant at the time the Application was submitted; or
- (B) preventable by the Applicant.

(6) This section shall be administered in a manner that is consistent with the Code, §42.

(7) Before the 15<sup>th</sup> day preceding the date of Board action on the amendment, notice of an amendment and the recommendation of the Executive Director and monitor regarding the amendment will be posted to the Department's web site.

(d) **Housing Tax Credit and Ownership Transfers.** An Applicant may not transfer an allocation of housing tax credits or ownership of a Development supported with an allocation of housing tax credits to any person other than an Affiliate unless the Applicant obtains the Executive Director's prior, written approval of the transfer. The Executive Director may not unreasonably withhold approval of the transfer. An Applicant seeking Executive Director approval of a transfer and the proposed transferee must provide to the Department a copy of any applicable agreement between the parties to the transfer, including any third-party agreement with the Department. An Applicant seeking Executive Director approval of a transfer must provide to the Department a list of the names of transferees and Related Parties; and detailed information describing the experience and financial capacity of transferees and related parties. The Development Owner shall certify to the Executive Director that the tenants in the Development have been notified in writing of the transfer before the 30th day preceding the date of submission of the transfer request to the Department. Not later than the fifth working day after the date the Department receives all necessary information under this section, the Department shall conduct a qualifications review of a transferee to determine the transferee's past compliance with all aspects of the low income housing tax credit program, LURAs; and the sufficiency of the transferee's experience with Developments supported with housing tax credit allocations.

(e) **Withdrawals.** An Applicant may withdraw an Application prior to receiving a Commitment Notice, Determination Notice, Carryover Allocation Document or Housing Credit Allocation, or may cancel a Commitment Notice or Determination Notice by submitting to the Department a notice, as applicable, of withdrawal or cancellation.

(f) **Cancellations.** The Department may cancel a Commitment Notice, Determination Notice or Carryover Allocation prior to the issuance of IRS Form 8609 with respect to a Development if:

(1) the Development Owner or any member of the Development Team, or the Development, as applicable, fails to meet any of the conditions of such Commitment Notice or Carryover Allocation or any of the undertakings and commitments made by the Development Owner in the applications process for the Development;

(2) any statement or representation made by the Development Owner or made with respect to the Development Owner, the Development Team or the Development is untrue or misleading;

(3) an event occurs with respect to any member of the Development Team which would have made the Development's Application ineligible for funding pursuant to §49.5 of this title if such event had occurred prior to issuance of the Commitment Notice or Carryover Allocation; or

(4) the Development Owner, any member of the Development Team, or the Development, as applicable, fails to comply with these Rules or the procedures or requirements of the Department.

#### **§49.19. Compliance Monitoring and Material Non-Compliance.**

(a) The Code, §42(m)(1)(B)(iii), requires the Department as the housing credit agency to include in its QAP a procedure that the Department will follow in monitoring Developments for noncompliance with the provisions of the Code, §42 and in notifying the IRS of such noncompliance of which the Department becomes aware. Such procedure is set out in this QAP and in the Owner's Compliance Manual prepared by the Department's Compliance Division, as amended from time to time. Such procedure only addresses forms and records that may be required by the Department to enable the Department to monitor a Development for violations of the Code and the LURA and to notify the IRS of any such non-compliance. This procedure does not address forms and other records that may be required of Development Owners by the IRS more generally, whether for purposes of filing annual returns or supporting Development Owner tax positions during an IRS audit.

(b) The Department, through the division with responsibility for compliance matters, shall monitor for compliance with all applicable requirements the entire construction phase associated with any Development under this title. The Department will monitor under this requirement by requiring a copy of all construction inspections performed for the lender and/or syndicator for the Development. If necessary, the Department may obtain a Third-Party inspection report for purposes of monitoring. The Applicant must provide the Department with copies of all inspections made throughout the construction of the Development within fifteen days of the date the inspection occurred. The Department, or any third-party inspector hired by the Department, shall be provided, upon request, any construction documents, plans or specifications for the Development to perform these inspections. The monitoring level for each Development must be based on the amount of risk associated with the Development. The Department shall use the division responsible for credit underwriting matters and the division responsible for compliance matters to determine the amount of risk associated with each Development. After completion of a Development's construction phase, the Department shall periodically review the performance of the Development to confirm the accuracy of the Department's initial compliance evaluation during the construction phase. Developments having financing from TX-USDA-RHS will be exempt from these inspections, provided that the Applicant provides the Department with copies of all inspections made by TX-USDA-RHS throughout the construction of the Development within fifteen days of the date the inspection occurred.

(c) The Department will monitor compliance with all covenants made by the Development Owner in the Application and in the LURA, whether required by the Code, Treasury Regulations or other rulings of the IRS, or undertaken by the Development Owner in response to Department requirements or criteria.

(d) The Department may contract with an independent third party to monitor a Development during its construction or rehabilitation and during its operation for compliance with any conditions imposed by the Department in connection with the allocation of housing tax credits to the Development and appropriate state and federal laws, as required by other state law or by the Board. The Department may assign Department staff other than housing tax credit division staff to perform the relevant monitoring functions required by this section in the construction or rehabilitation phase of a Development.

(e) The Department shall create an easily accessible database that contains all Development compliance information developed under this section.

(f) The Development Owner must keep records for each qualified low income building in the Development, showing on a monthly basis (with respect to the first year of a building's Credit Period and on an annual basis, thereafter):

(1) the total number of residential rental Units in the building (including the number of bedrooms and the size in square feet of each residential rental Unit);

(2) the percentage of residential rental Units in the building that are low income Units;

(3) the rent charged for each residential rental Unit in the building including, with respect to low income Units, documentation to support the utility allowance applicable to such Unit;

(4) the number of occupants in each low income Unit;

(5) the low income Unit vacancies in the building and information that shows when, and to whom, all available Units were rented;

(6) the annual income certification of each tenant of a low income Unit, in the form designated by the Department in the Compliance Manual, as may be modified from time to time;

(7) documentation to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 ("Section 8"), not in accordance with determination of gross income for federal income tax purposes. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the Development Owner declaring that the tenant's income does not exceed the applicable income limit under the Code, §42(g) as described in the Compliance Manual;

(8) the Eligible Basis and Qualified Basis of the building at the end of the first year of the Credit Period;

(9) the character and use of the nonresidential portion of the building included in the building's Eligible Basis under the Code, §42(d), (e.g. whether tenant facilities are available on a comparable basis to all tenants; whether any fee is charged for use of the facilities; whether facilities are reasonably required by the Development); and

(10) any additional information as required by the Department.

(g) The Development Owner will deliver to the Department no later than March 1 each year, the current audited financial statements, in form and content satisfactory to the Department, itemizing the income and expenses of the Development for the prior year.

(h) Specifically, to evidence compliance with the requirements of the Code, Section 42(h)(6)(B)(iv) which requires that the LURA prohibit Development Owners of all tax credit Developments placed in service after August 10, 1993 from refusing to lease to persons holding Section 8 vouchers or certificates because of their status as holders of such Section 8 voucher or certificate. Development Owners must comply with Department rule under Title 10 Part 1 Chapter 1 Subchapter A 10 TAC 1.14. A housing development funded or administered by the Department is prohibited from:

(1) excluding an individual or family from admission to the Development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. Section 143F); and

(2) using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than 2.5 times the individual or family's share of the total monthly rent payable to the Development. A Development Owner must maintain a written management plan that is available for review upon request. Such management plan must clearly state the following objectives:

(A) prospective applicants who hold Section 8 vouchers or certificates are welcome to apply and will be provided the same consideration for occupancy as any other applicant;

(B) any minimum income requirements for Section 8 voucher and certificate holders will only be applied to the portion of the rent the prospective tenant would pay, provided, however, that if Section 8 pays 100% of the rent for the Unit, the Development Owner may establish other reasonable minimum income requirements to ensure that the tenant has the financial resources to meet daily living expenses. Minimum income requirements for Section 8 voucher and certificate holders will not exceed 2.5 times the portion of rent the tenant pays; and

(C) all other screening criteria, including employment policies or procedures and other leasing criteria (such as rental history, credit history, criminal history, etc.) must be applied to applicants uniformly and in a manner consistent with the Texas and federal Fair Housing Acts and with Department and Code requirements;

(3) post Fair Housing logos and the Fair Housing poster in the leasing office;

(4) approve and distribute a written Affirmative Marketing Plan to the property management and on-site staff;

(5) communicate annually during the first quarter of each year in writing with the administrator of each Section 8 program which has jurisdiction within the geographic area where the Development is located. Such communication will include information on the unit characteristics and rents and will advise the administering agency that the property accepts Section 8 vouchers and certificates and will treat referrals in a fair and equal manner. Copies of such correspondence must be available during on-site reviews conducted by the Department; and

(6) A prospective tenant participating in the voucher program shall report to the administrator of the Section 8 program that provided the certificate or voucher an exclusion from admission to a housing development based on a financial or minimum income standard requiring the tenant to have a monthly income of more than 2.5 times the tenant or tenant's family share of the total monthly rent payable to the Development Owner. The administrator shall promptly report such exclusion to the Department.

(7) A Housing Sponsor that fails to comply with these procedures are subject to the following sanctions:

(A) Failure to lease to a prospective tenant due to the applicant's status as a recipient of a federal rental assistance voucher or certificate will result in a material non-compliance score.

(B) A complaint of exclusion from admittance as described in subsection (C)(6) that has been verified by the Department shall result in a non-compliance score for a period of one year from the date of the Department's verification of the complaint.

(i) Record retention provision. The Development Owner is required to retain the records described in subsection (f) of this section for at least six years after the due date (with extensions) for filing the federal income tax return for that year; however, the records for the first year of the Credit Period must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building.

(j) Certification and Review.

(1) On or before February 1st of each year, the Department will send each Development Owner of a completed Development an Owner's Certification of Program Compliance (form provided by the Department) to

be completed by the Owner and returned to the Department on or before the first day of March of each year in the Compliance Period. Any Development for which the certification is not received by the Department, is received past due, or is incomplete, improperly completed or not signed by the Development Owner, will be considered not in compliance with the provisions of §42 of the Code and reported to the IRS on Form 8823, Low Income Housing Credit Agencies Report of Non Compliance. The Owner Certification of Program Compliance shall cover the preceding calendar year and shall include at a minimum the following statements of the Development Owner:

- (A) the Development met the minimum set-aside test which was applicable to the Development;
- (B) there was no change in the Applicable Fraction of any building in the Development, or that there was a change and list the applicable fraction to be reported to the IRS for each building in the Development for the certification year;
- (C) the owner has received an annual income certification from each low income resident and documentation to support that certification;
- (D) each low income Unit in the Development was rent-restricted under the Code, §42(g)(2);;
- (E) all low income Units in the Development are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under the Code, §42(l)(3)(B)(iii));
- (F) No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this Development. A finding of discrimination includes an adverse final decision by the Secretary of HUD, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court;
- (G) each building in the Development is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income Unit in the Development. If a violation report or notice was issued by the governmental unit, the Development Owner must attach a copy of the violation report or notice. In addition, the Development Owner must state whether the violation has been corrected;
- (H) either there was no change in the Eligible Basis (as defined in the Code, §42(d)) of any building in the Development, or that there has been a change, and the nature of the change (e.g., a common area has become commercial space, a fee is now charged for a tenant facility formerly provided without charge, or the Development Owner has received federal subsidies with respect to the Development which had not been disclosed to the allocating authority in writing);
- (I) all tenant facilities included in the Eligible Basis under the Code, §42(d), of any building in the Development, such as swimming pools, other recreational facilities, washer/dryer hook ups, appliances and parking areas, were provided on a comparable basis without charge to all tenants in the building;
- (J) if a low income Unit in the Development became vacant during the year, reasonable attempts were, or are being, made to rent that Unit or the next available Unit of comparable or smaller size to tenants having a qualifying income before any other Units in the Development were, or will be, rented to tenants not having a qualifying income;
- (K) if the income of tenants of a low income Unit in the Development increased above the limit allowed in the Code, §42(g)(2)(D)(ii), the next available Unit of comparable or smaller size in that building was, or will be, rented to residents having a qualifying income;
- (L) a LURA including an Extended Low Income Housing Commitment as described in the Code, §42(h)(6), was in effect for buildings subject to section 7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989, 103 Stat. 2106, 2308-2311, including the requirement under the Code, §42(h)(6)(B)(iv) that a Development Owner cannot refuse to lease a Unit in the Development to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to section 1314c(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438-439;
- (M) All low income Units in the Development were used on a nontransient basis (except for transitional housing for the homeless provided under §42(i)(3)(B)(iv);
- (N) no change in the ownership of a Development has occurred during the reporting period;
- (O) the Development Owner has not been notified by IRS that the Development is no longer "a qualified low income housing Development" within the meaning of the Code, §42;
- (P) the Development met all terms and conditions which were recorded in the LURA, or if no LURA was required to be recorded, the Development met all representations of the Development Owner in the Application for credits;
- (Q) if the Development Owner received its Housing Credit Allocation from the portion of the state ceiling set-aside for Developments involving Qualified Nonprofit Organizations under the Code, §42(h)(5), a



Qualified Nonprofit Organization owned an interest in and materially participated in the operation of the Development within the meaning of the Code, §469(h); and

(R) no low income Units in the Development were occupied by households in which all members were Students.

(2) Review.

(A) The Department staff will review each Owner's Certification of Program Compliance for compliance with the requirements of the Code, §42.

(B) The Department will perform on-site inspections of all buildings in each low income housing Development by the end of the second calendar year following the year the last building in the Development is placed in service and, for at least 20% of the low income Units in each Development, inspect the Units and review the low income certifications, the documentation the Development Owner has received to support the certifications, the rent records for each low income tenant in those Units, and any additional information that the Department deems necessary.

(C) At least once every three years, the Department will conduct on-site inspections of all buildings in the Development, and for at least 20% of the Development's low income Units, inspect the Units and review the low income certifications, the documentation supporting the certifications, and the rent records for the tenants in those Units; and

(D) The Department may, at the time and in the form designated by the Department, require the Development Owners to submit for compliance review, information on tenant income and rent for each low income Unit, and may require a Development Owner to submit for compliance review copies of the tenant files, including copies of the income certification, the documentation the Development Owner has received to support that certification and the rent record for any low income tenant.

(E) The Department will randomly select which low income Units and tenant records are to be inspected and reviewed by the Department. The review of the tenant records may be undertaken wherever the Development Owner maintains or stores the records. Units and tenant records to be inspected and reviewed will be selected in a manner that will not give Development Owners advance notice that a particular Unit and tenant records for a particular year will or will not be inspected or reviewed. However, the Department will give reasonable notice to the Development Owner that an on-site inspection or a tenant record review will occur, so that the Development Owner may notify tenants of the inspection or assemble tenant records for review.

(3) Exception. The Department may, at its discretion, enter into a Memorandum of Understanding with the TX-USDA-RHS, whereby the TX-USDA-RHS agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed by the TX-USDA-RHS under its §515 program. Owners of such buildings may be excepted from the review procedures of subparagraph (B) or (C) of this paragraph or both; however, if the information provided by TX-USDA-RHS is not sufficient for the Department to make a determination that the income limitation and rent restrictions of the Code, §42(g)(1) and (2), are met, the Development Owner must provide the Department with additional information. TX-USDA-RHS Developments satisfy the definition of Qualified Elderly Development if they meet the definition for elderly used by TX-USDA-RHS, which includes persons with disabilities.

(k) Inspection provision. The Department retains the right to perform an on site inspection of any low income housing Development including all books and records pertaining thereto through either the end of the Compliance Period or the end of the period covered by any Extended Low Income Housing Commitment, whichever is later. An inspection under this subsection may be in addition to any review under paragraph (j)(2) of this section.

(l) Inspection Standard. For the on-site inspections of buildings and low income Units, the Department must review any local health, safety, or building code violations reported, or noticed retained by the Development Owner, under paragraph (j)(1)(G) of this section; or determine whether the Units satisfy the uniform physical condition standards for public housing established by HUD (24 CFR 5.703). The HUD physical condition standards do not supersede or preempt local health, safety and building codes. Developments must continue to satisfy these codes and if the Department becomes aware of any violation of these codes, the violations must be reported to the IRS.

(m) The Department retains the right to require the Owner to submit tenant data in the electronic format as developed by the Department. The Department will provide general instruction regarding the electronic transfer of data.

(n) Notices to Owner. The Department will provide prompt written notice to the Development Owner if the Department does not receive the certification described in subsection (j)(1) of this section or discovers through audit, inspection, review or any other manner, that the Development is not in compliance with the provisions of the Code, §42 or the LURA. The notice will specify a correction period which will not exceed 90 days, during

which the Development Owner may respond to the Department's findings, bring the Development into compliance, or supply any missing certifications. The Department may extend the correction period for up to six months if it determines there is good cause for granting an extension. If any communication to the Development Owner under this section is returned to the Department as unclaimed or undeliverable, the Development may be considered not in compliance without further notice to the Development Owner.

(o) Notice to the IRS.

(1) Regardless of whether the noncompliance is corrected, the Department is required to file IRS Form 8823 with the IRS. IRS Form 8823 will be filed not later than 45 days after the end of the correction period specified in the Notice to Owner (including any extensions permitted by the Department), but will not be filed before the end of the correction period. The Department will explain on IRS Form 8823 the nature of the noncompliance and will indicate whether the Development Owner has corrected the noncompliance or failure to certify.

(2) If the non-compliance is not reported as corrected within three years after the end of the correction period, the Department is not required to file a corrected form 8823 with the IRS.

(3) The Department will retain records of noncompliance or failure to certify for six years beyond the Department's filing of the respective IRS Form 8823. In all other cases, the Department will retain the certification and records described in §49.19 of this title for three years from the end of the calendar year the Department receives the certifications and records.

(p) Notices to the Department. A Development Owner must notify the division responsible for compliance within the Department in writing of the events listed in paragraphs (1) through (3) of this subsection.

(1) prior to any sale, transfer, exchange, or renaming of the Development or any portion of the Development. For Rural Developments that are federally assisted or purchased from HUD, the Department shall not authorize the sale of any portion of the Development;

(2) any change of address to which subsequent notices or communications shall be sent; or

(3) within thirty days of the placement in service of each building, the Department must be provided the in service date of each building.

(q) Liability. Compliance with the requirements of the Code, §42 is the sole responsibility of the Development Owner of the building for which the credit is allowable. By monitoring for compliance, the Department in no way assumes any liability whatsoever for any action or failure to act by the Development Owner including the Development Owner's noncompliance with the Code, §42.

(r) These provisions apply to all buildings for which a low income housing credit is, or has been, allowable at any time. The Department is not required to monitor whether a building or Development was in compliance with the requirements of the Code, §42, prior to January 1, 1992. However, if the Department becomes aware of noncompliance that occurred prior to January 1, 1992, the Department is required to notify the IRS in a manner consistent with subsection (j) of this section.

(s) Material Non-Compliance. In accordance with §49.5(b)(6) and (7), the Department will disqualify an Application for funding if the Applicant or other Persons, General Partner, general contractor, and their respective principals or Affiliates active in the ownership or control of low income housing located in the State of Texas is determined by the Department to be in Material Non-Compliance on the date the Application Round closes. The Department will classify a property as being in Material Non-Compliance when such property has a Non-Compliance score that is equal to or exceeds 30 points in accordance with the methodology and point system set forth in this subsection, or if in accordance with §49.5(b)(7), the Department makes a determination that the non-compliance reported would equal a non-compliance score that is equal to or exceeds 30 points in accordance with the methodology and point system set forth in this subsection.

(1) Each property that has received an allocation from the Department will be scored according to the type and number of non-compliance events as it relates to the tax credit program or other Department programs. All developments regardless of status that have received an allocation are scored even if the project no longer actively participates in the program.

(2) Uncorrected non-compliance will carry the maximum number of points until the non-compliance event has been reported corrected by the Department. Once reported corrected by the Department the score will reduce to the "corrected value" in paragraph (4) of this subsection. Corrected non-compliance will no longer be included in the development score three years after the date the non-compliance was reported corrected by the Department. Non-compliance events that occurred and were identified by the Department through the issuance of the IRS form 8823 prior to January 1, 1998 are assigned corrected point values to each non-compliance event. The score for these events will no longer be included in the development's score three years after the date the form 8823 was executed. For Applicants under this QAP, a non-compliance report will be run

by the Department's Compliance Division on the date the Application Round closes. Any corrective action documentation affecting this compliance status score must be received by the Department no later than February 1, 2003.

(3) Events of non-compliance are categorized as either "development events" or "unit/building events". Development events of non-compliance affect all the buildings in the property. However, the property will receive only one score for the event rather than a score for each building. Other types of non-compliance are identified individually by unit. This type of non-compliance will receive the appropriate score for each building cited with an event. The building scores accumulate towards the total score of the development.

(4) Each type of non-compliance is assigned a point value. The point value for non-compliance is reduced upon correction of the non-compliance. The scoring point system and values are as described in subparagraphs (A) and (B) of this paragraph. The point system weighs certain types of non-compliance more heavily than others; therefore certain non-compliance events carry a sufficient number of points to automatically place the property in Material Non-Compliance. However other types of non-compliance by themselves do not warrant the classification of Material Non-Compliance. Multiple occurrences of these types of non-compliance events may produce enough points to cause the property to be in Material Non-Compliance. Scores identified below become effective April 1, 2003.

(A) Development Non-Compliance items are identified in clauses (i) through (xxi) of this subparagraph.

(i) Major property condition violations. As determined by the Department the project displays major violations of health, safety and building code or the property does not satisfy the uniform physical condition standards. Uncorrected is 30 points. Corrected is 20 points.

(ii) Owner refused to lease to a holder of rental assistance certificate/voucher because of the status of the prospective tenant as such a holder. Uncorrected is 30 points. Corrected is 10 points.

(iii) Development not available to general public. Determination of violation under the Fair Housing Act. Uncorrected is 30 points. Corrected is 10 points.

(iv) Development is out of compliance and never expected to comply. Uncorrected is 30 points.

(v) Failure to meet minimum low-income occupancy levels. Development failed to meet required minimum low-income occupancy levels of 20/50 (20% of the units occupied by tenants with household incomes of less than or equal to 50% of area median gross income) or 40/60. Uncorrected is 20 points. Corrected is 10 points.

(vi) No evidence or failure to certify to non-profit material participation. Uncorrected is 10 points. Corrected is 3 points.

(vii) Failure to meet additional State required rent and occupancy restrictions. Development has failed to meet state restrictions that exist in addition to the federal requirements. Uncorrected is 10 points. Corrected is 3 points.

(viii) Failure to provide required supportive services as promised at application. Uncorrected is 10 points. Corrected is 3 points.

(ix) Failure to provide housing to the elderly as promised at application. Uncorrected is 10 points. Corrected is 3 points.

(x) Failure to provide special needs housing. Development has failed to provide housing for tenants with special needs as promised at application. Uncorrected is 10 points. Corrected is 3 points.

(xi) Owner failed to provide required annual notification to local administering agency for the Section 8 program. Uncorrected is 5 points. Corrected is 2 point.

(xii) Changes in eligible basis. Changes occur when common areas become commercial; fees are charged for facilities, etc. Uncorrected is 10 points. Corrected is 3 point.

(xiii) Owner failed to post Fair Housing Logo and/or poster in leasing offices. Uncorrected is 3 points. Corrected is 1 point.

(xiv) LURA not in effect. The LURA was not executed within the required time period. Uncorrected is 10 points. Corrected is 3 point.

(xv) Owner failed to pay fees or allow on-site monitoring review. Uncorrected is 3 points. Corrected is 1 point.

(xvi) Failure to submit annual Owner Certification of Program Compliance or other annual, monthly, or quarterly reports. Uncorrected is 10 points. Corrected is 3 point.

(xviii) Owner failed to make available or maintain management plan with required language. Uncorrected is 3 points. Corrected is 1 point.

(xix) Owner failed to approve and distribute Affirmative Marketing Plan. Uncorrected is 3 points. Corrected is 1 points.

(xx) Pattern of minor property condition violations. Development displays a pattern of property violations. However those violations do not impair essential services and safeguards for tenants. Uncorrected is 5 points. Corrected is 2 point.

(xxi) Failure to comply with minimum income standards for Section 8 residents. Complaints verified by the Department regarding violations of the income standard which cause exclusion from admission of section 8 resident(s) results in a violation. Uncorrected score 10 points. Corrected 3 point.

(B) Unit Non-Compliance items are identified in clauses (i) through (x) of this subparagraph.

(i) Unit not leased to Low Income Household. Development has units that are leased to households whose income was above the income limit upon initial occupancy. Uncorrected is 3 points. Corrected is 1 point.

(ii) Low-income units occupied by nonqualified full-time students. Uncorrected is 3 points. Corrected is 1 point.

(iii) Low income units used on transient basis. Uncorrected is 3 points. Corrected is 1 point.

(iv) Household Income increased above the re-certification limit and available unit was rented to market tenant. Uncorrected is 3 points. Corrected is 1 point.

(v) Gross rent exceeds tax credit rent limits. Uncorrected is 3 points. Corrected is 1 point.

(vi) Utility allowance not calculated properly. Uncorrected is 3 points. Corrected is 1 point.

(vii) Failure to maintain or provide tenant income certification and documentation. Uncorrected is 3 points. Corrected is 1 point.

(viii) Casualty loss. Units not available for occupancy due to natural disaster or hazard due to no fault of the Owner. This carries no point value.

(ix) When a low income unit became vacant, owner failed to lease to a low income household before any units were rented to tenants not having a qualifying income. Uncorrected 3 points. Corrected 1 point.

(x) Unit not available for rent. Unit is used for non-residential purposes. Uncorrected is 3 points. Corrected is 1 point.

(t) Utility Allowances utilized during Affordability Period. The Department will monitor to determine whether rents comply with the published tax credit rent limits using the utility allowances established by the local housing authority. When there are overlapping jurisdictions between local housing authorities, the utility allowance for the building will be utilized based on where the property is located according to the Development's legal description.

#### **§49.20. Department Records, Application Log, IRS Filings.**

(a) **Department Records.** At all times during each calendar year the Department shall maintain a record of the following:

(1) the cumulative amount of the State Housing Credit Ceiling that has been reserved pursuant to reservation notices during such calendar year;

(2) the cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Commitment Notices during such calendar year;

(3) the cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Carryover Allocation Documents during such calendar year;

(4) the cumulative amount of housing credit allocations made during such calendar year; and

(5) the remaining unused portion of the State Housing Credit Ceiling for such calendar year.

(b) **Application Log.** The Department shall maintain for each Application an Application Log that tracks the Application from the date of its submission. The Application Log will contain, at a minimum, the information identified in paragraphs (1) through (9) of this subsection.

(1) the names of the Applicant and Related Parties, the owner contact name and phone number, and full contact information for all members of the Development Team;

(2) the name, physical location, and address of the Development, including the relevant region of the state;

(3) the number of Units and the amount of housing tax credits requested for allocation by the Department to the Applicant;

(4) any set-aside category under which the Application is filed;

(5) the requested and awarded score of the Application in each scoring category adopted by the Department under the Qualified Allocation Plan;

(6) any decision made by the Department or Board regarding the Application, including the Department's decision regarding whether to underwrite the Application and the Board's decision regarding whether to allocate housing tax credits to the Development;

(7) the names of persons making the decisions described by paragraph (6) of this subsection, including the names of Department staff scoring and underwriting the Application, to be recorded next to the description of the applicable decision;

(8) the amount of housing tax credits allocated to the Development; and

(9) a dated record and summary of any contact between the Department staff, the Board, and the Applicant or any Related Parties.

(c) **IRS Filings.** The Department shall mail to the Internal Revenue Service, not later than the 28th day of the second calendar month after the close of each calendar year during which the Department makes housing credit allocations, the original of each completed (as to Part I) IRS Form 8609, a copy of which was mailed or delivered by the Department to a Development Owner during such calendar year, along with a single completed IRS Form 8610, Annual Low Income Housing Credit Agencies Report. When a Carryover Allocation is made by the Department, a copy of IRS Form 8609 will be mailed or delivered to the Development Owner by the Department in the year in which the building(s) is placed in service, and thereafter the original will be mailed to the Internal Revenue Service in the time sequence in this subsection. The original of the Carryover Allocation Document will be filed by the Department with IRS Form 8610 for the year in which the allocation is made. The original of all executed Agreement and Election Statements shall be filed by the Department with the Department's IRS Form 8610 for the year a housing credit allocation is made as provided in this section. The Department shall be authorized to vary from the requirements of this section to the extent required to adapt to changes in IRS requirements.

#### **§49.21. Program Fees, Refunds, Public Information Requests, Amendments of Fees and Notification of Fees, Extensions.**

(a) **Timely Payment of Fees.** All fees must be paid as indicated in this section. Any fees, as further described in this section, that are unpaid will cause an Applicant to be ineligible to apply for additional tax credits and ineligible to submit extension requests, ownership changes and application amendments. Payments made by check, for which no funds are available, will cause the processing of the Application for that stage of review to be terminated.

(a) **Pre-Application Fee.** Each Applicant that submits a Pre-Application shall submit to the Department, along with such Pre-Application, a non refundable Pre-Application fee, in the amount of \$5 per Unit. Units for the calculation of the Pre-Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Pre-Applications without the specified Pre-Application Fee in the form of a check will not be accepted. Community Housing Development Organizations (CHDOs) and Qualified Nonprofit Organizations will receive a discount of 10% off the calculated Pre-Application fee.

(b) **Application Fee.** Each Applicant that submits an Application shall submit to the Department, along with such Application, an Application fee. For Applicants having submitted a Pre-Application which met Pre-Application Threshold and for which a Pre-Application fee was paid, the Application fee will be \$15 per Unit. For Applicants not having submitted a Pre-Application, the Application fee will be \$20 per Unit. Units for the calculation of the Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Applications without the specified Application Fee in the form of a check will not be accepted. Community Housing Development Organizations and Qualified Nonprofit Organizations will receive a discount of 10% off the calculated Application fee.

(c) **Refunds of Pre-Application or Application Fees.** The Department shall refund the balance of any fees collected for a Pre-Application or Application that is withdrawn by the Applicant or that is not fully processed by the Department. The amount of refund on Applications not fully processed by the Department will be commensurate with the level of review completed. Intake and data entry will constitute 30% of the review, the site visit will constitute 45% of the review, and Threshold and Selection review will constitute 25% of the review. The Department must provide the refund to the Applicant not later than the 30<sup>th</sup> day after the date the last official action is taken with respect to the Application.

(d) **Third Party Underwriting Fee.** Applicants will be notified in writing prior to the evaluation of a Development by an independent third party underwriter in accordance with §49.7(b)(3) of this title if such a review is required. The fee must be received by the Department prior to the engagement of the underwriter. The fees paid by the Development Owner to the Department for the third party underwriting will be credited against the commitment fee established in subsection (e) of this section, in the event that a Commitment Notice or Determination Notice is issued by the Department to the Development Owner.

(e) **Commitment or Determination Notice Fee.** Each Development Owner that receives a Commitment Notice or Determination Notice shall submit to the Department, not later than the expiration date on the

commitment notice, a non-refundable commitment fee equal to 4% of the annual housing credit allocation amount. The commitment fee shall be paid by check.

(f) **Compliance Monitoring Fee.** Upon the Development being placed in service, the Development Owner will pay a compliance monitoring fee in the form of a check equal to \$25 per tax credit Unit per year or \$100, whichever is greater. Payment of the first year's compliance monitoring fee must be received by the Department prior to the release of the IRS Form 8609 on the Development. Subsequent anniversary dates on which compliance monitoring fee payments are due shall be determined by the date the Development was placed in service.

(g) **Building Inspection Fee.** The Building Inspection Processing Fee must be paid at the time the Commitment Fee is paid. The Building Inspection Fee for all Developments is \$500. All outstanding building inspection fees must be received by the Department prior to the release of the IRS Form 8609.

(h) **Public Information Requests.** Public information requests are processed by the Department in accordance with the provisions of the Government Code, Chapter 552. The Texas Building and Procurement Commission (formerly General Services Commission) determines the cost of copying, and other costs of production.

(i) **Amendment of Fees by the Department and Notification of Fees.** All fees charged by the Department in the administration of the tax credit program will be revised by the Department from time to time as necessary to ensure that such fees compensate the Department for its administrative costs and expenses. The Department shall publish not later than July 1 of each year a schedule of Application fees that specifies the amount to be charged at each stage of the application process.

(j) **Extension Requests.** All extension requests relating to the Commitment Notice, Carryover, Closing of Construction Loan, Substantial Construction Commencement, Placed in Service or Cost Certification requirements shall be submitted to the Department in writing and be accompanied by a non-refundable extension fee in the form of a check in the amount of \$2,500. Such requests must be submitted to the Department at least 30 days prior to the date for which an extension is being requested. Extension requests and fees will not be accepted any later than this deadline date. The extension request shall specify a requested extension date and the reason why such an extension is required. The Department, in its sole discretion, may consider and grant such extension requests for all items except for the Closing of Construction Loan and Substantial Construction Commencement. The Board may grant extensions, for the Closing of Construction Loan and Substantial Construction Commencement. The Board may waive related fees.

#### **§49.22. Manner and Place of Filing All Required Documentation.**

(a) All Applications, letters, documents, or other papers filed with the Department will be received only between the hours of 8:00 a.m. and 5:00 p.m. on any day which is not a Saturday, Sunday or a holiday established by law for state employees.

(b) All notices, information, correspondence and other communications under this title shall be deemed to be duly given if delivered or sent and effective in accordance with this subsection. Such correspondence must reference that the subject matter is pursuant to the Tax Credit Program and must be addressed to the Low Income Housing Tax Credit Program, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, TX 78711-3941 or for hand delivery or courier to 507 Sabine, Suite 400, Austin, Texas 78701. Every such correspondence required or contemplated by this title to be given, delivered or sent by any party may be delivered in person or may be sent by courier, telecopy, express mail, telex, telegraph or postage prepaid certified or registered air mail (or its equivalent under the laws of the country where mailed), addressed to the party for whom it is intended, at the address specified in this subsection. Notice by courier, express mail, certified mail, or registered mail will be effective on the date it is officially recorded as delivered by return receipt or equivalent and in the absence of such record of delivery it will be presumed to have been delivered by the fifth business day after it was deposited, first-class postage prepaid, in the United States first class mail. Notice by telex or telegraph will be deemed given at the time it is recorded by the carrier in the ordinary course of business as having been delivered, but in any event not later than one business day after dispatch. Notice not given in writing will be effective only if acknowledged in writing by a duly authorized officer of the Department.

#### **§49.23. Waiver and Amendment of Rules.**

(a) The Board, in its discretion, may waive any one or more of these Rules in cases in which the Board finds that compelling circumstances exist outside the control of the Applicant or Development Owner..

(b) The Department may amend this chapter and the Rules contained herein at any time in accordance with the Government Code, Chapter 2001, as may be amended from time to time.

**§49.24. Deadlines for Allocation of Low Income Housing Tax Credits.**

(a) Not later than September 30 of each year, the Department shall prepare and submit to the Board for adoption the draft Qualified Allocation Plan required by federal law for use by the Department in setting criteria and priorities for the allocation of tax credits under the low income housing tax credit program.

(b) The Board shall adopt and submit to the Governor the Qualified Allocation Plan not later than November 15 of each year.

(c) The Governor shall approve, reject, or modify and approve the Qualified Allocation Plan not later than December 1 of each year.

(d) An Applicant for a low income housing tax credit to be issued a Commitment Notice during the Application Round in a calendar year must submit an Application to the Department not later than March 1.

(e) The Board shall review the recommendations of Department staff regarding Applications and shall issue a list of approved Applications each year in accordance with the Qualified Allocation Plan not later than June 30.

(f) The Board shall issue final Commitment Notices for allocations of housing tax credits each year in accordance with the Qualified Allocation Plan not later than July 31.

# Developer Evaluation

## Compliance Status Summary

**Project ID #:** 02420

LIHTC 9%  LIHTC 4%

**Project Name:** The Park @ Shiloh Apartments

HOME  HTF

**Project City:**

BOND  SECO

### Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

# reviewed 0 # not yet monitored or pending review 0

# of projects grouped by score 0-9: 0 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received No

Non-Compliance Reported \_\_\_\_\_

**Completed by** Jo En Taylor **Completed on** 08/07/2002

### Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable  no outstanding issues  outstanding issues

Comments:

**Completed by** Lucy Trevino **Completed on** 08/08/2002

### Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

**Completed by** Ralph Hendrickson **Completed on** 08/08/2002



**Community Affairs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** EEF      **Completed on** \_\_\_\_\_

**Housing Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Stephanie Stuntz      **Completed on** 08/29/2002

**Housing Programs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** S. Roth      **Completed on** 08/20/2002

**Multifamily Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Robbye Meyer      **Completed on** 08/12/2002

**Executive Director:** Edwina Carrington      **Date Signed:** ember 04, 2002

# Developer Evaluation

## Compliance Status Summary

**Project ID #:** 02422 LIHTC 9%  LIHTC 4%   
**Project Name:** Rosemeade Apartment HOME  HTF   
**Project City:** Amarillo BOND  SECO

### Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

# reviewed 9 # not yet monitored or pending review 8

# of projects grouped by score 0-9: 7 10-19: 1 20-29: 1

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported \_\_\_\_\_

**Completed by** Jo En Taylor **Completed on** 07/16/2002

### Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable  no outstanding issues  outstanding issues

Comments:

**Completed by** Lucy Trevino **Completed on** 07/17/2002

### Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

**Completed by** Ralph Hendrickson **Completed on** 07/16/2002

**Community Affairs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** EEF      **Completed on** \_\_\_\_\_

**Housing Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Stephanie Stuntz      **Completed on** 08/29/2002

**Housing Programs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Shannon Roth      **Completed on** 07/18/2002

**Multifamily Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Robbye Meyer      **Completed on** 07/19/2002

**Executive Director:** Edwina Carrington      **Date Signed:** July 30, 2002

# Developer Evaluation

## Compliance Status Summary

**Project ID #:** 02424

LIHTC 9%  LIHTC 4%

**Project Name:** Spring Hill

HOME  HTF

**Project City:** Nacogdoches

BOND  SECO

### Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

# reviewed 2 # not yet monitored or pending review 2

# of projects grouped by score 0-9: 1 10-19: 0 20-29: 1

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported \_\_\_\_\_

**Completed by** Jo En Taylor **Completed on** 07/16/2002

### Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable  no outstanding issues  outstanding issues

Comments: Single Audit for FY 12-31-2001 due by 9-30-2002

**Completed by** Lucy Trevino **Completed on** 07/16/2002

### Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments: 535243 - old contract not monitored by CPM. 539113 and 530226, monitoring review pending. 535242, reviewed, no monitoring issues.

**Completed by** Ralph Hendrickson **Completed on** 07/16/2002

**Community Affairs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** EEF      **Completed on** \_\_\_\_\_

**Housing Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Stephanie Stuntz      **Completed on** 08/29/2002

**Housing Programs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Keith Hoffpaur      **Completed on** 07/18/2002

**Multifamily Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Robbye Meyer      **Completed on** 07/19/2002

**Executive Director:** Edwina Carrington      **Date Signed:** July 30, 2002

# Developer Evaluation

## Compliance Status Summary

Project ID #: 02425

LIHTC 9%  LIHTC 4%

Project Name: Town Vista Apartments

HOME  HTF

Project City:

BOND  SECO

### Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

# reviewed 1 # not yet monitored or pending review 1

# of projects grouped by score 0-9: 1 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported \_\_\_\_\_

Completed by Jo En Taylor Completed on 08/07/2002

### Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable  no outstanding issues  outstanding issues

Comments: Contract expired 7-31-2001, only \$10,000 drawn out of \$500,000.  
Balance has not been deobligated. Check status with HOME Program.  
Did 1 HBA; 50 Required.

Completed by Lucy Trevino Completed on 08/08/2002

### Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments: 538624 2% drawn. 1 Draw made. Contract expired 7/31/2001. Contract not monitored by CPM.

Completed by Ralph Hendrickson Completed on 08/08/2002

**Community Affairs**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found 

Comments:

**Completed by** EEF**Completed on** \_\_\_\_\_**Housing Finance**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found 

Comments:

**Completed by** Stephanie Stuntz**Completed on** 08/29/2002**Housing Programs**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found 

Comments:

**Completed by** Emily Weilbaecher**Completed on** 08/20/2002**Multifamily Finance**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found 

Comments:

**Completed by** Robbye Meyer**Completed on** 08/12/2002**Executive Director:** Edwina Carrington**Date Signed:** ember 04, 2002

# Developer Evaluation

## Compliance Status Summary

**Project ID #:** 02426

LIHTC 9%  LIHTC 4%

**Project Name:** Blanco Falls Apartments

HOME  HTF

**Project City:**

BOND  SECO

### Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

# reviewed 1 # not yet monitored or pending review 0

# of projects grouped by score 0-9: 1 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received No

Non-Compliance Reported \_\_\_\_\_

**Completed by** Jo En Taylor **Completed on** 08/07/2002

### Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable  no outstanding issues  outstanding issues

Comments:

**Completed by** Lucy Trevino **Completed on** 08/08/2002

### Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

**Completed by** Ralph Hendrickson **Completed on** 08/08/2002



**Community Affairs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** EEF      **Completed on** \_\_\_\_\_

**Housing Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Stephanie Stuntz      **Completed on** 08/29/2002

**Housing Programs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Cliff Hudson      **Completed on** 08/28/2002

**Multifamily Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Robbye Meyer      **Completed on** 08/12/2002

**Executive Director:** Edwina Carrington      **Date Signed:** September 04, 2002

# Developer Evaluation

## Compliance Status Summary

**Project ID #:** 02433

LIHTC 9%  LIHTC 4%

**Project Name:** Heatherwilde Villas

HOME  HTF

**Project City:**

BOND  SECO

### Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

# reviewed 7 # not yet monitored or pending review 8

# of projects grouped by score 0-9: 7 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

**Completed by** Jo En Taylor **Completed on** 08/20/2002

### Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable  no outstanding issues  outstanding issues

Comments:

**Completed by** Lucy Trevino **Completed on** 08/21/2002

### Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

**Completed by** Ralph Hendrickson **Completed on** 08/21/2002

**Community Affairs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** EEF      **Completed on** \_\_\_\_\_

**Housing Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Stephanie Stuntz      **Completed on** 08/29/2002

**Housing Programs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Emily Weilbaecher      **Completed on** 08/28/2002

**Multifamily Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Robbye Meyer      **Completed on** 08/28/2002

**Executive Director:** Edwina Carrington      **Date Signed:** ember 04, 2002



**LOW INCOME HOUSING TAX CREDIT PROGRAM  
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD  
SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **The Park at Shiloh Apartments**

TDHCA#: 02420

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Tyler QCT: N DDA: N TTC: N  
 Development Owner: Tyler Partners, L.P.  
 General Partner(s): Jan-TX I, LLC, 100%, Contact: Chip Triplett  
 Construction Category: New  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: East Texas HFC  
 Development Type: Family

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$420,544 Eligible Basis Amt: \$420,543 Equity/Gap Amt.: \$661,518  
**Annual Tax Credit Allocation Recommendation: \$420,543**  
 Total Tax Credit Allocation Over Ten Years: 4,205,430

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 176 LIHTC Units: 176 % of LIHTC Units: 100%  
 Gross Square Footage: 209,230 Net Rentable Square Footage: 206,760  
 Average Square Footage/Unit: 1175  
 Number of Buildings: 22  
 Currently Occupied: N

**Development Cost**

Total Cost: \$14,094,578 Total Cost/Net Rentable Sq. Ft.: 68.17

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$1,180,923 Ttl. Expenses: \$528,142 Net Operating Inc.: \$652,781  
 Estimated 1st Year DCR: 1.10

**DEVELOPMENT TEAM**

Consultant: Not Utilized	Manager: Park Management
Attorney: Taylor, Covington & Smith	Architect: Bruce Herrington Architect, P.C.
Accountant: Novogradac & Company, LLP	Engineer: Adams Consulting Engineers
Market Analyst: Jack Poe Company	Lender: South Trust Bank
Contractor: Unicorp, Inc.	Syndicator: South Trust Community Reinvestment Company, LLC

**PUBLIC COMMENT<sup>2</sup>**

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Bill Ratliff, District 1 - NC Rep. Leo Berman, District 6 - NC Mayor Joey Seeber - NC Stephanie Rollings, City of Tyler, Senior Planner, Planning & Zoning Dept.; Cosistent with the City of Tyler Comprehensive Plan and Future Land Use Map.

**Community Affairs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** EEF      **Completed on** \_\_\_\_\_

**Housing Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Stephanie Stuntz      **Completed on** 08/29/2002

**Housing Programs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Keith Hoffpauir      **Completed on** 07/18/2002

**Multifamily Finance**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable       monitoring review pending

reviewed; no unresolved issues       reviewed; unresolved issues found

Comments:

**Completed by** Robbye Meyer      **Completed on** 07/19/2002

**Executive Director:** Edwina Carrington      **Date Signed:** July 30, 2002

**CONDITION(S) TO COMMITMENT**

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review, and acceptance of a revised permanent loan commitment with terms resulting in an annual debt service of no more than \$593,410 or an alternative fianance structure acceptable to the Department.
3. Should the terms or rate assumptions of the first lien financing change, the conclusions and recommendations of this underwriting analysis should be reviewed.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond.  Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Charles E. Nwaneri, LIHTC Co-Manager  
Date

\_\_\_\_\_

\_\_\_\_\_  
David Burrell, Director of Housing Programs

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond  Housing Type

Other Comments including discretionary factors (if applicable).\_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director  
Chairman of Executive Award and Review Advisory Committee

\_\_\_\_\_

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**



Chairperson Signature: \_\_\_\_\_

Michael E. Jones, Chairma

**LOW INCOME HOUSING TAX CREDIT PROGRAM**

**2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD**

**SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Rosemeade Apartments**

TDHCA#: 02422

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Amarillo

QCT: N

DDA: N

TTC: N

Development Owner:	Rosemeade Apartment Development Co., Ltd.		
General Partner(s):	American Housing Foundation, 50 %, Contact: Steve Sterquell; Baptist Community Services, 50% Contact: Steve Dalrymple		
Construction Category:	New		
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Panhandle Regional HFC		
Development Type:	Family		
<b>Annual Tax Credit Allocation Calculation</b>			
Applicant Request:	\$393,536	Eligible Basis Amt:	\$384,427 Equity/Gap Amt.: \$546,877
<b>Annual Tax Credit Allocation Recommendation: \$384,427</b>			
Total Tax Credit Allocation Over Ten Years: 3,844,270			

<b>PROPERTY INFORMATION</b>			
<b>Unit and Building Information</b>			
Total Units:	184	LIHTC Units:	184 % of LIHTC Units: 100%
Gross Square Footage:	138,400	Net Rentable Square Footage: 135,600	
Average Square Footage/Unit:	737		
Number of Buildings:	9		
Currently Occupied:	N		
<b>Development Cost</b>			
Total Cost:	\$12,085,019	Total Cost/Net Rentable Sq. Ft.:	\$89.12
<b>Income and Expenses</b>			
Effective Gross Income: <sup>1</sup>	\$1,063,164	Ttl. Expenses:	\$364,785 Net Operating Inc.: \$698,379
Estimated 1st Year DCR:	1.13		

<b>DEVELOPMENT TEAM</b>			
Consultant:	Not Utilized	Manager:	AHF Management, LLC
Attorney:	Sprouse, Smith & Rowley	Architect:	Archittura
Accountant:	Brown, Graham & Co.	Engineer:	Enviro-Dyne Engineering Services
Market Analyst:	Mark Temple	Lender:	Newman Financial Services, Inc.
Contractor:	Carleton Construction	Syndicator:	Paramount Financial Group, Inc.

<b>PUBLIC COMMENT<sup>2</sup></b>	
From Citizens:	From Legislators or Local Officials:
# in Support:	Sen. Teel Bivins, District 31 - NC
# in Opposition:	Rep. David Swinford, District 87 - NC
	Mayor Trent Sisemore - NC
	Vicki Covey, Asst. Director, City of Amarillo, Community Services Division;
	Consistent with the City of Amarillo's Consolidated Plan.

**CONDITION(S) TO COMMITMENT**

Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”

Receipt, review, and acceptance of a zoning amendment to allow for the proposed development.

Receipt, review, and acceptance of an executed management contract confirming the willingness of the property manager to perform for a rate equivalent to 4% of effective gross income.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond.  Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Charles E. Nwaneri, LIHTC Co-Manager  
Date

\_\_\_\_\_

\_\_\_\_\_  
David Burrell, Director of Housing Programs

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond  Housing Type

Other Comments including discretionary factors (if applicable).\_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director  
Chairman of Executive Award and Review Advisory Committee

\_\_\_\_\_

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**



Chairperson Signature: \_\_\_\_\_

Michael E. Jones, Chairma

**LOW INCOME HOUSING TAX CREDIT PROGRAM**

**2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Spring Hill Apartments**

TDHCA#: 02424

**DEVELOPMENT AND OWNER INFORMATION**



Development Location:	Nacogdoches	QCT: Y	DDA: N	TTC: N
Development Owner:	Pineywoods Multifamily Housing, Ltd.			
General Partner(s):	Pineywoods Home Team Affordable Housing, Inc., 100%, Contact: Carol C. Moore			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: Pineywoods HFC		
Development Type:	Family			
<b>Annual Tax Credit Allocation Calculation</b>				
Applicant Request:	\$712,683	Eligible Basis Amt:	\$646,069	Equity/Gap Amt.: \$671,829
<b>Annual Tax Credit Allocation Recommendation: \$646,069</b>				
Total Tax Credit Allocation Over Ten Years: 6,460,690				

<b>PROPERTY INFORMATION</b>				
<b>Unit and Building Information</b>				
Total Units:	200	LIHTC Units:	200	% of LIHTC Units: 100%
Gross Square Footage:	202,513	Net Rentable Square Footage: 199,550		
Average Square Footage/Unit:	998			
Number of Buildings:	10			
Currently Occupied:	N			
<b>Development Cost</b>				
Total Cost:	\$14,416,030	Total Cost/Net Rentable Sq. Ft.: \$72.24		
<b>Income and Expenses</b>				
Effective Gross Income: <sup>1</sup>	\$1,209,348	Ttl. Expenses:	\$474,814	Net Operating Inc.: \$734,534
Estimated 1st Year DCR:	1.14			

<b>DEVELOPMENT TEAM</b>				
Consultant:	Not Utilized	Manager:	Quest Asset Management, Inc.	
Attorney:	John D. Stover	Architect:	Duane Meyers, AIA	
Accountant:	Novogradac & Company, LLP	Engineer:	Pax-Sun, Inc.	
Market Analyst:	Mark Temple	Lender:	SunAmerica Affordable Housing Partners, Inc.	
Contractor:	Moore Building Associates, LLP	Syndicator:	SunAmerica Affordable Housing Partners, Inc.	

<b>PUBLIC COMMENT<sup>2</sup></b>	
From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Todd Staples, District 3 - NC
# in Opposition: 0	Rep. Wayne Christian, District 9 - NC
	Mayor Roy Blake, Jr. - NC
	Taurus Freeman, Asst. City Planner; Consistent with the City of Nacogdoches' Comprehensive Plan.

**CONDITION(S) TO COMMITMENT**

Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”

Receipt, review, and acceptance of a satisfactory TDHCA site inspection report. (Please note this site inspection was performed on August 27, 2002 and was determined acceptable.)

Receipt, review, and acceptance of an explanation for the exclusion of costs for demolition of two single family homes indicated in the Phase I ESA as a separate line-item in the submitted cost breakdown.

Receipt, review, and acceptance of documentation indicating that the Applicant has complied with all of the Phase I ESA recommendations.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond.  Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Charles E. Nwaneri, LIHTC Co-Manager  
Date

\_\_\_\_\_

\_\_\_\_\_  
David Burrell, Director of Housing Programs

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond  Housing Type

Other Comments including discretionary factors (if applicable).\_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director  
Chairman of Executive Award and Review Advisory Committee

\_\_\_\_\_

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**



Chairperson Signature: \_\_\_\_\_

Michael E. Jones, Chairman

**LOW INCOME HOUSING TAX CREDIT PROGRAM  
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD  
SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Town Vista Apartments**

TDHCA#: 02425

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Austin QCT: Y DDA: N TTC: N  
 Development Owner: Town Vista, L.P.  
 General Partner(s): Town Vista Terrace, Inc., 100%, Contact: Gene Watkins  
 Construction Category: New  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Travis County HFC  
 Development Type: Family

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$917,733 Eligible Basis Amt: \$917,733 Equity/Gap Amt.: \$971,997997

**Annual Tax Credit Allocation Recommendation: \$917,733**

Total Tax Credit Allocation Over Ten Years: \$ 9,177,330

**PROPERTY INFORMATION****Unit and Building Information**

Total Units: 280 LIHTC Units: 280 % of LIHTC Units: 100%  
 Gross Square Footage: 258,000 Net Rentable Square Footage: 255,000  
 Average Square Footage/Unit: 911  
 Number of Buildings: 15  
 Currently Occupied: N

**Development Cost**

Total Cost: \$21,470,806 Total Cost/Net Rentable Sq. Ft.: \$84.2

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$2,204,182 Ttl. Expenses: \$1,038,675 Net Operating Inc.: \$1,165,507  
 Estimated 1st Year DCR: 1.155

**DEVELOPMENT TEAM**

Consultant: Not Utilized	Manager: Capstone Property Management
Attorney: Coats, Rose, Yale, Ryman & Lee	Architect: Chiles Architects Inc.
Accountant: Novogradac & Company, LLP	Engineer: Urban Design Group
Market Analyst: Capitol Market Research Group	Lender: Newman & Associates
Contractor: Campbell Hogue & Associates, LLC	Syndicator: Paramount Financial Group

**PUBLIC COMMENT<sup>2</sup>**

From Citizens:	From Legislators or Local Officials:
# in Support: 1 # in Opposition: 0	Sen. Gonzalo Barrientos, District 14 - NC Rep. Glen Maxey, District 51 - NC Mayor Gus Garcia - NC Paul Hilgers, Community Development Officer, Neighborhood Housing and Community Development Office; Consistent with the City of Austin's local Consolidated Plan.

**CONDITION(S) TO COMMITMENT**

Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond.  Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Charles E. Nwaneri, LIHTC Co-Manager  
Date

\_\_\_\_\_

\_\_\_\_\_  
David Burrell, Director of Housing Programs

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond  Housing Type

Other Comments including discretionary factors (if applicable).\_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director  
Chairman of Executive Award and Review Advisory Committee

\_\_\_\_\_

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**

Chairperson Signature: \_\_\_\_\_

\_\_\_\_\_ Michael E. Jones, Chairman of



**LOW INCOME HOUSING TAX CREDIT PROGRAM  
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD  
SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Alta Falls (fka Blanco Falls Apartments)**

TDHCA#: 02426

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: San Marcos QCT: Y DDA: N TTC: N  
 Development Owner: Blanco Falls, Ltd.  
 General Partner(s): Blanco Falls I, L.P., 100%, Contact: Bernard Felder  
 Construction Category: New  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Capital Area HFC  
 Development Type: Family

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$842,961 Eligible Basis Amt: \$820,213 Equity/Gap Amt.: \$945,463

**Annual Tax Credit Allocation Recommendation: \$820,213**

Total Tax Credit Allocation Over Ten Years: 8,202,130

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 248 LIHTC Units: 248 % of LIHTC Units: 100%  
 Gross Square Footage: 234,016 Net Rentable Square Footage: 230,056  
 Average Square Footage/Unit: 928  
 Number of Buildings: 11  
 Currently Occupied: N

**Development Cost**

Total Cost: \$19,887,888 Total Cost/Net Rentable Sq. Ft.: 86.45

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$1,934,664 Ttl. Expenses: \$849,364 Net Operating Inc.: \$1,085,300  
 Estimated 1st Year DCR: 1.15

**DEVELOPMENT TEAM**

Consultant: Not Utilized Manager: To Be Determined  
 Attorney: Morris, Manning & Martin Architect: Womack and Hampton  
 Accountant: Reznick, Fedder & Silverman Engineer: Bury + Partners, Inc.  
 Market Analyst: Market Data Research Services, LLC Lender: SunAmerica Affordable Housing Partners, Inc.  
 Contractor: WP South Alta Falls Builders, L.P. Syndicator: SunAmerica Affordable Housing Partners, Inc.

**PUBLIC COMMENT<sup>2</sup>**

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Kenneht L. Armbrister, District 18 - NC

# in Opposition: 0	Rep. Rick Green, District 46 - NC Mayor Robert Habingreither - NC Ed Theriot, Asst. Director, Planning & Development Services Dept.; Consistent with the City of San Marcos Master Plan.
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**CONDITION(S) TO COMMITMENT**

Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”

Receipt, review, and acceptance of evidence of the Applicant having received a FEMA Letter of Map Amendment or Letter of Map Revision OR evidence of provision of flood insurance for the buildings and tenant's contents. The cost of this flood insurance is to either be paid by the Applicant or deducted from tenant rents if paid by the tenants.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond.  Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Charles E. Nwaneri, LIHTC Co-Manager  
Date

\_\_\_\_\_  
Date David Burrell, Director of Housing Programs

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond  Housing Type

Other Comments including discretionary factors (if applicable).\_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director  
Chairman of Executive Award and Review Advisory Committee

\_\_\_\_\_  
Date

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**

\_\_\_\_\_  
Chairperson Signature: \_\_\_\_\_

\_\_\_\_\_  
Michael E. Jones, Chairman of



**LOW INCOME HOUSING TAX CREDIT PROGRAM  
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD  
SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Heatherwilde Villas**

TDHCA#: 02433

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Pflugerville QCT: N DDA: N TTC: N  
 Development Owner: Heatherwilde Villas Housing, L.P.  
 General Partner(s): Heatherwilde Villas Development, LLC, 100%, Contact: Brian Potashnik  
 Construction Category: New  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Travis County HFC  
 Development Type: Family

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$716,824 Eligible Basis Amt: \$704,917 Equity/Gap Amt.: \$928,445  
**Annual Tax Credit Allocation Recommendation: \$704,917**  
 Total Tax Credit Allocation Over Ten Years: 7,049,170

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 256 LIHTC Units: 256 % of LIHTC Units: 100%  
 Gross Square Footage: 267,444 Net Rentable Square Footage: 262,000  
 Average Square Footage/Unit: 1023  
 Number of Buildings: 13  
 Currently Occupied: N

**Development Cost**

Total Cost: \$23,138,247 Total Cost/Net Rentable Sq. Ft.: 88.31

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$2,236,606 Ttl. Expenses: \$942,180 Net Operating Inc.: \$1,294,426  
 Estimated 1st Year DCR: 1.09

**DEVELOPMENT TEAM**

Consultant: Not Utilized Manager: Southwest Housing Management  
 Attorney: True & Shackelford Architect: BGO Architects  
 Accountant: Reznick, Fedder & Silverman Engineer: Pond Robinson  
 Market Analyst: Butler Burgher Lender: Charter MAC  
 Contractor: Affordable Housing Construction Syndicator: Related Capital Company

**PUBLIC COMMENT<sup>2</sup>**

From Citizens:	From Legislators or Local Officials:
# in Support: 1	Sen. Gonzalo Barrientos, District 14 - NC
# in Opposition: 0	Rep. Terry Keel, District 47 - NC
	Mayor Scott Winton - NC
	Charles Simon, Assistant City Manager; Consistent with the City of Pflugerville's goals for housing and is supported by the City.



**CONDITION(S) TO COMMITMENT**

Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”

Receipt, review, and acceptance of a satisfactory TDHCA site inspection report. (Please note this site inspection was conducted on August 29, 2002 and was determined to be acceptable.)

Receipt, review, and acceptance of an assignment of site control from Southwest Housing to the Applicant.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond.  Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Charles E. Nwaneri, LIHTC Co-Manager  
Date

\_\_\_\_\_  
David Burrell, Director of Housing Programs

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond  Housing Type

Other Comments including discretionary factors (if applicable).\_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director  
Chairman of Executive Award and Review Advisory Committee

\_\_\_\_\_  
Date

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**

\_\_\_\_\_  
\_\_\_\_\_

Chairperson Signature: \_\_\_\_\_  
Date

\_\_\_\_\_  
Michael E. Jones, Chairman of

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

**DATE:** September 3, 2002    **PROGRAM:** 4% LIHTC    **FILE NUMBER:** 02420

**DEVELOPMENT NAME**

The Park at Shiloh Apartments

**APPLICANT**

**Name:** Tyler Partners, L.P.    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** P.O. Box 741    **City:** Jackson    **State:** MS  
**Zip:** 39205    **Contact:** Cliff Bates    **Phone:** (601) 321-7623    **Fax:** (601) 321-7693

**PRINCIPALS of the APPLICANT**

**Name:** Jan-TX I, LLC    **(%):** 0.1    **Title:** Managing General Partner  
**Name:** SouthTrust Community Reinvestment    **(%):** 99.9    **Title:** Limited Partner  
**Name:** Southeast Development, LLC    100% Owner of MGP  
**Name:** J. H. Thames, Jr.    75% Owner of Southeast Dev  
**Name:** Rodney R. Triplett, Jr.    25% Owner of Southeast Dev

**GENERAL PARTNER**

**Name:** Jan-TX I, LLC    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** P.O. Box 741    **City:** Jackson    **State:** MS  
**Zip:** 39205    **Contact:** Chip Triplett    **Phone:** (601) 321-7620    **Fax:** (601) 321-7694

**PROPERTY LOCATION**

**Location:** Southwest Corner of Shiloh Road and Rhones Quarter Road     QCT     DDA  
**City:** Tyler    **County:** Smith    **Zip:** 75703

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$420,544	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New Construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 15.026 acres    698,093 square feet    **Zoning/ Permitted Uses:** R-3  
**Flood Zone Designation:** X    **Status of Off-Sites:** Partially Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 176    **# Rental Buildings:** 22    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs

Number	Bedrooms	Bathroom	Size in SF
24	1	1	953
104	2	1	1,152
48	3	2	1,335

**Net Rentable SF:** 206,760    **Av Un SF:** 1,175    **Common Area SF:** 2,470    **Gross Bldg SF:** 209,230

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer/50% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, laminated counter tops, individual water heaters

**ON-SITE AMENITIES**

2,470 SF community building with activity room, management offices, laundry facilities, kitchen, restrooms, swimming pool, equipped children's play area, picnic area, and postal building

**Uncovered Parking:** 360 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**OTHER SOURCES of FUNDS**

**BOND/LONG TERM/CREDIT ENHANCEMENT/PERMANENT FINANCING**

**Source:** SouthTrust Bank    **Contact:** Mark Brinton  
**Principal Amount:** \$9,000,000    **Interest Rate:** Greater of the all-in interest or 6.25% without a low floater swap  
**Additional Information:** With low floater swap, the all in interest rate is calculated by Applicant as 5.27%  
**Amortization:** 40 yrs    **Term:** 40 yrs    **Commitment:**     None     Firm     Conditional  
**Annual Payment:** \$632,293    **Lien Priority:** 1st    **Commitment Date:** 7/ 25/ 2002

**LIHTC SYNDICATION**

**Source:** SouthTrust Community Reinvestment Company, LLC    **Contact:** Dale Taylor  
**Address:** 420 North 20<sup>th</sup> Street, 8<sup>th</sup> floor    **City:** Birmingham  
**State:** AL    **Zip:** 35203    **Phone:** (205) 254-5893    **Fax:** (205) 254-5501  
**Net Proceeds:** \$3,375,010    **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 84¢  
**Commitment:**     None     Firm     Conditional    **Date:** 7/ 25/ 2002  
**Additional Information:** Commitment letter reflects proceeds of \$3,375,010 based on credits of \$4,033,550

**APPLICANT EQUITY**

**Amount:** \$543,790    **Source:** Deferred developer fee

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**VALUATION INFORMATION**

**ASSESSED VALUE**

**Land:** 15.026 ac.                      \$106,300                      **Assessment for the Year of:** 2002  
**Valuation by:** Smith County Appraisal District

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest Money Contract  
**Contract Expiration Date:** 9/ 1/ 2002    **Anticipated Closing Date:** 8/ 1/ 2002  
**Acquisition Cost:** \$ 718,740    **Other Terms/Conditions:** \$10,000 earnest money  
**Seller:** RHP Real Estate, Ltd, Nina Ruth Patterson Harris, Trustee,  
Donald Simmons, and Warren Simmons                      **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The Park at Shiloh Apartments is a proposed new construction development of 176 units of affordable housing located in southeast Tyler. The development is comprised of twenty-two residential buildings as follows:

- (3) Building Type A with eight one-bedroom units;
- (13) Building Type B with eight two-bedroom units;
- (6) Building Type C with eight three-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building, and swimming pool located near the entrance to the site. A 192-square foot postal building is be located near the entrance of the site. The 2,470-square foot community building plan includes two offices, a multi-purpose room, kitchen, restrooms, and laundry facilities.

**Supportive Services:** The Applicant has contracted with Mississippi Housing & Community Services, Inc. to provide the following supportive services to tenants: resident activities, financial counseling, tax services, law enforcement safety seminars, church programs, health seminars through hospitals, book vans, transportation services, and pet visit programs. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services. The Applicant will not have to pay for these services.

**Schedule:** The Applicant anticipates construction to begin in December of 2002, to be completed in December of 2003, to be placed in service in December of 2003, and to be substantially leased-up in December of 2003.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred seventy-six of the units (100% of the total) will be reserved for low-income tenants. This is a Priority II Bond transaction and, therefore, one hundred seventy-six units (100%) will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides:** Nine units (5%) will be handicapped-accessible.

**Compliance Period Extension:** The Applicant has not indicated an intent to extend the compliance period.

**MARKET HIGHLIGHTS**

A market feasibility study dated May 6, 2002 was prepared by The Jack Poe Company, Inc. and highlighted the following findings:

**Definition of Market/Submarket:** "Due to interaction between Tyler and its surrounding area and the lack of significant boundaries for these interactions, a radius of 5 miles was used to determined the primary market" (p. 28)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	111	3%
Resident Turnover	4,037	97%
<b>TOTAL ANNUAL DEMAND</b>	<b>4,148</b>	<b>100%</b>

Ref: p. 31

**Capture Rate:** “The simple capture rate is the number of proposed subject units divided by the total targeted low income-qualified demand. The total low income qualified demand is estimated to be 4,187 in the Primary Market area, and the simple capture rate is 4.2%.” (p. 32)

**Local Housing Authority Waiting List Information:** “Two of the three LIHTC properties in the market have a combined waiting list of 140 and the third which is 75% occupied and 100% leased has a waiting list of approximately 10 persons. This brings the LIHTC waiting list total to 150 households.” (p. 26)

**Market Rent Comparables:** The market analyst surveyed eight comparable apartment projects in the market area. (p. 49)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (60%)</b>	\$490	\$481	+\$9	\$645	+\$155
<b>2-Bedroom (60%)</b>	\$590	\$579	+\$11	\$780	+\$190
<b>3-Bedroom (60%)</b>	\$682	\$667	+\$15	\$850	+\$168

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100)

**Submarket Occupancy Rates:** “Occupancy has remained between 90.6% and 91.2% and average occupancy at complexes constructed before 1980 has ranged from 87% to 90% between 1<sup>st</sup> Quarter 2001 and 1<sup>st</sup> Quarter 2002.” (p. 24)

**Absorption Projections:** “Marcus & Millichap reported that 2<sup>nd</sup> Quarter 2001 absorption was 75 units, but also stated that they expect absorption to slow to around 100 units for the year.” (p.26)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Tyler is located in northeast Texas, approximately 90 miles east from Dallas in Smith County. The site is an irregularly-shaped parcel located in the southeast area of Tyler, approximately five miles from the central business district. The site is situated on the south side of Shiloh Road.

**Population:** The estimated 2001 population of Tyler was 74,881 and is expected to increase by 4.8% to approximately 78,442 by 2006. Within the primary market area there were estimated to be 30,186 households in 2001.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly single-family and multifamily developments. Adjacent land uses include:

- **North:** Single family residential, multi family and retail
- **South:** Single family and vacant land
- **East:** Vacant land and mini storage operation
- **West:** Single family, retail and gasoline outlets

**Site Access:** Access to the property is from the east or west along Shiloh Road. The development is to have two entries, both from the north. Loop 323 circles Tyler and provides primary access to the subject neighborhood. Ingress and egress throughout the neighborhood is provided via several residential surface streets.

**Public Transportation:** Public transportation to the area is provided by Transit Management of Tyler.

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**Shopping & Services:** The nearest point of shopping and employment for the subject and its neighborhood is along Loop 323 where retail, office and commercial have developed. The area along Loop 323 is well developed between Highway 110 and Highway 69 (Broadway). Improvements include Albertson's and K Mart, and periphery establishments. There are also several office buildings housing a variety of business and services.

**Site Inspection Findings:** TDHCA staff performed a site inspection on August 7, 2002 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated June 11, 2002 was prepared by Adams Consulting Engineers, Inc. and contained the following findings and recommendations:

**Findings:** This assessment, which is based on a study of the historical land use of the subject property and adjacent properties, all practically reviewable information, and on direct observations of the site, has revealed no evidence of recognized adverse environmental conditions in connection with the property. Since no adverse environmental conditions were found, ACEI considers the site to be one of low environmental risk.

**OPERATING PROFORMA ANALYSIS**

**Income:** The 2002 rent limits were used by the Applicant in setting the rents. However, the Applicant miscalculated utility allowances by excluding water and sewer allowances. A letter, dated August 27, 2002, indicates the tenants will be responsible for water and sewer expense as the units will be individually metered. The resulting difference in potential gross rent is \$25K. Estimates of secondary income and vacancy and collection losses were not in line with TDHCA underwriting guidelines. The Applicant slightly overstated secondary income and utilized a vacancy and collection loss rate of 5% rather than the underwriting guideline of 7.5%. Additional substantiation for these differences was not provided. The Applicant's effective gross income estimate is \$59K, or 5% higher than the Underwriter's estimate.

**Expenses:** The Applicant's total operating expense estimate of \$2,916 per unit is within 5% of the Underwriter's estimate of \$2,951 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the TDHCA database, IREM and local existing development averages, particularly: general and administrative (\$22K lower), management (\$12K higher), payroll (\$7K lower), repairs and maintenance (\$8K higher), and property tax (\$22K higher). The Applicant did not include any water, sewer and trash expenses due to the plan to individually meter the proposed units with tenants responsible for payment. However, there are common areas and landscaping planned for the development; therefore, the Underwriter has included a minimal \$18K expense for this line-item. Finally, the Applicant has included only \$150 per unit in reserve for replacements, while the Underwriter has included the Department's minimum standard of \$200 per unit.

**Conclusion:** The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The Underwriter's estimated debt coverage ratio (DCR) of 1.03 is less than the program minimum standard of 1.10. Therefore, the maximum annual debt service for this project is estimated to be limited to \$593,410 based upon the Underwriter's analysis.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The site cost of \$715,912 (\$3.46/SF) is substantiated through a sales contract and is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's costs are more than 5% less than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. The Applicant submitted a letter, dated August 27, 2002, indicating that their past experience has allowed for cost savings when completing a multifamily development. It is true that the developer has experience in several other states, but, if funded, this development would be their first in Texas. Therefore, it is believed that the Applicant's direct construction costs may be significantly understated or that the level of quality may be less than the level at which the development is being underwritten.

**Fees:** The Applicant's contractor's and developer's fees for general requirements, general and administrative

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

expenses, and profit are all within the maximums allowed by TDHCA guidelines.

**Conclusion:** The Underwriter regards total costs to be understated by \$1.2M or 8%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the development. However, the Applicant's eligible basis calculation is less than the Underwriter's estimate. Therefore, the Applicant's development cost estimate is used to establish the eligible basis method of determining the credit amount. As a result an eligible basis of \$11,458,950 is used to determine a credit allocation of \$420,543 annually.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing from three sources: tax-exempt bonds, syndicated LIHTC equity, and deferred developer's fees.

**Conventional Interim to Permanent Loan:** SouthTrust Bank has offered to issue credit enhancement for the variable rate tax-exempt bonds in the amount of \$9,000,000 to be issued by the East Texas Housing Finance Corporation. The bank will also fund a required interest reserve in the amount of \$82,500. The credit enhancement will take the form of a letter of credit with an annual fee of 1.5% of the outstanding balance of the bonds. The commitment letter indicates that an interest rate cap of three years will result in an interest rate equal to the greater of the all-in rate or 6.50% while a term of five years would cause a reduction in the minimum interest rate to 6.25%. Furthermore, should the borrower enter into a low-floater rate swap agreement for a minimum of seven years, the interest rate will be equal to the swap rate plus all add-ons. Although the body of the uniform application indicates an amortization period of 40 years, all submitted documentation points to an amortization period of 27 years. This analysis assumes an amortization period of 27 years and an interest rate of 5.27%, as calculated by the Applicant based on entering into a low-floater rate swap agreement.

**LIHTC Syndication:** SouthTrust Community Reinvestment Company, LLC has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$3,375,010 based on a syndication factor of 84%. The funds would be disbursed in a eight-phased pay-in schedule:

1. 14.86% upon closing of partnership with Investor and funding under bond financing (closing date);
2. 14.86% upon the calendar quarter following the closing date;
3. 14.86% upon the second calendar quarter following the closing date;
4. 14.86% upon the third calendar quarter following the closing date;
5. 14.86% upon the fourth calendar quarter following the closing date;
6. 14.86% upon receipt of Certificates of Occupancy for all Project units and Line-free completion
7. 5.42% upon 95% lease-up with qualified tenants, and receipt of all IRS Forms 8609, stabilized occupancy (three consecutive months operations at 1.20 DSCR);
8. Balance upon receipt of Partnership Form K-1 or one partial or whole year's operations.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$543,790 amount to 42% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$420,543 annually for ten years, resulting in syndication proceeds of approximately \$3,529,033. As noted above, the Underwriter's proforma results in an unacceptably low DCR. Assuming an amortization period of 27 years and an all-in rate of 5.27%, as calculated by the Applicant, the bond-financed mortgage amount should be reduced to \$8,537,824. The resulting gap in funds points to a need for the Applicant to defer developer fees in the amount of \$2,027,721. Deferred fees in this amount do not appear to be repayable until after year 10, but before year 15 of stabilized operation. However, should the developer's total development cost estimate hold true, the deferred fee would be reduced to \$851,943 and would be repayable within 10 years of stabilized operation.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are attractive, with varied rooflines. All units are of average size for LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry that is shared with other unit off an interior breezeway. The units are in two-story walk-up structures with brick and wood siding exterior finish and gabled roofs.

**IDENTITIES of INTEREST**

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

The Applicant, Developer, and General Contractor are related entities. These are common identities of interest for LIHTC-funded developments.

**APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The 75% Owner of the General Partner, J. H. Thames, Jr. has completed 93 LIHTC/affordable and conventional housing developments totaling 6,822 units since 1980.
- The 25% Owner of the General Partner, Rodney F. Triplett, Jr., has completed 44 LIHTC/affordable and conventional housing developments totaling 5,405 units since 1995.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's income and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$420,543 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of revised permanent loan commitment with terms resulting in annual debt service of no more than \$593,410; and
2. Should the terms or rate assumptions of the first lien financing change, the conclusions and recommendations of this underwriting analysis should be reviewed.

**Underwriter:**

\_\_\_\_\_  
*Carl Hoover*

**Date:** September 3, 2002

**Credit Underwriting Supervisor:**

\_\_\_\_\_  
*Lisa Vecchietti*

**Date:** September 3, 2002

**Director of Credit Underwriting:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** September 3, 2002



**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**The Park at Shiloh Apartments, Tyler, LIHTC #02420**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trash
LIHTC (60%)	24	1	1	953	\$535	\$481	\$11,550	\$0.50	\$45.05	\$13.91
LIHTC (60%)	104	2	2	1,152	\$642	\$579	60,167	0.50	\$52.06	\$17.07
LIHTC (60%)	48	3	2	1,335	\$742	\$667	32,033	0.50	\$60.71	\$19.68
<b>TOTAL:</b>	<b>176</b>		<b>AVERAGE:</b>	<b>1,175</b>	<b>\$655</b>	<b>\$589</b>	<b>\$103,749</b>	<b>\$0.50</b>	<b>\$53.46</b>	<b>\$17.35</b>

**INCOME**

Total Net Rentable Sq Ft: 206,760

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.33%	\$357	\$0.30
Management	5.00%	335	0.29
Payroll & Payroll Tax	10.25%	688	0.59
Repairs & Maintenance	5.68%	381	0.32
Utilities	2.21%	149	0.13
Water, Sewer, & Trash	1.54%	103	0.09
Property Insurance	2.80%	188	0.16
Property Tax 2.00043	8.55%	574	0.49
Reserve for Replacements	2.98%	200	0.17
Compliance	0.37%	25	0.02

**TOTAL EXPENSES**

**NET OPERATING INC**

**DEBT SERVICE**

SouthTrust Bank 53.54% \$3,593 \$3.06  
Additional Financing 0.00% \$0 \$0.00  
Additional Financing 0.00% \$0 \$0.00  
**NET CASH FLOW** 1.73% \$116 \$0.10

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.08%	\$4,068	\$3.46	\$715,912	\$715,912	\$3.46	\$4,068	5.54%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.12%	6,500	5.53	1,144,000	1,144,000	5.53	6,500	8.86%
Direct Construction		54.04%	43,276	36.84	7,616,591	6,492,070	31.40	36,887	50.25%
Contingency	4.00%	2.48%	1,989	1.69	350,000	350,000	1.69	1,989	2.71%
General Reqts	5.23%	3.25%	2,603	2.22	458,164	458,164	2.22	2,603	3.55%
Contractor's G i	1.74%	1.08%	868	0.74	152,722	152,722	0.74	868	1.18%
Contractor's Pr	5.23%	3.25%	2,603	2.22	458,164	458,164	2.22	2,603	3.55%
Indirect Construction		1.70%	1,364	1.16	240,000	240,000	1.16	1,364	1.86%
Ineligible Costs		4.39%	3,517	2.99	618,937	618,937	2.99	3,517	4.79%
Developer's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Profi	11.58%	9.26%	7,419	6.32	1,305,768	1,305,768	6.32	7,419	10.11%
Interim Financing		6.09%	4,875	4.15	858,063	858,063	4.15	4,875	6.64%
Reserves		1.25%	1,001	0.85	176,257	125,000	0.60	710	0.97%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$80,083</b>	<b>\$68.17</b>	<b>\$14,094,578</b>	<b>\$12,918,800</b>	<b>\$62.48</b>	<b>\$73,402</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>72.22%</b>	<b>\$57,839</b>	<b>\$49.23</b>	<b>\$10,179,641</b>	<b>\$9,055,120</b>	<b>\$43.80</b>	<b>\$51,450</b>	<b>70.09%</b>

**SOURCES OF FUNDS**

				TDHCA	APPLICANT	RECOMMENDED
SouthTrust Bank	63.85%	\$51,136	\$43.53	\$9,000,000	\$9,000,000	\$8,537,824
Additional Financing	0.00%	\$0	\$0.00	0	0	0
LIHTC Syndication Proceeds	23.95%	\$19,176	\$16.32	3,375,010	3,375,010	3,529,033
Deferred Developer Fees	3.86%	\$3,090	\$2.63	543,790	543,790	2,027,721
Additional (excess) Funds Requi	8.34%	\$6,681	\$5.69	1,175,778	0	0
<b>TOTAL SOURCES</b>				<b>\$14,094,578</b>	<b>\$12,918,800</b>	<b>\$14,094,578</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**The Park at Shiloh Apartments, Tyler, LIHTC #02420**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$39.62	\$8,191,201
<b>Adjustments</b>				
Exterior Wall Fini	4.50%		\$1.78	\$368,604
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.98)	(202,625)
Floor Cover			1.82	376,303
Porches/Balconies	\$28.10	14,784	2.01	415,430
Plumbing	\$585	456	1.29	266,760
Built-In Appliance	\$1,550	176	1.32	272,800
Stairs	\$1,550	44	0.33	68,200
Floor Insulation			0.00	0
Heating/Cooling			1.41	291,532
Garages/Carports			0.00	0
Comm &/or Aux Bldg	\$58.44	2,470	0.70	144,351
Other:			0.00	0
<b>SUBTOTAL</b>			<b>49.30</b>	<b>10,192,556</b>
Current Cost Multiplier	1.04		1.97	407,702
Local Multiplier	0.88		(5.92)	(1,223,107)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$45.35</b>	<b>\$9,377,151</b>
Plans, specs, survy, b	3.90%		(\$1.77)	(\$365,709)
Interim Construction I	3.38%		(1.53)	(316,479)
Contractor's OH & Prof	11.50%		(5.22)	(1,078,372)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$36.84</b>	<b>\$7,616,591</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$9,000,000	Term	480
Int Rate	6.50%	DCR	1.03

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.03

<b>Additional</b>	\$3,375,010	Term	
Int Rate		Aggregate DCR	1.03

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$593,410
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$59,371</b>

<b>Primary</b>	\$8,537,824	Term	324
Int Rate	5.27%	DCR	1.10

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$3,375,010	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,244,993	\$1,282,343	\$1,320,813	\$1,360,438	\$1,401,251	\$1,624,434	\$1,883,164	\$2,183,103	\$2,933,908
Secondary Income	31,680	32,630	33,609	34,618	35,656	41,335	47,919	55,551	74,656
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,276,673	1,314,973	1,354,423	1,395,055	1,436,907	1,665,769	1,931,083	2,238,654	3,008,564
Vacancy & Collection Los	(95,750)	(98,623)	(101,582)	(104,629)	(107,768)	(124,933)	(144,831)	(167,899)	(225,642)
Employee or Other Non-Re:	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,180,923</b>	<b>\$1,216,350</b>	<b>\$1,252,841</b>	<b>\$1,290,426</b>	<b>\$1,329,139</b>	<b>\$1,540,836</b>	<b>\$1,786,252</b>	<b>\$2,070,755</b>	<b>\$2,782,922</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$62,905	\$65,422	\$68,038	\$70,760	\$73,590	\$89,534	\$108,932	\$132,532	\$196,180
Management	59,046	60,818	62,642	64,521	66,457	77,042	89,313	103,538	139,146
Payroll & Payroll Tax	121,088	125,932	130,969	136,208	141,656	172,346	209,685	255,114	377,631
Repairs & Maintenance	67,064	69,746	72,536	75,438	78,455	95,453	116,133	141,293	209,149
Utilities	26,149	27,195	28,283	29,414	30,591	37,219	45,282	55,093	81,551
Water, Sewer & Trash	18,184	18,911	19,667	20,454	21,272	25,881	31,488	38,310	56,709
Insurance	33,082	34,405	35,781	37,212	38,701	47,085	57,287	69,698	103,170
Property Tax	101,024	105,065	109,268	113,638	118,184	143,789	174,941	212,842	315,059
Reserve for Replacements	35,200	36,608	38,072	39,595	41,179	50,101	60,955	74,161	109,777
Other	4,400	4,576	4,759	4,949	5,147	6,263	7,619	9,270	13,722
<b>TOTAL EXPENSES</b>	<b>\$528,142</b>	<b>\$548,677</b>	<b>\$570,016</b>	<b>\$592,190</b>	<b>\$615,233</b>	<b>\$744,711</b>	<b>\$901,635</b>	<b>\$1,091,852</b>	<b>\$1,602,092</b>
<b>NET OPERATING INCOME</b>	<b>\$652,781</b>	<b>\$667,673</b>	<b>\$682,825</b>	<b>\$698,236</b>	<b>\$713,906</b>	<b>\$796,125</b>	<b>\$884,617</b>	<b>\$978,904</b>	<b>\$1,180,830</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$593,410	\$593,410	\$593,410	\$593,410	\$593,410	\$593,410	\$593,410	\$593,410	\$593,410
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$59,371</b>	<b>\$74,264</b>	<b>\$89,415</b>	<b>\$104,826</b>	<b>\$120,497</b>	<b>\$202,715</b>	<b>\$291,208</b>	<b>\$385,494</b>	<b>\$587,420</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.13</b>	<b>1.15</b>	<b>1.18</b>	<b>1.20</b>	<b>1.34</b>	<b>1.49</b>	<b>1.65</b>	<b>1.99</b>

**LIHTC Allocation Calculation - The Park at Shiloh Apartments, Tyler, LIHTC**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$715,912	\$715,912		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,144,000	\$1,144,000	\$1,144,000	\$1,144,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation h	\$6,492,070	\$7,616,591	\$6,492,070	\$7,616,591
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$152,722	\$152,722	\$152,721	\$152,722
Contractor profit	\$458,164	\$458,164	\$458,164	\$458,164
General requirements	\$458,164	\$458,164	\$458,164	\$458,164
<b>(5) Contingencies</b>	\$350,000	\$350,000	\$350,000	\$350,000
<b>(6) Eligible Indirect Fees</b>	\$240,000	\$240,000	\$240,000	\$240,000
<b>(7) Eligible Financing Fees</b>	\$858,063	\$858,063	\$858,063	\$858,063
<b>(8) All Ineligible Costs</b>	\$618,937	\$618,937		
<b>(9) Developer Fees</b>				
Developer overhead				
Developer fee	\$1,305,768	\$1,305,768	\$1,305,768	\$1,305,768
<b>(10) Development Reserves</b>	\$125,000	\$176,257		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$12,918,800</b>	<b>\$14,094,578</b>	<b>\$11,458,950</b>	<b>\$12,583,472</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$11,458,950</b>	<b>\$12,583,472</b>
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$11,458,950</b>	<b>\$12,583,472</b>
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$11,458,950</b>	<b>\$12,583,472</b>
Applicable Percentage			3.67%	3.67%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$420,543</b>	<b>\$461,813</b>

Syndication Proceeds                      0.8392                      \$3,529,033                      \$3,875,354

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

**DATE:** September 5, 2002    **PROGRAM:** 4% LIHTC    **FILE NUMBER:** 02422

**DEVELOPMENT NAME**

Rosemeade Apartments

**APPLICANT**

**Name:** Rosemeade Apartment Development Company, Ltd.    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 1 Plum Creek Drive    **City:** Amarillo    **State:** TX  
**Zip:** 79124    **Contact:** Steve Sterquell    **Phone:** (806) 372-7500    **Fax:** (806) 372-7508

**PRINCIPALS of the APPLICANT**

**Name:** American Housing Foundation (AHF)    **(%):** .005    **Title:** Co-General Partner & Developer  
**Name:** Baptist Community Services    **(%):** .005    **Title:** Co-General Partner  
**Name:** Paramount Financial Group, Inc.    **(%):** 99.9    **Title:** Initial Limited Partner  
**Name:** Steve Sterquell    **(%):** N/A    **Title:** Executive Director of AHF

**CO-GENERAL PARTNER**

**Name:** American Housing Foundation    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 1800 S. Washington Street, Suite 311    **City:** Amarillo    **State:** TX  
**Zip:** 79102    **Contact:** Steve Sterquell    **Phone:** (806) 372-7500    **Fax:** (806) 372-7508

**CO-GENERAL PARTNER**

**Name:** Baptist Community Services    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 6110 W. 34<sup>th</sup> Street    **City:** Amarillo    **State:** TX  
**Zip:** 79109    **Contact:** Steve Dalrymple    **Phone:** (806) 337-5291    **Fax:** (806) 356-9586

**PROPERTY LOCATION**

**Location:** 1 Plum Creek Drive     QCT     DDA  
**City:** Amarillo    **County:** Potter    **Zip:** 79124

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$386,030*	N/A	N/A	N/A
<b>Other Requested Terms:</b>	Annual ten-year allocation of low-income housing tax credits. * Latest project cost schedule reflects an increased request to \$393,536 based on the current underwriting APR		
<b>Proposed Use of Funds:</b>	<u>New construction</u>	<b>Set-Aside:</b> <input type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit	

**SITE DESCRIPTION**

**Size:** 11.47 acres    499,633 square feet    **Zoning/ Permitted Uses:** PD-55, Planned Development, zoning amendment request submitted  
**Flood Zone Designation:** Zone C    **Status of Off-Sites:** Partially Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 184    **# Rental Buildings:** 9    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** 0 yrs    **Vacant:** N/A

Number	Bedrooms	Bathroom	Size in SF
80	1	1	580
24	2	1	818
72	2	2	845
8	3	2	1,091

**Net Rentable SF:** 135,600    **Av Un SF:** 737    **Common Area SF:** 2,800    **Gross Bldg SF** 138,400

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 40% brick veneer/60% cement siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, high-speed internet access

**ON-SITE AMENITIES**

2,800-SF community building with computer room, management offices, fitness, laundry, & maintenance facilities, kitchen, & restrooms; central mail kiosk, swimming pool, perimeter fencing

**Uncovered Parking:** 138 spaces    **Carports:** 100 spaces    **Garages:** 50 spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Newman Financial Services, Inc.    **Contact:** David Rosen  
**Principal Amount:** \$7,710,000    **Interest Rate:** Estimated all-in blended rate of 7.325%  
**Additional Information:** Tax-exempt & taxable bond proceeds, only unexecuted loan application provided  
**Amortization:** N/A yrs    **Term:** 2.5 yrs    **Commitment:**     None     Firm     Conditional

**LONG TERM/PERMANENT FINANCING**

**Source:** Newman Financial Services, Inc.    **Contact:** David Rosen  
**Principal Amount:** \$7,710,000    **Interest Rate:** Estimated all-in blended rate of 7.325%  
**Additional Information:** Tax-exempt & taxable bond proceeds, only unexecuted loan application provided  
**Amortization:** 35 yrs    **Term:** 30 yrs    **Commitment:**     None     Firm     Conditional  
**Annual Payment:** \$612,282    **Lien Priority:** 1st    **Commitment Date**    8/    12/    2002

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**LIHTC SYNDICATION**

**Source:** Paramount Financial Group, Inc. **Contact:** Leslie Houston  
**Address:** P.O. Box 496 **City:** Granville  
**State:** OH **Zip:** 43023 **Phone:** (740) 587-4150 **Fax:** (740) 587-4028  
**Net Proceeds:** \$3,088,242 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 80¢  
**Commitment**  None  Firm  Conditional **Date:** 5/ 30/ 2002  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$1,286,777 **Source:** Deferred developer fee

**VALUATION INFORMATION  
ASSESSED VALUE**

**Land:** \$81,170 (prorated from approximately 182-acre parcel) **Assessment for the Year of:** 2002  
**Building:** N/A **Valuation by:** Potter/Randall County Appraisal District  
**Total Assessed Value:** \$81,170

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Special warranty deed  
**Purchase Date:** 8/ 12/ 2002  
**Acquisition Cost:** \$ 468,000 **Other Terms/Conditions:** \_\_\_\_\_  
**Seller:** Westcliff Development Corporation **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Rosemeade Apartments is a proposed new construction development of 184 units of affordable housing located in northwest Amarillo. The development is comprised of nine residential buildings as follows:

- Six Building Type I with 12 one-bedroom units and 12 two-bedroom units;
- One Building Type II with eight one-bedroom units and eight two-bedroom units;
- One Building Type III with eight two-bedroom units and eight three-bedroom units; and
- One Building Type IV with eight two-bedroom units.

Based on the site plan the apartment buildings are distributed fairly evenly throughout the site, with the community building, swimming pool, and mail kiosk located centrally near the entrance to the site. The 2,800-square foot community building is planned to have the management offices, a computer room, kitchen, restrooms, and fitness, laundry, and maintenance facilities.

**Supportive Services:** The American Housing Foundation, Co-General Partner of the Applicant, has contracted to provide the following supportive services to tenants: learning center with computer, after school programs, GED and ESL classes, homeownership education, downpayment assistance, Bible study, and coordinated vocational and job search training with the Texas Workforce Commission. These services will

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

be provided at no cost to both the tenants and the Applicant.

**Schedule:** The Applicant anticipates construction to begin in November of 2002, to be completed in September of 2003, to be substantially leased-up in January of 2004, and to be placed in service in March of 2004.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 2 private activity bond lottery development 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

**Special Needs Set-Asides:** None of the units are specifically designated in the application to be reserved for handicapped tenants.

**Compliance Period Extension:** The intended length of the compliance period was not specified in the submitted application.

**MARKET HIGHLIGHTS**

A market feasibility study dated June 17, 2002 was prepared by Mark C. Temple and highlighted the following findings:

**Definition of Market/Submarket:** “The primary or defined market area for the Rosemeade Apartments is considered the Amarillo MSA, which includes the City of Amarillo [and Potter and Randall Counties].” (p. I-1)

**Total Regional Market Demand for Rental Units:** “...strong employment, population, and household increases will continue to impact rental housing demand through the 2000’s.” (p. ES-1)

**Total Local/Submarket Demand for Rental Units:** “...there is an annual demand of approximately 1,621 to 1,627 units from 2002 to 2006.” (p. ES-10)

**Capture Rate:** The analyst calculated a capture rate of 3.8% based on his estimation of all income-qualified rental households within the market area (4,831), which actually represents a market penetration rate. (p. IV-3) The Underwriter calculated a concentration capture rate of 6.8% based upon a revised supply of unstabilized comparable affordable units of 299 units (which includes the 115 affordable units of 2002 9% LIHTC development #02029, North Grand Villas) divided by a revised demand of 4,369 units.

**Local Housing Authority Waiting List Information:** “...there are currently 1,496 households, consisting of approximately 3,973 people, that are on the City of Amarillo’s waiting list for Section 8 rental assistance. The households who qualify for a federal preference will wait an average of 10-12 months before reaching the top of the waiting list.” (p. ES-2)

**Market Rent Comparables:** The market analyst surveyed ten comparable apartment projects totaling 2,153 units in the market area. “The projected initial rents for the subject project are well within and below the rental range of comparable projects within the market area, and thus are reasonably affordable by low and very low income residents.” (certificate, p. 2)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	74	5%	70	2%
Resident Turnover	0	0%	4,299	0%
Other Sources: substandard, overcrowded, or rent-burdened existing households (2% of total)	1,720	95%	0	98%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,794</b>	<b>100%</b>	<b>4,369</b>	<b>100%</b>

Ref: Exhibit 6

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Est. Market</b>	<b>Differential</b>
<b>1-Bedroom</b>	\$438	\$438	\$0	\$544	-\$106
<b>2-Bedroom/1-Bath</b>	\$522	\$522	\$0	\$691	-\$169
<b>2-Bedroom/2-Bath</b>	\$522	\$522	\$0	\$716	-\$194
<b>3-Bedroom</b>	\$599	\$599	\$0	\$861	-\$262

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100)

**Submarket Vacancy Rates:** “The occupancy level of the market area is presently 96.5%.” (p. III-1)

**Absorption Projections:** “Based upon current positive multifamily indicators and present absorption levels of 15 to 20 units per month, it is estimated that a 95%+ occupancy level can be achieved in a 9- to 12-month time frame.” (p. ES-3)

**Known Planned Development:** The analyst listed a 224-unit development called Renaissance Apartments which is currently completing construction and leasing up and stated it was financed with private activity bonds, but the Underwriter was unable to find reference to this development elsewhere. (p. III-40) The study was submitted prior to the 2002 9% LIHTC allocations were made, which included the 144-unit (115 affordable units) North Grand Villas development in Amarillo.

**Effect on Existing Housing Stock:** “The subject project will not affect the trends of other apartment projects in the surrounding Amarillo Market Area due to the strong rental housing demand for the subject project.” (p. I-23)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in the northwest area of Amarillo, approximately four miles from the central business district. The site is situated on the north side of Plum Creek Drive.

**Population:** The estimated 2001 population of the Amarillo MSA was 220,130 and is expected to increase by 4.8% to approximately 230,672 by 2006. Within the primary market area there were estimated to be 85,061 households in 2001.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly vacant land, with some commercial and residential uses. Adjacent land uses include:

- **North:** Vacant land and a church
- **South:** Vacant land
- **East:** Plum Creek Drive with vacant land beyond
- **West:** Vacant land

**Site Access:** Access to the property is from the east or west along Plum Creek Drive. The project is to have one entry one from the south from Plum Creek Drive. Access to Interstate Highway 40 is one-half mile southeast, which provides connections to all other major roads serving the Amarillo area.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The site is within three miles of a major grocery/pharmacy, shopping centers, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The Applicant is required to obtain a zoning amendment to allow for the proposed development and submitted evidence from the city planning department that it is in the process of doing so. Receipt, review, and acceptance of documentation verifying the resolution of this issue is a condition of this report.

**Site Inspection Findings:** A TDHCA staff member performed a site inspection on May 15, 2002 and found the location to be acceptable for the proposed development. The inspector noted that the Applicant was in the process of changing sites and some of the sites had more severe topography than others. However none of the proposed sites were noted to have topography that would be detrimental to the proposed development.



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated June 21, 2002 was prepared by Enviro-Dyne Engineering Company and contained the following findings and recommendations: "In our professional opinion there is no evidence of recognized environmental conditions in connection with the property...It is not recommended that any additional assessments be conducted on this property." (p. 18)

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. The Applicant's secondary income estimate of \$28.94/unit/month is significantly in excess of the maximum TDHCA underwriting guideline of \$15/unit and includes income from garage and storage unit rental. As the Applicant deleted the planned rental storage units from the development subsequent to the original application and also stated that, "There are not any garages that are leased at apartment complexes in Amarillo...", the Underwriter elected to discount this garage income by 25% due to the limited existing market. The Applicant also used a lower vacancy and collection loss rate of 7%; the net effect of these differences is that the Applicant's effective gross income estimate exceeds that of the Underwriter by \$14,474.

**Expenses:** The Applicant's estimate of total operating expense is 4% lower than the Underwriter's estimate, an acceptable deviation. The Underwriter requested, received, and considered 2001 operating expense data from four other American Housing Foundation properties in Amarillo. The Applicant's budget shows two line item estimates, however, that deviate significantly when compared to the Underwriter's estimates, general and administrative (\$8K lower), and payroll (\$11K lower). The Applicant included no property taxes, based on the General Partner's CHDO status, and provided sufficient substantiation to confirm the likelihood of such an exemption. In addition, the Applicant used a management fee of 4% of effective gross income rather than the standard 5%, and it is a condition of this report that the Applicant provide an executed management contract confirming the willingness of the property manager to perform for this rate.

**Conclusion:** The Applicant's estimated income and total estimated operating expense is consistent with the Underwriter's expectations, and the Applicant's net operating income is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.09 is less than the program minimum standard of 1.10, though a bonds only DCR is over 1.10. Moreover the Applicant's NOI reflects an acceptable aggregate DCR of 1.14.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The site cost of \$468,656 (\$0.94/SF or \$40,859/acre), although almost six times the prorated tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction. (Note: although the Applicant submitted a site acquisition cost of \$458,686 in the application, the Applicant subsequently acquired the site and the Underwriter used the actual price from the settlement statement.)

**Sitework Cost:** The Applicant's claimed sitework costs of \$5,896 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated. The Applicant's contingency allowance exceeds the TDHCA maximum of 5% by \$215,837, and this overage was effectively moved to ineligible costs but this difference may help to explain the difference in direct cost assumptions.

**Fees:** The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above developer's fees now exceed the maximum by \$32,375.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$10,474,851 is used to

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

determine a credit allocation of \$384,427 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing from three sources: a conventional interim to permanent loan based on bond proceeds, syndicated LIHTC equity, and deferred developer's fees.

**Bonds:** The bonds are \$7,710,000 in tax-exempt and taxable private activity mortgage revenue bonds to be issued by the Panhandle Regional Housing Finance Corporation and placed privately with Newman Financial Services, Inc. As of the date of the underwriting analysis, there will be \$6,530,000 in tax-exempt Series A bonds and \$1,180,000 in taxable Series B bonds. An interim construction phase of 30 months will be followed by a permanent phase of 30 years, and the amortization period will be 35 years from the start of the permanent period, resulting in a balloon payment at 32.5 years. The tax-exempt bond interest rate is defined as a spread of 170 basis points over the 30-year Municipal Housing Bond Index with a minimum of 7% and is estimated and underwritten at 7%. The taxable bond interest rate is to be a spread of 374 basis points over the ten-year U.S. Treasury rate with a minimum of 8%, and is estimated and underwritten at 8%. The Underwriter used a blended interest rate of 7.325%.

**LIHTC Syndication:** Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$3,088,242 based on a syndication factor of 80%. The funds would be disbursed in a four-phased pay-in schedule:

1. 75% upon closing of the construction loan;
2. 10% upon placement in service; and
3. Payments of 10% and 5% at unspecified times.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$1,286,777 amount to 92% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$384,427 annually for ten years, resulting in syndication proceeds of approximately \$3,075,418. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,299,601, which represents approximately 95% of the total eligible fee. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

**REVIEW of ARCHITECTURAL DESIGN**

The units are in two- and three-story walk-up structures with mixed brick veneer and cement siding exterior finish and pitched roofs. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units. All units are of average size for market rate and LIHTC units, and have utility closets with hookups for full-size appliances and covered patios or balconies with outdoor storage closets. The units are well arranged, with adequate storage space.

**IDENTITIES of INTEREST**

The Developer and Co-General Partner, American Housing Foundation, is also the proposed supportive services provider and owns the proposed property manager. These appear to be acceptable relationships.

**APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and submitted a financial statement as of July 18, 2002 listing total assets of \$99K, consisting of \$28K in pre-development costs, \$30K in bond costs, \$40K in earnest money, and \$1K in organizational costs. Liabilities totaled \$98K, resulting in a net worth of \$1K.
- American Housing Foundation, the Developer and Co-General Partner, submitted an unaudited financial statement as of September 30, 2001 reporting total assets of \$85M and consisting of \$2.8M in cash and equivalents, \$28M in receivables, \$49M in real property and equipment, and \$4M in other assets. Liabilities totaled \$52M, resulting in net equity of \$33M.
- The other Co-General Partner, Baptist Community Services, submitted an unaudited financial statement

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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as of December 31, 2001 reporting total assets of \$138M and consisting of \$7M in cash and equivalents, \$53M in short-term investments, \$4M in receivables, \$1M in other current assets, \$29M in property and equipment, \$2M in long-term investments, and \$41M in investments in subsidiaries. Liabilities totaled \$3M, resulting in net assets of \$135M.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- American Housing Foundation listed participation as sponsor, developer, and or owner of 42 affordable housing projects totaling 7,486 units since 1994.
- Baptist Community Services listed participation as developer, general partner, and/or owner of six affordable housing projects totaling 1,383 units since 1989.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$384,427 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a zoning amendment to allow for the proposed development;
2. Receipt, review, and acceptance of an executed management contract confirming the willingness of the property manager to perform for a rate equivalent to 4% of effective gross income.

Credit Underwriting Supervisor: \_\_\_\_\_

*Jim Anderson*

Date: September 5, 2002

Director of Credit Underwriting: \_\_\_\_\_

*Tom Gouris*

Date: September 5, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**4% LIHTC #02422, Rosemeade Apartments**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (60%)	80	1	1	580	\$504	\$438	\$35,040	\$0.76	\$66	\$33
TC (60%)	24	2	1	818	604	522	12,528	0.64	\$82	\$39
TC (60%)	72	2	2	845	604	522	37,584	0.62	\$82	\$39
TC (60%)	8	3	2	1,091	699	599	4,792	0.55	\$100	\$42
<b>TOTAL:</b>	<b>184</b>		<b>AVERAGE:</b>	<b>737</b>	<b>\$565</b>	<b>\$489</b>	<b>\$89,944</b>	<b>\$0.66</b>	<b>\$75.83</b>	<b>\$36.52</b>

<b>INCOME</b>				<b>TDHCA</b>	<b>APPLICANT</b>			
Total Net Rentable Sq Ft: 135,600				\$1,079,328	\$1,079,328			
<b>POTENTIAL GROSS RENT</b>								
Secondary Income	Per Unit Per Month:	\$24.63		54,390	63,900	\$28.94	Per Unit Per Month	
Other Support Income:				0	0			
<b>POTENTIAL GROSS INCOME</b>				\$1,133,718	\$1,143,228			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(85,029)	(80,064)	-7.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
<b>EFFECTIVE GROSS INCOME</b>				\$1,048,689	\$1,063,164			
<b>EXPENSES</b>	% OF RGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF RGI
General & Administrative	2.89%	\$165	\$0.22	\$30,309	\$22,374	\$0.17	\$122	2.10%
Management	4.00%	228	0.31	41,948	42,547	0.31	231	4.00%
Payroll & Payroll Tax	11.00%	627	0.85	115,387	104,412	0.77	567	9.82%
Repairs & Maintenance	6.29%	359	0.49	65,972	69,156	0.51	376	6.50%
Utilities	2.32%	132	0.18	24,307	24,408	0.18	133	2.30%
Water, Sewer, & Trash	3.03%	172	0.23	31,733	32,544	0.24	177	3.06%
Property Insurance	3.10%	177	0.24	32,544	32,544	0.24	177	3.06%
Property Tax 2.42218	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	3.51%	200	0.27	36,800	36,800	0.27	200	3.46%
Other:	0.00%	0	0.00	0	0	0.00	0	0.00%
<b>TOTAL EXPENSES</b>	<b>36.14%</b>	<b>\$2,060</b>	<b>\$2.79</b>	<b>\$379,000</b>	<b>\$364,785</b>	<b>\$2.69</b>	<b>\$1,983</b>	<b>34.31%</b>
<b>NET OPERATING INC</b>	<b>63.86%</b>	<b>\$3,640</b>	<b>\$4.94</b>	<b>\$669,689</b>	<b>\$698,379</b>	<b>\$5.15</b>	<b>\$3,796</b>	<b>65.69%</b>
<b>DEBT SERVICE</b>								
First Lien Mortgage	58.39%	\$3,328	\$4.52	\$612,282	\$622,923	\$4.59	\$3,385	58.59%
Compliance fees	0.44%	\$25	\$0.03	4,600	9,200	\$0.07	\$50	0.87%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>5.04%</b>	<b>\$287</b>	<b>\$0.39</b>	<b>\$52,807</b>	<b>\$66,256</b>	<b>\$0.49</b>	<b>\$360</b>	<b>6.23%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>				1.09	1.10			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>					1.14			

<b>CONSTRUCTION COST</b>				<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% of TOTAL</b>	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)	3.77%	3.77%	\$2,547	\$3.46	\$468,656	\$458,686	\$3.38	\$2,493	3.80%
Off-Sites	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework	8.74%	8.74%	5,896	8.00	1,084,800	1,084,800	8.00	5,896	8.98%
Direct Construction	48.01%	48.01%	32,397	43.96	5,961,139	5,450,040	40.19	29,620	45.10%
Contingency	5.00%	2.84%	1,915	2.60	352,297	542,579	4.00	2,949	4.49%
General Req'ts	4.50%	2.56%	1,724	2.34	317,304	317,304	2.34	1,724	2.63%
Contractor's G & A	1.64%	0.93%	628	0.85	115,579	115,579	0.85	628	0.96%
Contractor's Prof.	4.50%	2.56%	1,724	2.34	317,304	317,304	2.34	1,724	2.63%
Indirect Construction		2.64%	1,785	2.42	328,352	328,352	2.42	1,785	2.72%
Ineligible Costs		4.75%	3,204	4.35	589,512	589,512	4.35	3,204	4.88%
Developer's G & A	2.42%	1.88%	1,267	1.72	233,110	233,110	1.72	1,267	1.93%
Developer's Profit	12.08%	9.39%	6,335	8.60	1,165,550	1,165,550	8.60	6,335	9.64%
Interim Financing		9.41%	6,350	8.62	1,168,445	1,168,445	8.62	6,350	9.67%
Reserves		2.53%	1,705	2.31	313,758	313,758	2.31	1,705	2.60%
<b>TOTAL COST</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$67,477</b>	<b>\$91.56</b>	<b>\$12,415,806</b>	<b>\$12,085,019</b>	<b>\$89.12</b>	<b>\$65,679</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>65.63%</b>	<b>\$44,285</b>	<b>\$60.09</b>	<b>\$8,148,423</b>	<b>\$7,827,606</b>	<b>\$57.73</b>	<b>\$42,541</b>	<b>64.77%</b>

<b>SOURCES OF FUNDS</b>				<b>TDHCA</b>	<b>APPLICANT</b>	<b>RECOMMENDED</b>
First Lien Mortgage	62.10%	\$41,902	\$56.86	\$7,710,000	\$7,710,000	\$7,710,000
Additional Financing	0.00%	\$0	\$0.00	0	0	0
LIHTC Syndication Proceeds	24.87%	\$16,784	\$22.77	3,088,242	3,088,242	3,075,418
Deferred Developer Fees	10.36%	\$6,993	\$9.49	1,286,777	1,286,777	1,299,601
Additional (excess) Funds Requ.	2.66%	\$1,798	\$2.44	330,787	0	(0)
<b>TOTAL SOURCES</b>				<b>\$12,415,806</b>	<b>\$12,085,019</b>	<b>\$12,085,019</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**4% LIHTC #02422, Rosemeade Apartments**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.41	\$5,751,366
<b>Adjustments</b>				
Exterior Wall Finish	3.80%		\$1.61	\$218,552
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.73)	(99,542)
Floor Cover			1.82	246,792
Porches/Balconies	\$28.10	16,008	3.32	449,825
Plumbing	\$585	504	2.17	294,840
Built-In Appliances	\$1,550	184	2.10	285,200
Stairs	\$1,550	46	0.53	71,300
Floor Insulation			0.00	0
Heating/Cooling			1.41	191,196
Garages	\$13.23	10,000	0.98	132,300
Comm &/or Aux Bldgs	\$56.86	3,500	1.47	199,017
Other: Carports	\$7.53	20,000	1.11	150,600
<b>SUBTOTAL</b>			<b>58.20</b>	<b>7,891,446</b>
Current Cost Multiplier	1.04		2.33	315,658
Local Multiplier	0.89		(6.40)	(868,059)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$54.12</b>	<b>\$7,339,045</b>
Plans, specs, survy, b	3.90%		(\$2.11)	(\$286,223)
Interim Construction In	3.38%		(1.83)	(247,693)
Contractor's OH & Prof	11.50%		(6.22)	(843,990)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$43.96</b>	<b>\$5,961,139</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$7,710,000	Term	420
Int Rate	7.325%	DCR	1.09

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.09

<b>Additional</b>	\$3,088,242	Term	
Int Rate		Aggregate DCR	1.09

**RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)**

Primary Debt Service	\$612,282
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$57,407</b>

<b>Primary</b>	\$7,710,000	Term	420
Int Rate	7.325%	DCR	1.14

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.14

<b>Additional</b>	\$3,088,242	Term	0
Int Rate	0.00%	Aggregate DCR	1.14

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)**

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,079,328	\$1,111,708	\$1,145,059	\$1,179,411	\$1,214,793	\$1,408,278	\$1,632,580	\$1,892,608	\$2,543,507
Secondary Income	63,900	65,817	67,791	69,825	71,919	83,374	96,654	112,048	150,583
Other Support Income:	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>1,143,228</b>	<b>1,177,524</b>	<b>1,212,850</b>	<b>1,249,236</b>	<b>1,286,713</b>	<b>1,491,653</b>	<b>1,729,234</b>	<b>2,004,656</b>	<b>2,694,091</b>
Vacancy & Collection Los	(80,064)	(88,314)	(90,964)	(93,693)	(96,503)	(111,874)	(129,693)	(150,349)	(202,057)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
<b>EFFEKTIVE GROSS INCOME</b>	<b>\$1,063,164</b>	<b>\$1,089,210</b>	<b>\$1,121,886</b>	<b>\$1,155,543</b>	<b>\$1,190,209</b>	<b>\$1,379,779</b>	<b>\$1,599,542</b>	<b>\$1,854,307</b>	<b>\$2,492,034</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$22,374	\$23,269	\$24,200	\$25,168	\$26,174	\$31,845	\$38,745	\$47,139	\$69,777
Management	42,547	43,568	44,875	46,222	47,608	55,191	63,982	74,172	99,681
Payroll & Payroll Tax	104,412	108,588	112,932	117,449	122,147	148,611	180,808	219,980	325,625
Repairs & Maintenance	69,156	71,922	74,799	77,791	80,903	98,431	119,756	145,701	215,673
Utilities	24,408	25,384	26,400	27,456	28,554	34,740	42,267	51,424	76,120
Water, Sewer & Trash	32,544	33,846	35,200	36,608	38,072	46,320	56,356	68,565	101,493
Insurance	32,544	33,846	35,200	36,608	38,072	46,320	56,356	68,565	101,493
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	36,800	38,272	39,803	41,395	43,051	52,378	63,726	77,532	114,766
Other	0	0	0	0	0	0	0	0	0
<b>TOTAL EXPENSES</b>	<b>\$364,785</b>	<b>\$378,696</b>	<b>\$393,408</b>	<b>\$408,696</b>	<b>\$424,581</b>	<b>\$513,836</b>	<b>\$621,994</b>	<b>\$753,079</b>	<b>\$1,104,629</b>
<b>NET OPERATING INCOME</b>	<b>\$698,379</b>	<b>\$710,514</b>	<b>\$728,478</b>	<b>\$746,847</b>	<b>\$765,628</b>	<b>\$865,942</b>	<b>\$977,548</b>	<b>\$1,101,228</b>	<b>\$1,387,404</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$612,282	\$612,282	\$612,282	\$612,282	\$612,282	\$612,282	\$612,282	\$612,282	\$612,282
Second Lien	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$81,497</b>	<b>\$93,633</b>	<b>\$111,597</b>	<b>\$129,966</b>	<b>\$148,746</b>	<b>\$249,061</b>	<b>\$360,666</b>	<b>\$484,346</b>	<b>\$770,523</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.13</b>	<b>1.15</b>	<b>1.18</b>	<b>1.21</b>	<b>1.24</b>	<b>1.40</b>	<b>1.58</b>	<b>1.79</b>	<b>2.25</b>



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

**DATE:** September 4, 2002      **PROGRAM:** 4% LIHTC      **FILE NUMBER:** 02424

**DEVELOPMENT NAME**

Spring Hills Apartments

**APPLICANT**

**Name:** Pineywoods Multifamily Housing, Ltd.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** P.O. Box 154432      **City:** Lufkin      **State:** TX  
**Zip:** 75915    **Contact:** Carol C. Moore      **Phone:** (936) 699-2960    **Fax:** (936) 699-2962

**PRINCIPALS of the APPLICANT**

**Name:** Pineywoods HOME Team Affordable Housing    **(%):** 0.05    **Title:** Managing General Partner  
**Name:** SunAmerica Affordable Housing Partners, Inc.    **(%):** 99.9    **Title:** Limited Partner  
**Name:** Partners for Effective Development    **(%):** 0.05    **Title:** Special Limited Partner

**GENERAL PARTNER**

**Name:** Pineywoods HOME Team Affordable Housing    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** P.O. Box 154432      **City:** Lufkin      **State:** TX  
**Zip:** 75915    **Contact:** Carol C. Moore      **Phone:** (936) 699-2960    **Fax:** (936) 699-2962

**PROPERTY LOCATION**

**Location:** 3413 East Main       **QCT**     **DDA**  
**City:** Nacogdoches      **County:** Nacodoches      **Zip:** 75963

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$712,683	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New Construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 31.874 acres    1,388,431 square feet    **Zoning/ Permitted Uses:** B-2/General Business & R-1/Single Family\*  
**Flood Zone Designation:** C      **Status of Off-Sites:** Partially Improved

\* B-2 General Business allows multifamily dwelling units on front 400 feet of property; the Applicant's intent/need to apply for rezoning is unknown at this time

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 200    **# Rental Buildings:** 10    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** N/A yrs

Number	Bedrooms	Bathroom	Size in SF
50	1	1	757
100	2	2	1,038
50	3	2	1,158

**Net Rentable SF:** 199,550    **Av Un SF:** 998    **Common Area SF:** 2,963    **Gross Bldng SF** 202,513

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 100% vinyl siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, cable, individual water heaters

**ON-SITE AMENITIES**

2,963 SF community building with community room, management offices, laundry facilities, kitchen, restrooms, meeting room, central mailroom, swimming pool, picnic area, play area, public telephone, perimeter fencing with limited access gate

**Uncovered Parking:** 400 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**OTHER SOURCES of FUNDS**

**INTERIM to PERMANENT FINANCING**

**Source:** SunAmerica Affordable Housing Partners, Inc.    **Contact:** Michael Fowler

**Principal Amount:** \$8,946,000    **Interest Rate:** 6.0%; estimated by lender to include credit enhancement fee

**Additional Information:** Tax-Exempt Bonds; No amortization or sinking fund payments for three years

**Amortization:** 30 yrs    **Term:** 33 yrs    **Commitment:**     None     Firm     Conditional

**Annual Payment:** \$638,521    **Lien Priority:** 1st    **Commitment Date**    6/ 27/ 2002

**LIHTC SYNDICATION**

**Source:** SunAmerica Affordable Housing Partners, Inc.    **Contact:** Michael Fowler

**Address:** 1 SunAmerica Center    **City:** Century City

**State:** CA    **Zip:** 90067    **Phone:** (310) 772-6000    **Fax:** (310) 772-6179

**Net Proceeds:** \$5,497,493    **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 81.5¢

**Commitment**     None     Firm     Conditional    **Date:**    07/ 22/ 2002

**Additional Information:** Bridge Loan of \$4,871,362 with no interest on up to \$3,338,955 draw and 7.5% on additional draw; Applicant's sources and uses indicates syndication proceeds of \$5,604,468



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

**APPLICANT EQUITY**

**Amount:** \$1,124,327                      **Source:** Deferred developer fee

**VALUATION INFORMATION**

**ASSESSED VALUE**

**Land:** \$200,240                      **Assessment for the Year of:** 2000  
**Valuation by:** Nacogdoches County Appraisal District  
**Tax Rate:** 2.692

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest Money Contract (31.874 acres)  
**Contract Expiration Date:** 12/ 31/ 2002      **Anticipated Closing Date:** 12/ 23/ 2002  
**Acquisition Cost:** \$ 196,000      **Other Terms/Conditions:** \$2,500 earnest money  
**Seller:** Estate of Thelma Brown                      **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Spring Hills Apartments is a proposed new construction development of 200 units of affordable housing located in southeast Nacogdoches. The development is comprised of ten residential buildings as follows:

- (1) Building Type I with four one-bedroom units, eight two-bedroom units, and four three-bedroom units;
- (8) Building Type II with five one-bedroom units, ten two-bedroom units, and five three-bedroom units;
- (1) Building Type III with six one-bedroom units, twelve two-bedroom units, and six three-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 2,963-square foot community building plan includes the management office, a community room, meeting room, kitchen, restrooms, and laundry facilities. There is also to be a picnic area, swimming pool, and perimeter fencing with limited access gate.

**Supportive Services:** Pineywoods HOME Team Affordable Housing, Inc. agrees to provide Homebuyer Education and Credit Counseling to the tenants of Pineywoods Multifamily Housing Ltd., Spring Hill Apartments, Nacogdoches, Texas. Pineywoods will provide up to 5 classes per year for up to 5 years with additional classes provided as needed. There will be no charge for these services, only providing use of the community room for the classes.

Partners for Effective Development, Inc. the co-developer of Pineywoods Multifamily Housing, Ltd., Spring Hill Apartments, agrees to pay for \$1,200 worth of scholarships for approximately 34 resident children annually for 5 years. The \$1,200 will be used to purchase memberships for the children in the Boys and Girls Club of Nacogdoches. Selection of the membership recipients will be made by the development rental management company.

**Schedule:** The Applicant anticipates construction to begin in January of 2003, to be completed in June of 2004, to be placed in service in July of 2004, and to be substantially leased-up in September of 2004.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Two-hundred of the units (100% of the total) will be reserved for low-income tenants with

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households earning 60% or less of AMGI. One of the 200 units will be employee occupied. It is assumed that the employee households will also be income qualified.

**Special Needs Set-Asides:** Ten units (5%) will be set-aside for households with handicapped/developmentally-disabled individuals.

**Compliance Period Extension:** The Applicant did not indicate intent to extend the compliance period.

**MARKET HIGHLIGHTS**

A market feasibility study dated June 28, 2002 was prepared by Mark C. Temple / Real Estate Economist, Market Analyst and highlighted the following findings:

**Definition of Market/Submarket:** “The primary or defined market area for the Spring Hill Apartments is considered Nacogdoches County” (p. I-1)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	69	1%
Resident Turnover	5,816	99%
<b>TOTAL ANNUAL DEMAND</b>	<b>5,885</b>	<b>100%</b>

Ref: p. ES-10

**Capture Rate:** “Based upon the income qualification banding methodology, the 200 Low Income Housing Tax Credit (LIHTC) units of the apartment project represents a 16.0 percent capture rate of all income appropriate rental households with the market area depending on management’s criteria for qualifying potential renters.” (p. ES-9)

**Local Housing Authority Waiting List Information:** “Verification with the Nacogdoches Housing Authority indicates there is a lengthy waiting list of 504 persons for family units. Information regarding the waiting list was obtained from Ms. Peggy Greer, Executive Director of the Nacogdoches Housing Authority.” (p. ES-11)

**Market Rent Comparables:** The market analyst surveyed seven comparable apartment projects totaling 1,148 units in the market area. (p. III-1)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
<b>1-Bedroom (60%)</b>	\$443	\$443	\$0	\$443	\$0
<b>2-Bedroom (60%)</b>	\$531	\$531	\$0	\$592	-\$61
<b>3-Bedroom (60%)</b>	\$614	\$614	\$0	\$765	-\$151

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100)

**Submarket Occupancy Rates:** “The occupancy level of the market area is presently 94.4 percent” (p. III-1)

**Absorption Projections:** “Based upon current positive multi-family indicators and present absorption levels of 10 to 15 units per month, it is estimated that a 95+ percent occupancy level can be achieved in 13 to 19 month time frame.” (p. ES-3)

**Other Relevant Information:** “There are two LIHTC apartment projects located in the Nacogdoches Market Area. The Commonwealth I & II Apartments consists of 124 one, two, and three bedroom apartment units. The apartment project maintains a 100 percent occupancy level with a lengthy waiting list. The Cypress Ridge Apartments just completed construction and began leasing approximately two months ago. The apartment project currently has an 87.5 percent occupancy level. The apartment project has averaged a monthly absorption of 25 to 30 units and is anticipated to have a 100 percent occupancy level within the month.” (p. ES-2)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Nacogdoches is located in far East Texas, approximately 140 miles northeast from Houston or 160 miles southeast from Dallas in Nacogdoches County. The site is an irregularly-shaped parcel located in the southeast area of Nacogdoches. The site is situated on the north side of East Main Street or Highway 21.

**Population:** The estimated 2001 population of Nacogdoches County was 59,549 and is expected to increase by 3% to approximately 61,492 by 2006. Within the primary market area there were estimated to be 25,167 households in 2001.

**Adjacent Land Uses:** The land uses immediately adjacent to the site include older single-family residential and vacant land to the north, south, east, and west.

**Site Access:** Access to the property is from the east or west along East Main Street. The development is to have one main entry from the south and a secondary entry from the south also. Access to Loop 224 is less than a mile east along East Main Street or Texas State Highway 21 which is where the subject property is located and provides connections to all other major roads serving the Nacogdoches area.

**Public Transportation:** Public transportation to the area is not available in the City of Nacogdoches.

**Shopping & Services:** Accessibility to supportive retail/service facilities within the immediate Nacogdoches Market Area is considered excellent along the corridors of University Drive, North Street, and South Street. Retail/service facilities along these traffic corridors include grocery stores, drug stores, restaurants, financial intuitions, and multi-purpose stores.

**Site Inspection Findings:** The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated June 25, 2002 was prepared by Aquaterra Assessments and contained the following findings and recommendations:

**Findings:** This assessment has revealed no evidence of recognized environmental conditions in connection with the property except for the following:

- The AquaTerra inspector observed signage on the west portion of the property indicating the presence of a natural gas pipeline. HUD requires that no structure should be located within ten feet of the pipeline easement.
- Chrysotile asbestos (45%) was found in the fiber backing the sample of rolled vinyl sheet flooring obtained at the subject property (East House), and Chrysotile asbestos (5%) was found in the mastic of one of the two samples of 9"x9" floor tile obtained at the subject property (West house). No asbestos was detected in the tile material itself, in the second 9"x9" floor tile or mastic sample obtained at the West house, or in the sample of exterior siding material obtained from the abandoned house. All of the building materials were non-friable.
- Amounts of lead paint greater than the U.S. EPA level of concern (0.5% lead by weight) were identified in two exterior samples of the 23 interior and exterior samples obtained at the subject property. The paints identified as lead-based paints (LBP) were in fair to poor condition.

**Recommendations:**

- The proposed project owner, architect, and/or construction contractor should ascertain the width of the easement for this pipeline and ensure that no future structures will be located within ten feet of this easement.
- AquaTerra understands that all current improvements are to be demolished to make way for a multi-family development under the Texas Department of Housing and Community Affairs LIHTC Program.

If demolition or renovation is to occur that will or might disturb the identified ACBMs and LBP;

1. AquaTerra recommends that an Asbestos Abatement Contractor licensed by the Texas Department of Health (TDH) remove all of the identified ACBMs prior to demolition or renovation according to federal, state, and local regulations. TDH licensed and trained personnel (third party from the Abatement Contractor and Owner) must prepare specifications, oversee work practices, and conduct area and final air clearance monitoring throughout the project.

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2. AquaTerra recommends that a Lead Abatement Contractor licensed by the Texas Department of Health (TDH) and U.S. Environmental Protection Agency (EPA) remove or encapsulate all of the identified LBP prior to demolition or renovation according to federal, state, and local regulations. TDH/EPA licensed and trained personnel (third Party from the Abatement Contractor and owner) must prepare specifications, oversee work practices, and conduct area and final air clearance monitoring throughout the project.

Receipt, review, and acceptance of documentation indicating that the Applicant has complied with all of the above Phase I recommendations is a condition of this report.

**OPERATING PROFORMA ANALYSIS**

**Income:** The 2002 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total operating expense estimate of \$2,379 per unit is within 4% of a TDHCA database-derived estimate of \$2,464 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: general and administrative (\$37.1K lower), repairs and maintenance (\$31.5K higher), utilities (\$28.2K lower), water, sewer, and trash (\$7.5K higher), and insurance (\$8.5K higher). The Applicant has indicated that the development will be tax exempt and did not include property taxes in their proforma. In addition, a letter from the Central Appraisal District was submitted stating, "The proposed complex and the land it is situated on would be exempt from property taxes under section 11.182 of the Property Tax Code." Therefore, the Underwriter has also assumed the property will be tax-exempt.

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. Both the Applicant's and the Underwriter's estimated debt coverage ratios (DCR) are within the standard range of 1.10 to 1.25.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The site cost of \$192,150 (\$0.97/SF) is substantiated through a sales contract and is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant's cost breakdown also includes \$2,000 in closing costs.

**Sitework Cost:** The Applicant's claimed sitework costs of \$5,260 per unit are considered reasonable compared to historical sitework costs for multifamily projects. However, it should be noted that the submitted Phase I ESA indicates that two single family homes are located on the subject site. Cost for demolition of these buildings was not included as a separate line-item in the submitted cost breakdown. Demolition costs are considered to be ineligible in calculating basis for tax credits. Receipt, review and acceptance of an explanation for this discrepancy is a condition of this report.

**Direct Construction Cost:** The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are overstated.

**Ineligible Costs:** The Applicant incorrectly included \$1,500 in marketing, as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

**Fees:** The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs and contingency cost is over the 5% guideline for new construction developments. Consequently the Applicant's eligible costs in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$22,818.

**Conclusion:** Due to the Applicant's higher direct construction costs and the subsequently overstated developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's estimate. Therefore, the Underwriter's cost estimate is

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used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$13,541,584 is used to determine a credit allocation of \$646,069 annually.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing: a bond-financed interim to permanent loan, the syndicated LIHTC equity, and deferred developer's fees.

**Bonds:** The development will receive tax-exempt private activity mortgage revenue bonds in the amount of \$8,946,000 to be issued by Pineywoods Housing Finance Corporation. SunAmerica Affordable Housing Partners, Inc. has proposed to purchase the bonds. The terms include a 6% interest rate for the tax-exempt bonds and an overall maturity of 33 years. There will be no amortization or sinking fund payments for three years and a 30 year amortization schedule.

**LIHTC Syndication:** SunAmerica Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,497,493 based on a syndication factor of 81.5%. The syndication proceeds will be disbursed in a three-phased pay-in schedule:

1. \$4,871,362 bridge loan with no interest payable on draws up to \$3,338,955 and a 7.5% interest rate on additional draws;
2. \$4,871,362 upon lien free construction completion and receipt of all certificates of occupancy (used to repay bridge loan);
3. \$434,631 upon satisfaction of stabilization requirement; and
4. \$150,000 upon receipt of forms 8609.

This payment schedule leaves excess syndication proceeds of \$41,500.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$1,124,327 amount to 58% of the total fees.

**Financing Conclusions:** Based on the Underwriter's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$646,069 annually for ten years, resulting in syndication proceeds of approximately \$5,260,197. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to \$211,659. Deferred fees in this amount may be repayable from cashflow within three years of stabilized operation. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are attractive, with varied rooflines. All units are of average size for LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry that is shared with other unit off an interior breezeway. The units are in two-story walk-up structures with vinyl siding exterior finish and gabled roofs.

**IDENTITIES of INTEREST**

**Identities Of Interest:** The Applicant, general contractor, cost estimator and property manager are related entities. These are common identities of interest for LIHTC-funded developments.

**APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**

- The Applicant is a single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- Pineywoods HOME Team Affordable Housing, Inc. submitted an annual financial report. As of December 31, 2001, the General Partner reported total assets of \$2.4M comprised of cash, receivables, lot inventory and undeveloped land, costs in excess of billings on uncompleted contracts, a completed home for sale and construction in progress. Total liabilities equaled \$2.5M for negative net assets of -\$93,739. This would suggest that the General Contractor or another development partner may be required to guarantee the construction phase of this development.
- Compiled financial statements for Partners for Effective Development, Inc. were also provided. As of November 30, 2001, the developer reported total assets of \$85K and total liabilities of \$29K for total stockholders equity of \$56K.

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**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner, Pineywoods HOME Team Affordable Housing, Inc. has participated as the administrator for two affordable housing developments and the developer for two 20-unit developments.
- The General Contractor, Jerry Moore, has completed five LIHTC/affordable housing developments totaling 382 units since 1989.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant environmental risks exist regarding existing structures that are to be removed.
- The principals of the Applicant do not appear to have the financial capacity to support the project if needed.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$646,069 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review and acceptance of an explanation for the exclusion of costs for demolition of two single family homes indicated in the Phase I ESA as a separate line-item in the submitted cost breakdown;
3. Receipt, review, and acceptance of documentation indicating that the Applicant has complied with all of the Phase I ESA recommendations.

<b>Underwriter:</b>	<i>Carl Hoover</i>	<b>Date:</b> <u>September 4, 2002</u>
<b>Credit Underwriting Supervisor:</b>	<i>Lisa Vecchietti</i>	<b>Date:</b> <u>September 4, 2002</u>
<b>Director of Credit Underwriting:</b>	<i>Tom Gouris</i>	<b>Date:</b> <u>September 4, 2002</u>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Spring Hills Apartments, Nacodoches, LIHTC #02424**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trash
LIHTC (60%)	50	1	1	757	\$486	\$443	\$22,150	\$0.59	\$43.00	\$30.00
LIHTC (60%)	100	2	2	1,038	585	531	53,100	0.51	54.00	42.00
LIHTC (60%)	50	3	2	1,158	675	614	30,700	0.53	61.00	51.00
<b>TOTAL:</b>	<b>200</b>		<b>AVERAGE:</b>	<b>998</b>	<b>\$583</b>	<b>\$530</b>	<b>\$105,950</b>	<b>\$0.53</b>	<b>\$53.00</b>	<b>\$41.25</b>

**INCOME** Total Net Rentable Sq Ft: **199,550**

POTENTIAL GROSS RENT				
Secondary Income	Per Unit Per Month:	\$15.00		
Other Support Income: (describe)				
POTENTIAL GROSS INCOME				
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		
Employee or Other Non-Rental Units or Concessions				
EFFECTIVE GROSS INCOME				

	TDHCA	APPLICANT		
	\$1,271,400	\$1,271,400		
	36,000	36,000	\$15.00	Per Unit Per Month
	0	0		
	\$1,307,400	\$1,307,400		
	(98,055)	(98,052)	-7.50%	of Potential Gross Rent
	0	0		
	\$1,209,345	\$1,209,348		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	6.00%	\$363	\$0.36
Management	5.00%	302	0.30
Payroll & Payroll Tax	8.39%	507	0.51
Repairs & Maintenance	6.91%	418	0.42
Utilities	2.68%	162	0.16
Water, Sewer, & Trash	4.64%	281	0.28
Property Insurance	2.64%	160	0.16
Property Tax	2.692	0	0.00
Reserve for Replacements	3.31%	200	0.20
Supp.Serv./Security	1.17%	71	0.07

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
	\$72,529	\$35,420	\$0.18	\$177	2.93%
	60,467	60,467	0.30	302	5.00%
	101,447	101,447	0.51	507	8.39%
	83,601	115,100	0.58	576	9.52%
	32,436	4,200	0.02	21	0.35%
	56,130	63,600	0.32	318	5.26%
	31,928	40,380	0.20	202	3.34%
	0	0	0.00	0	0.00%
	40,000	40,000	0.20	200	3.31%
	14,200	14,200	0.07	71	1.17%

TOTAL EXPENSES **40.74%** **\$2,464** **\$2.47**

**\$492,739** **\$474,814** **\$2.38** **\$2,374** **39.26%**

NET OPERATING INC **59.26%** **\$3,583** **\$3.59**

**\$716,606** **\$734,534** **\$3.68** **\$3,673** **60.74%**

DEBT SERVICE	% OF TOTAL	PER UNIT	PER SQ FT
SunAmerica Affordable Housing	53.22%	\$3,218	\$3.23
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	<b>6.03%</b>	<b>\$365</b>	<b>\$0.37</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
	\$643,629	\$638,521	\$3.20	\$3,193	52.80%
	0	0	\$0.00	\$0	0.00%
	0	0	\$0.00	\$0	0.00%
	\$72,977	\$96,013	\$0.48	\$480	7.94%

AGGREGATE DEBT COVERAGE RATIO

1.11 1.15

ALTERNATIVE DEBT COVERAGE RATIO

1.11

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		1.35%	\$971	\$0.97
Off-Sites		0.00%	0	0.00
Sitework		7.30%	5,260	5.27
Direct Construction		54.77%	39,478	39.57
Contingency	5.00%	3.10%	2,237	2.24
General Reqts	6.00%	3.72%	2,684	2.69
Contractor's G & F	2.00%	1.24%	895	0.90
Contractor's Profi	6.00%	3.72%	2,684	2.69
Indirect Construction		1.09%	783	0.78
Ineligible Costs		3.54%	2,553	2.56
Developer's G & A	2.59%	2.11%	1,524	1.53
Developer's Profit	12.41%	10.14%	7,307	7.32
Interim Financing		6.74%	4,856	4.87
Reserves		1.18%	848	0.85
TOTAL COST		<b>100.00%</b>	<b>\$72,080</b>	<b>\$72.24</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$194,150	\$194,150	\$0.97	\$971	1.24%
	0	0	0.00	0	0.00%
	1,051,992	1,051,992	5.27	5,260	6.71%
	7,895,631	8,788,929	44.04	43,945	56.07%
	447,381	565,037	2.83	2,825	3.60%
	536,857	594,776	2.98	2,974	3.79%
	178,952	198,258	0.99	991	1.26%
	536,857	594,776	2.98	2,974	3.79%
	156,500	156,500	0.78	783	1.00%
	510,693	510,693	2.56	2,553	3.26%
	304,870	487,141	2.44	2,436	3.11%
	1,461,424	1,461,424	7.32	7,307	9.32%
	971,119	971,119	4.87	4,856	6.20%
	169,602	100,000	0.50	500	0.64%
	\$14,416,030	\$15,674,795	\$78.55	\$78,374	100.00%

**Recap-Hard Construction Costs** **73.86%** **\$53,238** **\$53.36**

**\$10,647,672** **\$11,793,768** **\$59.10** **\$58,969** **75.24%**

**SOURCES OF FUNDS**

	%	AMOUNT	PER SQ FT
SunAmerica Affordable Housing	62.06%	\$44,730	\$44.83
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	38.88%	\$28,022	\$28.09
Deferred Developer Fees	7.80%	\$5,622	\$5.63
Additional (excess) Funds Required	-8.73%	(\$6,294)	(\$6.31)
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED
	\$8,946,000	\$8,946,000	\$8,946,000
	0	0	0
	5,604,468	5,604,468	5,260,197
	1,124,327	1,124,327	209,833
	(1,258,765)	0	0
	\$14,416,030	\$15,674,795	\$14,416,030

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Spring Hills Apartments, Nacadoches, LIHTC #02424**

**DIRECT CONSTRUCTION COST ESTIMATE**  
 Residential Cost Handbook  
 Average Quality Multiple Residence Basis

**PAYMENT COMPUTATION**

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.03	\$7,987,128
<b>Adjustments</b>				
Exterior Wall Finish	1.00%		\$0.40	\$79,871
9' Ceilings	3.00%		1.20	239,614
Extreme Slope			1.20	239,460
Subfloor			(0.78)	(156,447)
Floor Cover			1.82	363,181
Porches/Balconies	\$28.10	13,815	1.95	388,202
Plumbing	\$585	450	1.32	263,250
Built-In Appliances	\$1,550	200	1.55	310,000
Stairs	\$1,550	44	0.34	68,200
Floor Insulation			0.00	0
Heating/Cooling			1.41	281,366
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$56.86	2,963	0.84	168,482
Other:			0.00	0
<b>SUBTOTAL</b>			<b>51.28</b>	<b>10,232,306</b>
Current Cost Multiplier	1.04		2.05	409,292
Local Multiplier	0.91		(4.61)	(920,908)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$48.71</b>	<b>\$9,720,691</b>
Plans, specs, survy, bld	3.90%		(\$1.90)	(\$379,107)
Interim Construction Inte	3.38%		(1.64)	(328,073)
Contractor's OH & Profit	11.50%		(5.60)	(1,117,879)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$39.57</b>	<b>\$7,895,631</b>

<b>Primary</b>	\$8,946,000	Term	360
Int Rate	6.00%	DCR	1.11

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.11

<b>Additional</b>	\$5,604,468	Term	
Int Rate		Aggregate DCR	1.11

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

Primary Debt Service	\$643,629
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$72,977</b>

<b>Primary</b>	\$8,946,000	Term	360
Int Rate	6.00%	DCR	1.11

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.11

<b>Additional</b>	\$5,604,468	Term	0
Int Rate	0.00%	Aggregate DCR	1.11

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE- APPLICANT'S NOI**

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,271,400	\$1,309,542	\$1,348,828	\$1,389,293	\$1,430,972	\$1,658,889	\$1,923,107	\$2,229,408	\$2,996,137
Secondary Income	36,000	37,080	38,192	39,338	40,518	46,972	54,453	63,126	84,836
Other Support Income: (descr)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,307,400	1,346,622	1,387,021	1,428,631	1,471,490	1,705,860	1,977,560	2,292,534	3,080,974
Vacancy & Collection Loss	(98,052)	(100,997)	(104,027)	(107,147)	(110,362)	(127,940)	(148,317)	(171,940)	(231,073)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,209,348	\$1,245,625	\$1,282,994	\$1,321,484	\$1,361,128	\$1,577,921	\$1,829,243	\$2,120,594	\$2,849,901
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$35,420	\$36,837	\$38,310	\$39,843	\$41,436	\$50,414	\$61,336	\$74,625	\$110,463
Management	60,467	62,281	64,150	66,074	68,056	78,896	91,462	106,030	142,495
Payroll & Payroll Tax	101,447	105,505	109,725	114,114	118,679	144,391	175,673	213,734	316,378
Repairs & Maintenance	115,100	119,704	124,492	129,472	134,651	163,823	199,316	242,498	358,957
Utilities	4,200	4,368	4,543	4,724	4,913	5,978	7,273	8,849	13,098
Water, Sewer & Trash	63,600	66,144	68,790	71,541	74,403	90,523	110,135	133,996	198,346
Insurance	40,380	41,995	43,675	45,422	47,239	57,473	69,925	85,075	125,931
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Other	14,200	14,768	15,359	15,973	16,612	20,211	24,590	29,917	44,285
<b>TOTAL EXPENSES</b>	<b>\$474,814</b>	<b>\$493,202</b>	<b>\$512,307</b>	<b>\$532,158</b>	<b>\$552,784</b>	<b>\$668,641</b>	<b>\$808,977</b>	<b>\$978,996</b>	<b>\$1,434,699</b>
<b>NET OPERATING INCOME</b>	<b>\$734,534</b>	<b>\$752,423</b>	<b>\$770,687</b>	<b>\$789,326</b>	<b>\$808,345</b>	<b>\$909,280</b>	<b>\$1,020,266</b>	<b>\$1,141,597</b>	<b>\$1,415,202</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$643,629	\$643,629	\$643,629	\$643,629	\$643,629	\$643,629	\$643,629	\$643,629	\$643,629
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$90,905</b>	<b>\$108,794</b>	<b>\$127,057</b>	<b>\$145,696</b>	<b>\$164,715</b>	<b>\$265,650</b>	<b>\$376,636</b>	<b>\$497,968</b>	<b>\$771,572</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.14</b>	<b>1.17</b>	<b>1.20</b>	<b>1.23</b>	<b>1.26</b>	<b>1.41</b>	<b>1.59</b>	<b>1.77</b>	<b>2.20</b>



**LIHTC Allocation Calculation - Spring Hills Apartments, Nacodoches, LIHTC #**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$194,150	\$194,150		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,051,992	\$1,051,992	\$1,051,992	\$1,051,992
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$8,788,929	\$7,895,631	\$8,788,929	\$7,895,631
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$198,258	\$178,952	\$196,818	\$178,952
Contractor profit	\$594,776	\$536,857	\$590,455	\$536,857
General requirements	\$594,776	\$536,857	\$590,455	\$536,857
<b>(5) Contingencies</b>				
	\$565,037	\$447,381	\$492,046	\$447,381
<b>(6) Eligible Indirect Fees</b>				
	\$156,500	\$156,500	\$156,500	\$156,500
<b>(7) Eligible Financing Fees</b>				
	\$971,119	\$971,119	\$971,119	\$971,119
<b>(8) All Ineligible Costs</b>				
	\$510,693	\$510,693		
<b>(9) Developer Fees</b>				
			\$1,925,747	
Developer overhead	\$487,141	\$304,870		\$304,870
Developer fee	\$1,461,424	\$1,461,424		\$1,461,424
<b>(10) Development Reserves</b>				
	\$100,000	\$169,602		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$15,674,795</b>	<b>\$14,416,030</b>	<b>\$14,764,062</b>	<b>\$13,541,584</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$14,764,062	\$13,541,584
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$19,193,281	\$17,604,060
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$19,193,281	\$17,604,060
Applicable Percentage			3.67%	3.67%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$704,393	\$646,069
	<b>Syndication Proceeds</b>	<b>0.8142</b>	<b>\$5,735,065</b>	<b>\$5,260,197</b>

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

**DATE:** September 4, 2002

**PROGRAM:** 4% LIHTC

**FILE NUMBER:** 02425

**DEVELOPMENT NAME**

Town Vista Apartments

**APPLICANT**

**Name:** Town Vista, LP **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 6805 Faltata Cove **City:** Austin **State:** Texas  
**Zip:** 78750 **Contact:** Gene Watkins **Phone:** (512) 343-2827 **Fax:** (512) 343-2514

**PRINCIPALS of the APPLICANT**

**Name:** Town Vista Terrace, Inc. **(%):** .01 **Title:** General Partner  
**Name:** Paramount Financial Group, Inc. **(%):** 99.99 **Title:** Limited Partner  
**Name:** Anthony Bertucci **(%):** N/A **Title:** 60% owner of General Partner  
**Name:** Texas Community Builders (TCB) **(%):** N/A **Title:** 40% owner of General Partner  
**Name:** Gene Watkins **(%):** N/A **Title:** 100% owner of TCB

**GENERAL PARTNER**

**Name:** Town Vista Terrace, Inc. **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 6805 Faltata Cove **City:** Austin **State:** Texas  
**Zip:** 78750 **Contact:** Gene Watkins **Phone:** (512) 343-2827 **Fax:** (512) 343-2514

**PROPERTY LOCATION**

**Location:** 2201 Montopolis Drive  **QCT**  **DDA**  
**City:** Austin **County:** Travis **Zip:** 78741

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$917,733	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 15.04 acres 655,142 square feet **Zoning/ Permitted Uses:** MF-3-CO-NP  
**Flood Zone Designation:** Zone X **Status of Off-Sites:** Fully Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 280    **# Rental Buildings:** 15    **# Common Area Bldgs:** 2    **# of Floors:** 3    **Age:** 0 yrs

Number	Bedrooms	Bathroom	Size in SF
68	1	1	750
60	2	2	900
96	2	2	950
56	3	2	1050

**Net Rentable SF:** 255,000    **Av Un SF:** 911    **Common Area SF:** 3,000    **Gross Bldg SF:** 258,000

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 30% brick veneer/20% Hardiplank siding/50% stucco exterior wall covering, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, dishwasher, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters

**ON-SITE AMENITIES**

3,000-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, central mailroom, swimming pool, equipped children's play area,

**Uncovered Parking:** 479 spaces    **Carports:** 120 spaces    **Garages:** 0 spaces

**OTHER SOURCES of FUNDS**

**INTERIM TO PERMANENT FINANCING**

**Source:** Newman & Associates    **Contact:** Jerry Wright

**Principal Amount:** \$13,550,000    **Interest Rate:** 7%

**Additional Information:** \_\_\_\_\_

**Amortization:** 40 yrs    **Term:** 15 yrs    **Commitment:**     None     Firm     Conditional

**Annual Payment:** \$1,041,298    **Lien Priority:** 1st    **Commitment Date:** 08/ 23/ 2002

**LIHTC SYNDICATION**

**Source:** Paramount Financial Group, Inc.    **Contact:** Dale E. Cook

**Address:** 3825 Columbus Road., SW, Building F    **City:** Granville

**State:** Ohio    **Zip:** 43023    **Phone:** (740) 587-4150    **Fax:** (740) 587-4626

**Net Proceeds:** \$7,132,348    **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 81¢

**Commitment:**     None     Firm     Conditional    **Date:** 08/ 23/ 2002

**Additional Information:** \_\_\_\_\_

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

**APPLICANT EQUITY**

**Amount:** \$736,981                      **Source:** Deferred developer fee

**VALUATION INFORMATION**

**APPRAISED VALUE**

**Land Only:** \$1,900,000                      **Date of Valuation:** 05/ 03/ 2002  
**Appraiser:** Butler Burgher, LLC                      **City:** Dallas                      **Phone:** (214) 739-0700

**ASSESSED VALUE**

**Land: (15.05 acres)** \$1,311,504                      **Assessment for the Year of:** 2002  
**Building:** N/A                      **Valuation by:** Travis County Appraisal District  
**Total Assessed Value:** \$1,311,504                      **Tax Rate:** 2.5043

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest money contract  
**Contract Expiration Date:** 12/ 31/ 2002                      **Anticipated Closing Date:** 9/ 26/ 2002  
**Acquisition Cost:** \$ 1,900,000                      **Other Terms/Conditions:**  
**Seller:** Anthony & Mildred Bertucci                      **Related to Development Team Member:** Yes

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Town Vista Apartments is a proposed new construction development of 280 units of affordable housing located in southeast Austin. The development is comprised of 15 residential buildings as follows:

- Five Building Type I with twelve one-bedroom units and eight three-bedroom units;
- One Building Type II with eight one-bedroom units and eight three-bedroom units;
- Five Building Type III with twelve 900-SF two-bedroom units and eight 950-SF two-bedroom units;
- Three Building Type IV with sixteen 950-SF two-bedroom units; and
- One Building Type V with eight 950-SF two-bedroom units and eight three-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 3,000-square foot community building plan includes the management office, a community room, a conference room, exercise room, kitchen, restrooms, and laundry facilities.

**Supportive Services:** The Applicant has contracted with the YMCA of Austin to provide the following supportive services to tenants: computer classes, scholastic tutoring, youth programs, recreational activities, and after school programs. The Applicant agrees to pay \$1,500 per month for these services.

**Schedule:** The Applicant anticipates construction to begin in November of 2002, to be completed in June of 2004, to be placed in service in July of 2003, and to be substantially leased-up in July of 2004.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 280 of the units (100% of the total) will be reserved for low-income tenants. Although this allows for prospective tenants to be qualified at the 60% of AMGI or less income level, as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**Special Needs Set-Asides:** None of the units are specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments.

**Compliance Period Extension:** The intended length of the compliance period was not specified in the submitted application.

**MARKET HIGHLIGHTS**

A market feasibility study dated March 28, 2002 was prepared by Capitol Market Research and highlighted the following findings:

**Definition of Market/Submarket:** "...the market area chosen for this analysis is roughly bounded by IH-35 on the west, the Colorado River on the north, Highway 183 on the east, and SH-71 on the south." (p. 15) This area is referred to in the market study as the Southeast Market Area and comprises seven census tracts.

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	181	5%	171	4%
Resident Turnover	3,600	95%	3,694	96%
<b>TOTAL ANNUAL DEMAND</b>	<b>3,781</b>	<b>100%</b>	<b>3,866</b>	<b>100%</b>

Ref: p. 27

**Capture Rate:** The analyst calculated a concentration capture rate of 11.2% based on 800 units of supply which includes Riverside Meadows (240 units), Pleasant Valley Villas (280 units), and the subject's 280 units divided by two years of demand (7,123 units). In addition, the analyst also stated, "If you consider only demand for one year (2003), and add the current un-leased units at Riverside Meadows to the anticipated units at Pleasant Valley Villas and Town Vista, then the concentration rate would be 22.2%." (p. 51) While this is true, the analyst did not include an approved 2003 forward commitment award to Grove Place Apartments which will develop 184 units of affordable housing. Although this development will be owned and operated by SafePlace, a shelter for victims of domestic violence, it will not formally exclusively target families of domestic violence. Grove Place Apartments will reserve 146 of its units for low income tenants earning 30%, 40%, 50% and 60% of AMGI while the remaining 38 units will be offered at market rents. In response to the Underwriter's inquiry the Safeplace staff estimated that the majority of the Grove Place units would likely be 100% occupied by their transitioning clients, and therefore the Underwriter has excluded the Grove Place units from the concentration rate calculation. Additionally, there are two rent comparables in the market study that are not 90% occupied, which is a requirement of the QAP per section 49.9(a)(5)(C)(ix). Mountain Ranch Apartments (196 units) is currently 84% occupied and staff in the leasing office verified that this low rate has been caused recently due to a mold problem with some of the units for the past year. The Underwriter asked the leasing staff to verify the number of units that were vacated for mold remediation and to represent that the rest of the complex had been at least 90% occupied during this remediation, however, a new property management company has been engaged at this apartment community and, therefore, the leasing staff could not verify that information. The person contacted indicated that the new property management has been in operation for only two days, and as of these two days Mountain Ranch has been at 84% occupancy. The average building at Mountain Ranch has 28 units, therefore, it is likely that one offline building will account for the six to ten percent (20 units) of overall vacancy below the 90% standard stabilized level. The Underwriter regards the Mountain Ranch Apartments to have been satisfactorily stabilized prior to the current vacancy problems associated with mold remediation, and has therefore not included the Mountain Ranch units in the concentration rate calculation. If included, however, the concentration rate would be 25.8%, which exceeds the maximum limit for urban area developments. Mission Hills Apartments, while included as a rent comparable, does not have rent-restricted units. The Underwriter verified with the complex's property management company that this property is HUD-insured, but not HUD-financed. In addition, the rents for the smallest units at Mission Hills are over \$100 more than the proposed rents for the subject. Therefore, it should not be included in the concentration capture rate. The Underwriter calculated a concentration capture rate of 20.7% based upon a revised supply of unstabilized comparable

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**CREDIT UNDERWRITING ANALYSIS**

affordable units of 800 units (240 from Riverside Meadows, 280 from Pleasant Valley Villas, and the subject's 280 units) divided by the Underwriter's 2002 total targeted renter demand of 3,866.

**Market Rent Comparables:** The market analyst surveyed six comparable apartment projects totaling 1,300 units in the market area.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (50%)</b>	\$596	\$596	\$0	\$690	-\$94
<b>2-Bedroom (50%) 900 SF</b>	\$702	\$702	\$0	\$738	-\$36
<b>2-Bedroom (50%) 950 SF</b>	\$702	\$702	\$0	\$779	-\$77
<b>3-Bedroom (50%)</b>	\$803	\$803	\$0	\$945	-\$142

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100)

\*Market rents are based on the average rents per square foot as calculated by the market analyst on pg. 35

**Submarket Vacancy Rates:** "Over the last six months unit completions exceeded demand and the market has softened. For 2002, this trend should continue during the first half of the year with rental rates stabilizing and occupancy remaining below 93%." (p. 20)

**Absorption Projections:** "Based on supply versus demand estimates and the lease-up rates achieved by projects both in the subject market area and in the Austin area, the subject should achieve a lease-up rate of approximately 20 units per month." (p. 57)

**Known Planned Development:** "Including the subject site, nine tracts, identified in the market area, have potential to be developed as multifamily within the forecast time period..."

- Grove Place Apartments is a site at 1881 Grove Boulevard under contract to a nonprofit social services group...The project was submitted for LIHTC funding earlier this year (2002), and did receive a forward allocation for 2003, but is anticipated to be transitional housing for SafePlace clientel.
- Alexan Cityview is located at 4900 E. Oltorf and is a 308-unit conventionally funded project...Currently, the project is 70.6% occupied...It is leasing at a rate of approximately 27 units per month.
- Crossing Place is located at 1301 Crossing Place and is a 348-unit conventionally funded project...This project is a student housing project, which will rent by the bedroom.
- Melrose Phase II is the second phase of the Melrose Apartments located at 13000 Crossing Place. It is a second phase development of 204 units of student rental housing...It was included in the site analysis so that it can be shown as part of the 2001 supply, which is compared with the demand forecasts for the year 2001.
- Mission Hills II is the second phase of the Mission Hills project at 2900 Sunridge...Construction is well under way and Phase II will be opening shortly.
- Pleasant Valley Villas is a proposed 280-unit apartment project to be built on the south side of the intersection of Pleasant Valley and East Oltorf recently allocated 4% tax credits pursuant to a request of private activity tax exempt bonds.
- The Riverside Meadows site is on Riverside Drive between Montopolis and Vargas Road. It is a proposed development of 248 units...Construction on the project began in February 2002, and sitework is currently underway. This development received a 4% allocation of tax credits in December of 2001.
- Riverside at Grove is a planned project of 280 units on approximately 16 acres out of a larger 45.93-acre tract. This development has not received Department funding to date.
- Riverside Drive at Maxwell Lane is a site of approximately 20 acres...the site would have to be rezoned and a developer who was considering the project says the opportunity is not being pursued at this time." (p. 45-46)

**Other Relevant Information:** "The southeast market area has been especially attractive for high-tech companies, manufacturers, and distributors because of the relatively low land cost and quick access to Highway 183 and the new Austin Bergstrom International Airport. Based on the Greater Austin Chamber of

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**CREDIT UNDERWRITING ANALYSIS**

Commerce's Directory of Major Employers (2001), the subject market area currently contains approximately 11,056 jobs and 48 major employers." (p. 23)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation. The market analyst's defined primary market area contains a population of 43,027 which does not meet underwriting guidelines of 50,000-250,000.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is a rectangular-shaped parcel located in the southeast area of Austin, within five miles from the central business district. The site is situated on the east side of Montopolis Drive.

**Population:** The estimated 2001 population of primary market area was 43,027 and is expected to increase by 16.5% to approximately 50,137 by 2006. Within the primary market area there were estimated to be 20,489 households in 2001.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are mixed, with older single family homes, vacant land, light commercial/retail, and light industrial uses. Adjacent land uses include:

- **North:** older single-family homes, small private school
- **South:** single-family homes, vacant land, Carson Ridge Road
- **East:** single-family homes, vacant land, mobile home park
- **West:** Montopolis Drive, vacant land

**Site Access:** Access and entry to the property is from the north or south from Montopolis Drive and is to have one main entry. "The area is easily accessible to IH-35, Bastrop Highway (US Hwy 183) and Ben White Boulevard (SH-71)." (p. 9 –Appraisal)

**Public Transportation:** Public transportation to the area is provided by Capital Metro and the closest bus stop is at Grove and Fairway, .31 miles west of the subject.

**Shopping & Services:** The site is within two miles of two major grocery/pharmacies, a library, and a variety of other retail establishments and restaurants. Schools, churches, hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on August 2, 2002 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated April 12, 2002 was prepared by Professional Service Industries, Inc. and contained the following findings and recommendations:

**Findings:** While the Phase I ESA did not reveal evidence of recognized environmental conditions in connection with the property, it did include the following finding: "Other Environmental Issues: Endangered Species - An information request letter, dated April 9, 2002 was submitted to the USFWS. According to previous responses for information, the following threatened and endangered species for Travis County, Texas were presented. The names and listing status are identified below: Black-Capped Vireo, *Vireo atricapillus*, endangered; and Golden-Cheeked Warbler, *Dendroica chrysoparia*, endangered." (p. 2)

**Recommendations:** "Based on investigation of the property for evidence of recognized environmental conditions and other environmental issues, PSI offers the following recommendations.

- Dependent on the response from the U.S. Fish and Wildlife Service, a comprehensive Endangered Species Assessment may appear warranted." (p. 3)

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are set at the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. The Applicant's secondary income and vacancy and collection loss estimates are in line with TDHCA underwriting guidelines, although the Applicant included \$5.78/unit in carport rental income. The Underwriter excluded this source of income as unsubstantiated, and as a result the Applicant's effective gross income estimate is \$9K lower than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$3,710 per unit is within 2% of an adjusted TDHCA database-derived estimate of \$3,795 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database

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averages, particularly general and administrative (\$13K lower), management (\$20K lower), payroll (\$6K higher), repairs and maintenance (\$13K higher), utilities (\$55K lower), water, sewer, and trash (\$7K higher), insurance (\$5K higher), and property tax (\$32K higher).

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. Both the Applicant's and the Underwriter's proformas result in a debt coverage ratio within the Department's guideline based on the Applicant-proposed financing structure.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** Although the Applicant included \$1.8M for site acquisition costs in the project cost schedule, Anthony Bertucci, the co-seller of the land, has a 60% interest in the General Partner and the related party's original acquisition and holding costs are used as the basis for land valuation in an identity of interest sale. Mr. Bertucci acquired the site on November 12, 1996 from his son, Christopher Bertucci, who had purchased the property in 1993 for \$117,673. Although no documentation of the 1996 acquisition cost was provided, Anthony Bertucci certified that the transaction was a cash payment in the same amount that was paid in 1993. Anthony Bertucci also stated that Christopher Bertucci has no financial interest in the subject development. The Applicant also submitted tax receipts for the property from 1993 to 2001 which amounted to \$78,827, as well as legal fees of approximately \$48,000 incurred in 2001-2002 for foreclosure/litigation expenses associated with the property. Therefore the Underwriter used a land acquisition cost of \$226,612.

**Sitework Cost:** The Applicant claimed sitework costs of \$11,498 per unit and provided sufficient third party justification by the project architect to substantiate these costs. In addition, these costs have been reviewed by the Applicant's CPA, Novogradac & company, LLC, to preliminarily opine that \$3,219,464 of the total \$3,344,464 will be considered eligible. The CPA has indicated that this opinion of eligibility has taken into account the effect of the recent IRS Technical Advisory Memorandums on the eligibility of sitework costs.

**Direct Construction Cost:** The Applicant's costs are \$166K or 2% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and are therefore regarded as reasonable as submitted.

**Fees:** The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

**Conclusion:** Due to the Applicant's higher site acquisition cost compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. The Applicant's requested credit amount is less than the Underwriter's eligible basis tax credit calculation. This is due to the Underwriter's higher estimated construction costs. Therefore, the Applicant's requested tax credit calculation is used to establish the eligible basis method of determining the credit amount while the Underwriter's total project costs will be used to determine the total use of funds.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing from three sources: a bond-financed interim to permanent loan, syndicated LIHTC equity, and deferred developer's fees.

**Bonds:** The bonds are \$13,550,000 in tax-exempt private activity mortgage revenue bonds to be issued by the Travis County Housing Finance Corporation and placed privately with Newman & Associates, Inc. The bonds will have a term of 15 years and be amortized over 40 years at a fixed interest rate which is estimated at 7%.

**LIHTC Syndication:** Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$7,132,348 based on a syndication factor of \$0.815 per tax credit dollar. The funds would be disbursed in a six-phased pay-in schedule:

1. 35% upon close of the construction loan;
2. 15% as a construction progress payment;
3. 15% as a construction progress payment;
4. 15% upon construction completion;
5. 10% at 100% occupancy;
6. 10% upon stabilization.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$2,119,989 amount to 87% of the total fees.



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CREDIT UNDERWRITING ANALYSIS**

**Financing Conclusions:** Since the Applicant's total development costs were approximately 6.2% more than the Underwriter's estimate, the Underwriter's development costs were used to determine eligible basis. However, the Applicant's requested credit amount is less than the Underwriter's eligible basis tax credit calculation and, therefore, is used to determine the credit amount of \$917,733 per year, resulting in syndication proceeds of approximately \$7,478,776. The Applicant initially anticipated the need to defer \$2,119,989 in developer fee, but based on the Underwriter's analysis the Applicant's deferred developer fee will be reduced to \$442,027 which represents approximately 18% of the total eligible fee and which should be repayable within three years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

**REVIEW of ARCHITECTURAL DESIGN**

The units are in two-story and three-story walk-up structures with mixed stucco/Hardiplank siding/brick veneer exterior finish and pitched roofs. All units are of average size for market rate and LIHTC units, and have covered patios or balconies with outdoor storage closets. Each unit has a semi-private exterior entry that is off an interior breezeway that is shared with three other units. The units are well arranged, with adequate storage space.

**IDENTITIES of INTEREST**

The sellers of the property, Anthony and Mildred Bertucci, have a 60% interest in Town Vista, LP, the Applicant and Developer of this development. Any potential excess profit from the identity of interest land sale funded from additional tax credits have been mitigated by the existence of deferred developer's fee and the exclusion of such profit from the Underwriter's gap analysis.

**APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 40% owner of the General Partner, Texas Community Builders, LP, submitted an unaudited financial statement as of August 5, 2002 reporting total assets of \$4K, consisting entirely of cash. No liabilities were reported, resulting in a net worth of \$4K.
- The President and Vice President of the Applicant, Anthony R. Bertucci and Gene Watkins, submitted unaudited financial statements as of June 2002 and July 22, 2002, respectively.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The vice president of the Applicant and 40% owner of the General Partner, Gene Watkins, listed participation as developer of one 200-unit LIHTC development and administrator of a two-unit HOME housing development since 1996.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Sitework costs exceed the \$6,500/unit maximum.
- The seller of the property has an identity of interest with the Applicant.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$917,733 ANNUALLY FOR TEN YEARS.

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**CREDIT UNDERWRITING ANALYSIS**

<b>Associate Underwriter:</b>	_____	<b>Date:</b>	September 4, 2002
	<i>Raquel Morales</i>		
<b>Supervisor of Credit Underwriting:</b>	_____	<b>Date:</b>	September 4, 2002
	<i>Jim Anderson</i>		
<b>Director of Credit Underwriting:</b>	_____	<b>Date:</b>	September 4, 2002
	<i>Tom Gouris</i>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Town Vista Apartments, Austin, 4% LIHTC #02425**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh	
TC 50%	68	1	1	750	\$666	\$596	\$40,528	\$0.79	\$70	\$38	
TC 50%	60	2	2	900	800	702	42,120	0.78	\$98	\$45	
TC 50%	96	2	2	950	800	702	67,392	0.74	\$98	\$45	
TC 50%	56	3	2	1,050	924	803	44,968	0.76	\$121	\$67	
<b>TOTAL:</b>	<b>280</b>			<b>AVERAGE:</b>	<b>911</b>	<b>\$792</b>	<b>\$696</b>	<b>\$195,008</b>	<b>\$0.76</b>	<b>\$95.80</b>	<b>\$47.70</b>

<b>INCOME</b>				<b>TDHCA</b>	<b>APPLICANT</b>					
Total Net Rentable Sq Ft: 255,000										
<b>POTENTIAL GROSS RENT</b>				\$2,340,096	\$2,340,096					
Secondary Income	Per Unit Per Month:	\$10.00		33,600	43,378	\$12.91	Per Unit Per Month			
Other Support Income: Carport rental				0	0					
<b>POTENTIAL GROSS INCOME</b>				\$2,373,696	\$2,383,474					
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(178,027)	(179,292)	-7.52%	of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions				0	0					
<b>EFFECTIVE GROSS INCOME</b>				\$2,195,669	\$2,204,182					
<b>EXPENSES</b>						<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF RGI</b>		
General & Administrative	3.21%	\$252	\$0.28	\$70,512	\$57,760	\$0.23	\$206	2.62%		
Management	5.00%	392	0.43	109,783	90,566	0.36	323	4.11%		
Payroll & Payroll Tax	10.62%	833	0.91	233,240	239,120	0.94	854	10.85%		
Repairs & Maintenance	5.42%	425	0.47	119,110	132,524	0.52	473	6.01%		
Utilities	3.74%	293	0.32	82,081	26,880	0.11	96	1.22%		
Water, Sewer, & Trash	4.62%	362	0.40	101,360	108,505	0.43	388	4.92%		
Property Insurance	1.86%	146	0.16	40,800	46,200	0.18	165	2.10%		
Property Tax	2.5043	11.18%	877	245,421	277,760	1.09	992	12.60%		
Reserve for Replacements	2.55%	200	0.22	56,000	56,000	0.22	200	2.54%		
Other Expenses: Cable TV	0.15%	12	0.01	3,360	3,360	0.01	12	0.15%		
<b>TOTAL EXPENSES</b>	<b>48.35%</b>	<b>\$3,792</b>	<b>\$4.16</b>	<b>\$1,061,668</b>	<b>\$1,038,675</b>	<b>\$4.07</b>	<b>\$3,710</b>	<b>47.12%</b>		
<b>NET OPERATING INC</b>				<b>\$1,134,001</b>	<b>\$1,165,506</b>	<b>\$4.57</b>	<b>\$4,163</b>	<b>52.88%</b>		
<b>DEBT SERVICE</b>										
Tax-Exempt Bond Proceeds	46.02%	\$3,609	\$3.96	\$1,010,447	\$1,019,899	\$4.00	\$3,642	46.27%		
Compliance Fees	0.32%	\$25	\$0.03	7,000	28,000	\$0.11	\$100	1.27%		
	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%		
<b>NET CASH FLOW</b>				<b>\$116,554</b>	<b>\$117,607</b>	<b>\$0.46</b>	<b>\$420</b>	<b>5.34%</b>		
<b>AGGREGATE DEBT COVERAGE RATIO</b>				<b>1.11</b>	<b>1.11</b>					
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>					<b>1.15</b>					
<b>CONSTRUCTION COST</b>										
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Acquisition Cost (site or bldg)		1.06%	\$809	\$0.89	\$226,612	\$1,800,000	\$7.06	\$6,429	7.89%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		14.99%	11,498	12.63	3,219,464	3,219,464	12.63	11,498	14.12%	
Direct Construction		46.91%	35,968	39.49	10,071,080	9,905,278	38.84	35,376	43.44%	
Contingency	3.00%	1.86%	1,424	1.56	398,611	398,611	1.56	1,424	1.75%	
General Requireme	5.81%	3.60%	2,757	3.03	771,898	771,898	3.03	2,757	3.39%	
Contractor's G &	1.32%	0.82%	629	0.69	176,023	176,023	0.69	629	0.77%	
Contractor's Prof	3.97%	2.46%	1,886	2.07	528,068	528,068	2.07	1,886	2.32%	
Indirect Construction		2.80%	2,146	2.36	600,746	600,746	2.36	2,146	2.63%	
Ineligible Costs		7.11%	5,449	5.98	1,525,682	1,525,682	5.98	5,449	6.69%	
Developer's G & A	1.42%	1.12%	862	0.95	241,401	0	0.00	0	0.00%	
Developer's Profit	13.00%	10.27%	7,872	8.64	2,204,254	2,445,655	9.59	8,734	10.73%	
Interim Financing		5.54%	4,250	4.67	1,189,911	1,189,911	4.67	4,250	5.22%	
Reserves		1.48%	1,132	1.24	317,055	241,000	0.95	861	1.06%	
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$76,681</b>	<b>\$84.20</b>	<b>\$21,470,806</b>	<b>\$22,802,336</b>	<b>\$89.42</b>	<b>\$81,437</b>	<b>100.00%</b>	
<b>Recap-Hard Construction Costs</b>				<b>70.63%</b>	<b>\$54,161</b>	<b>\$59.47</b>	<b>\$15,165,144</b>	<b>\$14,999,342</b>	<b>\$58.82</b>	<b>\$53,569</b>
<b>SOURCES OF FUNDS</b>										
<b>RECOMMENDED</b>										
Tax-Exempt Bond Proceeds	63.11%	\$48,393	\$53.14		\$13,550,000	\$13,550,000	\$13,550,000			
Additional Financing	0.00%	\$0	\$0.00		\$0	\$0	\$0			
LIHTC Syndication Proceeds	33.22%	\$25,473	\$27.97		7,132,348	7,132,348	7,478,779			
Deferred Developer Fees	9.87%	\$7,571	\$8.31		2,119,989	2,119,989	442,027			
Additional (excess) Funds Require	-6.20%	(\$4,755)	(\$5.22)		(1,331,531)	(1)	0			
<b>TOTAL SOURCES</b>					<b>\$21,470,806</b>	<b>\$22,802,336</b>	<b>\$21,470,806</b>			

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Town Vista Apartments, Austin, 4% LIHTC #02425**

**DIRECT CONSTRUCTION COST ESTIMATE**  
 Residential Cost Handbook  
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.79	\$10,401,815
<b>Adjustments</b>				
Exterior Wall Finish	4.50%		\$1.84	\$468,082
Elderly	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(0.85)	(217,304)
Floor Cover			1.82	464,100
Porches/Balconies	\$28.10	30486	3.36	856,657
Plumbing	\$585	636	1.46	372,060
Built-In Appliances	\$1,550	280	1.70	434,000
Stairs/Fireplaces	\$1,350	100	0.53	135,000
Floor Insulation			0.00	0
Heating/Cooling			1.41	359,550
Garages/Carports	\$7.53	24,000	0.71	180,720
Comm &/or Aux Bldgs	\$56.86	3,000	0.67	170,586
Other:			0.00	0
<b>SUBTOTAL</b>			<b>53.43</b>	<b>13,625,265</b>
Current Cost Multiplier	1.04		2.14	545,011
Local Multiplier	0.87		(6.95)	(1,771,284)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$48.62</b>	<b>\$12,398,991</b>
Plans, specs, survy, bld	3.90%		(\$1.90)	(\$483,561)
Interim Construction Int	3.38%		(1.64)	(418,466)
Contractor's OH & Profit	11.50%		(5.59)	(1,425,884)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$39.49</b>	<b>\$10,071,080</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$13,550,000	Term	480
Int Rate	7.00%	DCR	1.12
<b>Secondary</b>		Term	
Int Rate	0.00%	Subtotal DCR	1.11
<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.11

**RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI):**

Primary Debt Service	\$1,010,447
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$123,554</b>

<b>Primary</b>	\$13,550,000	Term	480
Int Rate	7.00%	DCR	1.15
<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.15
<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

**ING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)**

INCOME	a/ 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$2,340,096	\$2,410,299	\$2,482,608	\$2,557,086	\$2,633,799	\$3,053,295	\$3,539,605	\$4,103,373	\$5,514,590
Secondary Income		43,378	44,679	46,019	47,400	48,822	56,598	65,613	76,063	102,222
Other Support Income: Carp		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		2,383,474	2,454,978	2,528,627	2,604,486	2,682,621	3,109,892	3,605,218	4,179,435	5,616,812
Vacancy & Collection Loss		(179,292)	(184,123)	(189,647)	(195,336)	(201,197)	(233,242)	(270,391)	(313,458)	(421,261)
Employee or Other Non-Rent		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$2,204,182	\$2,270,854	\$2,338,980	\$2,409,150	\$2,481,424	\$2,876,651	\$3,334,826	\$3,865,978	\$5,195,551
<b>EXPENSES</b>	<b>at 4.00%</b>									
General & Administrative		\$57,760	\$60,070	\$62,473	\$64,972	\$67,571	\$82,210	\$100,022	\$121,692	\$180,133
Management		90,566	113,543	116,949	120,457	124,071	143,833	166,741	193,299	259,778
Payroll & Payroll Tax		239,120	248,685	258,632	268,977	279,737	340,342	414,078	503,790	745,732
Repairs & Maintenance		132,524	137,825	143,338	149,071	155,034	188,623	229,489	279,208	413,296
Utilities		26,880	27,955	29,073	30,236	31,446	38,259	46,547	56,632	83,829
Water, Sewer & Trash		108,505	112,845	117,359	122,053	126,936	154,436	187,896	228,604	338,389
Insurance		46,200	48,048	49,970	51,969	54,047	65,757	80,003	97,336	144,082
Property Tax		277,760	288,870	300,425	312,442	324,940	395,339	480,990	585,198	866,237
Reserve for Replacements		56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other		3,360	3,494	3,634	3,780	3,931	4,782	5,818	7,079	10,479
TOTAL EXPENSES		\$1,038,675	\$1,099,576	\$1,142,424	\$1,186,951	\$1,233,225	\$1,493,287	\$1,808,559	\$2,190,822	\$3,216,599
NET OPERATING INCOME		\$1,165,506	\$1,171,278	\$1,196,556	\$1,222,198	\$1,248,199	\$1,383,363	\$1,526,267	\$1,675,156	\$1,978,952
<b>DEBT SERVICE</b>										
First Lien Financing		\$1,010,447	\$1,010,447	\$1,010,447	\$1,010,447	\$1,010,447	\$1,010,447	\$1,010,447	\$1,010,447	\$1,010,447
Second Lien		7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Other Financing		0	0	0	0	0	0	0	0	0
NET CASH FLOW		\$148,059	\$153,831	\$179,109	\$204,751	\$230,752	\$365,916	\$508,820	\$657,709	\$961,504

**LIHTC Allocation Calculation - Town Vista Apartments, Austin, 4% LIHTC #0**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$1,800,000	\$226,612		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$3,219,464	\$3,219,464	\$3,219,464	\$3,219,464
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation	\$9,905,278	\$10,071,080	\$9,905,278	\$10,071,080
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$176,023	\$176,023	\$176,023	\$176,023
Contractor profit	\$528,068	\$528,068	\$528,068	\$528,068
General requirements	\$771,898	\$771,898	\$771,898	\$771,898
<b>(5) Contingencies</b>	\$398,611	\$398,611	\$398,611	\$398,611
<b>(6) Eligible Indirect Fees</b>	\$600,746	\$600,746	\$600,746	\$600,746
<b>(7) Eligible Financing Fees</b>	\$1,189,911	\$1,189,911	\$1,189,911	\$1,189,911
<b>(8) All Ineligible Costs</b>	\$1,525,682	\$1,525,682		
<b>(9) Developer Fees</b>				
Developer overhead		\$241,401		\$241,401
Developer fee	\$2,445,655	\$2,204,254	\$2,445,655	\$2,204,254
<b>(10) Development Reserves</b>	\$241,000	\$317,055		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$22,802,336</b>	<b>\$21,470,806</b>	<b>\$19,235,654</b>	<b>\$19,401,456</b>

<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
<b>TOTAL ELIGIBLE BASIS</b>		\$19,235,654	\$19,401,456
High Cost Area Adjustment		130%	130%
<b>TOTAL ADJUSTED BASIS</b>		\$25,006,350	\$25,221,893
Applicable Fraction		100%	100%
<b>TOTAL QUALIFIED BASIS</b>		\$25,006,350	\$25,221,893
Applicable Percentage		3.67%	3.67%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		\$917,733	\$925,643

Syndication Proceeds                      0.8149                      \$7,478,779                      \$7,543,242

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

**DATE:** September 4, 2002

**PROGRAM:** 4% LIHTC

**FILE NUMBER:** 02426

**DEVELOPMENT NAME**

Blanco Falls Apartments aka Alta Falls

**APPLICANT**

**Name:** Blanco Falls, Ltd. **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 1001 Morehead Square Drive, Suite 250 **City:** Charlotte **State:** NC  
**Zip:** 28203 **Contact:** Bernard Felder **Phone:** (704) 332-8995 **Fax:** (704) 332-8997

**PRINCIPALS of the APPLICANT**

<b>Name:</b> <u>Blanco Falls I, LP</u>	<b>(%):</b> <u>0.1</u>	<b>Title:</b> <u>Managing General Partner (MGP)</u>
<b>Name:</b> <u>SunAmerica Affordable Housing Parters, Inc.</u>	<b>(%):</b> <u>99.9</u>	<b>Title:</b> <u>Initial Limited Partner</u>
<b>Name:</b> <u>Wood Alta Falls, LLC</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>G.P. of MGP</u>
<b>Name:</b> <u>Wood Falls, LLC</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>79.9% LP of MGP</u>
<b>Name:</b> <u>McCall-Hammond JV</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>20% LP of MGP</u>
<b>Name:</b> <u>Wood Affordable Housing South, Inc.</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Non-member manager of Wood Alta Falls, LLC</u>
<b>Name:</b> <u>WP South Development Co., LLC</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Developer, non-member manager of Wood Falls LLC</u>
<b>Name:</b> <u>Ryan L. Dearborn</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Partner of Wood Falls, LLC</u>
<b>Name:</b> <u>Warren J. Durkin Jr.</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Partner of Wood Falls, LLC</u>
<b>Name:</b> <u>Bernard Felder</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Partner of Wood Falls, LLC</u>
<b>Name:</b> <u>Michael J. Roche</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Partner of Wood Falls, LLC</u>
<b>Name:</b> <u>Patrick J. Trask</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Partner of Wood Falls, LLC</u>
<b>Name:</b> <u>Leonard W. Wood</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Partner of Wood Falls, LLC</u>
<b>Name:</b> <u>Stephen C. Wylie</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Partner of Wood Falls, LLC</u>
<b>Name:</b> <u>Donald J. Hammond Jr.</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>75% partner of McCall Hammond JV</u>
<b>Name:</b> <u>Thomas M. Jones</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>25% partner of McCall Hammond JV</u>

**GENERAL PARTNER**

**Name:** Blanco Falls I, L.P. **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 1110 Northchase Parkway **City:** Marietta **State:** GA  
**Zip:** 30067 **Contact:** Bernard Felder **Phone:** (704) 332-8995 **Fax:** (704) 332-8997

**PROPERTY LOCATION**

**Location:** 2200 block of IH-35 North  **QCT**  **DDA**  
**City:** San Marcos **County:** Hays **Zip:** 78666

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**REQUEST**

<b>Amount</b>	<b>Interest Rate</b>	<b>Amortization</b>	<b>Term</b>
\$842,961	N/A	N/A	N/A
<b>Other Requested Terms:</b>	Annual ten-year allocation of low-income housing tax credits		
<b>Proposed Use of Funds:</b>	New construction	<b>Set-Aside:</b>	<input type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit

**SITE DESCRIPTION**

<b>Size:</b>	17.78 acres	774,497 square feet	<b>Zoning/ Permitted Uses:</b>	MF-3, High-Density Multifamily
<b>Flood Zone Designation:</b>	AE (100-year floodplain)	<b>Status of Off-Sites:</b>	Partially improved	

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 248    **# Rental Buildings:** 11    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** 0 yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
48	1	1	709
120	2	2	920
72	3	2	1,049
8	4	2	1,262

**Net Rentable SF:** 230,056    **Av Un SF:** 928    **Common Area SF:** 3,960    **Gross Bldg SF** 234,016

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 100% cement siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

**ON-SITE AMENITIES**

3,960-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms; swimming pool, equipped children's play area, mail kiosk, perimeter fencing with limited access gate

**Uncovered Parking:** 567 spaces    **Carports:** 84 spaces    **Garages:** 0 spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** SunAmerica Affordable Housing Partners, Inc.    **Contact:** Michael Fowler

**Principal Amount:** \$12,418,731    **Interest Rate:** 6.41%

**Additional Information:** Tax-exempt bond proceeds

**Amortization:** N/A yrs    **Term:** 3 yrs    **Commitment:**     None     Firm     Conditional

**LONG TERM/PERMANENT FINANCING**

**Source:** SunAmerica Affordable Housing Partners, Inc.    **Contact:** Michael Fowler

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**Principal Amount:** \$12,418,731      **Interest Rate:** 6.41%  
**Additional Information:** Tax-exempt bond proceeds  
**Amortization:** 30 yrs      **Term:** 30 yrs      **Commitment:**     None     Firm     Conditional  
**Annual Payment:** \$933,135      **Lien Priority:** 1st      **Commitment Date**    7/    18/    2002

**LIHTC SYNDICATION**

**Source:** SunAmerica Affordable Housing Partners, Inc.      **Contact:** Michael Fowler  
**Address:** 1526 East Parham Road      **City:** Richmond  
**State:** VA      **Zip:** 23228      **Phone:** (804) 261-6100      **Fax:** (804) 261-2400  
**Net Proceeds:** \$6,422,865      **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 79¢  
**Commitment**       None       Firm       Conditional      **Date:** 7/    18/    2002  
**Additional Information:** Based upon annual tax credits of \$813,020

**APPLICANT EQUITY**

**Amount:** \$1,046,293      **Source:** Deferred developer fee

**VALUATION INFORMATION**

**ASSESSED VALUE**

**Land:**      \$170,396 (prorated from 172.729-acre parcel)      **Assessment for the Year of:** 2001  
**Building:**      N/A      **Valuation by:** Hays County Appraisal District  
**Total Assessed Value:**      \$170,396

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest money contract  
**Contract Expiration Date:** 10/ 15/ 2002      **Anticipated Closing Date:** 10/ 15/ 2002  
**Acquisition Cost:** \$ 635,000      **Other Terms/Conditions:** Original purchaser San Marcos Multi-Housing, Ltd., purchase option granted to Applicant on 6/5/2002  
**Seller:** Alan Holt, William Holt, Shani Holt Armbrister, William Holt Jr., David Holt, Timothy Holt      **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Blanco Falls Apartments is a proposed new construction development of 248 units of affordable housing located in northeast San Marcos. The development is comprised of 11 residential buildings as follows:

- Four Building Type I with 12 one-bedroom units and 12 two-bedroom units;
- Six Building Type II with 12 two-bedroom units and 12 three-bedroom units; and
- One Building Type III with eight four-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mail kiosk, and swimming pool located near the entrance to the site. The 3,960-square foot (SF) community building is planned to have the management offices, an 850-SF community room, exercise room, kitchen, restrooms, and laundry facilities. There is also planned to be a 920-SF maintenance and carwash



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

building located near the southern end of the development.

**Supportive Services:** The Applicant has contracted with Consumer Credit Counseling Services of Greater Dallas and Casa Esperanza to provide the following supportive services to tenants: housing and financial counseling and education, individual and group education and counseling on parenting and life and social skills. The contracts require the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services and to pay \$7,200 per year for these support services.

**Schedule:** The Applicant anticipates construction to begin in October of 2002, to be completed in January of 2004, and to be substantially leased-up in April of 2004.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside although as a Priority 1 private activity bond lottery development 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. Although this allows for prospective tenants to be qualified at the 60% of AMGI or less income level, as a Priority 1 private activity bond lottery development 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI.

**Special Needs Set-Asides:** None of the units are specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments.

**Compliance Period Extension:** The intended length of the compliance period was not specified in the submitted application.

**MARKET HIGHLIGHTS**

A market feasibility study dated July 19, 2002 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

**Definition of Market/Submarket:** “For this analysis we utilized a primary market area determined as a corridor along Interstate Highway 35, approximately six miles wide and 30 miles long. This corridor begins just south of New Braunfels and ends just north of Kyle and accounts for 200 square miles. The City of New Braunfels currently has no plans to support any type of low-income housing within its boundaries. As such, it is possible that residents would choose to commute if affordable housing was available in San Marcos.” (p.25)

**Total Regional Market Demand for Rental Units:** “The Austin-San Antonio corridor has one of the most rapidly expanding regional economies in the nation.” (p. 19)

**Total Local/Submarket Demand for Rental Units:** “In the primary market area, we have determined that there is a demand for a minimum of 369 [total, non-income-qualified] rental units per year, based on the household growth analysis.” (p. 13)

**Capture Rate:** The analyst calculated a concentration capture rate of 21.6%. (p. 37) This includes the recently approved 9% transaction in Kyle known as Steeple Chase.

**Market Rent Comparables:** The market analyst surveyed five comparable LIHTC apartment projects totaling 800 units in the market area; no specific information was provided on market rate comparable properties. “The Blanco Falls Apartments, in comparison to its proposed competition, is well positioned with regard to unit types, sizes, and rental rates. The ‘base rent’ (street asking rate) for each unit type is significantly lower than comparable market rate projects.” (p. 82)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	90	3%
Resident Turnover*	2,745*	97%
<b>TOTAL ANNUAL DEMAND</b>	<b>2,835</b>	<b>100%</b>

Ref. p. 36

\*Note: The analyst used a turnover rate of 85% “based on the market analyst’s 13 years of operating apartment communities.” Although this turnover rate estimate exceeds IREM turnover rates for Austin (69%), San Antonio (72%), or the central southern U.S. (63%), it may be plausible in light of San Marcos’ heavy student population.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (50%)</b>	\$569	\$569	\$0	\$575	-\$6
<b>2-Bedroom (50%)</b>	\$664	\$664	\$0	\$705	-\$41
<b>3-Bedroom (50%)</b>	\$749	\$749	\$0	\$762	-\$13
<b>4-Bedroom (50%)</b>	\$830	\$830	\$0	\$819	+\$11

Ref: p. 81

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100)

**Submarket Vacancy Rates:** “The current occupancy of the market area is 95.2% as a result of ever-increasing demand.” (p. 73)

**Absorption Projections:** “We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month lease-up schedule].” (p. 70)

**Known Planned Development:** The analyst identified five properties totaling 846 units currently in lease-up, three properties totaling 663 units under construction, and five projects totaling 1,052 units in the planning stage. After determining that the total supply change in the market (including the subject) would exceed the projected total renter change from 221 units (employment growth projection) to 506 units (household growth projection), the analyst opined that, “The figures...suggest difficulties leasing new developments in regards to number of households in the primary market area and projected household growth. However, most of the projects will be market rate units catering to the student population of Southwest Texas University. The LIHTC projects in lease-up are leasing very quickly. *As such, we feel that there is adequate demand in the San Marcos area for another affordable rate project* [analyst’s emphasis].” (p. 47, 62)

**Effect on Existing Housing Stock:** “The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout San Marcos, and especially at quality affordable housing communities.” (p. 71)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation although the lack of data on market rate comparable properties is a significant deficiency.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** San Marcos is located in central Texas, approximately 35 miles south of Austin in Hays County. The site is an irregularly-shaped parcel located in the northeast area of the city, approximately three miles from the central business district. The site is situated on the east side of Interstate Highway 35 North.

**Population:** The estimated 2001 population of the primary market area was 95,089 and is expected to increase by 10.8% to approximately 105,313 by 2006. Within the primary market area there were estimated to be 33,077 households in 2006.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly agricultural, along with commercial and residential. Adjacent land uses include:

- **North:** Agricultural land and the Blanco River
- **South:** Agricultural land with single-family residential beyond
- **East:** Blanco River with agricultural land beyond
- **West:** Interstate Highway 35, with vacant portions of a business park beyond

**Site Access:** Access to the property is from the northeast or southwest along the IH-35N frontage road. The project is to have two entries from the west on dedicated access roads.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The site is within three miles of two major grocery/pharmacies and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** As discussed below, the entire site lies within the 100-year floodplain. It is the Applicant’s intent to elevate all improvements, including access roads and parking areas,

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out of the floodplain with imported fill materials. The Applicant is also in the process of applying to the Federal Emergency Management Agency (FEMA) for a Letter of Map Amendment (LOMA) to the existing FEMA Flood Insurance Rate Map which will eliminate the requirement to provide flood insurance for tenants. It is a condition of this report that the Applicant construct all improvements above the established base flood elevation AND provide evidence of having received a FEMA LOMA OR LOMR-F OR provide flood insurance for the buildings and tenant's contents. The cost of this flood insurance, if required by FEMA or another party, is to either be paid by the Applicant or deducted from tenant rents if paid by the tenants.

**Site Inspection Findings:** A TDHCA staff member performed a site inspection on August 16, 2002 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated June 24, 2002 was prepared by HBC Engineering and contained the following findings and recommendations:

- The entire site lies within the 100-year floodplain. (p. 6)
- "One TNRCC LUST [leaking underground storage tank] site was identified within specified search radii. This off-site facility does not appear to constitute a recognized environmental condition to the site based on facility characteristics..." (p. 19)
- Based on the scope of services and limitations of this assessment, HBC did not identify recognized environmental conditions in connection with the site, which in our opinion, require additional investigation at this time." (p. 19)

The Applicant also submitted a floodplain study report dated June 2002 which was prepared by Bury & Partners, Inc. The study was intended to analyze the effects of the proposed development on the existing floodplain and surrounding developments, and concluded that, "...there will be no change in the water surface elevation at the confluence of the Blanco and San Marcos rivers [and] therefore it can be concluded that no adjacent developments shall be adversely affected by the development of this site." (p. 2)

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are generally achievable according to the market analyst. The analyst states that the projected four-bedroom rents are \$11 above the average market rents but, given that the number of four-bedroom comparables is limited and that the subject will be a new and presumably more desirable development than at least some of the comparables, the Underwriter has elected not to reduce this rent to the market average. The Applicant's secondary income estimate of \$26.77/unit/month is significantly in excess of the TDHCA underwriting maximum guideline of \$15, and includes \$6.77 in carport rental income. As substantiation the Applicant provided operating data from a Dallas LIHTC property which receives over \$31/unit in secondary income; however, the Underwriter regards this to be a poor comparable due to its location. Therefore, the Underwriter used \$15/unit in secondary income which results in the Applicant's potential gross income estimate exceeding the Underwriter's by \$35K. The Applicant's estimate of vacancy and collection losses, at 7.45%, is slightly lower than the TDHCA underwriting guideline of 7.5%.

**Expenses:** The Applicant's total operating expense estimate of \$3,425 per unit is within 1% of the Underwriter's adjusted TDHCA database-derived estimate, an acceptable deviation. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$30K lower), management (\$18K lower), utilities (\$11K lower), water, sewer, and trash (\$10K lower), and property tax (\$45K higher).

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The site cost of \$635,000 (\$0.82/SF or \$35.7K/acre), although 373% of the tax assessed value,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**CREDIT UNDERWRITING ANALYSIS**

is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Off-Site Costs:** The Applicant claimed off-site costs of \$316,300 for access roads, water lines, and storm and wastewater sewer lines, and provided sufficient third party certification to justify these costs.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,298 per unit are considered reasonable compared to historical sitework costs for multifamily projects, and include \$400,000 in fill importation costs.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$324K or 3% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's contractor's general and administrative fees, and contractor's profit exceed the 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by \$68,934 with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$407,881.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$17,191,629 is used to determine a credit allocation of \$820,213 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing from two sources: a conventional interim to permanent loan based on bond proceeds, syndicated LIHTC equity, in-kind equity, and deferred developer's fees.

**Bonds and Conventional Interim to Permanent Loan:** The bonds are \$12,418,731 in tax-exempt private activity mortgage revenue bonds to be issued by the Capital Area Housing Finance Corporation and placed privately with SunAmerica, Inc. to fund the combined interim to permanent loan. The bonds will be credit enhanced by AMBAC pursuant to a commitment letter issued by SunAmerica. During the construction phase SunAmerica will also provide the credit enhancement/guarantee in favor of AMBAC until stabilization. There is to be a three-year interest-only construction period with a 30-year amortization period thereafter. The permanent loan will have a fixed, all-in interest rate of approximately 6.42%.

**LIHTC Syndication:** SunAmerica has also offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$6,422,865 based on a syndication factor of 79%. The funds would be disbursed in a three-phased pay-in schedule:

1. 2.7% upon admission to the partnership;
2. 77.3% upon completion of construction and receipt of the last certificate of occupancy;
3. 10% upon the latest to occur of: final closing of the permanent mortgage loan, cost certification, receipt of IRS Forms 8609;
4. 10% upon achievement of six consecutive months of operations at a 1.15 DCR.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$1,046,293 amount to 47% of the total eligible fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$820,213 annually for ten years, resulting in syndication proceeds of approximately \$6,479,033. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to \$990,124, which amounts to approximately 44% of the total eligible fee and should be repayable within six years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are simple and functional, with pitched roofs and 100% cement siding exterior finish. All units are of average size for market rate and LIHTC units, and have covered patios or balconies with small outdoor storage closets and utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**IDENTITIES of INTEREST**

The General Contractor is an affiliate of the developer. This appears to be an acceptable relationship.

**APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**

- Blanco Falls, Ltd., Blanco Falls I, LP, Wood Alta Falls, LLC, Wood Falls, LLC, Wood Affordable Housing South, Inc., WP South Alta Falls Development Company, LP, and McCall-Hammond J.V. are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Ryan Dearborn, Warren Durkin Jr., Bernard Felder, Donald Hammond Jr., Michael Roche, Patrick Trask, and Leonard Wood submitted financial statements and are anticipated to be guarantors of the development.

**Background & Experience:**

- Blanco Falls, Ltd., Blanco Falls I, LP, Wood Alta Falls, LLC, Wood Falls, LLC, Wood Affordable Housing South, Inc., WP South Alta Falls Development Company, LP, and McCall-Hammond J.V. are single-purpose entities created for the purpose of receiving assistance from TDHCA.
- Leonard Wood listed participation as limited partner or contractor on 48 affordable housing developments totaling 15,317 units since 1983.
- Warren Durkin Jr. listed participation as limited partner on five affordable housing developments totaling 2,052 units since 1984.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Significant locational risks exist regarding the site's location within the 100-year floodplain.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$820,213 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of evidence of the Applicant having received a FEMA Letter of Map Amendment or Letter of Map Revision OR evidence of provision of flood insurance for the buildings and tenant's contents. The cost of this flood insurance is to either be paid by the Applicant or deducted from tenant rents if paid by the tenants.

Credit Underwriting Supervisor: \_\_\_\_\_

*Jim Anderson*

Date: September 4, 2002

Director of Credit Underwriting: \_\_\_\_\_

*Tom Gouris*

Date: September 4, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Blanco Falls Apartments, 4% LIHTC #02426**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash Only
TC (50%)	48	1	1	709	\$666	\$569	\$27,312	\$0.80	\$97.35	\$12.41
TC (50%)	120	2	2	920	800	664	79,680	0.72	134.46	12.41
TC (50%)	72	3	2	1,049	924	749	53,928	0.71	174.49	12.41
TC (50%)	8	4	2	1,262	1031	830	6,640	0.66	200.44	12.41
<b>TOTAL:</b>	<b>248</b>		<b>AVERAGE:</b>	<b>928</b>	<b>\$818</b>	<b>\$676</b>	<b>\$167,560</b>	<b>\$0.73</b>	<b>\$141.03</b>	<b>\$12.41</b>

**INCOME** Total Net Rentable Sq Ft: 230,056

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
Other Support Income:

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF RGI	PER UNIT	PER SQ FT
General & Administrative Management	4.55%	\$349	\$0.38
Payroll & Payroll Tax	5.00%	383	0.41
Repairs & Maintenance	10.47%	803	0.87
Utilities	5.24%	402	0.43
Water, Sewer, & Trash	3.74%	287	0.31
Property Insurance	2.53%	194	0.21
Property Tax	2.42%	186	0.20
Property Tax 2.4101	8.06%	618	0.67
Reserve for Replacements	2.61%	200	0.22
Other: Security	0.26%	20	0.02

TOTAL EXPENSES 44.89% \$3,441 \$3.71

NET OPERATING INC 55.11% \$4,225 \$4.55

**DEBT SERVICE**

First Lien Mortgage 49.08% \$3,763 \$4.06  
Support Services, Compliance F 0.70% \$54 \$0.06  
Additional Financing 0.00% \$0 \$0.00

NET CASH FLOW 5.33% \$408 \$0.44

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.38%	\$2,601	\$2.80
Off-Sites		1.66%	1,275	1.37
Sitework		8.19%	6,298	6.79
Direct Construction		49.63%	38,174	41.15
Contingency 3.39%		1.96%	1,506	1.62
General Req'ts 6.00%		3.47%	2,668	2.88
Contractor's G & i 2.00%		1.16%	889	0.96
Contractor's Prof: 6.00%		3.47%	2,668	2.88
Indirect Construction		3.81%	2,933	3.16
Ineligible Costs		5.62%	4,326	4.66
Developer's G & A 2.00%		1.53%	1,176	1.27
Developer's Profi' 13.00%		9.94%	7,643	8.24
Interim Financing		4.75%	3,654	3.94
Reserves		1.44%	1,105	1.19
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$76,916</b>	<b>\$82.92</b>

Recap-Hard Construction Costs 67.87% \$52,204 \$56.28

**SOURCES OF FUNDS**

First Lien Mortgage	65.10%	\$50,076	\$53.98
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	33.67%	\$25,899	\$27.92
Deferred Developer Fees	5.49%	\$4,219	\$4.55
Additional (excess) Funds Requ	-4.26%	(\$3,277)	(\$3.53)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT		
POTENTIAL GROSS RENT	\$2,010,720	\$2,010,720		
Secondary Income	44,640	79,680	\$26.77	Per Unit Per Month
Other Support Income:	0	0		
POTENTIAL GROSS INCOME	\$2,055,360	\$2,090,400		
Vacancy & Collection Loss	(154,152)	(155,736)	-7.45%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions	0	0		
EFFECTIVE GROSS INCOME	\$1,901,208	\$1,934,664		
EXPENSES			PER SQ FT	PER UNIT
General & Administrative Management	\$86,459	\$56,500	\$0.25	\$228
Payroll & Payroll Tax	95,060	77,387	0.34	312
Repairs & Maintenance	199,144	210,000	0.91	847
Utilities	99,701	102,000	0.44	411
Water, Sewer, & Trash	71,102	60,000	0.26	242
Property Insurance	48,032	38,500	0.17	155
Property Tax	46,011	51,977	0.23	210
Property Tax 2.4101	153,313	198,400	0.86	800
Reserve for Replacements	49,600	49,600	0.22	200
Other: Security	5,000	5,000	0.02	20
TOTAL EXPENSES	\$853,423	\$849,364	\$3.69	\$3,425
NET OPERATING INC	\$1,047,785	\$1,085,300	\$4.72	\$4,376
DEBT SERVICE				
First Lien Mortgage	\$933,135	\$934,111	\$4.06	\$3,767
Support Services, Compliance F	13,400	13,400	\$0.06	\$54
Additional Financing	0	0	\$0.00	\$0
NET CASH FLOW	\$101,251	\$137,789	\$0.60	\$556
AGGREGATE DEBT COVERAGE RATIO	1.11	1.15		
ALTERNATIVE DEBT COVERAGE RATIO		1.16		

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$645,000	\$645,000	\$2.80	\$2,601	3.24%
Off-Sites	316,300	316,300	1.37	1,275	1.59%
Sitework	1,562,000	1,562,000	6.79	6,298	7.85%
Direct Construction	9,467,035	9,790,948	42.56	39,480	49.23%
Contingency 3.39%	373,504	373,504	1.62	1,506	1.88%
General Req'ts 6.00%	661,742	681,177	2.96	2,747	3.43%
Contractor's G & i 2.00%	220,581	240,682	1.05	970	1.21%
Contractor's Prof: 6.00%	661,742	736,488	3.20	2,970	3.70%
Indirect Construction	727,302	727,302	3.16	2,933	3.66%
Ineligible Costs	1,072,885	1,072,885	4.66	4,326	5.39%
Developer's G & A 2.00%	291,600	0	0.00	0	0.00%
Developer's Profi' 13.00%	1,895,398	2,650,267	11.52	10,687	13.33%
Interim Financing	906,076	906,076	3.94	3,654	4.56%
Reserves	273,949	185,259	0.81	747	0.93%
<b>TOTAL COST</b>	<b>\$19,075,114</b>	<b>\$19,887,888</b>	<b>\$86.45</b>	<b>\$80,193</b>	<b>100.00%</b>
Recap-Hard Construction Costs	\$12,946,604	\$13,384,799	\$58.18	\$53,971	67.30%
<b>SOURCES OF FUNDS</b>			<b>RECOMMENDED</b>		
First Lien Mortgage	\$12,418,731	\$12,418,731	\$12,418,731		
Additional Financing	0	0	0		
LIHTC Syndication Proceeds	6,422,865	6,422,865	6,479,033		
Deferred Developer Fees	1,046,293	1,046,293	990,124		
Additional (excess) Funds Requ	(812,775)	(1)	(0)		
<b>TOTAL SOURCES</b>	<b>\$19,075,114</b>	<b>\$19,887,888</b>	<b>\$19,887,888</b>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Blanco Falls Apartments, 4% LIHTC #02426**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.47	\$9,310,015
<b>Adjustments</b>				
Exterior Wall Finish	1.00%		\$0.40	\$93,100
9-Foot Ceilings	3.00%		1.21	279,300
Roofing			0.00	0
Subfloor			(0.68)	(155,486)
Floor Cover			1.82	418,702
Porches/Balconies	\$28.10	47,335	5.78	1,330,114
Plumbing	\$585	600	1.53	351,000
Built-In Appliances	\$1,550	248	1.67	384,400
Stairs	\$1,550	82	0.55	127,100
Floor Insulation			0.00	0
Heating/Cooling			1.41	324,379
Carports	\$7.53	16,800	0.55	126,504
Comm &/or Aux Bldgs	\$55.28	3,960	0.95	218,919
Other:			0.00	0
<b>SUBTOTAL</b>			<b>55.67</b>	<b>12,808,046</b>
Current Cost Multiplier	1.04		2.23	512,322
Local Multiplier	0.87		(7.24)	(1,665,046)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$50.66</b>	<b>\$11,655,322</b>
Plans, specs, survy, b	3.90%		(\$1.98)	(\$454,558)
Interim Construction In	3.38%		(1.71)	(393,367)
Contractor's OH & Prof	11.50%		(5.83)	(1,340,362)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$41.15</b>	<b>\$9,467,035</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$12,418,731	Term	360
Int Rate	6.41%	DCR	1.12

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.11

<b>Additional</b>	\$6,422,865	Term	
Int Rate		Aggregate DCR	1.11

**RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)**

Primary Debt Service	\$933,135
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$114,651</b>

<b>Primary</b>	\$12,418,731	Term	360
Int Rate	6.41%	DCR	1.16

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.16

<b>Additional</b>	\$6,422,865	Term	0
Int Rate	0.00%	Aggregate DCR	1.16

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)**

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$2,010,720	\$2,071,042	\$2,133,173	\$2,197,168	\$2,263,083	\$2,623,534	\$3,041,394	\$3,525,810	\$4,738,393
Secondary Income		79,680	82,070	84,533	87,068	89,681	103,964	120,523	139,719	187,771
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		2,090,400	2,153,112	2,217,705	2,284,237	2,352,764	2,727,498	3,161,918	3,665,529	4,926,165
Vacancy & Collection Los		(155,736)	(161,483)	(166,328)	(171,318)	(176,457)	(204,562)	(237,144)	(274,915)	(369,462)
Employee or Other Non-Ren		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$1,934,664	\$1,991,629	\$2,051,377	\$2,112,919	\$2,176,306	\$2,522,936	\$2,924,774	\$3,390,614	\$4,556,702
<b>EXPENSES at 4.00%</b>										
General & Administrative		\$56,500	\$58,760	\$61,110	\$63,555	\$66,097	\$80,417	\$97,840	\$119,037	\$176,204
Management		77,387	99,581	102,569	105,646	108,815	126,147	146,239	169,531	227,835
Payroll & Payroll Tax		210,000	218,400	227,136	236,221	245,670	298,895	363,652	442,438	654,917
Repairs & Maintenance		102,000	106,080	110,323	114,736	119,326	145,178	176,631	214,899	318,102
Utilities		60,000	62,400	64,896	67,492	70,192	85,399	103,901	126,411	187,119
Water, Sewer & Trash		38,500	40,040	41,642	43,307	45,040	54,798	66,670	81,114	120,068
Insurance		51,977	54,056	56,218	58,467	60,806	73,979	90,007	109,508	162,098
Property Tax		198,400	206,336	214,589	223,173	232,100	282,385	343,565	417,999	618,740
Reserve for Replacements		49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Other		5,000	5,200	5,408	5,624	5,849	7,117	8,658	10,534	15,593
TOTAL EXPENSES		\$849,364	\$902,438	\$937,539	\$974,015	\$1,011,919	\$1,224,911	\$1,483,053	\$1,795,970	\$2,635,362
NET OPERATING INCOME		\$1,085,300	\$1,089,191	\$1,113,838	\$1,138,904	\$1,164,387	\$1,298,025	\$1,441,721	\$1,594,645	\$1,921,340
<b>DEBT SERVICE</b>										
First Lien Financing		\$933,135	\$933,135	\$933,135	\$933,135	\$933,135	\$933,135	\$933,135	\$933,135	\$933,135
Second Lien		13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400
Other Financing		0	0	0	0	0	0	0	0	0
NET CASH FLOW		\$138,765	\$142,656	\$167,304	\$192,369	\$217,852	\$351,490	\$495,186	\$648,110	\$974,805
DEBT COVERAGE RATIO		1.15	1.15	1.18	1.20	1.23	1.37	1.52	1.68	2.03





**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

**DATE:** September 5, 2002    **PROGRAM:** 4% LIHTC    **FILE NUMBER:** 02433

**DEVELOPMENT NAME**

Heatherwilde Villas

**APPLICANT**

**Name:** Heatherwilde Villas Housing, LP    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 5910 North Central Expressway, Suite 1145    **City:** Dallas    **State:** TX  
**Zip:** 75206    **Contact:** Brian Potashnik    **Phone:** (214) 891-1402    **Fax:** (214) 987-9294

**PRINCIPALS of the APPLICANT**

**Name:** Heatherwilde Villas Development, LLC    **(%):** .01    **Title:** Managing General Partner  
**Name:** Related Capital Company    **(%):** 99.99    **Title:** Initial Limited Partner  
**Name:** Brian Potashnik    **(%):** n/a    **Title:** Owner of GP & Contractor

**GENERAL PARTNER**

**Name:** Heatherwilde Villas Development, LLC    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 5910 N. Central Expressway, Suite 1145    **City:** Dallas    **State:** TX  
**Zip:** 75206    **Contact:** Brian Potashnik    **Phone:** (214) 891-1402    **Fax:** (214) 987-9294

**PROPERTY LOCATION**

**Location:** 16600 Heatherwilde Blvd.     QCT     DDA  
**City:** Pflugerville    **County:** Travis    **Zip:** 78660

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$716,824	n/a	n/a	n/a
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New Construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 15 acres    653,400 square feet    **Zoning/ Permitted Uses:** MF  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Fully Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 256    **# Rental Buildings:** 13    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** n/a yrs

Number	Bedrooms	Bathroom	Size in SF
152	2	2	950
88	3	2	1,100
16	4	2	1,300

**Net Rentable SF:** 262,000    **Av Un SF:** 1,023    **Common Area SF:** 5,444    **Gross Bldng SF:** 267,444

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab, 65% stucco/25% stone veneer siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, ceiling fans, laminated counter tops

**ON-SITE AMENITIES**

5,444-SF community building with activity rooms, management offices, laundry facilities, kitchen, restrooms, central mailroom, swimming pool, equipped children's play area, perimeter fencing, limited access gate, computer room, community garden/walk trail, sports courts

**Uncovered Parking:** 459 spaces    **Carports:** n/a spaces    **Garages:** n/a spaces

**OTHER SOURCES of FUNDS**

**INTERIM TO PERMANENT FINANCING**

**Source:** Charter Mac Municipal Mortgage    **Contact:** Marnie Miller

**Principal Amount:** \$15,525,000    **Interest Rate:** 7% tax exempt portion/ 9% taxable portion

**Additional Information:** tax-exempt and taxable bonds

**Amortization:** 40 yrs    **Term:**        yrs    **Commitment:**     None     Firm     Conditional

**Annual Payment:** \$1,160,122    **Lien Priority:** 1<sup>st</sup>    **Commitment Date:** 07/ 15/ 2002

**LIHTC SYNDICATION**

**Source:** Related Capital Company    **Contact:** Justin Ginsberg

**Address:** 625 Madison Avenue    **City:** New York

**State:** NY    **Zip:** 10022    **Phone:** (212) 421-5333    **Fax:** (212) 751-3550

**Net Proceeds:** \$5,582,000    **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 82¢

**Commitment:**     None     Firm     Conditional    **Date:** 7/ 10/ 2002

**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$1,691,196    **Source:** Deferred developer fee

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

VALUATION INFORMATION			
APPRAISED VALUE			
Land Only:	n/a	Date of Valuation:	/ /
Existing Building: as is	n/a	Date of Valuation:	/ /
Existing Building: as renovated	n/a	Date of Valuation:	/ /
Proposed Building: as completed	n/a	Date of Valuation:	/ /
Appraiser: n/a	City: n/a	Phone: ( )	
ASSESSED VALUE			
Land (47.72 acres):	\$2,775,620	Assessment for the Year of:	2002
Prorated (per acre):	\$58,165	Valuation by:	Travis County Appraisal District
Total Assessed Value (15 acres):	\$872,470	Tax Rate:	2.646

**EVIDENCE of SITE or PROPERTY CONTROL**

Type of Site Control: Earnest Money Contract

Contract Expiration Date: 10/ 15/ 2002 Anticipated Closing Date: 09/ 30/ 2002

Acquisition Cost: \$ 1,900,000 Other Terms/Conditions: \_\_\_\_\_

Seller: Heatherwilde Group, Ltd. Related to Development Team Member: No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Heatherwilde Villas is a proposed new construction development of 256 units of affordable housing located in Pflugerville. The development is comprised of 13 residential buildings as follows:

- (4) Building Type A with twelve 2-bedroom units and eight 3-bedroom units;
- (2) Building Type B with eight 4-bedroom units;
- (2) Building Type C with twenty-four 2-bedroom units;
- (4) Building Type D with twelve 2-bedroom units and twelve 3-bedroom units; and
- (1) Building Type E with eight 2-bedroom units and eight 3-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 5,444-square foot community building plan includes the management office, two community rooms, children's and adult's learning center, kitchen, restrooms, laundry facilities and maintenance room.

**Supportive Services:** The Applicant has contracted with Housing Services of Texas to provide the following supportive services to tenants: after school programs, adult education program, health screenings and immunizations, family counseling/domestic crisis intervention, computer education, emergency assistance and relief, community outreach programs, vocational guidance, social/recreational activities, state workforce development and welfare program assistance. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services and to pay \$1,500 per month for these support services. The Underwriter utilized the \$1,500/month expense in the analysis, but the Applicant indicated \$37,800 in supportive services expense.

**Schedule:** The Applicant anticipates construction to begin in November of 2002, to be completed in January of 2004, to be placed in service in August of 2004, and to be substantially leased-up in November of 2004.

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**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. 256 of the units (100%) will be reserved for households earning 50% or less of AMGI. Although this allows for prospective tenants to be qualified at the 60% of AMGI or less income level, as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI.

**Special Needs Set-Asides:** 13 units (5%) will be handicapped-accessible.

**Compliance Period Extension:** The Applicant did not indicate whether the compliance period will be extended.

**MARKET HIGHLIGHTS**

A market feasibility study dated August 1, 2002 was prepared by Butler Burgher and highlighted the following findings:

**Definition of Market/Submarket:** “The subject’s primary market area is defined as the 7-mile ring from the intersection of Heatherwilde Boulevard and Yellow Sage Boulevard, which generally encompasses the cities of Pflugerville and Round Rock, as well as approximates the northeastern portion of the City of Austin north of U.S. Highway 290 and northeast of U.S. 183, in a suburban area with a combination of residential, commercial, and retail uses.” “The subject is located in the North Central submarket.” (p. 4 & 21)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Average Household Growth	375	5%
Resident Turnover	7,107	95%
<b>TOTAL ANNUAL DEMAND</b>	<b>7,482</b>	<b>100%</b>

Ref: p. 52

**Capture Rate:** The market analyst calculated a concentration rate of 3.42% based upon a supply of unstabilized units of 256 (the subject’s units) divided by a demand of 7,482. The market analyst did not include units from the Westchester Woods Apartments which received a 2001 LIHTC/Tax Exempt Bond allocation or the Redhill Villas, which recently opened in April of 2002. As a result, the Underwriter calculated a concentration capture rate of 8.71% based upon a revised supply of unstabilized comparable affordable units of 674 (256 units from the subject + 250 units from Westchester Woods Apts. + 168 units from Redhill Villas) divided by a revised demand 7,734. The revised concentration rate is well below the 25% maximum limit allowed for urban area developments even with the units from Westchester Woods and Redhill Villas included, and is therefore not considered an issue.

**Local Housing Authority Waiting List Information:** “There are approximately 2,000 names on the waiting list for public housing, with a two-year waiting period due to the lack of available units.” (p. 45)

**Market Rent Comparables:** The market analyst surveyed six comparable apartment projects totaling 1,600 units in the market area. (p. 66-69)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (50%)</b>	\$723	\$723	\$0	\$770	-\$47
<b>3-Bedroom (50%)</b>	\$832	\$832	\$0	\$925	-\$93
<b>4-Bedroom (50%)</b>	\$909	\$909	\$0	\$1,030	-\$121

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100)

**Submarket Vacancy Rates:** “According to Capitol Market Research’s June 2002 report, the subject submarket (North Central) is currently 91.3% occupied, which equates to 25,432 occupied units out of the

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**CREDIT UNDERWRITING ANALYSIS**

27,863 total units in this submarket.” (p. 54)

**Absorption Projections:** “Overall absorption has slowed in the Austin area for several reasons including an influx of new units entering the market, slower employment gains, and higher rental rates. However, pent-up demand does exist in the immediate market and the subject’s lease-up is anticipated to be relatively quick. An absorption rate of 15 units/month is reasonable for the subject, as encumbered by LIHTC, resulting in a 16-month absorption period to obtain a stabilized occupancy of 94%.” (p. 54)

**Known Planned Development:** “Currently, there are no new LIHTC projects planned/approved for the 7-mile primary market area.” (p. 45)

**Effect on Existing Housing Stock:** “The area’s affordable housing market is experiencing a shortage in supply; and as the economy and population continues to grow, the shortage will continue to worsen” (p. 45)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Pflugerville is located in central Texas within the Austin MSA in Travis County. The site is an irregularly-shaped parcel located in the eastern central area of Pflugerville, approximately 15 miles from the central business district. The site is situated on the east side of Heatherwilde Boulevard.

**Population:** The estimated 2002 population of the 7-mile primary market area was 224,595 and is expected to increase by 18.5% to approximately 266,244 by 2007. Within the primary market area there were estimated to be 84,622 households in 2002.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly mixed, with single-family, multi-family, retail, office, industrial and vacant land. Adjacent land uses include:

- **North:** Single-family residential neighborhood
- **South:** vacant land
- **East:** vacant land
- **West:** vacant land, senior apartment community, future Scott & White hospital site

**Site Access:** Access and entry to the property is from the north or south from Heatherwilde Boulevard. Access to Interstate Highway 35 is 1.5 miles west, which provides connections to all other major roads serving the Austin area.

**Public Transportation:** The availability of public transportation is unknown, although limited public transportation may be provided by the Capital Metropolitan Transit Authority.

**Shopping & Services:** The site is within ½ mile of several major grocery/pharmacies, shopping centers, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated July 30, 2002 was prepared by Butler Burgher, Inc. and contained the following findings and recommendations:

“Butler Burgher makes the following significant findings and conclusions based on our Phase I ESA:

- No potentially significant on-site environmental concerns or recognized environmental conditions were observed during the site visit;
- LUST sites were not identified during the July 11, 2002 review of current regulatory databases;
- The Subject property was not listed on the solid waste landfills database, nor were any landfills identified that would have any impact on the Subject;
- Butler Burgher’s site reconnaissance did not identify adjacent or off-site recognized environmental conditions in the immediate vicinity of the Subject property;
- The historical review did not reveal any prior issues that indicate the presence of recognized environmental conditions; and
- A National Environmental Protection Act (NEPA) Report was reviewed, and there were no issues identified in the NEPA Report that impact the Subject property.

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In the professional opinion of Butler Burgher, an appropriate level of inquiry has been made into the previous ownership and uses of the property consistent with good commercial and customary practice in an effort to minimize liability, and no evidence or indication of recognized environmental conditions has been revealed. No further investigation/assessment is warranted at this time. However, if more information is revealed in regards to environmental conditions in the Subject, Butler Burgher retains the right to update this Phase I ESA.” (p. 15)

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines. Vacancy and collection losses are in line with TDHCA underwriting guidelines. The Applicant overstated secondary income at \$20 unit/month which contributed to the \$61K higher gross income estimate than the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,463 per unit is 6% lower than the Underwriter’s estimate of \$3,680 per unit. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the Underwriter’s estimates, particularly: payroll (\$85K lower), utilities (\$14K lower), water, sewer, and trash (\$25K higher), insurance (\$10K higher) and property tax (\$10K higher). The Underwriter’s analysis includes \$18,000 in supportive services expense while the Applicant indicated \$37,800 in this expense category.

**Conclusion:** The Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Both the Underwriter’s and the Applicant’s estimated aggregate debt coverage ratios (DCR) are less than the program minimum standard of 1.10. However, assuming that compliance and supportive service fees may be waived and/or paid out of available cashflow, the development’s BONDS-ONLY DCR is within the Department’s guidelines.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The acquisition price is assumed to be reasonable sine the acquisition is an arm’s-length transaction. However, site control is in the name of Southwest Housing. Although both the General Partner and Southwest Housing are owned by Brian Potashnik, Southwest Housing is not a part of the ownership structure for the development. Therefore, receipt, review and acceptance of an assignment of contract of site control from Southwest Housing to the Applicant is a condition of this report.

**Sitework Cost:** The Applicant’s claimed sitework costs of \$6,034 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s direct construction cost estimate is within 5% of the Underwriter’s estimate, and is therefore regarded as reasonable as submitted.

**Interim Financing Fees:** The Underwriter reduced the Applicant’s interim financing fees by \$184,670 to reflect the net effect of the Applicant’s projection of \$184,670 in income from a guaranteed investment contract, which results in an equivalent reduction in eligible basis.

**Fees:** The Applicant’s general requirements, contractor’s general and administrative fees, and contractor’s profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Contingency cost also exceeds the 5% maximum for new construction developments. Consequently the Applicant’s eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs.

**Conclusion:** The Applicant’s total development cost estimate is within 5% of the Underwriter’s estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant’s project costs to a reasonable margin, the Applicant’s total cost breakdown, as adjusted, is used to calculate the eligible basis. As a result an eligible basis of \$19,207,540 is used to determine a credit allocation of \$704,917 from this method. This is \$11,907 less than requested due to the overstated contingency cost, contractor fees and financing fees. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant’s costs to determine the recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing from three sources: a bond financed interim to permanent loan, syndicated LIHTC equity and deferred developer’s fees.

**Bonds:** The Applicant plans to utilize tax-exempt and taxable private activity bonds in the amount of

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\$15,000,000 and \$525,000, respectively to be issued by the Travis County Housing Finance Corporation. Charter/MAC has proposed to purchase the bonds. According to the commitment, the bonds shall mature 40 years and approximately 4.6 years, respectively. The interest rates for the tax-exempt and taxable bonds shall be set at 7.00% and 9.00%, respectively and the taxable portion will have priority redemption. The blended interest rate used in this analysis is 7.02%.

**LIHTC Syndication:** Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,582,000 based on a syndication factor of 82%. The funds would be disbursed in a five-phased pay-in schedule:

1. 20% upon admission to the partnership;
2. 10% upon completion of 50% of construction;
3. 30% upon completion of 75% of construction;
4. 20% upon completion of construction;
5. 20% upon attainment of Rental Achievement.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$1,691,196 amount to 68% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$704,917 annually for ten years, resulting in syndication proceeds of approximately \$5,779,739. Furthermore, the anticipated deferred developer fee will be increased to \$1,833,508. The developer fee appears to be repayable from cash flow within 10 years.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are simple with varied rooflines. All units are larger than the average unit size and have covered patios or balconies. Each unit has a semi-private exterior entry that is off an interior breezeway that is shared with three other units. The units are in two- and three-story structures with mixed stucco, stone veneer and HardiPlank exterior.

**IDENTITIES of INTEREST**

There is an identity of interest between the ownership entity, Heatherwilde Villas Housing, LP, and the General Contractor, Affordable Housing Construction, Inc. Brian Potashnik is the owner of the contractor as well as Heatherwilde Villas Development, LLC, which is the managing general partner of Heatherwilde Villas Housing, LP. These are typical relationships for tax credit developments.

**APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The owner of the General Partner, Brian Potashnik, submitted an unaudited financial statement as of June 15, 2002.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The managing member of the General Partner, Brian Potashnik, has completed 16 affordable housing developments totaling 3,220 units since 1994.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$704,917 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**CREDIT UNDERWRITING ANALYSIS**

**CONDITIONS**

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review and acceptance of an assignment of site control from Southwest Housing to the Applicant.

**Associate Underwriter:**

\_\_\_\_\_  
*Raquel Morales*

**Date:** September 4, 2002

**Credit Underwriting Supervisor:**

\_\_\_\_\_  
*Lisa Vecchiatti*

September 4, 2002

**Director of Credit Underwriting:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** September 4, 2002



**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Heatherwilde, Pflugerville, 4% LIHTC #02433**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trst
TC 50%	152	2	2	950	\$800	\$723	\$109,896	\$0.76	\$87	\$46.00
TC 50%	88	3	2	1,100	924	\$832	73,216	0.76	\$105	70.00
TC 50%	16	4	2	1,300	1031	\$909	14,544	0.70	\$137	83.00
<b>TOTAL:</b>										
<b>AVERAGE:</b>										
1,023										
\$857										
\$772										
\$197,656										
\$0.75										
\$96.31										
\$56.56										

**INCOME** Total Net Rentable Sq Ft: 262,000

<b>POTENTIAL GROSS RENT</b>			
Secondary Income	Per Unit Per Month:	\$15.00	
Other Support Income: (describe)			
<b>POTENTIAL GROSS INCOME</b>			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	
Employee or Other Non-Rental Units or Concessions			
<b>EFFECTIVE GROSS INCOME</b>			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$2,371,872	\$2,371,872
Secondary Income	46,080	61,440
Other Support Income: (describe)	0	0
POTENTIAL GROSS INCOME	\$2,417,952	\$2,433,312
Vacancy & Collection Loss	(181,346)	(182,496)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$2,236,606	\$2,250,816

EXPENSES	% OF RGI	PER UNIT	PER SQ FT
General & Administrative	3.25%	\$284	\$0.28
Management	5.00%	437	0.43
Payroll & Payroll Tax	9.53%	833	0.81
Repairs & Maintenance	5.19%	453	0.44
Utilities	4.53%	396	0.39
Water, Sewer, & Trash	2.88%	252	0.25
Property Insurance	1.87%	164	0.16
Property Tax 2,646	7.57%	661	0.65
Reserve for Replacements	2.29%	200	0.20
Other Expenses:	0.00%	0	0.00
<b>TOTAL EXPENSES</b>	<b>42.13%</b>	<b>\$3,680</b>	<b>\$3.60</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF RGI
General & Administrative	\$72,675	\$70,000	\$0.27	\$273	3.11%
Management	111,830	112,541	0.43	440	5.00%
Payroll & Payroll Tax	213,248	127,900	0.49	500	5.68%
Repairs & Maintenance	116,049	116,900	0.45	457	5.19%
Utilities	101,409	87,000	0.33	340	3.87%
Water, Sewer, & Trash	64,512	89,400	0.34	349	3.97%
Property Insurance	41,920	52,400	0.20	205	2.33%
Property Tax 2,646	169,338	179,200	0.68	700	7.96%
Reserve for Replacements	51,200	51,200	0.20	200	2.27%
Other Expenses:	0	0	0.00	0	0.00%
<b>TOTAL EXPENSES</b>	<b>\$942,180</b>	<b>\$886,541</b>	<b>\$3.38</b>	<b>\$3,463</b>	<b>39.39%</b>

**NET OPERATING INC** 57.87% \$5,056 \$4.94

\$1,294,425 \$1,364,275 \$5.21 \$5,329 60.61%

DEBT SERVICE	%	AMOUNT	PER UNIT
Charter MAC	51.87%	\$4,532	\$4.43
Compliance Fees	0.29%	\$25	\$0.02
Supportive Services	0.80%	\$70	\$0.07
<b>NET CASH FLOW</b>	<b>4.91%</b>	<b>\$429</b>	<b>\$0.42</b>

	TDHCA	APPLICANT
Charter MAC	\$1,160,122	\$1,199,157
Compliance Fees	6,400	10,240
Supportive Services	18,000	37,800
<b>NET CASH FLOW</b>	<b>\$109,904</b>	<b>\$117,078</b>

AGGREGATE DEBT COVERAGE RATIO 1.09

1.09

BONDS-ONLY DEBT COVERAGE RATIO 1.12

1.12

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		8.72%	\$7,813	\$7.63
Off-Sites		0.00%	0	0.00
Sitework		6.74%	6,034	5.90
Direct Construction		48.91%	43,799	42.80
Contingency 5.00%		2.78%	2,492	2.43
General Require 6.00%		3.34%	2,990	2.92
Contractor's G 2.00%		1.11%	997	0.97
Contractor's Pr 6.00%		3.34%	2,990	2.92
Indirect Construction		2.49%	2,231	2.18
Ineligible Costs		7.16%	6,410	6.26
Developer's G & A 2.00%		1.44%	1,288	1.26
Developer's Profit 13.00%		9.35%	8,371	8.18
Interim Financing		3.20%	2,861	2.80
Reserves		1.42%	1,273	1.24
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$89,548</b>	<b>\$87.50</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$2,000,000	\$2,000,000	\$7.63	\$7,813	8.64%
Off-Sites	0	0	0.00	0	0.00%
Sitework	1,544,722	1,544,722	5.90	6,034	6.68%
Direct Construction	11,212,533	11,413,601	43.56	44,584	49.33%
Contingency 5.00%	637,863	775,080	2.96	3,028	3.35%
General Require 6.00%	765,435	782,905	2.99	3,058	3.38%
Contractor's G 2.00%	255,145	260,968	1.00	1,019	1.13%
Contractor's Pr 6.00%	765,435	782,905	2.99	3,058	3.38%
Indirect Construction	571,050	571,050	2.18	2,231	2.47%
Ineligible Costs	1,640,930	1,640,930	6.26	6,410	7.09%
Developer's G & A 2.00%	329,695	0	0.00	0	0.00%
Developer's Profit 13.00%	2,143,014	2,483,543	9.48	9,701	10.73%
Interim Financing	732,543	732,543	2.80	2,861	3.17%
Reserves	325,969	150,000	0.57	586	0.65%
<b>TOTAL COST</b>	<b>\$22,924,335</b>	<b>\$23,138,247</b>	<b>\$88.31</b>	<b>\$90,384</b>	<b>100.00%</b>

Recap-Hard Construction Costs 66.22% \$59,301 \$57.94

\$15,181,134 \$15,560,181 \$59.39 \$60,782 67.25%

**SOURCES OF FUNDS**

Tax Exempt Bonds- Charter MAC	65.43%	\$58,594	\$57.25
Taxable Tail Bonds- Charter MA	2.29%	\$2,051	\$2.00
LIHTC Syndication Proceeds	24.35%	\$21,805	\$21.31
Deferred Developer Fees	7.38%	\$6,606	\$6.45
Additional (excess) Funds Requ:	0.55%	\$493	\$0.48
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT	RECOMMENDED
Tax Exempt Bonds- Charter MAC	\$15,000,000	\$15,000,000	\$15,000,000
Taxable Tail Bonds- Charter MA	525,000	525,000	525,000
LIHTC Syndication Proceeds	5,582,000	5,582,000	5,779,739
Deferred Developer Fees	1,691,196	1,691,196	1,833,508
Additional (excess) Funds Requ:	126,139	340,051	0
<b>TOTAL SOURCES</b>	<b>\$22,924,335</b>	<b>\$23,138,247</b>	<b>\$23,138,247</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Heatherwilde, Pflugerville, 4% LIHTC #02433**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$39.86	\$10,443,301
<b>Adjustments</b>				
Exterior Wall Finl	1.70%		\$0.68	\$177,536
ft. ceilings	4.00%		1.59	417,732
Roofing			0.00	0
Subfloor			(0.85)	(223,270)
Floor Cover			1.82	476,840
Porches/Balconies	\$28.10	81583	8.75	2,292,495
Plumbing	\$585	720	1.61	421,200
Built-In Appliance	\$1,550	256	1.51	396,800
Stairs/Fireplaces	\$1,350	80	0.41	108,000
Floor Insulation			0.00	0
Heating/Cooling			1.41	369,420
Garages/Carports		0	0.00	0
Comm &/or Aux Bldg	\$53.18	5,444	1.10	289,493
Other:			0.00	0
<b>SUBTOTAL</b>			<b>57.90</b>	<b>15,169,548</b>
Current Cost Multiplier	1.04		2.32	606,782
Local Multiplier	0.87		(7.53)	(1,972,041)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$52.69</b>	<b>\$13,804,288</b>
Plans, specs, survy, b	3.90%		(\$2.05)	(\$538,367)
Interim Construction I	3.38%		(1.78)	(465,895)
Contractor's OH & Prof	11.50%		(6.06)	(1,587,493)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.80</b>	<b>\$11,212,533</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$15,525,000	Term	480
Int Rate	7.02%	DCR	1.12

<b>Secondary</b>		Term	
Int Rate		Subtotal DCR	1.11

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.09

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$1,160,122
Additional Financing	0
Additional Financing	0
<b>NET CASH FLOW</b>	<b>\$134,304</b>

<b>Primary</b>	\$15,525,000	Term	480
Int Rate	7.02%	DCR	1.12

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.12

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.12

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,371,872	\$2,443,028	\$2,516,319	\$2,591,809	\$2,669,563	\$3,094,755	\$3,587,669	\$4,159,092	\$5,589,472
Secondary Income	46,080	47,462	48,886	50,353	51,863	60,124	69,700	80,802	108,591
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,417,952	2,490,491	2,565,205	2,642,161	2,721,426	3,154,879	3,657,369	4,239,893	5,698,062
Vacancy & Collection Los	(181,346)	(186,787)	(192,390)	(198,162)	(204,107)	(236,616)	(274,303)	(317,992)	(427,355)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$2,236,606</b>	<b>\$2,303,704</b>	<b>\$2,372,815</b>	<b>\$2,443,999</b>	<b>\$2,517,319</b>	<b>\$2,918,263</b>	<b>\$3,383,067</b>	<b>\$3,921,901</b>	<b>\$5,270,708</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$72,675	\$75,581	\$78,605	\$81,749	\$85,019	\$103,438	\$125,849	\$153,114	\$226,646
Management	111,830	115,185	118,641	122,200	125,866	145,913	169,153	196,095	263,535
Payroll & Payroll Tax	213,248	221,778	230,649	239,875	249,470	303,518	369,277	449,281	665,046
Repairs & Maintenance	116,049	120,691	125,518	130,539	135,760	165,173	200,959	244,497	361,915
Utilities	101,409	105,465	109,684	114,071	118,634	144,337	175,608	213,654	316,260
Water, Sewer & Trash	64,512	67,092	69,776	72,567	75,470	91,821	111,714	135,917	201,190
Insurance	41,920	43,597	45,341	47,154	49,040	59,665	72,592	88,319	130,734
Property Tax	169,338	176,111	183,156	190,482	198,101	241,020	293,238	356,769	528,105
Reserve for Replacements	51,200	53,248	55,378	57,593	59,897	72,874	88,662	107,871	159,675
Other	0	0	0	0	0	0	0	0	0
<b>TOTAL EXPENSES</b>	<b>\$942,180</b>	<b>\$978,749</b>	<b>\$1,016,747</b>	<b>\$1,056,231</b>	<b>\$1,097,258</b>	<b>\$1,327,760</b>	<b>\$1,607,051</b>	<b>\$1,945,517</b>	<b>\$2,853,107</b>
<b>NET OPERATING INCOME</b>	<b>\$1,294,425</b>	<b>\$1,324,955</b>	<b>\$1,356,068</b>	<b>\$1,387,769</b>	<b>\$1,420,061</b>	<b>\$1,590,503</b>	<b>\$1,776,016</b>	<b>\$1,976,384</b>	<b>\$2,417,600</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$1,160,122	\$1,160,122	\$1,160,122	\$1,160,122	\$1,160,122	\$1,160,122	\$1,160,122	\$1,160,122	\$1,160,122
Second Lien	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400
Other Financing	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
<b>NET CASH FLOW</b>	<b>\$109,904</b>	<b>\$140,433</b>	<b>\$171,546</b>	<b>\$203,247</b>	<b>\$235,540</b>	<b>\$405,982</b>	<b>\$591,494</b>	<b>\$791,863</b>	<b>\$1,233,079</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.09</b>	<b>1.12</b>	<b>1.14</b>	<b>1.17</b>	<b>1.20</b>	<b>1.34</b>	<b>1.50</b>	<b>1.67</b>	<b>2.04</b>

**LIHTC Allocation Calculation - Heatherwilde, Pflugerville, 4% LIHTC #024**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$2,000,000	\$2,000,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,544,722	\$1,544,722	\$1,544,722	\$1,544,722
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$11,413,601	\$11,212,533	\$11,413,601	\$11,212,533
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$260,968	\$255,145	\$259,166	\$255,145
Contractor profit	\$782,905	\$765,435	\$777,499	\$765,435
General requirements	\$782,905	\$765,435	\$777,499	\$765,435
<b>(5) Contingencies</b>	\$775,080	\$637,863	\$647,916	\$637,863
<b>(6) Eligible Indirect Fees</b>	\$571,050	\$571,050	\$571,050	\$571,050
<b>(7) Eligible Financing Fees</b>	\$732,543	\$732,543	\$732,543	\$732,543
<b>(8) All Ineligible Costs</b>	\$1,640,930	\$1,640,930		
<b>(9) Developer Fees</b>				
Developer overhead		\$329,695		\$329,695
Developer fee	\$2,483,543	\$2,143,014	\$2,483,543	\$2,143,014
<b>(10) Development Reserves</b>	\$150,000	\$325,969		
<b>TOTAL DEVELOPMENT COSTS</b>	\$23,138,247	\$22,924,335	\$19,207,540	\$18,957,436

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$19,207,540	\$18,957,436
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$19,207,540	\$18,957,436
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$19,207,540	\$18,957,436
Applicable Percentage			3.67%	3.67%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$704,917	\$695,738

Syndication Proceeds	0.8199	\$5,779,739	\$5,704,480
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**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTI FAMILY CREDIT UNDERWRITING ADDENDUM**

**DATE:** September 5, 2002      **PROGRAM:** MRB/LIHTC      **FILE NUMBER:** 98-07T

**DEVELOPMENT NAME**

Greens of Hickory Trail Apartments

**APPLICANT**

**Name:** Brisben Hickory Limited Partnership      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 7800 East Kemper Road      **City:** Cincinnati      **State:** Ohio  
**Zip:** 45249    **Contact:** William O. Brisben      **Phone:** (513) 489-1990    **Fax:** (513) 489-2780

**PRINCIPALS of the APPLICANT**

**Name:** Brisben Hickory Trail, Inc.      **(%):** 1.0      **Title:** General Partner  
**Name:** SunAmerica Housing Fund 609      **(%):** 99.9      **Title:** Limited Partner  
**Name:** William O Brisben      **(%):** n/a      **Title:** Principle of GP

**GENERAL PARTNER**

**Name:** Brisben Hickory Trail, Inc.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 7800 East Kemper Road      **City:** Cincinnati      **State:** Ohio  
**Zip:** 45249    **Contact:** William O. Brisben      **Phone:** (513) 489-1990    **Fax:** (513) 489-2780

**PROPERTY LOCATION**

**Location:** 8600 Block of Old Hickory Trail       **QCT**     **DDA**  
**City:** Dallas      **County:** Dallas      **Zip:** 75237

**REQUEST**

<u>Amount</u>	<u>Bond Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
① \$10,800,000	5.43%	30	32
② \$2,700,000	6.4%	30	32
③ \$829,134	n/a	n/a	n/a

**Other Requested Terms:**    ① Tax-Exempt Mortgage Revenue Bonds, ② Taxable MRB's, ③ 4.0% LIHTC allocation  
\* Current LIHTC request is \$194,930 in addition to \$643,204 previously approved.

**Proposed Use of Funds:**    New Construction      **Set-Aside:**  General     Rural     Non-Profit

**SITE DESCRIPTION**

**Size:** 25.052 acres    1,091,251 square feet    **Zoning/ Permitted Uses:** MF-2(A) Multifamily District  
**Flood Zone Designation:** Zone C (outside the 500-yr. floodplain)      **Status of Off-Sites:** Partially Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ADDENDUM**

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 250    **# Rental Buildings:** 32    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** n/a yrs    **Vacant:** n/a at / /

Number	Bedrooms	Other Rms	Bathrooms	Size in SF
8	2	-	2	858
118	2	-	2	1,083
6	3	-	2	1,048
118	3	-	2	1,299

**Net Rentable SF:** 294,228    **Av Un SF:** 1,177    **Common Area SF:** 3,719    **Gross Bldng SF** 297,947

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**OTHER SOURCES of FUNDS**

**PERMANENT FINANCING**

**Source:** Wells Fargo    **Contact:** Pamela Jones

**TAX-EXEMPT BOND FINANCING**

**Principal Amount:** \$8,400,000    **Interest Rate:** 5.25%  
**Amortization:** 30 yrs    **Term:** 32 yrs    **Annual Payment:** \$629,825

**TAX-EXEMPT BOND FINANCING**

**Principal Amount:** \$2,400,000    **Interest Rate:** 5.20%  
**Amortization:** 30 yrs    **Term:** 32 yrs    **Annual Payment:** \$178,750

**TAXABLE TAIL FINANCING**

**Principal Amount:** \$2,700,000    **Interest Rate:** 6.03%  
**Amortization:** 30 yrs    **Term:** 32 yrs    **Annual Payment:** \$223,504

**LIHTC SYNDICATION**

**Source:** SunAmerica Housing Fund 609    **Contact:** Michael L. Fowler  
**Address:** 1 SunAmerica Center    **City:** Los Angeles  
**State:** California    **Zip:** 90067    **Phone:** (310) 772-6553    **Fax:** (310) 772-6179

**Net Proceeds:** \$4,688,416    **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 74¢

**Commitment**     None     Firm     Conditional    **Date:** 10/ 06/ 1998

**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$1,302,447    **Source:** Deferred developer's fees

**ADDENDUM**

In 1998 the owner requested \$634,204 in 4% tax credits in conjunction with the issue of \$13,500,000 in tax-exempt and taxable mortgage revenue bonds. Brisben Hickory Limited Partnership was awarded tax credits conditioned upon:

1. Site inspection and acceptance by a qualified TDHCA staff member;
2. TDHCA Governing Board acceptance and waiver of the total development cost exceeding the maximum per rentable square foot guideline by 1% as indicated and recommended by the Underwriter on the attached Comparative Analysis;
3. Firm formal commitment from the letter of credit provider/interim lender, NationsBank, and the

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ADDENDUM**

- permanent credit enhancement lender, FSA/SunAmerica, reflecting no material changes to the terms and conditions of the proposed financing instruments identified in their respective proposed term sheets; and,
4. Customary release of lien from the First National Bank of Athens, successor to the Resolution Trust Corporation, of the entire proposed 25.052 acre development site securing this transaction.

It is assumed that all of the above conditions were met as the development was placed in service in 2000.

It should be noted that the original underwriting report acknowledged the development's location within a QCT and adjusted the Underwriter's calculated eligible basis by +30%. However, the owner did not take into consideration the +30% adjustment in eligible basis when calculating their request. The recommended tax credit allocation was based on the lesser of three methods: the eligible basis method, equity gap method or the amount requested. In this case, the amount requested was recommended and awarded.

The Department received a Placed-In-Service application in November of 2000 requesting an additional allocation of 4% tax credits based upon the development's location within a QCT. The request totals \$829,134 annually, or an additional allocation of \$194,930. At the time of original underwriting, the difference in the request and the calculated tax credits based on a +30% adjustment to eligible basis would have amounted to additional recommended tax credits of \$273,999 based on an applicable percentage rate of a full 4%.

A revised underwriting analysis based on the information provided in the Placed-In-Service application indicates that the development was eligible for a total annual tax credit allocation of \$828,448, or an additional allocation of \$194,244. This conclusion is based upon the development's actual total development costs, a +30% adjustment in eligible basis for location within a QCT, and an actual blended applicable percentage rate as of placement in service of 3.66%. The information provided includes an increase in total development costs of \$648,472 since application, but a decrease in direct construction costs of \$927,197. It should also be noted that the original application proposed a syndication rate of 72%, while the actual syndication rate is 74%. The partnership agreement does not detail the syndication rate to be applied to tax credits received in excess of the original annual allocation of \$634,204. It is assumed that the full 74% will apply.

Upon Board acceptance, it is recommended that the development receive the requested additional annual tax credits of \$194,244. Again, this recommendation is based on the lesser of the eligible basis method, equity gap method or the amount requested at this time. In this case, the eligible basis method resulted in the lowest tax credit amount. Should the development receive the requested additional tax credits, the deferred developer fee would be reduced from \$2,743,487 to \$1,307,520, a difference of \$1,435,967. Based on the Underwriter's 30-year proforma, both the current deferred fees of \$2,743,487 and the resulting reduction in deferred fees to \$1,307,520 appear to be repayable within 10 years of stabilized operation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- None noted.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN ADDITIONAL LIHTC ALLOCATION NOT TO EXCEED \$194,244 ANNUALLY FOR TEN YEARS.

Credit Underwriting Supervisor

\_\_\_\_\_  
*Lisa Vecchietti*

Date: September 5, 2002

Director of Credit Underwriting

\_\_\_\_\_  
*Tom Gouris*

Date: September 5, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Greens of Hickory Trail, 4% LIHTC #98-07T ADDENDUM**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trst
TC (60%)	8	2	2	858	\$820	\$735	\$5,880	\$0.86	\$85.00	\$52.00
TC (60%)	116	2	2	1,083	820	735	85,260	0.68	85.00	52.00
EO	2	2	2	1,083	0	0	0	0.00	85.00	52.00
TC (60%)	6	3	2	1,048	948	848	5,088	0.81	100.00	61.00
TC (60%)	118	3	2	1,299	948	848	100,064	0.65	100.00	61.00
<b>TOTAL:</b>	<b>250</b>		<b>AVERAGE:</b>	<b>1,177</b>	<b>\$877</b>	<b>\$785</b>	<b>\$196,292</b>	<b>\$0.67</b>	<b>\$92.44</b>	<b>\$56.46</b>

**INCOME**

Total Net Rentable Sq Ft: 294,228

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$10.00  
Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.51%	\$398	\$0.34
Management	5.00%	441	0.37
Payroll & Payroll Tax	3.55%	313	0.27
Repairs & Maintenance	5.20%	459	0.39
Utilities	3.20%	283	0.24
Water, Sewer, & Trash	6.39%	564	0.48
Property Insurance	2.13%	188	0.16
Property Tax 2.5	9.91%	875	0.74
Reserve for Replacements	2.27%	200	0.17
Other Expenses:	2.11%	186	0.16
<b>TOTAL EXPENSES</b>	<b>44.27%</b>	<b>\$3,907</b>	<b>\$3.32</b>

**NET OPERATING INC**

55.73% \$4,919 \$4.18

**DEBT SERVICE**

Tax-Exempt Bond Proceeds	32.43%	\$2,863	\$2.43
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00
Taxable Bond Proceeds	12.96%	\$1,144	\$0.97
<b>NET CASH FLOW</b>	<b>10.34%</b>	<b>\$912</b>	<b>\$0.78</b>

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		4.13%	\$4,014	\$3.41
Off-Sites		0.00%	0	0.00
Sitework		9.38%	9,119	7.75
Direct Construction		51.42%	50,010	42.49
Contingency	0.00%	0.00%	0	0.00
General Require	4.68%	2.85%	2,768	2.35
Contractor's G & A	1.56%	0.95%	923	0.78
Contractor's Pro	4.68%	2.85%	2,768	2.35
Indirect Construction		1.22%	1,187	1.01
Ineligible Expenses		9.25%	9,000	7.65
Developer's G & A	0.00%	0.00%	0	0.00
Developer's Profit	12.25%	9.32%	9,065	7.70
Interim Financing		7.44%	7,234	6.15
Reserves		1.21%	1,176	1.00
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$97,265</b>	<b>\$82.64</b>

**Recap-Hard Construction Costs**

67.43% \$65,588 \$55.73

**SOURCES OF FUNDS**

Tax-Exempt Bond Proceeds	44.41%	\$43,200	\$36.71
LIHTC Syndication Proceeds	25.21%	\$24,518	\$20.83
Taxable Bond Proceeds	11.10%	\$10,800	\$9.18
Deferred Developer Fees	5.36%	\$5,210	\$4.43
Additional (excess) Funds Requ:	13.92%	\$13,537	\$11.50
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT			
<b>POTENTIAL GROSS RENT</b>	\$2,355,504	\$2,355,504			
Secondary Income	30,000	117,780	\$39.26	Per Unit Per Month	
Other Support Income	0	0			
<b>POTENTIAL GROSS INCOME</b>	\$2,385,504	\$2,473,284			
Vacancy & Collection Loss	(178,913)	(185,496)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions	0				
<b>EFFECTIVE GROSS INCOME</b>	\$2,206,591	\$2,287,788			
<b>EXPENSES</b>					
General & Administrative	\$99,620	\$50,450	\$0.17	\$202	2.21%
Management	110,330	117,480	0.40	470	5.14%
Payroll & Payroll Tax	78,243	155,300	0.53	621	6.79%
Repairs & Maintenance	114,713	98,355	0.33	393	4.30%
Utilities	70,717	19,800	0.07	79	0.87%
Water, Sewer, & Trash	140,893	92,856	0.32	371	4.06%
Property Insurance	47,076	29,000	0.10	116	1.27%
Property Tax 2.5	218,750	323,520	1.10	1,294	14.14%
Reserve for Replacements	50,000	50,000	0.17	200	2.19%
Other Expenses:	46,450	46,450	0.16	186	2.03%
<b>TOTAL EXPENSES</b>	\$976,791	\$983,211	\$3.34	\$3,933	42.98%
<b>NET OPERATING INC</b>	\$1,229,800	\$1,304,577	\$4.43	\$5,218	57.02%
<b>DEBT SERVICE</b>					
Tax-Exempt Bond Proceeds	\$715,656	\$808,575	\$2.75	\$3,234	35.34%
LIHTC Syndication Proceeds	0	0	\$0.00	\$0	0.00%
Taxable Bond Proceeds	286,039	223,504	\$0.76	\$894	9.77%
<b>NET CASH FLOW</b>	\$228,106	\$272,498	\$0.93	\$1,090	11.91%
<b>AGGREGATE DEBT COVERAGE RATIO</b>	1.23	1.26			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>	1.23				

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		4.13%	\$4,014	\$3.41	\$1,003,419	\$1,003,419	\$3.41	\$4,014	4.79%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.38%	9,119	7.75	2,279,840	2,279,840	7.75	9,119	10.89%
Direct Construction		51.42%	50,010	42.49	12,502,448	9,162,303	31.14	36,649	43.77%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Require	4.68%	2.85%	2,768	2.35	692,054	692,054	2.35	2,768	3.31%
Contractor's G & A	1.56%	0.95%	923	0.78	230,684	230,684	0.78	923	1.10%
Contractor's Pro	4.68%	2.85%	2,768	2.35	692,054	692,054	2.35	2,768	3.31%
Indirect Construction		1.22%	1,187	1.01	296,807	296,807	1.01	1,187	1.42%
Ineligible Expenses		9.25%	9,000	7.65	2,249,914	2,249,914	7.65	9,000	10.75%
Developer's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Profit	12.25%	9.32%	9,065	7.70	2,266,363	2,266,363	7.70	9,065	10.83%
Interim Financing		7.44%	7,234	6.15	1,808,465	1,808,465	6.15	7,234	8.64%
Reserves		1.21%	1,176	1.00	294,103	250,000	0.85	1,000	1.19%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$97,265</b>	<b>\$82.64</b>	<b>\$24,316,151</b>	<b>\$20,931,903</b>	<b>\$71.14</b>	<b>\$83,728</b>	<b>100.00%</b>

**Recap-Hard Construction Costs**

67.43% \$65,588 \$55.73

**SOURCES OF FUNDS**

Tax-Exempt Bond Proceeds	44.41%	\$43,200	\$36.71
LIHTC Syndication Proceeds	25.21%	\$24,518	\$20.83
Taxable Bond Proceeds	11.10%	\$10,800	\$9.18
Deferred Developer Fees	5.36%	\$5,210	\$4.43
Additional (excess) Funds Requ:	13.92%	\$13,537	\$11.50
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT	RECOMMENDED
<b>POTENTIAL GROSS RENT</b>	\$10,800,000	\$10,800,000	\$10,800,000
Secondary Income	6,129,456	6,129,456	6,124,383
Other Support Income	2,700,000	2,700,000	2,700,000
Deferred Developer Fees	1,302,447	1,302,447	1,307,520
Additional (excess) Funds Requ:	3,384,248	0	0
<b>TOTAL SOURCES</b>	\$24,316,151	\$20,931,903	\$20,931,903

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Greens of Hickory Trail, 4% LIHTC #98-07T ADDENDUM**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 44.17	\$12,995,519
<b>Adjustments</b>				
Exterior Wall Finish	5.50%		\$2.43	\$714,754
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.18)	(347,692)
Floor Cover			2.43	714,974
Porches/Balconies	\$13.17	35,537	1.59	468,022
Plumbing	\$675	248	0.57	167,400
Built-In Appliances	\$2,000	250	1.70	500,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	538,437
Carports	\$8.15	30,000	0.83	244,500
Comm &/or Aux Bldgs	\$55.55	3,719	0.70	206,575
Other:			0.00	0
<b>SUBTOTAL</b>			<b>55.07</b>	<b>16,202,489</b>
Current Cost Multiplier	1.03		1.65	486,075
Local Multiplier	0.92		(4.41)	(1,296,199)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$52.31</b>	<b>\$15,392,364</b>
Plans, specs, survy, bl	3.90%		(\$2.04)	(\$600,302)
Interim Construction In	3.38%		(1.77)	(519,492)
Contractor's OH & Prof:	11.50%		(6.02)	(1,770,122)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.49</b>	<b>\$12,502,448</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$10,800,000	Term	360
Int Rate	5.25%	DCR	1.72
<b>Secondary</b>	\$6,129,456	Term	
Int Rate	0.00%	Subtotal DCR	1.72
<b>Additional</b>	\$2,700,000	Term	168
Int Rate	6.03%	Aggregate DCR	1.23

**ALTERNATIVE FINANCING STRUCTURE:**

Primary Debt Service	\$715,656
Secondary Debt Service	0
Additional Debt Service	286,039
<b>NET CASH FLOW</b>	<b>\$228,106</b>

<b>Primary</b>	\$10,800,000	Term	360
Int Rate	5.25%	DCR	1.72
<b>Secondary</b>	\$6,129,456	Term	0
Int Rate	0.00%	Subtotal DCR	1.72
<b>Additional</b>	\$2,700,000	Term	168
Int Rate	6.03%	Aggregate DCR	1.23

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

INCOME	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$2,355,504	\$2,426,169	\$2,498,954	\$2,573,923	\$2,651,141	\$3,073,398	\$3,562,911	\$4,130,391	\$5,550,899
Secondary Income		30,000	30,900	31,827	32,782	33,765	39,143	45,378	52,605	70,697
Other Support Income: (d)		0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>		<b>2,385,504</b>	<b>2,457,069</b>	<b>2,530,781</b>	<b>2,606,705</b>	<b>2,684,906</b>	<b>3,112,542</b>	<b>3,608,289</b>	<b>4,182,996</b>	<b>5,621,596</b>
Vacancy & Collection Los		(178,913)	(184,280)	(189,809)	(195,503)	(201,368)	(233,441)	(270,622)	(313,725)	(421,620)
Employee or Other Non-Re:		0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>		<b>\$2,206,591</b>	<b>\$2,272,789</b>	<b>\$2,340,973</b>	<b>\$2,411,202</b>	<b>\$2,483,538</b>	<b>\$2,879,101</b>	<b>\$3,337,667</b>	<b>\$3,869,271</b>	<b>\$5,199,977</b>
<b>EXPENSES</b>	<b>at 4.00%</b>									
General & Administrative		\$99,620	\$103,605	\$107,749	\$112,059	\$116,542	\$141,791	\$172,510	\$209,885	\$310,681
Management		110,330	113,639	117,049	120,560	124,177	143,955	166,883	193,464	259,999
Payroll & Payroll Tax		78,243	81,372	84,627	88,012	91,533	111,364	135,491	164,845	244,012
Repairs & Maintenance		114,713	119,301	124,073	129,036	134,198	163,272	198,645	241,683	357,749
Utilities		70,717	73,545	76,487	79,547	82,728	100,652	122,458	148,989	220,540
Water, Sewer & Trash		140,893	146,528	152,390	158,485	164,824	200,534	243,981	296,840	439,395
Insurance		47,076	48,960	50,918	52,955	55,073	67,005	81,521	99,183	146,815
Property Tax		218,750	227,500	236,600	246,064	255,907	311,349	378,804	460,873	682,205
Reserve for Replacements		50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other		46,450	48,308	50,240	52,250	54,340	66,113	80,436	97,863	144,861
<b>TOTAL EXPENSES</b>		<b>\$976,791</b>	<b>\$1,014,759</b>	<b>\$1,054,213</b>	<b>\$1,095,211</b>	<b>\$1,137,814</b>	<b>\$1,377,200</b>	<b>\$1,667,314</b>	<b>\$2,018,967</b>	<b>\$2,962,190</b>
<b>NET OPERATING INCOME</b>		<b>\$1,229,800</b>	<b>\$1,258,030</b>	<b>\$1,286,759</b>	<b>\$1,315,990</b>	<b>\$1,345,724</b>	<b>\$1,501,901</b>	<b>\$1,670,353</b>	<b>\$1,850,304</b>	<b>\$2,237,787</b>
<b>DEBT SERVICE</b>										
First Lien Financing		\$715,656	\$715,656	\$715,656	\$715,656	\$715,656	\$715,656	\$715,656	\$715,656	\$715,656
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		286,039	286,039	286,039	286,039	286,039	286,039	286,039	286,039	286,039
<b>NET CASH FLOW</b>		<b>\$228,106</b>	<b>\$256,335</b>	<b>\$285,065</b>	<b>\$314,296</b>	<b>\$344,029</b>	<b>\$500,207</b>	<b>\$668,658</b>	<b>\$848,609</b>	<b>\$1,236,092</b>
<b>DEBT COVERAGE RATIO</b>		<b>1.23</b>	<b>1.26</b>	<b>1.28</b>	<b>1.31</b>	<b>1.34</b>	<b>1.50</b>	<b>1.67</b>	<b>1.85</b>	<b>2.23</b>





**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**MULTI FAMILY CREDIT UNDERWRITING ANALYSIS ADDENDUM**

**DATE:** September 5, 2002 **PROGRAM:** 4% LIHTC

**FILE NUMBER:** 99-15T

**DEVELOPMENT NAME**

La Casita Apartments

**APPLICANT**

**Name:** Briarwood-Houston, L.P. **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 11711 N. College, Suite 160 **City:** Carmel **State:** IN  
**Zip:** 46032 **Contact:** Tom McCalley **Phone:** (317) 848-7021 **Fax:** (317) 843-7183

**PRINCIPALS of the APPLICANT**

**Name:** TMC Investments, Inc. **(%):** 0.1% **Title:** Managing General Partner  
**Name:** Thomas McCalley **(%):**  **Title:** 50% owner of Managing G.P.  
**Name:** Daniel Brunette **(%):**  **Title:** 50% owner of Managing G.P.  
**Name:** SunAmerica Affordable Housing Partners, Inc. **(%):** 99.9% **Title:** Proposed Limited Partner

**GENERAL PARTNER**

**Name:** TMC Investments, Inc. **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 11711 N. College, Suite 160 **City:** Carmel **State:** IN  
**Zip:** 46032 **Contact:** Tom McCalley **Phone:** (317) 848-7021 **Fax:** (317) 843-7184

**PROPERTY LOCATION**

**Location:** 313 Sunnyside  **QCT**  **DDA**  
**City:** Houston **County:** Harris **Zip:** 77076

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1. \$466,122	N/A	N/A	N/A
2. \$107,229	N/A	N/A	N/A

**Other Requested Terms:** 1. Original allocation of ten-year annual Low-Income Housing Tax Credits  
 2. Current request for additional allocation of 4% Low-Income Housing Tax Credits

**Proposed Use of Funds:** Rehabilitation only

**SITE DESCRIPTION**

**Size:** 17.56 acres 764,914 square feet **Zoning/ Permitted Uses:** No zoning  
**Flood Zone Designation:** Outside of the 500-year floodplain **Status of Off-Sites:** Fully Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS**

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 622    **# Rental Buildings:** 15    **# Common Area Bldgs:** 0    **# of Floors:** 2    **Age:** 31 yrs    **Vacant:** 251 at 9/ 30/ 199

Number	Bedrooms	Other Rms	Bathrooms	Size in SF
62	1	-	1	638
346	1	-	1	688
55	2	-	1	1,063
100	2	-	1	948
27	2	-	2	1,375
8	2	-	1	1,149
20	3	-	1	1,372

**Net Rentable SF:** 507,280    **Av Un SF:** 816    **Common Area SF:** 7,500    **Gross Bldng SF** 514,780

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**ADDENDUM**

The Applicant originally requested \$466,122 in 4% LIHTCs and was awarded \$443,160 based on the equity gap analysis method. At cost certification the Applicant requested that the allocation be increased by 25% to \$550,389 based on cost increases associated with the rehabilitation, and provided an opinion by a third party auditor that these cost increases were justified. Direct construction cost increases of \$2.12M represented virtually all of the total development cost increase, and the Applicant stated that these were largely due to the unforeseen problems typical of a rehabilitation project (specifically greater than anticipated termite treatment, electrical, plumbing, and roof repair). In turn, the longer than expected construction and lease-up period caused construction loan interest and real estate taxes to increase, although these increases were offset by savings in contractor fees and indirect construction costs. The auditor concluded an eligible basis of \$11,703,086 but included \$60,053 in tax credit fees which are regarded as ineligible costs under TDHCA guidelines.

The Applicant has also reduced the number of market rate units from six units to four units by converting two units to common area space for the provision of supportive services. This change has the effect of increasing the applicable fraction from 98.4% to 99.36%. The buildings were placed in service at applicable percentages ranging from 3.50% to 3.67%, with an average of 3.58%.

The Applicant's audited cost certification, as adjusted for the tax credit fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$11,643,033, the revised applicable fraction of 99.36%, and the average applicable percentage of 3.58% is used to determine a revised total credit allocation of \$539,950. Subtracting the originally recommended allocation of \$443,160 from this amount yields a recommended additional allocation of \$96,790. Syndication proceeds from this revised total allocation would amount to approximately \$4,153,461, which would require the Applicant to defer 100% of the eligible developer fee and result in a gap of funds of \$139,382, which could be filled with additional debt or Applicant equity. Without the requested additional allocation this deficit in funds would remain at \$887,063 in addition to the 100% deferral of developer fee.

Of the seven contingent conditions in the original underwriting analysis report, five have been satisfied and two remain unsatisfied and are listed below.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**CREDIT UNDERWRITING ANALYSIS**

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN ADDITIONAL LIHTC ALLOCATION NOT TO EXCEED \$96,790, SUBJECT TO THE FOLLOWING CONDITIONS:
- Receipt, review, and acceptance of financial statements and corporate documents for TMC Investment, Inc.;
  - Receipt, review and acceptance of confirmation of the actual number of parking spaces and that this number of parking spaces conforms with local zoning.

Credit Underwriting Supervisor:

\_\_\_\_\_  
*Jim Anderson*

Date: September 5, 2002

Director of Credit Underwriting:

\_\_\_\_\_  
*Tom Gouris*

Date: September 5, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**La Casita Apartments, Houston, 4% LIHTC #99-15T ADDENDUM**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trash
LIHTC (60%)	62	1	1	638	\$658	\$476	\$29,512	\$0.75	\$67.00	\$19.00
MR	2	1	1	639		475	950	0.74	67.00	19.00
LIHTC (60%)	346	1	1	688	658	514	177,844	0.75	67.00	19.00
MR	2	1	1	688		514	1,028	0.75	67.00	19.00
LIHTC (60%)	100	2	1	948	790	675	67,500	0.71	88.00	37.00
LIHTC (60%)	55	2	1	1,063	790	537	29,535	0.51	88.00	37.00
LIHTC (60%)	8	2	1	1,149	790	716	5,728	0.62	88.00	37.00
LIHTC (60%)	27	2	2	1,375	790	714	19,278	0.52	88.00	37.00
LIHTC (60%)	20	3	1	1,372	912	850	17,000	0.62	106.00	52.00
<b>TOTAL:</b>	<b>622</b>		<b>AVERAGE:</b>	<b>816</b>	<b>\$702</b>	<b>\$560</b>	<b>\$348,375</b>	<b>\$0.69</b>	<b>\$74.67</b>	<b>\$25.56</b>

INCOME		Total Net Rentable Sq Ft	507,280	TDHCA		APPLICANT				
POTENTIAL GROSS RENT				\$4,180,500	\$4,180,500					
Secondary Income	Per Unit Per Month:	\$10.00		74,640	296,412	\$39.71	Per Unit Per Month			
Other Support Income: (describe)				0	0					
POTENTIAL GROSS INCOME				\$4,255,140	\$4,476,912					
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(319,136)	(335,772)	-7.50%	of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions				0	0					
EFFECTIVE GROSS INCOME				\$3,936,005	\$4,141,140					

EXPENSES	% OF RGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF RGI
General & Administrative	4.54%	\$287	\$0.35	\$178,632	\$224,129	\$0.44	\$360	5.41%
Management	5.00%	316	0.39	196,800	192,552	0.38	310	4.65%
Payroll & Payroll Tax	11.74%	743	0.91	462,146	472,996	0.93	760	11.42%
Repairs & Maintenance	6.35%	402	0.49	249,933	575,445	1.13	925	13.90%
Utilities	16.99%	1,075	1.32	668,794	677,715	1.34	1,090	16.37%
Water, Sewer, & Trash	4.85%	307	0.38	190,776	244,975	0.48	394	5.92%
Property Insurance	2.06%	130	0.16	81,165	88,000	0.17	141	2.13%
Property Tax	2.962603	10.14%	642	399,265	375,000	0.74	603	9.06%
Reserve for Replacements	4.74%	300	0.37	186,600	155,500	0.31	250	3.76%
Other Expenses: Cable TV	1.23%	78	0.10	48,516	48,516	0.10	78	1.17%
<b>TOTAL EXPENSES</b>	<b>67.65%</b>	<b>\$4,281</b>	<b>\$5.25</b>	<b>\$2,662,627</b>	<b>\$3,054,828</b>	<b>\$6.02</b>	<b>\$4,911</b>	<b>73.77%</b>
<b>NET OPERATING INC</b>	<b>32.35%</b>	<b>\$2,047</b>	<b>\$2.51</b>	<b>\$1,273,378</b>	<b>\$1,086,312</b>	<b>\$2.14</b>	<b>\$1,746</b>	<b>26.23%</b>

DEBT SERVICE		PER SQ FT	PER UNIT	% OF TOTAL
Continental Wingate Capital	20.11%	\$1,273	\$1.56	17.81%
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00	0.00%
HOME Loan - City of Houston	4.58%	\$290	\$0.36	4.35%
<b>NET CASH FLOW</b>	<b>7.66%</b>	<b>\$485</b>	<b>\$0.59</b>	<b>4.07%</b>

AGGREGATE DEBT COVERAGE RATIO		1.31	1.18
ALTERNATIVE DEBT COVERAGE RATIO		1.31	

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA Original	APPLICANT Original	APPLICANT Carryover	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or blc)		33.04%	\$8,850	\$10.85	\$5,505,000	\$5,505,000	\$5,267,066	\$10.85	\$8,850	32.53%
Off-Sites		0.00%	0	0.00	0	0	0	0.00	0	0.00%
Sitework		2.91%	781	0.96	485,500	485,500	394,628	0.96	781	2.87%
Direct Construction		31.83%	8,527	10.45	5,303,500	5,303,500	7,426,646	10.45	8,527	31.34%
Contingency	5.00%	1.74%	465	0.57	289,450	325,000	0	0.64	523	1.92%
General Requirem	6.00%	2.08%	558	0.68	347,340	347,350	167,496	0.68	558	2.05%
Contractor's G &	2.00%	0.69%	186	0.23	115,780	115,800	0	0.23	186	0.68%
Contractor's Prc	6.00%	2.08%	558	0.68	347,340	347,350	395,000	0.68	558	2.05%
Indirect Construction		3.45%	924	1.13	575,000	575,000	115,054	1.13	924	3.40%
Ineligible Expenses		2.63%	704	0.86	438,000	438,000	1,135,882	0.86	704	2.59%
Developer's G & A	2.00%	1.04%	279	0.34	173,758	0	0	0.00	0	0.00%
Developer's Profit	13.00%	6.78%	1,816	2.23	1,129,428	1,308,600	1,500,000	2.58	2,104	7.73%
Interim Financing		7.35%	1,968	2.41	1,224,000	1,224,000	1,644,209	2.41	1,968	7.23%
Reserves		4.37%	1,171	1.44	728,236	950,000	1,000,002	1.87	1,527	5.61%
<b>TOTAL COST</b>	<b>100.00%</b>		<b>\$26,788</b>	<b>\$32.85</b>	<b>\$16,662,333</b>	<b>\$16,925,100</b>	<b>\$19,045,983</b>	<b>\$33.36</b>	<b>\$27,211</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>41.34%</b>		<b>\$11,075</b>	<b>\$13.58</b>	<b>\$6,888,910</b>	<b>\$6,924,500</b>	<b>\$8,383,770</b>	<b>\$13.65</b>	<b>\$11,133</b>	<b>40.91%</b>

SOURCES OF FUNDS		PER SQ FT	PER UNIT	% of TOTAL
Continental Wingate Capital	61.52%	\$16,479	\$20.21	32.53%
LIHTC Syndication Proceeds	21.01%	\$5,627	\$6.90	4.35%
HOME Loan - City of Houston	18.00%	\$4,823	\$5.91	4.35%
Deferred Developer Fees	1.05%	\$281	\$0.34	0.00%
Additional (excess) Funds Req	-1.58%	(\$422)	(\$0.52)	0.00%
<b>TOTAL SOURCES</b>				<b>\$16,662,333</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**La Casita Apartments, Houston, 4% LIHTC #99-15T ADDENDUM**

**DIRECT CONSTRUCTION COST ESTIMATE**  
 Residential Cost Handbook  
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				\$0
<b>Adjustments</b>				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(994,269)
Floor Cover			1.82	923,250
Porches/Balconies	\$28.10		0.00	0
Plumbing	\$585		0.00	0
Built-In Appliances	\$1,550	622	1.90	964,100
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	715,265
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs			0.00	0
Other:			0.00	0
SUBTOTAL			3.17	1,608,346
Current Cost Multiplier	1.02		0.06	32,167
Local Multiplier			(3.17)	(1,608,346)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$0.06</b>	<b>\$32,167</b>
Plans, specs, survy, b	3.90%		(\$0.00)	(\$1,255)
Interim Construction In	3.38%		(0.00)	(1,086)
Contractor's OH & Prof	11.50%		(0.01)	(3,699)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$0.05</b>	<b>\$26,128</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$10,250,000	Term	360
Int Rate	6.68%	DCR	1.61
<b>Secondary</b>	\$3,500,000	Term	
Int Rate	0.00%	Subtotal DCR	1.61
<b>Additional</b>	\$3,000,000	Term	300
Int Rate	3.50%	Aggregate DCR	1.31

**ALTERNATIVE FINANCING STRUCTURE:**

Primary Debt Service	\$791,653
Secondary Debt Service	0
Additional Debt Service	180,224
<b>NET CASH FLOW</b>	<b>\$301,500</b>

<b>Primary</b>	\$10,250,000	Term	360
Int Rate	6.68%	DCR	1.61
<b>Secondary</b>	\$3,500,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.61
<b>Additional</b>	\$3,000,000	Term	300
Int Rate	3.50%	Aggregate DCR	1.31

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

INCOME	a/ 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	#####	#####	#####	\$4,435,092	\$4,568,145	\$4,705,190	\$5,454,604	\$6,323,381	\$7,330,532	\$9,851,622
Secondary Income		74,640	76,879	79,186	81,561	84,008	97,388	112,900	130,882	175,894
Other Support Income: (d)		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		4,255,140	4,382,794	4,514,278	4,649,706	4,789,198	5,551,993	6,436,281	7,461,414	10,027,516
Vacancy & Collection Loss		(319,136)	(328,710)	(338,571)	(348,728)	(359,190)	(416,399)	(482,721)	(559,606)	(752,064)
Employee or Other Non-Re		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	#####	#####	#####	\$4,175,707	\$4,300,978	\$4,430,008	\$5,135,593	\$5,953,560	\$6,901,808	\$9,275,452
<b>EXPENSES</b>	<b>at 4.00%</b>									
General & Administrative		\$178,632	\$185,777	\$193,209	\$200,937	\$208,974	\$254,249	\$309,333	\$376,351	\$557,091
Management		196,800	202,704	208,785	215,049	221,500	256,780	297,678	345,090	463,773
Payroll & Payroll Tax		462,146	480,632	499,857	519,851	540,645	657,778	800,287	973,672	1,441,272
Repairs & Maintenance		249,933	259,930	270,327	281,140	292,386	355,732	432,803	526,571	779,453
Utilities		668,794	695,545	723,367	752,302	782,394	951,902	1,158,134	1,409,047	2,085,734
Water, Sewer & Trash		190,776	198,407	206,343	214,597	223,181	271,534	330,362	401,936	594,964
Insurance		81,165	84,411	87,788	91,299	94,951	115,523	140,551	171,002	253,125
Property Tax		399,265	415,236	431,845	449,119	467,084	568,279	691,399	841,192	1,245,170
Reserve for Replacements		186,600	194,064	201,827	209,900	218,296	265,590	323,131	393,138	581,940
Other		48,516	50,457	52,475	54,574	56,757	69,053	84,014	102,216	151,304
TOTAL EXPENSES	#####	#####	#####	\$2,875,823	\$2,988,769	\$3,106,169	\$3,766,420	\$4,567,692	\$5,540,215	\$8,153,827
NET OPERATING INCOME	#####	#####	#####	\$1,299,884	\$1,312,210	\$1,323,839	\$1,369,173	\$1,385,868	\$1,361,592	\$1,121,626
<b>DEBT SERVICE</b>										
First Lien Financing		\$791,653	\$791,653	\$791,653	\$791,653	\$791,653	\$791,653	\$791,653	\$791,653	\$791,653
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		180,224	180,224	180,224	180,224	180,224	180,224	180,224	180,224	180,224
NET CASH FLOW		\$301,500	\$315,043	\$328,006	\$340,332	\$351,961	\$397,295	\$413,990	\$389,715	\$149,748
DEBT COVERAGE RATIO		1.31	1.32	1.34	1.35	1.36	1.41	1.43	1.40	1.15

**LIHTC Allocation Calculation - La Casita Apartments, Houston, 4% LIHTC #99-15T ADDENDUM**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS	APPLICANT'S CARRYOVER ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>					
Purchase of land	\$5,505,000	\$5,505,000			
Purchase of buildings					
<b>(2) Rehabilitation/New Construction Cost</b>					
On-site work	\$485,500	\$485,500	\$485,500	\$485,500	\$394,628
Off-site improvements					
<b>(3) Construction Hard Costs</b>					
New structures/rehabilitation hard costs	\$5,303,500	\$5,303,500	\$5,303,500	\$5,303,500	\$7,426,646
<b>(4) Contractor Fees &amp; General Requirements</b>					
Contractor overhead	\$115,800	\$115,780	\$115,780	\$115,780	
Contractor profit	\$347,350	\$347,340	\$347,340	\$347,340	\$395,000
General requirements	\$347,350	\$347,340	\$347,340	\$347,340	\$167,496
<b>(5) Contingencies</b>	\$325,000	\$289,450	\$325,000	\$289,450	
<b>(6) Eligible Indirect Fees</b>	\$575,000	\$575,000	\$575,000	\$575,000	\$115,054
<b>(7) Eligible Financing Fees</b>	\$1,224,000	\$1,224,000	\$1,224,000	\$1,224,000	\$1,644,209
<b>(8) All Ineligible Costs</b>	\$438,000	\$438,000			
<b>(9) Developer Fees</b>			\$1,308,519		\$1,500,000
Developer overhead		\$173,758		\$173,758	
Developer fee	\$1,308,600	\$1,129,428		\$1,129,428	
<b>(10) Development Reserves</b>	\$950,000	\$728,236			
<b>TOTAL DEVELOPMENT COSTS</b>	\$16,925,100	\$16,662,333	\$10,031,979	\$9,991,097	\$11,643,033

<b>Deduct from Basis:</b>					
All grant proceeds used to finance costs in eligible basis					
B.M.R. loans used to finance cost in eligible basis					
Non-qualified non-recourse financing					
Non-qualified portion of higher quality units [42(d)(3)]					
Historic Credits (on residential portion only)					
<b>TOTAL ELIGIBLE BASIS</b>			\$10,031,979	\$9,991,097	\$11,643,033
High Cost Area Adjustment			130%	130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$13,041,573	\$12,988,425	\$15,135,943
Applicable Fraction			98.40%	98.40%	99.36%
<b>TOTAL QUALIFIED BASIS</b>			\$12,832,322	\$12,780,027	\$15,038,606
Applicable Percentage			3.61%	3.63%	3.59%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$463,247	\$463,915	\$539,950

Syndication Proceeds                      0.7692                      \$3,567,000                      \$3,572,145                      \$4,153,461

Indicated Gap of Syndication Proceeds Needed                      \$3,412,333

Maximum Credits Recommended                      \$443,160

Original Allocation                      \$443,160

Recommended Additional Allocation                      **\$96,790**

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**MULTI FAMILY CREDIT UNDERWRITING ANALYSIS ADDENDUM**

**DATE:** September 4, 2002    **PROGRAM:** 4% LIHTC    **FILE NUMBER:** 99-05T

**DEVELOPMENT NAME**

Heather Lane Apartments

**APPLICANT**

**Name:** Heather Lane, Ltd.    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 1005 Shady River Court North    **City:** Benbrook    **State:** TX  
**Zip:** 76126    **Contact:** Kenneth H. Mitchell    **Phone:** (817) 249-6886    **Fax:** (817) 249-1010

**PRINCIPALS of the APPLICANT**

**Name:** Terrell Heather Lane, Inc.    **(%):** 0.1    **Title:** General Partner  
**Name:** SunAmerica Housing Fund 679    **(%):** 99.9    **Title:** Limited Partner  
**Name:** Kenneth Mitchell    **(%):** N/A    **Title:** President of G.P.

**GENERAL PARTNER**

**Name:** Terrell Heather Lane, Inc.    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 1005 Shady River Court North    **City:** Benbrook    **State:** TX  
**Zip:** 76126    **Contact:** Kenneth Mitchell    **Phone:** (817) 249-6886    **Fax:** (817) 249-1010

**PROPERTY LOCATION**

**Location:** Northeast of intersection of FM 148 and Interstate Highway 20     QCT     DDA  
**City:** Terrell    **County:** Kaufman    **Zip:** 75160

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1. \$867,736	N/A	N/A	N/A
2. \$18,164	N/A	N/A	N/A
<b>Other Requested Terms:</b>			
1. Original allocation of annual ten-year allocation of 4% low-income housing tax credits			
2. Current request for additional allocation of 4% low-income housing tax credits			
<b>Proposed Use of Funds:</b>			
<u>New construction</u>		<input type="checkbox"/> General	<input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit

**SITE DESCRIPTION**

**Size:** 20.825 acres    907,137 square feet    **Zoning/ Permitted Uses:** Commercial (multifamily permitted)  
**Flood Zone Designation:** Zone X, portion in Zone AE (100-year floodplain)    **Status of Off-Sites:** Partially Improved



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ANALYSIS ADDENDUM**

**ADDENDUM**

In 1999 this Applicant requested \$864,743 in 4% LIHTCs in conjunction with the issue of \$13,100,000 in tax-exempt private activity bonds by the North Central Texas Housing Finance Corporation. However, the request was listed with a footnote that said "The Applicant requests for the housing tax credit to be adjusted, either increased or decreased, based upon the actual tax credit percentage when known, and the eligible basis as determined at the placed-in-service date by the cost certification audit." During the original underwriting evaluation, the requested amount was adjusted upward to \$882,087 based upon a recalculation of the Applicant's requested amount using the then current applicable percentage rate for underwriting of 3.56%.

This development was allocated \$867,736 using the Underwriter's estimation of eligible basis (\$18,749,707) as a result of significant differences between the Applicant and Underwriter in land valuation and site work costs. The Applicant had included a little over \$900K in additional "market value" resulting from an identity of land acquisition. The Applicant also had included site work costs of \$7,748 per unit which exceeded the Department's safe harbor standard at the time of \$5,500 per unit.

The Applicant cost certified in November of 2001, and the auditor concluded an eligible basis of \$19,250,180, with the increase being attributable to additional direct construction costs and higher than anticipated real estate taxes. In fact the Applicant's construction costs including site work and contractor fees appear to have increased by \$162,872 and property taxes increased by \$99,214 over the original budgeted amount. The Underwriter has reevaluated the cost of the development using the current Marshall & Swift Residential Cost Handbook data and the current site work limit of \$6,500 per unit and determined that the development would be eligible for additional credits. While the Applicant continues to reflect the higher market value of the identity of interest land acquisition, it appears to be inconsequential to the tax credit allocation decision since it will only affect an increase of the required deferral of developer fee from \$1.2M to \$2.2M. Therefore regardless of the differences in land acquisition and site work amounts, the Applicant's increased credit request is justified using either the Applicant's or the Underwriter's calculation of eligible basis. All of the buildings were placed in service at an applicable percentage of 3.54%.

Since the Underwriter has been able to verify the Applicant's costs to a reasonable margin and the Applicant's eligible basis is less than that of the Underwriter, the Applicant's certified eligible basis of \$19,250,180 and the applicable percentage of 3.54% are used to determine an additional LIHTC allocation of \$18,164. Had the original credit request not been made until cost certification, which is allowed by the Internal Revenue Code but not by State statute since 1999, this development would be recommended for the current total requested amount. Therefore, the Underwriter recommends the requested amount based upon the Department's current underwriting guidelines and allowances.

In addition, all of the contingent conditions that were part of the original underwriting report appear to have been met as they primarily dealt with construction issues and the construction of the property has been completed.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN ADDITIONAL LIHTC ALLOCATION NOT TO EXCEED \$18,164

Supervisor Credit Underwriting: \_\_\_\_\_  
*Jim Anderson*

Date: September 4, 2002

Director of Credit Underwriting : \_\_\_\_\_  
*Tom Gouris*

Date: September 4, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Heather Lane Apartments, 4% LIHTC #99-05T ADDENDUM**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trash
TC (60%)	6	2	2	858	\$898	\$545	\$3,270	\$0.64	\$97.00	\$42.00
TC (60%)	138	2	2	1,100	898	650	89,700	0.59	97.00	42.00
TC (60%)	96	3	2	1,322	1,037	695	66,720	0.53	119.00	47.00
<b>TOTAL:</b>	<b>240</b>		<b>AVERAGE:</b>	<b>1,183</b>	<b>\$954</b>	<b>\$665</b>	<b>\$159,690</b>	<b>\$0.56</b>	<b>\$105.80</b>	<b>\$44.00</b>

INCOME				Total Net Rentable Sq Ft: 283,860		TDHCA		APPLICANT			
<b>POTENTIAL GROSS RENT</b>						\$1,916,280	\$1,916,280				
Secondary Income		Per Unit Per Month:	\$10.00	28,800	43,200	\$15.00	Per Unit Per Month				
Other Support Income: GIC Income						12,972	12,972				
<b>POTENTIAL GROSS INCOME</b>						\$1,958,052	\$1,972,452				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(146,854)	(147,936)	-7.50%	of Potential Gross Rent				
Employee or Other Non-Rental Units or Concessions						0	0				
<b>EFFECTIVE GROSS INCOME</b>						\$1,811,198	\$1,824,516				
<b>EXPENSES</b>				% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.30%	\$400	\$0.34	\$95,916	\$29,700	\$0.10	\$124	1.63%			
Management	5.00%	377	0.32	90,560	91,226	0.32	380	5.00%			
Payroll & Payroll Tax	4.16%	314	0.27	75,336	153,000	0.54	638	8.39%			
Repairs & Maintenance	6.10%	460	0.39	110,444	58,300	0.21	243	3.20%			
Utilities	4.29%	324	0.27	77,700	45,000	0.16	188	2.47%			
Water, Sewer, & Trash	7.00%	528	0.45	126,720	110,040	0.39	459	6.03%			
Property Insurance	2.51%	189	0.16	45,418	46,833	0.16	195	2.57%			
Property Tax	2.65649%	706	0.60	169,454	141,665	0.50	590	7.76%			
Reserve for Replacements	2.65%	200	0.17	48,000	48,000	0.17	200	2.63%			
Other: compl fees, spt svcs,	0.84%	63	0.05	15,200	15,200	0.05	63	0.83%			
<b>TOTAL EXPENSES</b>	<b>47.19%</b>	<b>\$3,561</b>	<b>\$3.01</b>	<b>\$854,746</b>	<b>\$738,964</b>	<b>\$2.60</b>	<b>\$3,079</b>	<b>40.50%</b>			
<b>NET OPERATING INC</b>	<b>52.81%</b>	<b>\$3,985</b>	<b>\$3.37</b>	<b>\$956,452</b>	<b>\$1,085,552</b>	<b>\$3.82</b>	<b>\$4,523</b>	<b>59.50%</b>			
<b>DEBT SERVICE</b>											
First Lien Mortgage	49.39%	\$3,727	\$3.15	\$894,538	\$890,339	\$3.14	\$3,710	48.80%			
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%			
Issuer & Trustee Fees	0.58%	\$44	\$0.04	10,468	10,468	\$0.04	\$44	0.57%			
<b>NET CASH FLOW</b>	<b>2.84%</b>	<b>\$214</b>	<b>\$0.18</b>	<b>\$51,446</b>	<b>\$184,745</b>	<b>\$0.65</b>	<b>\$770</b>	<b>10.13%</b>			
<b>AGGREGATE DEBT COVERAGE RATIO</b>				1.06		1.21					
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>				1.07		149,045.84					

<b>CONSTRUCTION COST</b>				TDHCA Recosting		APPLICANT Cost Cert					
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	PER SQ FT	PER UNIT	% of TOTAL				
Acquisition Cost (site or bldg)		1.80%	\$1,650	\$1.40	\$396,001	\$1,323,104	6.05%	\$4.66	\$5,513		
Off-Sites		0.00%	0	0.00	0	0	0.00%	0.00	0		
Sitework		7.10%	6,500	5.50	1,560,000	0	0.00%	0.00	0		
Direct Construction		54.50%	49,906	42.20	11,977,547	15,040,209	68.80%	52.98	62,668		
Contingency	5.00%	3.08%	2,820	2.38	676,877	0	0.00%	0.00	0		
General Requirer	6.00%	3.70%	3,384	2.86	812,253	0	0.00%	0.00	0		
Contractor's G & A	2.00%	1.23%	1,128	0.95	270,751	0	0.00%	0.00	0		
Contractor's Pr	6.00%	3.70%	3,384	2.86	812,253	0	0.00%	0.00	0		
Indirect Construction		0.78%	711	0.60	170,692	170,692	0.78%	0.60	711		
Ineligible Expenses		2.09%	1,914	1.62	459,299	459,299	2.10%	1.62	1,914		
Developer's G & A	0.74%	0.60%	549	0.46	131,795	0	0.00%	0.00	0		
Developer's Profit	13.00%	10.57%	9,677	8.18	2,322,497	2,454,292	11.23%	8.65	10,226		
Interim Financing		7.21%	6,604	5.58	1,584,987	1,584,987	7.25%	5.58	6,604		
Reserves		3.65%	3,346	2.83	802,996	827,671	3.79%	2.92	3,449		
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$91,575</b>	<b>\$77.43</b>	<b>\$21,977,948</b>	<b>\$21,860,254</b>	<b>100.00%</b>	<b>\$77.01</b>	<b>\$91,084</b>		
<b>Recap-Hard Construction Costs</b>		<b>73.30%</b>	<b>\$67,124</b>	<b>\$56.75</b>	<b>\$16,109,681</b>	<b>\$15,040,209</b>	<b>68.80%</b>	<b>\$52.98</b>	<b>\$62,668</b>		
<b>SOURCES OF FUNDS</b>				REC. TDHCA BASIS		REC. APL. BASIS					
First Lien Mortgage		59.61%	\$54,583	\$46.15	\$13,100,000	\$13,100,000	\$13,100,000	\$13,100,000			
LIHTC Syndication Proceeds		30.04%	\$27,511	\$23.26	6,602,606	6,602,606	6,637,606	6,637,606			
Additional Financing		0.00%	\$0	\$0.00	0	0	0	0			
Deferred Developer Fees		9.66%	\$8,844	\$7.48	2,122,648	2,122,648	2,240,342	1,195,545			
Additional (excess) Funds Requi		0.69%	\$636	\$0.54	152,694	35,000	0	0			
<b>TOTAL SOURCES</b>					<b>\$21,977,948</b>	<b>\$21,860,254</b>	<b>\$21,977,948</b>	<b>\$20,933,151</b>			

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Heather Lane Apartments, 4% LIHTC #99-05T ADDENDUM**

**DIRECT CONSTRUCTION COST ESTIMATE**  
 Residential Cost Handbook  
 Average Quality Townhouse Basis

**PAYMENT COMPUTATION**

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 44.39	\$12,601,437
<b>Adjustments</b>				
Exterior Wall Finish	5.50%		\$2.44	\$693,079
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.98)	(278,183)
Floor Cover			2.43	689,780
Porches/Balconies	\$11.91	35,632	1.50	424,377
Plumbing	\$675	240	0.57	162,000
Built-In Appliances	\$2,000	240	1.69	480,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	400,243
Garages/Carports		0	0.00	0
Comm &/or Aux Bldg	\$56.34	3,334	0.66	187,823
Other:			0.00	0
<b>SUBTOTAL</b>			<b>54.11</b>	<b>15,360,556</b>
Current Cost Multiplier	1.04		2.16	614,422
Local Multiplier	0.92		(4.33)	(1,228,844)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$51.95</b>	<b>\$14,746,134</b>
Plans, specs, survy, b	3.90%		(\$2.03)	(\$575,099)
Interim Construction I	3.38%		(1.75)	(497,682)
Contractor's OH & Prof	11.50%		(5.97)	(1,695,805)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.20</b>	<b>\$11,977,547</b>

<b>Primary</b>	\$13,100,000	Term	360
Int Rate	5.52%	DCR	1.07

<b>Secondary</b>	\$6,602,606	Term	
Int Rate	0.00%	Subtotal DCR	1.07

<b>Additional</b>	\$0	Term	
Int Rate		Aggregate DCR	1.06

**ALTERNATIVE FINANCING STRUCTURE:**

Primary Debt Service	\$894,538
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$61,914</b>

<b>Primary</b>	\$13,100,000	Term	360
Int Rate	5.52%	DCR	1.07

<b>Secondary</b>	\$6,602,606	Term	0
Int Rate	0.00%	Subtotal DCR	1.07

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.07

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,916,280	\$1,973,768	\$2,032,981	\$2,093,971	\$2,156,790	\$2,500,311	\$2,898,545	\$3,360,209	\$4,515,839
Secondary Income	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
Other Support Income: GI	12,972	13,361	13,762	14,175	14,600	16,926	19,621	22,746	30,569
POTENTIAL GROSS INCOME	1,958,052	2,016,794	2,077,297	2,139,616	2,203,805	2,554,814	2,961,729	3,433,456	4,614,278
Vacancy & Collection Los	(146,854)	(151,260)	(155,797)	(160,471)	(165,285)	(191,611)	(222,130)	(257,509)	(346,071)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,811,198	\$1,865,534	\$1,921,500	\$1,979,145	\$2,038,519	\$2,363,203	\$2,739,600	\$3,175,947	\$4,268,207
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$95,916	\$99,752	\$103,742	\$107,892	\$112,208	\$136,518	\$166,095	\$202,080	\$299,127
Management	90,560	93,277	96,075	98,957	101,926	118,160	136,980	158,797	213,410
Payroll & Payroll Tax	75,336	78,349	81,483	84,743	88,132	107,227	130,457	158,721	234,947
Repairs & Maintenance	110,444	114,862	119,456	124,234	129,204	157,196	191,253	232,688	344,436
Utilities	77,700	80,808	84,040	87,401	90,897	110,591	134,550	163,701	242,318
Water, Sewer & Trash	126,720	131,789	137,060	142,543	148,244	180,362	219,438	266,980	395,196
Insurance	45,418	47,234	49,124	51,089	53,132	64,643	78,649	95,688	141,642
Property Tax	169,454	176,232	183,281	190,613	198,237	241,186	293,439	357,014	528,468
Reserve for Replacements	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Other	15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
<b>TOTAL EXPENSES</b>	<b>\$854,746</b>	<b>\$888,031</b>	<b>\$922,619</b>	<b>\$958,563</b>	<b>\$995,916</b>	<b>\$1,205,836</b>	<b>\$1,460,304</b>	<b>\$1,768,823</b>	<b>\$2,596,641</b>
<b>NET OPERATING INCOME</b>	<b>\$956,452</b>	<b>\$977,503</b>	<b>\$998,881</b>	<b>\$1,020,582</b>	<b>\$1,042,603</b>	<b>\$1,157,367</b>	<b>\$1,279,296</b>	<b>\$1,407,124</b>	<b>\$1,671,566</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$894,538	\$894,538	\$894,538	\$894,538	\$894,538	\$894,538	\$894,538	\$894,538	\$894,538
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	10,468	10,468	10,468	10,468	10,468	10,468	10,468	10,468	10,468
<b>NET CASH FLOW</b>	<b>\$51,446</b>	<b>\$72,498</b>	<b>\$93,875</b>	<b>\$115,576</b>	<b>\$137,598</b>	<b>\$252,361</b>	<b>\$374,290</b>	<b>\$502,118</b>	<b>\$766,560</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.06</b>	<b>1.08</b>	<b>1.10</b>	<b>1.13</b>	<b>1.15</b>	<b>1.28</b>	<b>1.41</b>	<b>1.55</b>	<b>1.85</b>

**LIHTC Allocation Calculation - Heather Lane Apartments, 4% LIHTC #99-057**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$1,323,104	\$396,001		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work		\$1,560,000		\$1,560,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$15,040,209	\$11,977,547	\$15,040,209	\$11,977,547
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead		\$270,751		\$270,751
Contractor profit		\$812,253		\$812,253
General requirements		\$812,253		\$812,253
<b>(5) Contingencies</b>				
		\$676,877		\$676,877
<b>(6) Eligible Indirect Fees</b>				
	\$170,692	\$170,692	\$170,692	\$170,692
<b>(7) Eligible Financing Fees</b>				
	\$1,584,987	\$1,584,987	\$1,584,987	\$1,584,987
<b>(8) All Ineligible Costs</b>				
	\$459,299	\$459,299		
<b>(9) Developer Fees</b>				
Developer overhead		\$131,795		\$131,795
Developer fee	\$2,454,292	\$2,322,497	\$2,454,292	\$2,322,497
<b>(10) Development Reserves</b>				
	\$827,671	\$802,996		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$21,860,254</b>	<b>\$21,977,948</b>	<b>\$19,250,180</b>	<b>\$20,319,652</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$19,250,180</b>	<b>\$20,319,652</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$25,025,234</b>	<b>\$26,415,547</b>
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$25,025,234</b>	<b>\$26,415,547</b>
Applicable Percentage			3.54%	3.54%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$885,900</b>	<b>\$935,117</b>
<b>Syndication Proceeds</b>				
		0.7493	\$6,637,606	\$7,006,368

Original Allocation                   **\$867,736**  
Recommended Additional Allocation   **\$18,164**

**LOW INCOME HOUSING TAX CREDIT PROGRAM**

**BOARD ACTION REQUEST**

**September 12, 2002**

**Action Item**

Request extension of deadline to submit Carryover Allocation documents.

**Required Action**

Approve requests for extension associated with the 2002 commitments.

**Background**

Pertinent facts about the developments requesting extension of the deadline to submit the Carryover Allocation documentation are summarized below. All requests were accompanied by a mandatory \$2,500 extension request fee. Staff has reviewed the information and recommends granting the extensions pursuant to Section 49.13(j) of the 2002 QAP.

**LIHTC Development No. 02036, Gateway East Apartments**

Summary of Request: Applicant requests an extension of the deadline to submit the Carryover Allocation documentation. The request for extension results from the requirement of providing the executed Section 8 Housing Assistance Payment (HAP) contract. The applicant has successfully completed other LIHTC Program developments.

City/County:	El Paso/El Paso
Set-Aside:	At Risk/Family
Type of Project:	Acquisition/Rehabilitation
Units:	104 LIHTC units
Allocation:	\$394,662
Allocation Cost per LIHTC Unit:	\$3,795
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Extension of deadline to submit Carryover Allocation documents
Current Deadline:	October 11, 2002
New Deadline Requested:	December 11, 2002
Prior Extensions on Project:	None
Reason for Extension Request:	The Commitment Notice requires documentation relating to the extension of the HAP contract that may be difficult to obtain.

Staff Recommendation: Grant extension as requested.

**LIHTC Development No. 02156, Town North Apartments**

Summary of Request: Applicant requests an extension of the deadline to submit the Carryover Allocation documentation. The request for extension results from the requirement of providing the executed Section 8 Housing Assistance Payment (HAP) contract. The applicant has successfully completed other LIHTC Program developments.

City/County:	Texarkana/Bowie
Set-Aside:	At-Risk/Family
Type of Project:	Acquisition/Rehabilitation
Units:	100 LIHTC units
Allocation:	\$275,871
Allocation Cost per LIHTC Unit:	\$2,759
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Extension of deadline to Carryover Allocation documentation
Current Deadline:	October 11, 2002
New Deadline Requested:	December 11, 2002
Prior Extensions on Project:	None
Reason for Extension Request:	The Commitment Notice requires documentation relating to the extension of the HAP contract that may be difficult to obtain.
Staff Recommendation:	Grant extension as requested.

## MEMORANDUM

TO: TDHCA Board Members  
CC: Ruth Cedillo, Deputy Executive Director  
FROM: Tom Gouris, Director of Credit Underwriting  
THROUGH: Edwina Carrington, Executive Director  
SUBJECT: Report on the 2003 Draft Multifamily Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines  
DATE: September 5, 2002

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Attached you will find the Draft 2003 Multifamily Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines. The market analysis, ESA and underwriting rules were removed from the 2003 QAP, which addresses only the Low Income Housing Tax Credit Program, in order to encompass all of the Department's multifamily activities. The rules that were in the QAP previously were also quite brief and, due to their brevity, may have spawned a perception of a lack of transparency in the underwriting process. The underwriting rules and guidelines in particular have been significantly clarified based upon previous internal policy and public input to provide more specific detail and input into the process. The appraisal portion of the rules in this draft were drawn primarily from the latest version of the Department's appraisal policy and modified and condensed to fit into the TAC rule format.

The following opportunities for public comment were utilized in contemplation of these rules:

- A 22 member diverse ad hoc industry group including developers, lenders, syndicators, investors, issuers, and consultants met five times over the last two months;
- 28 market analysts representing 21 firms met in a day-long roundtable work session in July;
- Three QAP roundtable meetings sponsored by the LIHTC program were held in July; and,
- Eight weekly open meetings with developers were held during the application cycle in May and June

The discussions that took place during the ad hoc industry group meetings were most helpful in fleshing out policy issues from process issues and by and large consensus was reached on most issues. Two policy issues in particular that will be discussed in greater detail below had strong consensus from the industry participants but are not in the draft in the manner in which the consensus had been formed.

Once these draft rules have been approved or modified they will, at least for this year, follow the same process of public hearing and possible refinement as the QAP. The only difference is that they are not required to be approved by the Governor and significant subsequent changes at the proposed final approval date in November could theoretically be retested with additional public hearings and comment beyond that date. Because these rules are could be considered to be an integral part of the tax credit program, however, it would serve the development community well if they were approved and in place when the QAP is approved and the application cycle begins.

For the following issues there was general consensus from the industry ad hoc group and department staff:

- ❖ Create a feedback process to allow the applicant an opportunity to respond to and support significant differences in the line item expense and total expenses based on the tolerances below.  
**§1.32(c)**

General and Administrative:	Tolerance level 20%
Management Fee:	Tolerance level any deviation from 5% of EGI
Payroll and Payroll Expenses:	Tolerance level 10%
Repairs and Maintenance:	Tolerance level 20%
Utilities (Gas & Electric):	Tolerance level 30%
Water, Sewer & Trash:	Tolerance level 30%
Insurance:	Tolerance level 50%
Property Taxes:	Tolerance level 10%
Reserves:	Tolerance level any deviation from \$200/unit new, \$300/unit rehab
Other Expenses:	Tolerance level any deviation from documented amounts
Security:	Tolerance level not more than 50% of payroll
Total Expense:	Tolerance level 5%

- ❖ Define and publish a maximum allowable permanent loan interest rate prior to the close of the application acceptance period. **§1.32(d)(6)(A)**
- ❖ Increase the maximum allowable debt coverage ratio to 1.30 and leave the minimum at 1.10. **§1.32(d)(6)(C)**
- ❖ Characterize as infeasible and not recommend any development that requires more cash flow than is anticipated to be cumulatively available in the first 15 years of stabilized operation. **§1.32(d)(7)**
- ❖ Evaluate the long term 30-year proforma based upon a 3% increase in income and 4% increase in expenses and characterize any development that remains above a 1.10 DCR as feasible for the long term. **§1.32(d)(7)**
- ❖ Increase the site work safe harbor limit from \$6,500 to \$7,500 per unit. **§1.32(e)(3)**
- ❖ Limit the eligible construction loan/interim financing amount to an amount equal to not more than one year's worth of interest on a fully drawn construction loan. **§1.32(e)(8)**
- ❖ Underwrite with development (lease-up and initial operating) reserves of at least two months and not more than six months of operating expenses less management fees plus debt service unless otherwise specified in the lender or syndicator's commitment letter. **§1.32(e)(9)**
- ❖ Create a credit filing system to maintain and acknowledge receipt of required financial statements and credit reports prior to the application submission deadline. **§1.32(f)(3)**
- ❖ Include the costs of 100-year floodplain mitigation or require a LOMA or LOMR-F **§1.32(g)(1)**
- ❖ Redefine the concentration capture rate as the inclusive capture rate. **§1.32(g)(2)**

The following issue had a mixed amount of support from the ad hoc industry group:

- ❖ Maintain the secondary income limits in a range of \$5 to \$15 per unit per month. **§1.32(d)(2)**
- ❖ Create a market analyst removal and reinstatement process for the approved market analyst list. **§1.33(c)(2)**

These issue are being proposed by staff in contradiction to the general consensus of the rest of the industry ad hoc group:

- ❖ Identity of Interest Transfers. Staff recommends clarifying costs that can be included in the holding costs for land versus buildings and maintaining the current policy to maximize the value contributed into the affordable housing development rather than allowing that value to escape through potential profit that could be realized by exclusively using the market value appraisal as proposed by the industry group. **§1.31(e)(1)**
- ❖ Compliance Fees and Supportive Services Expenses. Staff recommends inclusion of these fees above the line in the operating expense calculation for all transactions rather than maintaining the current practice of considering these expense items as payable out of cash flow for 4%



LIHTC/Private Activity Bond transactions only, as recommended by the industry group.  
**§1.32(d)(5)(j)**

**2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines**



Texas Department of Housing and Community Affairs  
P.O. Box 13941, Austin, TX 78711-3941 Phone: 512.475.3800 Fax: 512.475.4420

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**2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines**

TITLE 10  
PART 1  
CHAPTER 1  
SUBCHAPTER B UNDERWRITING, MARKET ANALYSIS, APPRAISAL, AND ENVIRONMENTAL SITE ASSESSMENT RULES AND GUIDELINES

**§1.31. GENERAL PROVISIONS..... 1**  
**§1.32. MULTIFAMILY UNDERWRITING RULES AND GUIDELINES. .... 2**  
**§1.33. MARKET ANALYSIS RULES AND GUIDELINES. .... 11**  
**§1.34. APPRAISAL RULES AND GUIDELINES. .... 14**  
**§1.35. ENVIRONMENTAL SITE ASSESSMENT RULES AND GUIDELINES..... 19**

**§1.31 General Provisions.**

(a) Purpose. The Rules in this subchapter apply to the underwriting, market analysis, appraisal, and environmental site assessment standards employed by the Texas Department of Housing and Community Affairs (the “Department”). This chapter provides rules for the underwriting review of an affordable housing Development’s financial feasibility and economic viability. In addition, this chapter guides the underwriting staff in making recommendations to the Executive Award and Review Advisory Committee (“the Committee”), Executive Director, and TDHCA Governing Board (“the Board”) to help ensure procedural consistency in the award determination process. Due to the unique characteristics of each multifamily Development the interpretation of the rules and guidelines described in this subchapter is subject to the discretion of the Department and final determination by the Board.

(b) Definitions. Many of the terms used in this subchapter are defined in 10TAC §§49 and 50 of this part (the Department’s Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules, known as the QAP). Those terms that are not defined in the QAP or which may have another meaning when used in subchapter (B) of this chapter, shall have the meanings set forth in this subsection unless the context clearly indicates otherwise.

(1) Affordable Housing—Housing that has been funded through one or more of the Department’s programs or other local, state or federal programs or has at least one unit that is restricted in the rent that can be charged either by a Land Use Restriction Agreement or other form of Deed Restriction or by natural market forces at the equivalent of 30% of 100% of an area’s median income as determined by HUD.

(2) Affordability Analysis—An analysis of the ability of a prospective buyer or renter at a specified income level to buy or rent a housing unit at specified price or rent.

(3) Cash Flow--The funds available from operations after all expenses and debt service required to be paid has been considered.

(4) Credit Underwriting Analysis Report—Sometimes referred to as the “Report.” A decision making tool used by the Department and Board, described more fully in §1.32(a) and (b) of this subchapter.

(5) Comparable Unit—A unit of housing that is of similar type, age, size, location and other discernable characteristics that can be used to compare and contrast from a proposed or existing unit.

(6) DCR--Debt Coverage Ratio. Sometimes referred to as the “Debt Coverage” or “Debt Service Coverage.” A measure of the number of times loan principal and interest are covered by net after tax income.

(7) Development—Proposed multi-unit residential housing that meets the affordability requirements for and requests funds from one or more of the Department’s sources of funds.

(8) EGI--Effective Gross Income. The sum total of all sources of anticipated or actual income for a multifamily rental Development less vacancy and collection loss, leasing concessions, and rental income from employee-occupied units that is not anticipated to be charged or collected.

(9) Gross Program Rent—Sometimes called the “Program Rents.” Maximum Rent Limits based upon the tables promulgated by the Department’s division responsible for compliance by program and by county or MSA or PMSA.

## **2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines**

(10) HUD--The United States Department of Housing and Urban Development. The department of the US Government responsible for major housing and urban development programs, including programs that are redistributed through the State such as HOME and CDBG.

(11) Local Amenities-- Include, but are not limited to police and fire protection, transportation, healthcare, retail, grocers, educational institutions, employment centers, parks, public libraries, entertainment centers, etc.

(12) Low Income Housing Tax Credit(s)--Sometimes referred to as "LIHTC" or "Tax Credit(s)." A financing source allocated by the Department as determined by the QAP. The Tax Credits are typically sold through syndicators to raise equity for the Development.

(13) Market Analysis—Sometimes referred to as a Market Study. An evaluation of the economic conditions of supply, demand and pricing conducted in accordance with the Department's Market Analysis Rules and Guidelines in §1.33 of this subchapter as it relates to a specific Development

(14) Market Analyst—An individual or firm providing market information for use by the Department.

(15) Market Rent—The unrestricted rent concluded by the Market Analyst for a particular unit type and size after adjustments are made to Comparable Units.

(16) NOI--Net Operating Income. The income remaining after all operating expenses, including replacement reserves and taxes have been paid. For bond-financed transactions NOI is considered prior to any additional supportive service fees or compliance fees, however for all other transactions, including 9% LIHTC transactions, NOI is considered after those fees, if applicable, reduce income.

(17) Primary Market—Sometimes referred to as "Primary Market Area" or "Submarket." The area defined from which political/geographical boundaries that a proposed or existing Development is most likely to draw the bulk of its prospective tenants or homebuyers.

(18) Rent Over-Burdened Households-- Non-elderly households paying more than 35% of gross income towards total housing expenses (unit rent plus utilities) and elderly households paying more than 40% of gross income towards total housing expenses.

(19) Sustaining Occupancy--The occupancy level at which rental income plus secondary income is equal to all operating expenses and mandatory debt service requirements for a Development.

(20) TDHCA Operating Expense Database—Sometimes called the TDHCA Database. This is a consolidation of recent actual operating expense information collected through the Department's Annual Owner Financial Certification process and published on the Department's web site.

(21) Third Party--A Third Party is a Person which is not an Affiliate, Related Party, or Beneficial Owner of the Applicant, General Partner(s), Developer, or Person receiving any portion of the developer fee or contractor fee.

(22) Underwriter—the author(s), as evidenced by signature, of the Credit Underwriting Analysis Report.

(23) Unstabilized Development— A Development that has not maintained a 90% occupancy level for at least 12 consecutive months.

(24) Utility Allowance(s)—The estimate of tenant-paid utilities, based either on the most current HUD Form 52667, "Section 8, Existing Housing Allowance for Tenant-Furnished Utilities and Other Services", provided by the local Public Housing Authority with most direct jurisdiction over the majority of the buildings existing or a documented estimate from the utility provider proposed in the Application. Documentation from the local utility provider to support an alternative calculation can be used to justify alternative Utility Allowance conclusions but must be specific to the subject Development and consistent with the building plans provided.

### **§1.32. Multifamily Underwriting Rules and Guidelines.**

(a) General Provisions. The Department, through the division responsible for underwriting, produces or causes to be produced a Credit Underwriting Analysis Report (the "Report") for every multifamily Development recommended for funding through the Department. The primary function of the Report is to provide the Committee, Executive Director, the Board, Applicants, and the public a comprehensive analytical report and recommendations necessary to make well informed decisions in the allocation or award of the State's limited resources. The Report in no way guarantees or purports to warrant the actual performance, feasibility, or viability of the Development by the Department.

## **2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines**

(b) Report Contents. The Report provides an organized and consistent synopsis and reconciliation of the application information submitted by the Applicant. At a minimum, the Report includes:

- (1) Identification of the Applicant and any principals of the Applicant;
- (2) Identification of the funding type and amount requested by the Applicant;
- (3) The Underwriter's funding recommendations and any conditions of such recommendations;
- (4) Evaluation of the affordability of the proposed housing units to prospective residents;
- (5) Review and analysis of the Applicant's operating proforma as compared to industry information, similar Developments previously funded by the Department, and the Department guidelines described in this section;
- (6) Analysis of the Development's debt service capacity;
- (7) Review and analysis of the Applicant's Development budget as compared to the estimate prepared by the Underwriter under the guidelines in this section;
- (8) Evaluation of the commitment for additional sources of financing for the Development;
- (9) Review of the experience of the development team members;
- (10) Identification of related interests among the members of the development team, Third Party service providers and/or the seller of the property;
- (11) Analysis of the Applicant's and principals' financial statements and creditworthiness including a review of the credit report for each of the principals in for-profit Developments subject to the Texas Public Information Act;
- (12) Review of the proposed development plan and evaluation of the proposed improvements and architectural design;
- (13) Review of the Applicant's evidence of site control and any potential title issues that may affect site control;
- (14) Identification and analysis of the site which includes review of the independent site inspection report prepared by a TDHCA staff member;
- (15) Review of the Phase I Environmental Site Assessment in conformance with the Department's Environmental Site Assessment Rules and Guidelines in §1.35 of this subchapter or soils and hazardous material reports as required; and,
- (16) Review of market data and market study information and any valuation information available for the property in conformance with the Department's Market Analysis Rules and Guidelines in §1.33 of this subchapter.

(c) Recommendations in the Report. The conclusion of the Report includes a recommended award of funds or allocation of Tax Credits based on the lesser amount calculated by the eligible basis method (if applicable), equity gap method, or the amount requested by the Applicant as further described in paragraphs (1) through (3) of this subsection.

(1) Eligible Basis Method. This method is only used for Developments requesting Low Income Housing Tax Credits. This method is based upon calculation of eligible basis after applying all cost verification measures and limits on profit, overhead, general requirements, and developer fees as described in this section. The Applicable Percentage used in the Eligible Basis Method is as defined in the QAP.

(2) Equity Gap Method. This method evaluates the amount of funds needed to fill the gap created by total Development cost less total non-Department-sourced funds. In making this determination, the Underwriter resizes any anticipated deferred developer fee down to zero before reducing the amount of Department funds. In the case of Low Income Housing Tax Credits, the syndication proceeds are divided by the syndication rate to determine the amount of Tax Credits. In making this determination, the Department adjusts the permanent loan amount and/or any Department-sourced loans, as necessary, such that it conforms to the NOI and DCR standards described in this section.

(3) The Amount Requested. This is the amount of funds that is requested by the Applicant as reflected in the application documentation.

(d) Operating Feasibility. The operating financial feasibility of every multifamily Development funded by the Department is tested by adding total income sources and subtracting vacancy and collection losses and operating expenses to determine net operating income. This net operating income is divided by the annual debt service to determine the debt coverage ratio. The Underwriter characterizes a Development as infeasible from an operational standpoint when the debt coverage ratio does not meet the minimum standard set forth in paragraph (6) of this subsection. The Underwriter may choose to make adjustments to the financing structure, such as lowering the debt and increasing the deferred developer fee that could result

## **2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines**

in a re-characterization of the Development as feasible based upon specific conditions set forth in the Report.

(1) Rental Income. The Program Rent less Utility Allowances and/or Market Rent (if the project is not 100% affordable) is utilized by the Underwriter in calculating the rental income for comparison to the Applicant's estimate in the application. Where multiple programs are funding the same units, the lowest Program Rents for those units is used. If the Market Rents, as determined by the Market Analysis, are lower than the net program rents, then the Market Rents for those units are utilized.

(A) Market Rents. The Underwriter reviews the Attribute Adjustment Matrix of Market Rent comparables by unit size provided by the Market Analyst and determines if the adjustments and conclusions made are reasoned and well documented. The Underwriter uses the Market Analyst's conclusion of adjusted Market Rent by unit, as long as the proposed Market Rent is reasonably justified and does not exceed the highest existing unadjusted market comparable rent. Random checks of the validity of the Market Rents may include direct contact with the comparable properties. The Market Analyst's Attribute Adjustment Matrix should include, at a minimum, adjustments for location, size, amenities, and concessions as more fully described in §1.33 of this subchapter, the Department's Market Analysis Rules and Guidelines.

(B) Program Rents. The Underwriter reviews the Applicant's proposed rent schedule and determines if it is consistent with the representations made in the remainder of the application. The Underwriter uses the Program Rents as promulgated by the Department's Compliance Division for the year that is most current at the time the underwriting begins. When underwriting for a simultaneously funded, competitive round all of the applications are underwritten with the rents promulgated for the same year. Program Rents are reduced by the Utility Allowance. The Utility Allowance figures used are determined based upon what is identified in the application by the Applicant as being a utility cost paid by the tenant and upon other consistent documentation provided in the application. Water and sewer can only be a tenant-paid utility if the units will be individually metered for such services. Gas utilities are verified on the building plans and elsewhere in the application when applicable. Trash allowances paid by the tenant are rare and only considered when the building plans allow for individual exterior receptacles. Refrigerator and range allowances are not considered part of the tenant-paid utilities unless the tenant is expected to provide their own appliances, and no eligible appliance costs are included in the development cost breakdown.

(2) Miscellaneous Income. All ancillary fees and miscellaneous secondary income, including but not limited to late fees, storage fees, laundry income, interest on deposits, carport rent, washer and dryer rent, telecommunications fees, and other miscellaneous income, are anticipated to be included in a \$5 to \$15 per unit per month range. Any estimates for secondary income above or below this amount are only considered if they are well documented by the financial statements of comparable properties as being achievable in the proposed market area as determined by the Underwriter. Exceptions may be made for special uses, such as garages, congregate care/assisted living/elderly facilities, and child care facilities. Exceptions must be justified by operating history of existing comparable properties and should also be documented as being achievable in the submitted market study. The Applicant must show that the tenant will not be required to pay the additional fee or charge as a condition of renting an apartment unit and must show that the tenant has a reasonable alternative. Collection rates of these exceptional fee items will generally be heavily discounted. If the total secondary income is over the maximum per unit per month limit, any cost associated with the construction, acquisition, or development of the hard assets needed to produce an additional fee may also need to be reduced from eligible basis for Tax Credit Developments as they may, in that case, be considered to be a commercial cost rather than an incidental to the housing cost of the Development. The use of any secondary income over the maximum per unit per month limit that is based on the factors described in this paragraph is subject to the determination by the Underwriter that the factors being used are well documented.

(3) Vacancy and Collection Loss. The Underwriter uses a vacancy rate of 7.5% (5% vacancy plus 2.5% for collection loss) unless the Market Analysis reflects a higher or lower established vacancy rate for the area. Elderly and 100% project-based rental subsidy Developments and other well documented cases may be underwritten at a combined 5% at the discretion of the Underwriter if the historical performance reflected in the Market Analysis is consistently higher than a 95% occupancy rate.

(4) Effective Gross Income. The Underwriter independently calculates EGI. If the EGI figure provided by the Applicant is within five percent of the EGI figure calculated by the Underwriter, the Applicant's figure is characterized as acceptable or reasonable in the Report, however, for purposes of

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calculating DCR the Underwriter will maintain and use its independent calculation of EGI regardless of the characterization of the Applicant's figure.

(5) Expenses. The Underwriter evaluates the reasonableness of the Applicant's expense estimate based upon line item comparisons with specific data sources available. Evaluating the relative weight or importance of the expense data points is one of the most subjective elements of underwriting. Historical stabilized certified or audited financial statements of the property will reflect the strongest data points to predict future performance. The Department also maintains a database of performance of other similar sized and type properties across the State. In the case of a new Development, the Department's database of property in the same location or region as the proposed Development provides the most heavily relied upon data points. The Department also uses data from the Institute of Real Estate Management's (IREM) most recent *Conventional Apartments-Income/Expense Analysis* book for the proposed Development's property type and specific location or region. In some cases local or project-specific data such as PHA Utility Allowances and property tax rates are also given significant weight in determining the appropriate line item expense estimate. Finally, well documented information provided in the Market Analysis, the application, and other well documented sources may be considered. In most cases, the data points used from a particular source are an average of the per unit and per square foot expense for that item. The Underwriter considers the specifics of each transaction, including the type of development, the size of the units, and the Applicant's expectations as reflected in the proforma to determine which data points are most relevant. The Underwriter will determine the appropriateness of each data point being considered and must use their reasonable judgment as to which one fits each situation. The Department will create and utilize a feedback mechanism to communicate and allow for clarification by the Applicant when the overall expense estimate is over five percent greater or less than the Underwriter's estimate or when specific line items are inconsistent with the Underwriter's expectation based upon the tolerance levels set forth for each line item expense in subparagraph (A) through (J) of this paragraph. If an acceptable rationale for the individual or total difference is not provided, the discrepancy is documented in the Report and the justification provided by the Applicant and the countervailing evidence supporting the Underwriter's determination is noted. If the Applicant's total expense estimate is within five percent of the final total expense figure calculated by the Underwriter, the Applicant's figure is characterized as acceptable or reasonable in the Report, however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation of expenses regardless of the characterization of the Applicant's figure.

(A) General and Administrative Expense. General and Administrative Expense includes all accounting fees, legal fees, advertising and marketing expenses, office operation, supplies, and equipment expenses. Historically, the TDHCA Database average has been used as the Department's strongest initial data point as it has generally been consistent with IREM regional and local figures. The underwriting tolerance level for this line item is 20%.

(B) Management Fee. Management Fee is paid to the property management company to oversee the effective operation of the property and is most often based upon a percentage of Effective Gross Income as documented in the management agreement contract. Typically, five percent of the effective gross income is used, though higher percentages for rural transactions that are consistent with the TDHCA Database can be concluded. Percentages as low as three percent may be utilized if documented with a Third Party management contract agreement with an acceptable management company. The Underwriter will require documentation for any percentage difference from the 5% of the Effective Gross Income standard.

(C) Payroll and Payroll Expense. Payroll and Payroll Expense includes all direct staff payroll, insurance benefits, and payroll taxes including payroll expenses for repairs and maintenance typical of a conventional multifamily Development. It does not, however, include direct security payroll or additional supportive services payroll. In urban areas, the local IREM per unit figure has historically held considerable weight as the Department's strongest initial data point. In rural areas, however, the TDHCA Database is often considered more reliable. The underwriting tolerance level for this line item is 10%.

(D) Repairs and Maintenance Expense. Repairs and Maintenance Expense includes all repairs and maintenance contracts and supplies. It should not include extraordinary capitalized expenses that would result from major renovations. Direct payroll for repairs and maintenance activities are included in payroll expense. Historically, the TDHCA Database average has been used as the Department's strongest data point as it has generally been consistent with IREM regional and local figures. The underwriting tolerance level for this line item is 20%.

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(E) Utilities Expense (Gas & Electric). Utilities Expense includes all gas and electric energy expenses paid by the owner. It includes any pass-through energy expense that is reflected in the unit rents. Historically, the lower of an estimate based on 25.5% of the PHA local Utility Allowance or the TDHCA Database or local IREM averages have been used as the most significant data point. The higher amount may be used, however, if the current typical higher efficiency standard utility equipment is not projected to be included in the Development upon completion or if the higher estimate is more consistent with the Applicant's projected estimate. Also a lower or higher percentage of the PHA allowance may be used, depending on the amount of common area, and adjustments will be made for utilities typically paid by tenants that in the subject are owner-paid as determined by the Underwriter. The underwriting tolerance level for this line item is 30%.

(F) Water, Sewer and Trash Expense. Water, Sewer and Trash Expense includes all water, sewer and trash expenses paid by the owner. It would also include any pass-through water, sewer and trash expense that is reflected in the unit rents. Historically, the lower of the PHA allowance or the TDHCA Database average has been used. The underwriting tolerance level for this line item is 30%.

(G) Insurance Expense. Insurance Expense includes any insurance for the buildings, contents, and liability but not health or workman's compensation insurance. Historically, the TDHCA Database is used with a minimum \$0.16 per net rentable square foot. Additional weight is given to a Third Party bid or insurance cost estimate provided in the application reflecting a higher amount for the proposed Development. The underwriting tolerance level for this line item is 50%.

(H) Property Tax. Property Tax includes all real and personal property taxes but not payroll taxes. The TDHCA Database is used to interpret a per unit assessed value average for similar properties which is applied to the actual current tax rate. The per unit assessed value is most often contained within a range of \$15K to \$35K but may be higher or lower based upon documentation from the local tax assessor. Location, size of the units, and comparable assessed values also play a major role in evaluating this line item expense. Property tax exemptions or proposed payment in lieu of taxes (PILOT) must be documented as being reasonably achievable if they are to be considered by the Underwriter. For CHDO owned or controlled properties, this documentation includes, at a minimum, evidence of the CHDO designation from the State or local participating jurisdiction and a letter from the local taxing authority recognizing that the Applicant is or will be considered eligible for the property exemption. The underwriting tolerance level for this line item is 10%.

(I) Reserves. Reserves include annual reserve for replacements of future capitalizable expenses as well as any ongoing additional operating reserve requirements. The Underwriter includes reserves of \$200 per unit for new construction and \$300 per unit for rehabilitation Developments. Higher levels of reserves may be used if they are documented in the financing commitment letters. The Underwriter will require documentation for any difference from the \$200 new construction and \$300 rehabilitation standard.

(J) Other Expenses. The Underwriter will include other reasonable and documented expenses, other than depreciation, interest expense, lender or syndicator's asset management fees, or other ongoing partnership fees. Lender or syndicator's asset management fees or other ongoing partnership fees are not considered in the Department's calculation of debt coverage in any way. The most common other expenses are described in more detail in clauses (i) through (iii) of this subparagraph.

(i) Supportive Services Expense. Supportive Services Expense includes the cost to the owner of any non-traditional tenant benefit such as payroll for instruction or activities personnel. Documented contract costs will be reflected in Other Expenses. Any selection points for this item will be evaluated prior to underwriting. The Underwriter's verification will be limited to assuring any documented costs are included. For all transactions supportive services expenses are considered part of Other Expenses and are considered part of the debt coverage ratio.

(ii) Security Expense. Security Expense includes contract or direct payroll expense for policing the premises of the Development and is included as part of Other Expenses. The Applicant's amount is moved to Other Expenses and typically accepted as provided. The Underwriter will require documentation of the need for security expenses that exceed 50% of the anticipated payroll and payroll expenses estimate discussed in subsection (d)(4)(C) of this section.

(iii) Compliance Fees. Compliance fees include only compliance fees charged by TDHCA. The Department's charge for a specific program may vary over time, however, the Underwriter uses the current charge per unit per year at the time of underwriting. For all transactions compliance fees are considered part of Other Expenses and are considered part of the debt coverage ratio.

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(6) Net Operating Income and Debt Service. NOI is the difference between the EGI and total operating expenses. If the NOI figure provided by the Applicant is within five percent of the NOI figure calculated by the Underwriter, the Applicant's figure is characterized as acceptable or reasonable in the Report, however, for purposes of calculating the DCR the Underwriter will maintain and use its independent calculation of NOI regardless of the characterization of the Applicant's figure. Only if the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates and characterized as acceptable or reasonable in the Report will the Applicant's estimate of NOI be used to determine the acceptable debt service amount. In all other cases the Underwriter's estimates are used. In addition to the NOI, the interest rate, term, and debt coverage ratio range affect the determination of the acceptable debt service amount.

(A) Interest Rate. The interest rate used should be the rate documented in the commitment letter. The maximum rate that will be allowed for a competitive application cycle is evaluated by the Director of Credit Underwriting and posted to the Department's web site prior to the close of the application acceptance period. Historically this maximum acceptable rate has been at or below the average rate for 30-year U.S. Treasury Bonds plus 400 basis points.

(B) Term. The primary debt loan term is reflected in the commitment letter. The Department generally requires an amortization of not less than 30 years and not more than 50 years or an adjustment to the amortization structure is evaluated and recommended. In non-Tax Credit transactions a lesser amortization term may be used if the Department's funds are fully amortized over the same period.

(C) Initial Acceptable Debt Coverage Ratio Range. The acceptable DCR range for all priority or foreclosable lien financing plus the Department's proposed financing falls between a minimum of 1.10 to a maximum of 1.30. In rare instances, such as for HOPE VI and USDA Rural Development transactions, the minimum DCR may be less than 1.10 based upon documentation of acceptance of such an acceptable DCR from the lender. If the DCR is less than the minimum, a reduction in the debt service amount is recommended based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph. If the DCR is greater than the maximum, an increase in the debt service amount is recommended based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraph (A) and (B) of this paragraph, and the funding gap is reviewed to determine the continued need for Department financing. When the funding gap is reduced no adjustments are made to the level of Department financing unless there is an excess of financing, after the need for deferral of any developer fee is eliminated. If the increase in debt capacity provides excess sources of funds, the Underwriter adjusts any Department grant funds to a loan, if possible, and/or adjusts the interest rate of any Department loans upward until the DCR does not exceed the maximum or up to the prevailing current market rate for similar conventional funding, whichever occurs first. Where no Department grant or loan exists or the full market interest rate for the Department's loan has been accomplished, the Underwriter increases the conventional debt amount until the DCR is reduced to the maximum allowable. Any adjustments in debt service will become a condition of the Report, however, future changes in income, expenses, rates, and terms could allow additional adjustments to the final debt amount to be acceptable. In a Tax Credit transaction, an excessive DCR could negatively affect the amount of recommended tax credit, if based upon the Gap Method, more funds are available than are necessary after all deferral of developer fee is reduced to zero.

(7) Long Term Feasibility. The Underwriter will evaluate the long term feasibility of the Development by creating a 30-year operating proforma. A three percent annual growth factor is utilized for income and a four percent annual growth factor is utilized for expenses. The base year projection utilized is the Underwriter's EGI, expenses, and NOI unless the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates and characterized as acceptable or reasonable in the Report. The DCR should remain above a 1.10 and a continued positive Cash Flow should be projected for the initial 30-year period in order for the Development to be characterized as feasible for the long term. Any Development where the amount of cumulative Cash Flow over the first fifteen years is insufficient to pay the projected amount of deferred developer fee amortized in irregular payments at zero percent interest is characterized as infeasible and will not be recommended for funding unless the Underwriter can determine a plausible alternative feasible financing structure and conditions the recommendation(s) in the Report accordingly.

(e) Development Costs. The Department's estimate of the Development's cost will be based on the Applicant's project cost schedule to the extent that it can be verified to a reasonable degree of certainty with documentation from the Applicant and tools available to the Underwriter. For new construction



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Developments, the Applicant's total cost estimate will be compared to the Underwriter's total cost estimate and where the difference in cost exceeds five percent of the Underwriter's estimate, the Underwriter shall substitute their own estimate for the Total Housing Development Cost to determine the Equity Gap Method and Eligible Basis Method where applicable. In the case of a rehabilitation Development, the Underwriter may use a lower tolerance level due to the reliance upon the Applicant's authorized Third Party cost assessment. Where the Applicant's costs are inconsistent with documentation provided in the Application, the Underwriter may adjust the Applicant's total cost estimate. The Department will create and utilize a feedback mechanism to communicate and allow for clarification by the Applicant before the Underwriter's total cost estimate is substituted for the Applicant's estimate.

(1) Acquisition Costs. The proposed acquisition price is verified with the fully executed site control document(s) for the entirety of the site.

(A) Excess Land Acquisition. Where more land is being acquired than will be utilized for the site and the remaining acreage is not being utilized as permanent green space, the value ascribed to the proposed Development will be prorated from the total cost reflected in the site control document(s). An appraisal or tax assessment value may be tools that are used in making this determination; however, the Underwriter will not utilize a prorated value greater than the total amount in the site control document(s).

(B) Identity of Interest Acquisitions. Where the seller or any principals of the seller is an Affiliate, Beneficial Owner, or Related Party to the Applicant, Developer, General Contractor, Housing Consultant, or persons receiving any portion of the Contractor or Developer Fees, the sale of the property will be considered to be an Identity of Interest transfer. In all such transactions the Applicant is required to provide the additional documentation identified in clauses (i) through (iv) of this subparagraph to support the transfer price and this information will be used by the Underwriter to make a transfer price determination.

(i) Documentation of the original acquisition cost, such as the settlement statement.

(ii) An appraisal that meets the Department's Appraisal Rules and Guidelines as described in §1.34 of this subchapter. In no instance will the acquisition value utilized by the Underwriter exceed the appraised value.

(iii) A copy of the current tax assessment value for the property.

(iv) Any other reasonably verifiable costs of owning, holding, or improving the property that when added to the value from clause (i) of this subparagraph justifies the Applicant's proposed acquisition amount.

(I) For land-only transactions, documentation of owning, holding or improving costs since the original acquisition date may include: property taxes; interest expense; a calculated return on equity at a rate consistent with the historical returns of similar risks; the cost of any physical improvements made to the property; the cost of rezoning, replatting, or developing the property; or any costs to provide or improve access to the property.

(II) For transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the property, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the property and the cost of exit taxes not to exceed an amount necessary to allow the sellers to be indifferent to foreclosure or breakeven transfer.

(C) Non-Identity of Interest Acquisition of Buildings for Tax Credit Properties. In order to make a determination of the appropriate building acquisition value, the Applicant will provide and the Underwriter will utilize an appraisal that meets the Department's Appraisal Rules and Guidelines as described in §1.34 of this subchapter. The value of the improvements are the result of the difference between the as-is appraised value less the land value. Where the actual sales price is more than ten percent different than the appraised value, the Underwriter may alternatively prorate the actual sales price based upon the calculated improvement value over the as-is value provided in the appraisal, so long as the improved value utilized by the Underwriter does not exceed the total as-is appraised value of the entire property.

(2) Off-Site Costs. Off-Site costs are costs of Development up to the site itself such as the cost of roads, water, sewer and other utilities to provide the site with access. All off-site costs must be well documented and certified by a Third Party engineer as presented in the required application form to be included in the Underwriter's cost budget.

(3) Site Work Costs. If Project site work costs exceed \$7,500 per Unit, the Applicant must submit a detailed cost breakdown certified as being prepared by a Third Party engineer or architect, to be included

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in the Underwriter's cost budget. In addition, for applicants seeking Tax Credits, a letter from a certified public accountant properly allocating which portions of the engineer's or architect's site costs should be included in eligible basis and which ones are ineligible, in keeping with the holding of the Internal Revenue Service Technical Advice Memoranda, is required for such costs to be included in the Underwriter's cost budget.

(4) Direct Construction Costs. Direct construction costs are the costs of materials and labor required for the building or rehabilitation of a Development.

(A) New Construction. The Underwriter will use the "Average Quality" multiple or townhouse costs, as appropriate, from the *Marshall and Swift Residential Cost Handbook*, based upon the details provided in the application and particularly site and building plans and elevations. If the Development contains amenities not included in the Average Quality standard, the Department will take into account the costs of the amenities as designed in the Development. If the Development will contain single-family buildings, then the cost basis should be consistent with single-family Average Quality as defined by Marshall & Swift Residential Cost Handbook. Whenever the Applicant's estimate is more than five percent greater or less than the Underwriter's Marshall and Swift based estimate, the Underwriter will attempt to reconcile this concern and ultimately identify this as a cost concern in the Report.

(B) Rehabilitation Costs. In the case where the Applicant has provided Third Party signed bids with a work write-up from contractors or estimates from certified or licensed professionals which are inconsistent with the Applicant's figures as proposed in the project cost schedule, the Underwriter utilizes the Third Party estimations in lieu of the Applicant's estimates even when the difference between the Underwriter's costs and the Applicant's costs is less than five percent. The underwriting staff will evaluate rehabilitation Developments for comprehensiveness of the Third Party work write-up and will determine if additional information is needed.

(5) Hard Cost Contingency. This is the only contingency figure considered by the Underwriter and is only considered in underwriting prior to final cost certification. Contingency is limited to a maximum of five percent (5%) of direct costs plus site work for new construction Developments and ten percent (10%) of direct costs plus site work for rehabilitation Developments. The Applicant's figure is used by the Underwriter if the figure is less than five percent (5%).

(6) Contractor Fee Limits. Contractor fees are limited to six percent (6%) for general requirements, two percent (2%) for contractor overhead, and six percent (6%) for contractor profit. These fees are based upon the direct costs plus site work costs. Minor reallocations to make these fees fit within these limits may be made at the discretion of the Underwriter. For Developments also receiving financing from TxRD-USDA, the combination of builder's general requirements, builder's overhead, and builder's profit should not exceed the lower of TDHCA or TxRD-USDA requirements.

(7) Developer Fee Limits. For Tax Credit Developments, the development cost associated with developer's fees cannot exceed fifteen percent (15%) of the project's Total Eligible Basis, as defined in §§49 and 50 of this title (adjusted for the reduction of federal grants, below market rate loans, historic credits, etc.), not inclusive of the developer fees themselves. The fee can be divided between overhead and fee as desired but the sum of both items must not exceed the maximum limit. The Developer Fee may be earned on non-eligible basis activities, but only the maximum limit as a percentage of eligible basis items may be included in basis for the purpose of calculating a project's credit amount. Any non-eligible amount of developer fee claimed must be proportionate to the work for which it is earned. For non-Tax Credit Developments, the percentage remains the same but is based upon total development costs less: the fee itself, land costs, the costs of permanent financing, excessive construction period financing described in paragraph (8) of this subsection, and reserves.

(8) Financing Costs. Eligible construction period financing is limited to not more than one year's worth of fully drawn construction loan funds at the construction loan interest rate indicated in the commitment. Any excess over this amount is removed to ineligible cost and will not be considered in the determination of developer fee.

(9) Reserves. The Department will utilize the terms proposed by the syndicator or lender as described in the commitment letter(s) or the amount described in the Applicants project cost schedule if it is within the range of two to six months of stabilized operating expenses less management fees plus debt service.

(10) Other Soft Costs. For Tax Credit Developments all other soft costs are divided into eligible and ineligible costs. Eligible costs are defined by Internal Revenue Code but generally are costs that can be capitalized in the basis of the Development for tax purposes; whereas ineligible costs are those that tend to

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fund future operating activities. The Underwriter will evaluate and accept the allocation of these soft costs in accordance with the Department's prevailing interpretation of the Internal Revenue Code. If the Underwriter questions the eligibility of any soft costs, the Applicant is given an opportunity to clarify and address the concern prior to removal from basis.

(f) Developer Capacity. The Underwriter will evaluate the capacity of the Person(s) accountable for the role of the Developer to determine their ability to secure financing and successfully complete the Development. The Department will review certification of previous participation, financial statements, and personal credit reports for those individuals anticipated to guarantee the completion of the Development.

(1) Previous Experience. The Underwriter will characterize the Development as "high risk" if the Developer has no previous experience in completing construction and reaching stabilized occupancy in a previous Development.

(2) Credit Reports. The Underwriter will characterize the Development as "high risk" if the Developer or principals thereof have a credit score which reflects a 40% or higher potential default rate.

(3) Financial Statements of Principals. The Applicant, Developer, any principals of the Applicant, General Partner, and Developer and any Person who will be required to guarantee the Development will be required to provide a signed and dated financial statement and authorization to release credit information. The financial statement for individuals may be provided on the Personal Financial and Credit Statement form provided by the Department and must not be older than 90 days from the first day of the Application Acceptance Period. If submitting partnership and corporate financials in addition to the individual statements, the certified annual financial statement or audited statement, if available, should be for the most recent fiscal year not more than twelve months from first date of the Application Acceptance Period. This document is required for an entity even if the entity is wholly-owned by a person who has submitted this document as an individual. For entities being formed for the purposes of facilitating the contemplated transaction but who have no meaningful financial statements at the present time, a letter attesting to this condition will suffice.

(A) Financial statements must be provided to the Underwriting Division at least seven days prior to the close of the application acceptance period in order for an acknowledgment of receipt to be provided as a substitute for inclusion of the statements themselves in the application. The Underwriting Division will FAX, e-mail or send via regular mail an acknowledgment for each financial statement received. The acknowledgment will not constitute acceptance by the Department that financial statements provided are acceptable in any manner but only acknowledge their receipt. Where time permits, the acknowledgment may identify the date of the statement and whether it will meet the time constraints under the QAP.

(B) The Underwriter will evaluate and discuss individual financial statements in a confidential portion of the Report. Where the financial statement indicates a limited net worth and/ or lack of significant liquidity and the Development is characterized as a high risk for either of the reasons described in paragraphs (1) and (2) of this subsection, the Underwriter must condition any potential award upon the identification and inclusion of additional Development partners who can meet the criteria described in this subsection.

(g) Other Underwriting Considerations. The Underwriter will evaluate numerous additional elements as described in subsection (b) of this section and those that require further elaboration are identified in this subsection.

(1) Floodplains. The Underwriter evaluates the site plan and floodplain map and information provided to determine if any of the buildings, drives, or parking areas reside within the 100-year floodplain. If such a determination is made by the Underwriter the Report will include a condition that the Applicant must pursue and receive a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F) or require the Applicant to identify the cost of flood insurance for the buildings and for the tenant's contents for buildings within the 100-year floodplain.

(2) Inclusive Capture Rate. The Underwriter will not recommend the approval of funds to new multifamily housing Developments requesting funds where the anticipated inclusive capture rate is in excess of 25% for the Primary Market unless the market is a rural market or the units are targeted toward the elderly. In rural markets and for Developments that are strictly targeted to the elderly, the Underwriter will not recommend the approval of funds to new housing Developments requesting funds from the Department where the anticipated capture rate is in excess of 100% of the qualified demand. Affordable Housing which replaces previously existing substandard Affordable Housing within the same Submarket on a Unit for Unit basis, and which gives the displaced tenants of the previously existing Affordable

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Housing a leasing preference, is excepted from these inclusive capture rate restrictions. The inclusive capture rate for the Development is defined as the sum of the proposed units for a given project plus any previously approved but not yet stabilized new comparable units in the Submarket divided by the total income-eligible targeted renter demand identified in the Market Analysis for a specific Development's Primary Market. The Department defines comparable units, in this instance, as units that are dedicated to the same household type as the proposed subject property using the classifications of family, elderly or transitional as housing types. The Department defines a stabilized project as one that has maintained a 90% occupancy level for at least 12 consecutive months. The Department will independently verify the number of affordable multifamily units included in the market study and will ensure that all projects previously allocated funds through the Department are included in the final analysis. The documentation requirements needed to support decisions relating to this item are identified in §1.33 of this subchapter.

### **§1.33. Market Analysis Rules and Guidelines.**

(a) General Provision. A Market Analysis prepared for the Department must evaluate the need for decent, safe, and sanitary housing at rental rates or sales prices that eligible tenants can afford. The analysis must determine the feasibility of the subject property rental rates or sales price and state conclusions as to the impact of the property with respect to the determined housing needs. Furthermore, the Market Analyst shall certify that they are a Third Party and are not being compensated for the assignment based upon a predetermined outcome.

(b) Self-Contained. A Market Analysis prepared for the Department must contain sufficient data and analysis to allow the reader to understand the market data presented, the analysis of the data, and the conclusion(s) derived from such data and its relationship to the subject property. The complexity of this requirement will vary in direct proportion with the complexity of the real estate and the real estate market being analyzed. The analysis must clearly lead the reader to the same or similar conclusion(s) reached by the Market Analyst.

(c) Market Analyst Qualifications. A Market Analysis submitted to the Department must be prepared and certified by an approved Market Analyst. The Department will maintain an approved market analyst list based on the guidelines set forth in paragraphs (1) through (3) of this subsection.

(1) Market analysts must submit subparagraph (A) through (F) of this paragraph for review by the Department.

(A) A current organization chart or list reflecting all members of the firm who may author or sign the Market Analysis.

(B) General information regarding the firm's experience including references, the number of previous similar assignments and time frames in which previous assignments were completed.

(C) Resumes for all members of the firm who may author or sign the Market Analysis.

(D) Certification from an authorized representative of the firm that the services to be provided will conform to the Department's Market Analysis Rules and Guidelines described in this section.

(E) A sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines described in this section.

(F) Documentation of organization and good standing in the State of Texas.

(2) During the underwriting process each Market Analysis will be reviewed and any discrepancies with the rules and guidelines set forth in this section may be identified and require timely correction. Subsequent to the completion of the funding cycle and as time permits, staff and/or a review appraiser will re-review a sample set of submitted market analyses to ensure that the Department's Market Analysis Rules and Guidelines are met. If it is found that a Market Analyst has not conformed to the Department's Market Analysis Rules and Guidelines, as certified to, the Market Analyst will be notified of the discrepancies in the Market Analysis and will be removed from the approved market analyst list.

(A) Removal from the list of approved Market Analysts will not, in and of itself, invalidate a Market Analysis that has already been commissioned not more than 90 days before the Department's due date for submission as of the date the change in status of the Market Analyst is posted to the web.

(B) To be reinstated as an approved Market Analyst, the Market Analyst must submit a new sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines. This new study will then be reviewed for conformance with the rules of this section and if found to be in compliance, the Market Analyst will be reinstated.

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(3) The list of approved Market Analysts is posted on the Department's web site and updated within 72 hours of a change in the status of a Market Analyst.

(d) Market Analysis Contents. A Market Analysis for a multifamily Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) through (17) of this subsection.

(1) Title Page. Include property address and/or location, housing type, TDHCA addressed as client, effective date of analysis, date of report, name and address of person authorizing report, and name and address of Market Analyst.

(2) Letter of Transmittal. Include date of letter, property address and/or location, description of property type, statement as to purpose of analysis, reference to accompanying Market Analysis, reference to all person(s) providing significant assistance in the preparation of analysis, statement from Market Analyst indicating any and all relationships to any member of the development team and/or owner of the subject property, date of analysis, effective date of analysis, date of property inspection, name of person(s) inspecting subject property, and signatures of all Market Analysts authorized to work on the assignment.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Summary Form. Complete and include the TDHCA Primary Market Area Analysis Summary form. An electronic version of the form and instructions are available on the Department's website at <http://www.tdhca.state.tx.us/underwrite.html>.

(5) Assumptions and Limiting Conditions. Include a summary of all assumptions, both general and specific, made by the Market Analyst concerning the property.

(6) Disclosure of Competency. Include the Market Analyst's qualifications, detailing education and experience of all Market Analysts authorized to work on the assignment.

(7) Identification of the Property. Provide a statement to acquaint the reader with the Development. Such information includes street address, tax assessor's parcel number(s), and development characteristics.

(8) Statement of Ownership for the Subject Property. Disclose the current owners of record and provide a three year history of ownership.

(9) Purpose of the Market Analysis. Provide a brief comment stating the purpose of the analysis.

(10) Scope of the Market Analysis. Address and summarize the sources used in the Market Analysis. Describe the process of collecting, confirming, and reporting the data used in the Market Analysis.

(11) Secondary Market Information. Include a general description of the geographic location and demographic data and analysis of the secondary market area if applicable. The secondary market area will be defined on a case-by-case basis by the Market Analyst engaged to provide the Market Analysis. Additional demand factors and comparable property information from the secondary market may be addressed. However, use of such information in conclusions regarding the subject property must be well-reasoned and documented. A map of the secondary market area with the subject property clearly identified should be provided. In a Market Analysis for a Development targeting families, the demand and supply effects from the secondary market are not significant. For a Development that targets smaller subgroups such as elderly households, the demand and supply effects may be more relevant.

(12) Primary Market Information. Include a specific description of the subject's geographical location, specific demographic data, and an analysis of the Primary Market Area. The Primary Market Area will be defined on a case-by-case basis by the Market Analyst engaged to provide the Market Analysis. The Department encourages a conservative Primary Market Area delineation with use of natural political/geographical boundaries whenever possible. Furthermore, the Primary Market for a Development chosen by the Market Analyst will generally be most informative if it contains no more than 250,000 persons, though a Primary Market with more residents may be indicated by the Market Analyst, where political/geographic boundaries indicate doing so, with additional supportive narrative. A summary of the neighborhood trends, future development, and economic viability of the specific area must be addressed with particular emphasis given to Affordable Housing. A map of the Primary Market with the subject property clearly identified must be provided. A separate scaled distance map of the Primary Market that clearly identifies the subject and the Local Amenities must also be included.

(13) Comparable Property Analysis. Provide a comprehensive evaluation of the existing supply of comparable properties in the Primary Market Area defined by the Market Analyst. The analysis should include census data documenting the amount and condition of local housing stock as well as information on building permits since the census data was collected. The analysis must separately evaluate existing market

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rate housing and existing subsidized housing to include local housing authority units and any and all other rent- or income-restricted units with respect to items discussed in subparagraphs (A) through (F) of this paragraph.

(A) Analyze comparable property rental rates. Include a separate attribute adjustment matrix for the most comparable market rate and subsidized units to the units proposed in the subject, a minimum of three developments each. The Department recommends use of HUD Form 922273. Analysis of the Market Rents must be sufficiently detailed to permit the reader to understand the Market Analyst's logic and rationale. Total adjustments made to the Comparable Units in excess of 15% suggest a weak comparable. Total adjustments in excess of 15% must be supported with additional narrative. The Department also encourages close examination of the overall use of concessions in the Primary Market Area and the effect on effective Market Rents.

(B) Provide an Affordability Analysis of the comparable unrestricted units.

(C) Analyze occupancy rates of each of the comparable properties and occupancy trends by property class. Physical occupancy should be compared to economic occupancy.

(D) Provide annual turnover rates of each of the comparable properties and turnover trends by property class.

(E) Provide absorption rates for each of the comparable properties and absorption trends by property class.

(F) The comparable Developments must indicate current research for the proposed property type. The rental data must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The minimum content of the individual data sheets include: property address, lease terms, occupancy, turnover, development characteristics, current physical condition of the property, etc. A scaled distance map of the Primary Market that clearly identifies the subject Development and existing comparable market rate developments and all existing/proposed subsidized developments must be provided.

(14) Demand Analysis. Provide a comprehensive evaluation of the demand for the proposed housing. The analysis must include an analysis of the need for market rate and Affordable Housing within the subject Development's Primary Market Area using the most current census and demographic data available. The demand for housing must be quantified, well reasoned, and segmented to include only relevant income- and age-eligible targets of the subject Development. Each demand segment should be addressed independently and overlapping segments should be minimized and clearly identified when required. In instances where more than 20% of the proposed units are comprised of three- and four-bedroom units, the analysis should be refined by factoring in the number of large households to avoid overestimating demand. The final quantified demand calculation may include demand due to items in subparagraphs (A) through (C) of this paragraph.

(A) Quantify new household demand due to documented population and household growth trends for targeted income-eligible rental households OR confirmed targeted income-eligible rental household growth due to new employment growth.

(B) Quantify existing household demand due to documented turnover of existing targeted income-eligible rental households OR documented rent over-burdened targeted income-eligible rental households that would not be rent over-burdened in the proposed Development and documented targeted income-eligible rental households living in substandard housing.

(C) Include other well reasoned and documented sources of demand determined by the Market Analyst.

(15) Conclusions. Include a comprehensive evaluation of the subject property, separately addressing each housing type and specific population to be served by the Development in terms of items in subparagraphs (A) through (F) of this paragraph.

(A) Provide a separate market and subsidized rental rate conclusion for each proposed unit type and rental restriction category. Conclusions of rental rates below the maximum net rent limit rents must be well reasoned, documented, consistent with the market data, and address any inconsistencies with the conclusions of the demand for the subject units.

(B) Provide rental income, secondary income, and vacancy and collection loss projections for the subject derived independent of the applicant's estimates, but based on historic and/or well established data sources of comparable properties.

(C) Correlate and quantify secondary market and Primary Market demographics of housing demand to the current and proposed supply of housing and the need for each proposed unit type and the

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subject Development as a whole. The subject Development specific demand calculation may consider total demand from the date of application to the proposed place in service date.

(D) Calculate an inclusive capture rate for the subject Development defined as the sum of the proposed subject units plus any previously approved but unstabilized new comparable units in the Primary Market divided by the total income-eligible targeted renter demand identified by the Market Analysis for the subject Development's Primary Market Area. The Market Analyst should calculate a separate capture rate for the subject Development's proposed affordable units and market rate units as well as the subject Development as a whole.

(E) Project an absorption period and rate for the subject until a Sustaining Occupancy level has been achieved. If absorption projections for the subject differ significantly from historic data, an explanation of such should be included.

(F) Analyze the effects of the subject Development on the Primary Market occupancy rates and provide sufficient support documentation.

(16) Photographs. Include good quality color photographs of the subject property (front, rear and side elevations, on-site amenities, interior of typical units if available). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should also be included. An aerial photograph is desirable but not mandatory.

(17) Appendices. Any third party reports relied upon by the Market Analyst must be provided in appendix form and verified directly by the Market Analyst as to its validity.

(e) Single Family Developments.

(1) Market studies for single-family Developments proposed as rental Developments must contain the elements set forth in subsections (d)(1) through (17) of this section. Market analyses for Developments proposed for single-family home ownership must contain the elements set forth in subsections (d)(1) through (17) of this section as they would apply to home ownership in addition to paragraphs (2) through (4) of this subsection.

(2) Include no less than three actual market transactions to inform the reader of current market conditions for the sale of each unit type in the price range contemplated for homes in the proposed Development. The comparables must rely on current research for this specific property type. The sales prices must be confirmed with the buyer, seller, or real estate agent and individual data sheets must be included. The minimum content of the individual data sheets should include property address, development characteristics, purchase price and terms, description of any federal, state, or local affordability subsidy associated with the transaction, date of sale, and length of time on the market.

(3) Analysis of the comparable sales should be sufficiently detailed to permit the reader to understand the Market Analyst's logic and rationale. The evaluation should address the appropriateness of the living area, room count, market demand for Affordable Housing, targeted sales price range, demand for interior and/or exterior amenities, etc. A scaled distance map of the Primary Market that clearly identifies the subject Development and existing comparable single family homes must be provided.

(4) A written statement is required stating if the projected sales prices for homes in the proposed Development are, or are not, below the range for comparable homes within the Primary Market Area. Sufficient documentation should be included to support the Market Analyst's conclusion with regard to the Development's absorption.

(f) The Department reserves the right to require the Market Analyst to address such other issues as may be relevant to the Department's evaluation of the need for the subject property and the provisions of the particular program guidelines.

(g) All applicants shall acknowledge, by virtue of filing an application, that the Department shall not be bound by any such opinion or Market Analysis, and may substitute its own analysis and underwriting conclusions for those submitted by the Market Analyst

### **§1.34. Appraisal Rules and Guidelines.**

(a) General Provisions. Appraisals prepared for the Department must conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. Self-contained reports must describe sufficient and adequate data and analyses to support the final opinion of value. The final value(s) must be reasonable, based on the information included. Any third party reports relied upon by the appraiser must be verified by the appraiser as to the validity of the data and the conclusions. The report must contain sufficient data, included in the appendix

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when possible, and analysis to allow the reader to understand the property being appraised, the market data presented, analysis of the data, and the appraiser's value conclusion. The complexity of this requirement will vary in direct proportion with the complexity of the real estate and real estate interest being appraised. The report should lead the reader to the same or similar conclusion(s) reached by the appraiser.

(b) Value Estimates. All appraisals shall contain a separate estimate of land value, based upon sales comparables. Appraisal assignments for new construction, which are required to provide a future value of to be completed structures, shall provide an "as restricted with favorable financing" value as well as an "unrestricted market" value. Properties to be rehabilitated shall address the "as restricted with favorable financing" value as well as both an "as is" value and an "as completed" value. Include a separate assessment of personal property, furniture, fixtures, and equipment (FF&E) and/or intangible items because their economic life may be shorter than the real estate improvements and may require different lending or underwriting considerations. If personal property, FF&E, or intangible items are not part of the transaction or value estimate, a statement to such effect should be included.

(c) Date of Appraisal. The appraisal report must be dated and signed by the appraiser who inspected the property. The date of the valuation, except in the case of proposed construction or extensive rehabilitation, must be a current date. The date of valuation should not be more than six months prior to the date of the application to the Department.

(d) Appraiser Qualifications. The qualifications of each appraiser are determined and approved on a case-by-case basis by the Director of Credit Underwriting and/or review appraiser, based upon the quality of the report itself and the experience and educational background of the appraiser, as set forth in the Statement of Qualifications appended to the appraisal. At minimum, a qualified appraiser will be certified or licensed by the Texas Appraiser Licensing and Certification Board.

(e) Appraisal Contents. An appraisal of a multifamily Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) through (18) of this subsection.

(1) Title Page. Include identification as to appraisal (e.g., type of process - complete or limited, type of report - self-contained, summary or restricted), property address and/or location, housing type, the Department addressed as the client, effective date of value estimate(s), date of report, name and address of person authorizing report, and name and address of appraiser(s).

(2) Letter of Transmittal. Include date of letter, property address and/or location, description of property type, extraordinary/special assumptions or limiting conditions that were approved by person authorizing the assignment, statement as to function of the report, statement of property interest being appraised, statement as to appraisal process (complete or limited), statement as to reporting option (self-contained, summary or restricted), reference to accompanying appraisal report, reference to all person(s) that provided significant assistance in the preparation of the report, date of report, effective date of appraisal, date of property inspection, name of person(s) inspecting the property, identification of type(s) of value(s) estimated (e.g., market value, leased fee value, as-financed value, etc.), estimate of marketing period, signatures of all appraisers authorized to work on the assignment.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Assumptions and Limiting Conditions. Include a summary of all assumptions, both general and specific, made by the appraiser(s) concerning the property being appraised. Statements may be similar to those recommended by the Appraisal Institute.

(5) Certificate of Value. This section may be combined with the letter of transmittal and/or final value estimate. Include statements similar to those contained in Standard Rule 2-3 of USPAP.

(6) Disclosure of Competency. Include appraiser's qualifications, detailing education and experience, as discussed in subsection (c) of this section.

(7) Identification of the Property. Provide a statement to acquaint the reader with the property. Real estate being appraised must be fully identified and described by street address, tax assessor's parcel number(s), and development characteristics. Include a full, complete, legible, and concise legal description.

(8) Statement of Ownership of the Subject Property. Discuss all prior sales of the subject property which occurred within the past three years. Any pending agreements of sale, options to buy, or listing of the subject property must be disclosed in the appraisal report.

(9) Purpose and Function of the Appraisal. Provide a brief comment stating the purpose of the appraisal and a statement citing the function of the report.



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(A) Property Rights Appraised. Include a statement as to the property rights (e.g., fee simple interest, leased fee interest, leasehold, etc.) being considered. The appropriate interest must be defined in terms of current appraisal terminology with the source cited.

(B) Definition of Value Premise. One or more types of value (e.g., "as is", "as if", "prospective market value") may be required. Definitions corresponding to the appropriate value must be included with the source cited.

(10) Scope of the Appraisal. Address and summarize the methods and sources used in the valuation process. Describes the process of collecting, confirming, and reporting the data used in the assignment.

(11) Regional Area Data. Provide a general description of the geographic location and demographic data and analysis of the regional area. A map of the regional area with the subject identified is requested, but not required.

(12) Neighborhood Data. Provide a specific description of the subject's geographical location and specific demographic data and an analysis of the neighborhood. A summary of the neighborhood trends, future development, and economic viability of the specific area should be addressed. A map with the neighborhood boundaries and the subject identified must be included.

(13) Site/Improvement Description. Discuss the site characteristics including subparagraphs (A) through (F) of this paragraph.

(A) Physical Site Characteristics. Describe dimensions, size (square footage, acreage, etc.), shape, topography, corner influence, frontage, access, ingress-egress, etc. associated with the site. Include a plat map and/or survey.

(B) Floodplain. Discuss floodplain (including flood map panel number) and include a floodplain map with the subject clearly identified.

(C) Zoning. Report the current zoning and description of the zoning restrictions and/or deed restrictions, where applicable, and type of development permitted. Any probability of change in zoning should be discussed. A statement as to whether or not the improvements conform to the current zoning should be included. A statement addressing whether or not the improvements could be rebuilt if damaged or destroyed, should be included. If current zoning is not consistent with the Highest & Best Use, and zoning changes are reasonable to expect, time and expense associated with the proposed zoning change should be considered and documented. A zoning map should be included.

(D) Description of Improvements. Provide a thorough description and analysis of the improvement including size (NRA, GBA, etc.), number of stories, number of buildings, type/quality of construction, condition, actual age, effective age, exterior and interior amenities, items of deferred maintenance, etc. All applicable forms of depreciation should be addressed along with the remaining economic life.

(E) Fair Housing. It is recognized appraisers are not an expert in such matters and the impact of such deficiencies may not be quantified; however, the report should disclose any potential violations of the Fair Housing Act of 1988, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990 and/or report any accommodations (e.g., wheelchair ramps, handicap parking spaces, etc.) which have been performed to the property or may need to be performed.

(F) Environmental Hazards. It is recognized appraisers are not an expert in such matters and the impact of such deficiencies may not be quantified; however, the report should disclose any potential environmental hazards (e.g., discolored vegetation, oil residue, asbestos-containing materials, lead-based paint etc.) noted during the inspection.

(14) Highest and Best Use. Market analysis and feasibility study is required as part of the highest and best use. The highest and best use analysis should consider subsection (d)(13)(A) through (F) of this section as well as a supply and demand analysis.

(A) The appraisal must inform the reader of any positive or negative market trends which could influence the value of the appraised property. Detailed data must be included to support the appraiser's estimate of stabilized income, absorption, and occupancy.

(B) The highest and best use section must contain a separate analysis "as if vacant" and "as improved" (or "as proposed to be improved/renovated"). All four elements in appropriate order as outlined in the Appraisal of Real Estate (legally permissible, physically possible, feasible, and maximally productive) must be sequentially considered.

(15) Appraisal Process. The Cost Approach, Sales Comparison Approach and Income Approach are three recognized appraisal approaches to valuing most properties. It is mandatory that all three

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approaches are considered in valuing the property unless specifically instructed by the Department to ignore one or more of the approaches; or unless reasonable appraisers would agree that use of an approach is not applicable. If an approach is not applicable to a particular property, then omission of such approach must be fully and adequately explained.

(A) Cost Approach. This approach should give a clear and concise estimate of the cost to construct the subject improvements. The type of cost (reproduction or replacement) and source(s) of the cost data should be reported.

(i) Cost comparables are desirable; however, alternative cost information may be obtained from Marshall & Swift Valuation Service or similar publications. The section, class, page, etc. should be referenced. All soft costs and entrepreneurial profit must be addressed and documented.

(ii) All applicable forms of depreciation must be discussed and analyzed. Such discussion must be consistent with the description of the improvements analysis.

(iii) The land value estimate should include a sufficient number of sales which are current, comparable, and similar to the subject in terms of highest and best use. Comparable sales information should include address, legal description, tax assessor's parcel number(s), sales price, date of sale, grantor, grantee, three year sales history, and adequate description of property transferred. The final value estimate should fall within the adjusted and unadjusted value ranges. Consideration and appropriate cash equivalent adjustments to the comparable sales price for subclauses (I) through (VII) of this clause should be made when applicable.

(I) Property rights conveyed.

(II) Financing terms.

(III) Conditions of sale.

(IV) Location.

(V) Highest and best use.

(VI) Physical characteristics (e.g., topography, size, shape, etc.).

(VII) Other characteristics (e.g., existing/proposed entitlements, special assessments, etc.).

(B) Sales Comparison Approach. This section should contain an adequate number of sales to provide the reader with the current market conditions concerning this property type. Sales data should be recent and specific for the property type being appraised. The sales must be confirmed with buyer, seller, or an individual knowledgeable of the transaction.

(i) Minimum content of the sales should include address, legal description, tax assessor's parcel number(s), sale price, financing considerations, and adjustment for cash equivalency, date of sale, recordation of the instrument, parties to the transaction, three year sale history, complete description of the property and property rights conveyed, and discussion of marketing time. A scaled distance map clearly identifying the subject and the comparable sales must be included.

(ii) Several methods may be utilized in the Sale Comparison Approach. The method(s) used must be reflective of actual market activity and market participants.

(I) Sale Price/Unit of Comparison. The analysis of the sale comparables must identify, relate and evaluate the individual adjustments applicable for property rights, terms of sale, conditions of sale, market conditions and physical features. Sufficient narrative analysis must be included to permit the reader to understand the direction and magnitude of the individual adjustments, as well as a unit of comparison value indicator for each comparable. The appraiser(s) reasoning and thought process must be explained.

(II) Potential Gross Income/Effective Gross Income Analysis. If used in the report, this method of analysis must clearly indicate the income statistics for the comparables. Consistency in the method for which such economically statistical data was derived should be applied throughout the analysis. At least one other method should accompany this method of analysis.

(III) NOI/Unit of Comparison. If used in the report, the net income statistics for the comparables for must be calculated in the same manner and disclosed as such. It should be disclosed if reserves for replacement have been included in this method of analysis. At least one other method should accompany this method of analysis.

(C) Income Approach. This section is to contain an analysis of both the actual historical and projected income and expense aspects of the subject property.

(i) Market Rent Estimate/Comparable Rental Analysis. This section of the report should include an adequate number of actual market transactions to inform the reader of current market conditions

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concerning rental units. The comparables must indicate current research for this specific property type. The rental comparables must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The minimum content of the individual data sheets should include property address, lease terms, description of the property (e.g., unit type, unit size, unit mix, interior amenities, exterior amenities, etc.), physical characteristics of the property, and location of the comparables. Analysis of the Market Rents should be sufficiently detailed to permit the reader to understand the appraiser's logic and rationale. Adjustment for lease rights, condition of the lease, location, physical characteristics of the property, etc. must be considered.

(ii) Comparison of Market Rent to Contract Rent. Actual income for the subject along with the owner's current budget projections must be reported, summarized and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. The contract rents should be compared to the market-derived rents. A determination should be made as to whether the contract rents are below, equal to, or in excess of market rates. If there is a difference, its impact on value must be qualified.

(iii) Vacancy/Collection Loss. Historical occupancy data for the subject should be reported and compared to occupancy data from the rental comparable and overall occupancy data for the subject's market area.

(iv) Expense Analysis. Actual expenses for the subject, along with the owner's projected budget, must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. Historical expenses should be compared to comparables expenses of similar property types or published survey data (e.g., IREM, BOMA, etc.). Any expense differences should be reconciled. Historical data regarding the subject's assessment and tax rates should be included. A statement as to whether or not any delinquent taxes exist should be included.

(v) Capitalization. Several capitalization methods may be utilized in the Income Approach. The appraiser should present the method(s) reflective of the subject market and explain the omission of any method not considered in the report.

(I) Direct Capitalization. The primary method of deriving an overall rate (OAR) is through market extraction. If a band of investment or mortgage equity technique is utilized, the assumptions must be fully disclosed and discussed.

(II) Yield Capitalization (Discounted Cash Flow Analysis). This method of analysis should include a detailed and supportive discussion of the projected holding/investment period, income and income growth projections, occupancy projections, expense and expense growth projections, reversionary value and support for the discount rate.

(16) Reconciliation and Final Value Estimate. This section of the report should summarize the approaches and values that were utilized in the appraisal. An explanation should be included for any approach which was not included. Such explanations should lead the reader to the same or similar conclusion of value. Although the values for each approach may not "agree", the differences in values should be analyzed and discussed. Other values or interests appraised should be clearly labeled and segregated. Such values may include FF&E, leasehold interest, excess land, etc. In addition, rent restrictions, subsidies and incentives should be explained in the appraisal report and their impact, if any, needs to be reported in conformity with the Comment section of USPAP Standards Rule 1-2(e), which states, "Separation of such items is required when they are significant to the overall value." In the appraisal of subsidized housing, value conclusions that include the intangibles arising from the programs will also have to be analyzed under a scenario without the intangibles in order to measure their influence on value.

(17) Marketing Period. Given property characteristics and current market conditions, the appraiser(s) should employ a reasonable marketing period. The report should detail existing market conditions and assumptions considered relevant.

(18) Photographs. Provide good quality color photographs of the subject property (front, rear, and side elevations, on-site amenities, interior of typical units if available). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should be included. An aerial photograph is desirable but not mandatory.

(f) Additional Appraisal Concerns. The appraiser(s) must recognize and be aware of the particular TDHCA program rules and guidelines and their relationship to the subject's value. Due to the various programs offered by the Department, various conditions may be placed on the subject which would impact value. Furthermore, each program may require that the appraiser apply a different set of specific

## **2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines**

definitions for the conclusions of value to be provided. Consequently, as a result of such criteria, the appraiser(s) should be aware of such conditions and definitions and clearly identify them in the report.

### **§1.35. Environmental Site Assessment Rules and Guidelines**

(a) Environmental Site Assessment Guidelines. The environmental assessment required under Section 50.7(e) of this title should be conducted and reported in conformity with the standards of the American Society for Testing and Materials (ASTM) and such other recognized industry standards as a reasonable person would deem relevant in view of the Property's anticipated use for human habitation. The environmental assessment shall be conducted by an environmental or professional engineer and be prepared at the expense of the Development Owner.

(1) The report must include, but is not limited to:

(A) A review of records, interviews with people knowledgeable about the property;

(B) A certification that the environmental engineer has conducted an inspection of the property, the building(s), and adjoining properties, as well as any other industry standards concerning the preparation of this type of environmental assessment;

(C) A noise study is recommended for property located adjacent to or in close proximity to industrial zones, major highways, active rail lines, and civil and military airfields;

(D) A copy of a current survey, if available, or other drawing of the site reflecting the boundaries and adjacent streets, all improvements on the site, and any items of concern described in the body of the environmental site assessment or identified during the physical inspection;

(E) A copy of the current FEMA Flood Insurance Rate Map showing the panel number and encompassing the site with the site boundaries precisely identified and superimposed on the map. A determination of the flood risk for the proposed Development described in the narrative of the report includes a discussion of the impact of the 100-year floodplain on the proposed Development based upon a review of the current site plan;

(F) The report should include a statement that clearly states that the person or company preparing the environmental assessment will not materially benefit from the Development in any other way than receiving a fee for the environmental assessment; and

(2) If the report recommends further studies or establishes that environmental hazards currently exist on the Property, or are originating off-site but would nonetheless affect the Property, the Development Owner must act on such a recommendation or provide a plan for either the abatement or elimination of the hazard. Evidence of action or a plan for the abatement or elimination of the hazard must be presented upon Application submittal.

(3) For Developments which have had a Phase II Environmental Assessment performed and hazards identified, the Development Owner is required to maintain a copy of said assessment on site available for review by all persons which either occupy the Development or are applying for tenancy.

(4) Developments whose funds have been obligated by TxRD will not be required to supply this information; however, the Development Owners of such Developments are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

(5) Those Developments which have or are to receive first lien financing from HUD may submit HUD's environmental assessment report, provided that it conforms with the requirements of this subsection.

Texas Department of Housing and Community Affairs  
**BOARD OF DIRECTOR'S MEETING**  
September 12, 2002

**PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF EXTENSION OF  
CERTIFICATE PURCHASE DATE (ORIGINATION PERIOD) FOR  
RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2000A  
(PROGRAM 55A)**

The mortgage loan origination period related to the Department's Residential Mortgage Revenue Bonds, Series 2000A (Program 55A) will terminate on December 28, 2002. A balance of approximately \$1,289,636 remains in the mortgage acquisition account. The original amount of lendable proceeds equaled \$50,000,000. Unused proceeds calls must be made if the origination period is not extended. Staff recommends extending the certificate purchase date for Program 55A to April 1, 2003.

Program 55A was previously extended on October 17, 2001. A balance of approximately \$5.9 million remained in the mortgage acquisition account at that time.

No downpayment assistance was funded by the bonds. Rather, Program 55A has relied upon TDHCA's internally funded Down Payment Assistance Program (DPAP). The interest rate on the loans is 6.95%. The decrease in mortgage rates and the lack of a consistent source of DPAP impacted Program 55A originations.

Staff believes that with an extended origination period and the use of additional downpayment assistance, all funds will be converted into mortgage loans. Staff is currently examining alternative sources and methods of funding downpayment assistance for Program 55A.

**RECOMMENDATION**

The Board approve Resolution 02-44 extending the mortgage origination period for Program 55A.

**Resolution No. 02-44**

RESOLUTION AUTHORIZING THE EXTENSION OF THE CERTIFICATE PURCHASE PERIOD FOR RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2000A; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS RELATING THERETO; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Department has issued its Residential Mortgage Revenue Refunding Bonds, Series 2000A in the aggregate principal amount of \$50,000,000 (the "Series 2000A Bonds") pursuant to a Residential Mortgage Revenue Bond Trust Indenture dated November 1, 1987 between the Department, as successor to the Texas Housing Agency, and Bank One, National Association, as successor trustee (the "Trustee"), as supplemented by the Fifteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of April 1, 2000 (the "Fifteenth Supplement") between the Department and the Trustee, for the purpose of refunding certain outstanding bonds of the Department, thereby making funds available to make and acquire qualified mortgage loans (including participating interests therein) during the Certificate Purchase Period (as defined in the Fifteenth Supplement); and

WHEREAS, pursuant to Resolution No. 01-40 adopted on October 17, 2001, the Department extended the Certificate Purchase Period with respect to the Series 2000A Bonds up to December 28, 2002, or the first business day thereafter; and

WHEREAS, the Department desires to approve and authorize (i) the extension of the Certificate Purchase Period for the Series 2000A Bonds to April 1, 2003 in accordance with the terms of the Fifteenth Supplement, (ii) all actions to be taken with respect thereto, and (iii) the execution and delivery of all documents and instruments in connection therewith;

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section 1.1--Approval of Extension of the Certificate Purchase Period. The extension of the Certificate Purchase Period to April 1, 2003, or the first business day thereafter, is hereby authorized, subject to advice of any financial advisor, bond counsel or other advisor to the Department, such extension to be effectuated under and in accordance with the Indenture and the Fifteenth Supplement, and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments in connection therewith and to request and deliver all certificates as may be required by the terms of the Fifteenth Supplement in connection therewith.

Section 1.2--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.3--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

## ARTICLE II

### GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the acquisition of mortgage loans or the purchase of Mortgage Certificates resulting from the extension of the Certificate Purchase Period will accomplish a valid public purpose of the Department by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby (a) helping to eliminate a shortage of such housing in rural and urban areas which contributes to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of the State; (b) increasing the supply of residential housing for persons and families displaced by public actions and natural disasters; and (c) assisting private enterprise in providing in sufficient quantities the construction or rehabilitation of such housing.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3-- Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 12th day of September, 2002.

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Michael E. Jones, Chairman

ATTEST:

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Delores Groneck, Secretary

(SEAL)



**Resolution No. 02-45**

RESOLUTION AUTHORIZING THE EXTENSION OF THE CERTIFICATE PURCHASE PERIOD FOR RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2000B, RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2000C RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2000D AND RESIDENTIAL MORTGAGE REVENUE BONDS, TAXABLE SERIES 2000E; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS RELATING THERETO; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Department has issued its Residential Mortgage Revenue Bonds, Series 2000B in the aggregate principal amount of \$82,975,000 (the "Series 2000B Bonds"), its Residential Mortgage Revenue Refunding Bonds, Series 2000C in the aggregate principal amount of \$13,675,000 (the "Series 2000C Bonds"), its Residential Mortgage Revenue Refunding Bonds, Series 2000D in the aggregate principal amount of \$18,265,000 (the "Series 2000D Bonds") and its Residential Mortgage Revenue Bonds, Taxable Series 2000E (the "Series 2000E Bonds" and together with the Series 2000B Bonds, the Series 2000C Bonds and the Series 2000D Bonds, collectively, the "Series 2000 B/C/D/E Bonds") pursuant to a Residential Mortgage Revenue Bond Trust Indenture dated November 1, 1987 between the Department, as successor to the Texas Housing Agency and Bank One, National Association, as successor trustee (the "Trustee"), as supplemented by the Sixteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Sixteenth Supplement") dated as of October 1, 2000, with respect to the Series 2000B Bonds, the Seventeenth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Seventeenth Supplement") dated as of October 1, 2000, with respect to the Series 2000C Bonds, the Eighteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Eighteenth Supplement") dated as of October 1, 2002, with respect to the Series 2000D Bonds, and the Nineteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Nineteenth Supplement") dated as of October 1, 2002, with respect to the Series 2000E Bonds, each between the Department and the Trustee, for the purpose, among others, of providing funds to make and acquire qualified mortgage loans (including participating interests therein) during the Certificate Purchase Period (as defined in the Sixteenth Supplement); and

WHEREAS, the Certificate Purchase Period with respect to the Series 2000 B/C/D/E Bonds ends on December 1, 2002, unless extended; and

WHEREAS, the investment agreement pursuant to which certain proceeds of the Series 2000 B/C/D/E Bonds are invested during the Certificate Purchase Period expires with respect to such proceeds on April 1, 2004; and

WHEREAS, the Department desires to approve and authorize (i) the extension of the Certificate Purchase Period for the Series 2000 B/C/D/E Bonds to February 1, 2004 in accordance with the terms of the Sixteenth Supplement, (ii) all actions to be taken with respect thereto, and (iii) the execution and delivery of all documents and instruments in connection therewith;

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section 1.1--Approval of Extension of the Certificate Purchase Period. The extension of the Certificate Purchase Period to February 1, 2004, or the first business day thereafter, is hereby authorized, subject to advice of any financial advisor, bond counsel or other advisor to the Department, such extension to be effectuated under and in accordance with the Indenture, the Sixteenth Supplement, the Seventeenth Supplement, the Eighteenth Supplement and the Nineteenth Supplement, and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments in connection therewith and to request and deliver all certificates as may be required by the terms of the Sixteenth Supplement, the Seventeenth Supplement, the Eighteenth Supplement and the Nineteenth Supplement in connection therewith.

Section 1.2--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.3--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

## ARTICLE II

### GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the acquisition of mortgage loans or the purchase of Mortgage Certificates resulting from the extension of the Certificate Purchase Period will accomplish a valid public purpose of the Department by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby (a) helping to eliminate a shortage of such housing in rural and urban areas which contributes to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of the State; (b) increasing the supply of residential housing for persons and families displaced by public actions and natural disasters; and (c) assisting private enterprise in providing in sufficient quantities the construction or rehabilitation of such housing.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered

and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 12th day of September, 2002.

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Michael E. Jones, Chairman

ATTEST:

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Delores Groneck, Secretary

(SEAL)

Texas Department of Housing and Community Affairs  
**BOARD OF DIRECTOR'S MEETING**  
September 12, 2002

**PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF EXTENSION OF  
CERTIFICATE PURCHASE DATE (ORIGINATION PERIOD) FOR  
RESIDENTIAL MORTGAGE REVENUE BONDS,  
SERIES 2000B, SERIES 2000C, SERIES 2000D, AND SERIES 2000E  
(PROGRAM 56)**

The mortgage loan origination period related to the Department's Residential Mortgage Revenue Bonds, Series 2000B/C/D/E (Program 56) will terminate on December 1, 2002. A balance of approximately \$17,672,771 remains in the mortgage acquisition account. The original amount of lendable proceeds equaled \$124,915,000. Unused proceeds calls must be made if the origination period is not extended. Staff recommends extending the certificate purchase date for Program 56 to February 1, 2004.

No downpayment assistance was funded by the bonds. Rather, Program 56 has relied upon TDHCA's internally funded Down Payment Assistance Program (DPAP). The interest rate on the loans is 6.60%. The decrease in mortgage rates and the lack of a consistent source of DPAP impacted Program 56 originations.

Staff believes that with an extended origination period and the use of additional downpayment assistance, all funds will be converted into mortgage loans. The most recent source of funds for DPAP, \$2.5 million of the Taxable Junior Lien Bonds issued on March 27, 2002, has been depleted. Staff is currently examining alternative sources and methods of funding downpayment assistance for Program 56.

**RECOMMENDATION**

The Board approve Resolution 02-45 extending the mortgage origination period for Program 56.

## **PRESENTATION AND DISCUSSION OF INCREASED PURCHASE PRICE LIMITS FOR SINGLE FAMILY MORTGAGE REVENUE BONDS**

The Texas State Affordable Housing Corporation (“TSAHC”) conducted a study which increased average area purchase price limits for all statistical areas in Texas for single family bond issues (see Exhibit A). Current purchase price limits, established in 1994, do not accurately reflect current home prices throughout Texas. The Department would like to implement the purchase price limits set forth by the TSAHC study for current and future single family bond issues, subject to IRS time limits.

However, given TDHCA’s objectives to provide housing for very low and low income households in addition to moderate income households, several of the purchase price limit levels set by the TSAHC study may be too high.

Staff consequently developed the following calculation for adjusting the TSAHC study purchase price limits:

$$(2.5 \times 115\% \text{ Area Median Family Income}) \times (90\% \times \text{Average Purchase Price})$$

Using this calculation resulted in lower purchase price limits for new homes in the cities of Austin, Fort Worth, and San Antonio (see Purchase Price Limits 115% AMFI).

Therefore, for non-targeted geographical areas, Staff proposes recommending in October that TDHCA implement the lower of:

1. The TSAHC study purchase price limits or
2. The product of the above formula.

For targeted geographical areas, Staff proposes recommending in October that TDHCA implement the TSAHC study purchase price limits.

**Texas Department of Housing and Community Affairs  
Purchase Price Limits  
115% AMFI**

**Maximum Acquisition Cost in Non-Targeted Areas  
(90% of Average Purchase Price)**

	<u>New</u>	<u>2.5x 115% of AMFI</u>	<u>\$ Difference</u>	<u>% Change</u>	<u>Existing</u>	<u>2.5x 115% of AMFI</u>	<u>\$ Difference</u>	<u>% Change</u>
Austin - San Marcos MSA	\$ 205,677	\$ 183,971	\$ 21,706	11%	\$ 175,593	\$ 183,971	\$ (8,378)	-5%
Beaumont - Port Arthur MSA	* \$ 130,808	\$ 132,998	\$ (2,190)	-2%	\$ 79,266	\$ 132,998	\$ (53,732)	-68%
Brazoria PMSA	\$ 130,808	\$ 147,746	\$ (16,938)	-13%	\$ 85,440	\$ 147,746	\$ (62,306)	-73%
Corpus Christi MSA	* \$ 130,808	\$ 132,998	\$ (2,190)	-2%	\$ 109,075	\$ 132,998	\$ (23,923)	-22%
Dallas PMSA	\$ 171,155	\$ 172,069	\$ (914)	-1%	\$ 159,620	\$ 172,069	\$ (12,449)	-8%
El Paso MSA	* \$ 130,808	\$ 132,998	\$ (2,190)	-2%	\$ 100,127	\$ 132,998	\$ (32,871)	-33%
Fort Worth - Arlington PMSA	\$ 189,109	\$ 158,614	\$ 30,495	16%	\$ 128,149	\$ 158,614	\$ (30,465)	-24%
Galveston - Texas City PMSA	\$ 130,808	\$ 135,844	\$ (5,036)	-4%	\$ 92,462	\$ 135,844	\$ (43,382)	-47%
Houston PMSA	\$ 143,904	\$ 154,215	\$ (10,311)	-7%	\$ 131,004	\$ 154,215	\$ (23,211)	-18%
Killeen - Temple MSA	* \$ 130,808	\$ 132,998	\$ (2,190)	-2%	\$ 125,773	\$ 132,998	\$ (7,225)	-6%
San Antonio MSA	* \$ 135,432	\$ 132,998	\$ 2,435	2%	\$ 112,658	\$ 132,998	\$ (20,340)	-18%
Tyler MSA	* \$ 130,808	\$ 132,998	\$ (2,190)	-2%	\$ 84,914	\$ 132,998	\$ (48,084)	-57%

**Maximum Acquisition Cost in Targeted Areas  
(110% of Average Area Purchase Price)**

	<u>New</u>	<u>Existing</u>
Austin - San Marcos MSA	\$ 251,384	\$ 214,614
Beaumont - Port Arthur MSA	\$ 159,877	\$ 96,881
Brazoria PMSA	\$ 159,877	\$ 104,427
Corpus Christi MSA	\$ 159,877	\$ 133,314
Dallas PMSA	\$ 209,190	\$ 195,091
El Paso MSA	\$ 159,877	\$ 122,378
Fort Worth - Arlington PMSA	\$ 231,134	\$ 156,626
Galveston - Texas City PMSA	\$ 159,877	\$ 113,009
Houston PMSA	\$ 175,833	\$ 160,117
Killeen - Temple MSA	\$ 159,877	\$ 153,722
San Antonio MSA	\$ 165,529	\$ 137,693
Tyler MSA	\$ 159,877	\$ 103,783

\*Calculated using balance of state Applicable Median Family Incomes (AMFI).

EXHIBIT A

PURCHASE PRICE LIMITS

MAXIMUM ACQUISITION COST IN NON-TARGETED AREAS  
(90% of Average Area Purchase Price)

	<u>New</u>	<u>Existing</u>
Austin-San Marcos MSA (1)	\$205,677	\$175,593
Beaumont-Port Arthur MSA (2)	130,808	79,266
Brazoria PMSA (3)	130,808	85,440
Corpus Christi MSA (4)	130,808	109,075
Dallas PMSA (5)	171,155	159,620
El Paso MSA (6)	130,808	100,127
Ft. Worth-Arlington PMSA (7)	189,109	128,149
Galveston-Texas City PMSA (8)	130,808	92,462
Houston PMSA (9)	143,904	131,004
Killeen-Temple MSA (10)	130,808	125,773
San Antonio MSA (11)	135,432	112,658
Tyler MSA (12)	130,808	84,914
all other areas (13)	130,808	82,694

MAXIMUM ACQUISITION COST IN TARGETED AREAS  
(110% of Average Area Purchase Price)

	<u>New</u>	<u>Existing</u>
Austin-San Marcos MSA (1)	\$251,384	\$214,614
Beaumont-Port Arthur MSA (2)	159,877	96,881
Brazoria PMSA (3)	159,877	104,427
Corpus Christi MSA (4)	159,877	133,314
Dallas PMSA (5)	209,190	195,091
El Paso MSA (6)	159,877	122,378
Ft. Worth-Arlington PMSA (7)	231,134	156,626
Galveston-Texas City PMSA (8)	159,877	113,009
Houston PMSA (9)	175,833	160,117
Killeen-Temple MSA (10)	159,877	153,722
San Antonio MSA (11)	165,529	137,693
Tyler MSA (12)	159,877	103,783
all other areas (13)	159,877	101,071

- (1) Bastrop, Caldwell, Hays, Travis and Williamson Counties
- (2) Hardin, Jefferson and Orange Counties
- (3) Brazoria County
- (4) Nueces and San Patricio Counties
- (5) Collin, Dallas, Denton, Ellis, Henderson, Hunt, Kaufman and Rockwall Counties
- (6) El Paso County
- (7) Hood, Johnson, Parker and Tarrant Counties
- (8) Galveston County
- (9) Chambers, Fort Bend, Harris, Liberty, Montgomery and Waller Counties
- (10) Bell and Coryell Counties
- (11) Bexar, Comal, Guadalupe and Wilson Counties
- (12) Smith County
- (13) All counties not listed above

**EXECUTIVE SESSION**

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – (1) *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53<sup>rd</sup> Judicial District; (2) Sheltering Arms, Community Affairs Program Recipient

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code

The Board may discuss any item listed on this agenda in Executive Session

**OPEN SESSION**

Action in Open Session on Items Discussed 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](http://www.tdhca.state.tx.us) or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.*

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