BOARD MEETING OF JANUARY 13, 2004

Beth Anderson, Chair

C. Kent Conine, Vice-Chair

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

Patrick R. Gordon, Member

Vidal Gonzalez, Member

Shadrick Bogany, Member

Norberto Salinas, Member

MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

January 13, 2004

ROLL CALL

	Present	Absent
Anderson, Beth, Chair	___________	___________
Conine, C. Kent, Vice-Chair	___________	___________
Bogany, Shadrick, Member	___________	___________
Gonzalez, Vidal, Member	___________	___________
Gordon, Patrick R.	___________	___________
Salinas, Norberto, Member	___________	___________

Number Present ___________

Number Absent ___________

_______________________, Presiding Officer

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine Street, Room 437, Austin, Texas
January 13, 2004 10:00 a.m.

A G E N D A

CALL TO ORDER, ROLL CALL — Elizabeth Anderson
CERTIFICATION OF QUORUM — Chair of Board

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

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

ACTION ITEMS

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of December 11, 2003 — Elizabeth Anderson

Item 2 Presentation, Discussion and Possible Approval of Interagency Contract with the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs on the Housing Tax Credit Rural Regional Allocation — Edwina Carrington

Item 3 Presentation, Discussion and Possible Approval of Report from Programs Committee And Approval of Programmatic Items: — C. Kent Conine

a) Multi-Family Division

Appeal for Star Village. CHDO Rental Housing Development Application No. 2003-0320 and Possible Award

Item 4 Presentation, Discussion and Possible Approval of Financial Items: — Vidal Gonzalez

a) Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits:

1) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Addison Park Apartments, Arlington, Texas in an Amount not to Exceed $14,000,000 and Issuance of Determination Notice in the Amount of $620,571, for Housing Tax Credits for Addison Park Apartments, 03-461, with TDHCA as the Issuer

2) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Providence at Rush Creek II, Arlington, Texas in an Amount not to Exceed $10,000,000 and Issuance of Determination Notice in the Amount of $438,609, for Housing Tax Credits for Providence at Rush Creek, 03-463 with TDHCA as the Issuer

3) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Providence at Veterans Memorial, Houston, Texas in an Amount not to Exceed $16,300,000 and Issuance of Determination Notice in the Amount of $677,432, for Housing Tax Credits for Providence at Veterans Memorial, 03-462 with TDHCA as the Issuer

4) Proposed Issuance of Multifamily Mortgage Revenue Bonds

For Humble Parkway, Houston, Texas in an Amount not to Exceed $11,700,000 and Issuance of Determination Notice in the Amount of $556,530, for Housing Tax Credits for Humble Parkway, 03-465 with TDHCA as the Issuer

b) Underwriters for the Multifamily Bond Program

c) Single Family Bond Program:

1) Taxable Mortgage Program

2) Extension of Certificate Purchase Period for Residential Mortgage Revenue Bonds Series 2002A (Program 59)

3) Preliminary Approval of Single Family Mortgage Revenue Bonds, 2004 Series A

Item 5 Presentation, Discussion and Possible Approval of Housing Tax Credit Items: Elizabeth Anderson

a) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:

03-466 Wellington Park Apartments, Houston, in amount of $640,989 Harris County HFC is the Issuer

03-464 Blue Lake Marine Creek Apartments, Ft. Worth, in amount of $0 Tarrant County HFC is the Issuer

b) Waiver of Ineligibility Concerning Four Bedroom Units for 2003 Forward Commitments for Housing Tax Credits for:

03-007 Bexar Creek, San Antonio, Texas

03-003 Mission del Valle Townhomes, Socorro, Texas

03-004 Arbor Woods, Dallas, Texas

c) Proposed Amendments to Housing Tax Credit Projects:

02-022 Castle Garden, Lubbock, Texas

03-007 Bexar Creek, San Antonio, Texas

03-236 Little York Villas, Houston, Texas

d) Extensions for Commencement of Substantial Construction for:

02-135, Lakeridge Apartments, Texarkana, Texas

02-103, Valley View Apartments, Pharr, Texas

REPORT ITEMS

Executive Directors Report Edwina Carrington

Developments From the Housing Tax Credit Waiting List for 2003

Update on Response to Public Comment from Ability Resources, Inc. at the December Board Meeting

EXECUTIVE SESSION Elizabeth Anderson

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

ADJOURN Elizabeth Anderson

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact 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 sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Room 437, Austin, Texas 78701
December 11, 2003 9:30 a. m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of December 11, 2003 was called to order by Chair of the Board Elizabeth Anderson at 9:35 a.m. It was held at the Texas Department of Housing and Community Affairs Boardroom, 507 Sabine, Austin, Texas. Roll call certified a quorum was present.

Members present:
Elizabeth Anderson -- Chair
C. Kent Conine -- Vice Chair
Shadrick Bogany – Member
Norberto Salinas -- Member
Vidal Gonzalez -- Member
Patrick Gordon – Member

Staff of the Texas Department of Housing and Community Affairs was also present.

PUBLIC COMMENT

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

Ms. Anderson called for public comment and the following either gave comments at this time or preferred to wait until the agenda item was presented.

<u>The Honorable Ken Mercer, State Representative, San Antonio, Texas</u>
Representative Mercer stated he represented his constituents from Southwest San Antonio and there is a clear need for affordable quality housing in Bexar County. The developers are now listening and the schools and communities want to work with the Department to bring more projects to Bexar County. He presented the Board with a letter of opposition to Heatherwilde Estates, San Antonio, Texas and asked that the Board deny the request for an extension for this project. He stated the applicant has not been forthcoming with information for the school district and their community association feels they have been targeted, harassed because they are a concentrated poor community and this was not a NIMBY situation. Representative Mercer stated when they call a school and the school officials have not been in any discussions with any developers they wait for a period of time and then call the school again. If the school officials have still not been in any communications with the developer, then the Representative writes a letter of opposition.

<u>James Dodds, General Counsel/Chief of Staff for St. Representative Ruth Jones McClendon, San Antonio, Texas</u>
Mr. Dodds read a letter into the record from Representative Ruth Jones McClendon which stated: “Dear Board Members: Thank you for allowing me to comment on the application for extension of commencement of substantial construction for the Heatherwilde Estates Apartments in San Antonio. There has been substantial local opposition to the Heatherwilde project for years. Many extensions have been granted, but there is substantial opposition to this application for extension. The application should be denied. The credits in the project should be allocated back to San Antonio, and should be put into the current round of projects. There are projects in San Antonio that are ready to go right now with local support and financing. San Antonio needs the housing. Thank you for your careful consideration in this matter."

<u>Tom Utter, Special Assistant to the City Manager, Corpus Christi, Texas</u>
Mr. Utter stated he was the special assistant to the city manager in Corpus Christi and read a letter into the record from Mayor Lloyd Neal of Corpus Christi which stated: "Dear Ms. Anderson and members of the Board: I am writing to request the Board's

favorable consideration of a request for extension for commencement of substantial construction for the subject project. I have only recently become aware that the developer on this project mistakenly failed to timely submit a request for extension by a few days. While I can personally testify to the city itself is that a number of projects that were delayed over the summer and fall due to extremely wet weather, I am very disturbed that the developer failed to timely request this extension, and I can assure that I have conveyed my disappointment concerning that failure. Unfortunately, a recision of the tax credits for this project will eliminate the project's 172 units from being available to our lower income citizens.

"Some of you may remember that I provided testimony before this Board in support of this particular project. This project is an absolute perfect infill project, and is located in a locally designated redevelopment area. The 172 units would substantially assist the city in its housing goals. While I have watched this Board and this administration of the TDHCA, together with the assistance of the State Legislature the last session, we have a coherent housing program for the state. The absolute enforcement of a penalty for this error by the developer will result in hardships for many in Corpus Christi for years to come. The question before you is not one of whether a project qualifies or doesn't qualify, whether the project is correctly located or not, or any one of a number of mirrored issues. It is simply a question of a deadline missed by several days that this Board in its wisdom can rectify. I solicit your kind consideration." And it's signed, Lloyd Neal, Mayor.

Mr. Utter stated Mayor Neal and the city council has undertaken a very aggressive housing program in Corpus Christi as they have a large number of lower income families, particularly large families, and they have been aggressive in terms of seeking assistance. This particular project is not located in an impacted area. It is located in an area just south of South Padre Island Drive, which is our large commercial area. It is a perfect infill project because it has all of the city infrastructure. It has bus routes, everything, and it's vacant property. There is really no local opposition. The redevelopment area is locally designated. They held a public hearing and have been seeking this project for about four or five years. The mayor did transmit to the developers his displeasure for the developer missing the extension deadline. He asked the Board to approve the extension for Holly Park Apartments in Corpus Christi, Texas.

Don Jones, Representative Ken Mercers Office, San Antonio, Texas
Mr. Jones did not give any comments.

Chris Richardson, Developer, Houston, Texas
Mr. Richardson stated based on the new rules of the QAP the community support has become one of the most important and difficult steps in providing affordable housing. The challenge developers' face is how to achieve community support that not only satisfies the community, but also the developers and the agency. He withdrew his application for Sundown Village in Katy, Texas despite considerable efforts to get the community behind Sundown Village. They had significant opposition but there were some people in support of the project. He stated in trying to work with this community they found that community organizations are difficult to find and it is important to find a way for the developers to accurately locate the community organizations and quantify how much opposition there is. They also found that a number of officials in the Katy area opposed giving the tax credit to a corporation to invest in affordable housing. He further stated that in areas over 100% of area median income. that market studies need to be weighted towards individuals who are likely to rent and not people that are over 100% of area median income. The way TDHCA underwrites projects is too weighted and tales the population in general and it made sense to him that these studies should be focused on renters.

They are now meeting with groups in Katy as the opposition does have locations that they would support multifamily affordable housing.

Jesse Seawell, Executive Director, Ability Resources, Inc., Ft. Worth, Texas
Mr. Seawell stated they were established in 1991 to provide affordable housing accessible to very low-income individuals with disabilities. Over 12 years they have received over $3 million to develop 102 residential units for members of the targeted population. They are developing Willow Bend Creek Apartments, a multifamily residential project with 87 units for persons with disabilities and 14 units for members of the mainstream population. He stated TDHCA rules need to be developed to fit projects that combine Section 811 units with mainstream units to form an integrated facility. Current rules cannot be used for such an integrated project. The rules need to be revised to include the fact that HUD does not allow any revenue after operating expenses for 811 projects. Retirement of debt must be predicted on the non-811 units revenue, as no revenue will be available from 811 units to fund loan repayment. He felt that when a CHDO is also the developer, the developer fees should be created as a grant, not requiring repayment.

Mr. Conine asked for a response to Mr. Seawell's questions and comments.

Elizabeth Mueller, Research Scientist, University of Texas, Austin, Texas
Ms. Mueller stated her main areas of research are housing and community development. She stated she is a member of the

Texas Housing Research Consortium which was established to facilitate production of independent, rigorous research on key affordable housing issues in Texas. It is governed by a broad-based steering committee representing the key stakeholder groups concerned with affordable housing issues. This organization will act as a clearinghouse for key data and research on affordable housing issues and they will work to provide access to that information through online databases when possible to facilitate future research. It will offer a process for setting parameters for rigorous research and for judging research proposals by drawing upon the expertise of experienced researchers from university-based research centers around Texas. They will hold annual meetings that will focus on key research findings and debates and bring together academic researchers, policymakers and housing producers. They strongly support placing priority on research into the impact of affordable housing development of various types on surrounding properties and on the neighborhoods where they are located and on documenting housing needs in Texas at the state and local levels.

Mr. Bogany stated he felt they should have a realtor in their steering committee to have access to MLS information, or how long it takes to get land and the acquisition for multifamily or help with the NIMBY issue. He also asked Ms. Mueller to contact the Texas Association of Realtors to get them involved in this initiative.

Mr. Conine stated he felt trade groups also do considerable research in the area of housing and there should be someone on this committee along with someone from the financial community.

Seth Crone and Becky Newman, J.P. Morgan
They announced that they closed on the corporate trust book of Bank One so this section is now a part of J.P. Morgan and they will be doing business with the department with this division.

John Shackelford, Heatherwilde Estates Housing, L.P., San Antonio, Texas
Mr. Shackelford asked the board for approval to the extension for commencement of substantial construction for Heatherwilde Estates Apartments. He stated the developer and the owner miscommunicated as to who would be responsible for filing an extension request and the request did not get filed on time. The reason they were not able to meet the original deadline of November 14th was due to uncontrollable events caused by the City of San Antonio. There ware delays in the city requirement of changing to a city sanitary sewer system. The zoning change was approved and the city has waived all impact fees with respect to this project so he felt the city does support the Heatherwilde Estates Apartments.

Dario Chapa, Chairman, Bexar County Housing Authority, San Antonio, Texas
Mr. Chapa asked the Board to approve the extension request for Heatherwilde. Their mission at the housing authority is to provide affordable housing to the people in Bexar County. Of 113,000 people who live in this area, there are only 389 rental units available so there is a great need for affordable housing. This project was approved by the City Zoning Commission and the Ad Hoc Committee of the City Council voted to waive the impact fees. The Planning Commission approved it unanimously.

Carlos Madrid, Jr., Vice-Chair, Bexar County Housing Authority, San Antonio, Texas
Mr. Madrid stated he was a strong advocate of providing decent housing for the less fortunate of communities. He stated there were delays due to a tree ordinance in which many of the trees had to stay on the property and could not be cut. He asked the Board to approve the extension for the Heatherwilde Estates, San Antonio, Texas.

John Longoria, San Antonio, Texas
Mr. Longoria stated he has lived in south San Antonio all his life and is in support of the Heatherwilde extension. There is a significant need for quality housing in South San Antonio. He stated that there is a fear of schools being impacted but if one lives in a tax credit property, children have to maintain a 95% attendance record and that is a good thing for the children. There is a lot of NIMBY in this specific area. The people in this area are poor but they work hard and deserve good quality housing. Drug offenders will not be allowed to live in this housing development. He stated he was for the project and Senator Madla is also supportive of the project.

Mayor Salinas stated he respected the decision of the mayor and the city council who made the decision to approve the planning, zoning, etc. This project has been decided by the people who govern the city of San Antonio and if there is a good reason for seeking an extension, then he has no problems granting an extension.

John Pitts, Attorney, Akin, Gump, Strauss, Hauer and Feld, Austin, Texas
Mr. Pitts stated that if the Board did not approve the extension for Heatherwilde, the tax credits would be returned to the state and Villas at Costa Verde is on the waiting list for that region. This would accomplish several important policies of this Board as it would preserve a regional distribution of housing funding. It rewards a developer who has been working with the community. The Villas at Costa Verde is supported within the community by neighborhood associations, city, mayor, city council members and other political leaders in the community, including the state representative and state senator. It would

also award the partnering and leveraging with local funding sources.

Jim Meyers, President of PACE (Homeowners Group), San Antonio, Texas
Mr. Meyers stated he has lived in this area for 32 years and there is a huge need for this project. The project will pay its share of school taxes which was addressed at the school board and the quality of construction and amenities is super. He asked the Board to approve the request for the extension for Heatherwilde Estates.

Kelly Elizondo, Managing General Partner, H.K. Housing Partners, Austin, Texas
Mr. Elizondo stated the Holly Park Apartments is a 172-unit development comprised of 2 and 3 bedroom fourplexes located in Corpus Christi, Texas. He asked for an extension for substantial construction since their original extension request was submitted after the established deadline due to an administrative error. He apologized for this oversight and stated this will be his third major development in Corpus Christi and he has always been timely in the past on meeting any and all deadlines, etc. The request is necessary due to an extraordinary amount of rain during the summer and fall (over 40 inches). They could not get around on the site and do the heavy work needed. The framing of the foundations is now under way. The construction is substantially under way and he requested the extension for TDHCA project No. 02-107.

Nicole Flores, PNC Bank, Austin, Texas
Ms. Flores stated she was in support of the extension for Holly Park Apartments in Corpus Christi as PNC Bank has a substantial role in this project, having arranged for the syndication of the tax credits, as well as providing both the construction and permanent loan financing. There is a great need for quality affordable housing in Corpus Christi and would appreciate the board approving the extension request.

Bibiana Dykema, Architect, Corpus Christi, Texas
Mr. Dykema stated the construction team is committed to the Holly Park Apartments and he asked the board to please approve the extension request for this project.

Bob Sherman, Dallas, Texas
Mr. Sherman did not give comments.

Tom McMullen, Developer, Kingfisher Creek Apartments, Austin, Texas
Mr. McCullen stated the board approved an extension request in March and since that time they have placed the project in service and met all department deadlines. He thanked the Board for recognizing that development of a project is a series of hurdles as things don ot always go the way one wants, but this project is now in service and he thanked for Board for all their help.

Ms. Anderson recognized Don Jones from Rep. Mercer's office and Jeremy Mazur form Rep. Callegari's office along with Beau Rothchild, who is committee support for the House Committee on Urban Affairs.

Ms. Anderson closed public comment at 11:05 a.m. but would allow those people who requested to speak at the time of the agenda items to do so at that time.

At 11:05 am the Board took a break and returned to Open Session at 11:20 a.m.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of the Board Meetings of November 14, 2003
Motion made by C. Kent Conine and seconded by Shad Bogany to approve the Minutes of the Board Meeting of November 14, 2003.
Passed Unanimously

Ms. Anderson welcomed Mr. Patrick Gordon, Attorney, Gordon & Mott, El Paso, Texas who was recently appointed to the Board and stated his esteemed legal background as well as his personal background bring an important new perspective to the Board.

Mr. Gordon stated he looked forward to serving on this Board and will do the best he can.

(2) Appointment of Committees of the Board by the Presiding Officer Pursuant to Section 2306.056, Texas Government Code
Ms. Anderson stated she appreciated the Board's patience and their good will as she works to try to begin to fill some very big shoes that were left by our former chairman, Mike Jones, who will be missed by staff and by the Board.

Ms. Anderson stated the Department has had three standing committees. She asked the chairman of the committees to initiate an active agenda to make all of these committees very active components of life at TDHCA.

The Finance Committee handles a wide variety of financial issues. In the area of finance, she asked that this committee review all bond finance as there have been tremendous changes, particularly in the mortgage market over the last year and a review of that would be helpful to the Board. The appointments to this committee are:

Finance Committee
Vidal Gonzalez, Chairman
C. Kent Conine, Member
Shad Bogany, Member

Ms. Anderson stated the Programs Committee will look individually at the programs of TDHCA and cross programs at the functions or the populations that these programs serve, whether it's rental assistance or owner-occupied, at risk rehab vs new construction. A review at the Board level may uncover some additional opportunities that help target resources where the housing need really is. The appointments to this committee are:

Programs Committee
C. Kent Conine, Chairman
Vidal Gonzalez, Member
Elizabeth Anderson, Member

The Audit Committee has been very active and the Department has come a long way in the last two years resolving a number of audit issues. The appointments to this committee are:

Audit Committee
Shad Bogany, Chairman
Norberto Salinas, Member
Patrick R. Gordon, Member

(3) Presentation, Discussion and Possible Approval of:

(a) 2004 State of Texas Low Income Housing Plan and Annual Report

Ms. Carrington stated this is a document that the Board approves on an annual basis and is one of three that is produced by the department. It is a comprehensive planning document and provides an overview of housing and housing-related programs and priorities; outlines the state housing needs; provides TDHCA program funding levels and performance measures; and reports on the departments activities during the preceding year. There were several changes from the draft that the board approved for public comment in September. Staff has identified a $3 million set-aside in the multifamily for the HOME Program that would be for the development of small numbers of unit developments. Adjustments have been made to the regional allocation formula and the affordable housing needs score and minor language changes.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the 2004 State of Texas Low Income Housing Plan and Annual Report with the changes addressed by staff.
Passed Unanimously

(a) 2004 Consolidated Plan – One Year Action Plan

Ms. Carrington stated this document is required by the Department of Housing and Urban Development and it describes the federal resources that will be available to the department and to the state. It includes TDHCA and ORCA and outlines the method for distributing the funds. A summary of changes from last years plan was provided and information on the new urban, exurban and rural.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the 2004 Consolidated Plan – One Year Action Plan.
Passed Unanimously

(b) **Proposed Amended Rule on Public Comment Procedures And Topics, for Publication in the *Texas Register* for Public Comment: Proposed Amendment to Title 10, Part 1, Subchapter A, Section 1.10**

Ms. Carrington stated staff is proposing an amended rule which amends the existing public comment procedure. The Department currently has a rule addressing how the department will take public comment. As a result of SB 264, the legislation states that the Board shall adopt rules governing the topics that may be considered at a public hearing. Staff is amending the existing rule for pubic comment procedures and is calling it Public Comment Procedures and Topics at Public Hearings and Meetings.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the amended rule on Public Comment Procedures and Topics for publication in the Texas Register for Public Comment; Proposed Amendment to Title 10, Part 1, Subchapter A, Section 1.10.

Amendment to the motion made by Elizabeth Anderson and seconded by Vidal Gonzalez for the draft proposed rule to be published in the Texas Register, that the actual items in the legislative language be substituted and let the public comment period play its role and see what comments the department receives.
Passed Unanimously

Original Motion with Amendment Passed Unanimously.

(4) Presentation, Discussion and Possible Approval of Final 2004 Application Submission Procedures Manual for Housing Tax Credits and Housing Trust Fund

Ms. Carrington stated this is a document that applies to both the housing trust fund and tax credits and the draft that was taken the Board in November is the same as this document that the Board is being asked to approve. There were a few minor changes as it does track all the requirements in the QAP.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the Final 2004 Application Submission Procedures Manual for Housing Tax Credits and Housing Trust Fund.
Passed Unanimously

(5) Presentation, Discussion and Possible Approval of Programmatic Items:

(a) Release of Land Use Restriction Agreement for Central Plains Center

Ms. Carrington stated only the Board can authorize the release of a Land Use Restriction Agreement as this is recorded. This request is a Housing Trust Fund award from 1992 and has an unusual circumstance with Central Plains Center that received $298,350 being a grant and $100,000 being a loan. They purchased 13 single family residences for housing individuals with disabilities. These homes are in seven of nine counties that the Central Plains Center serves. The Department of Mental Health no longer allows them to lease units to clients who they are serving so they have been leasing these units to the public at large. They are asking to be released from the LURA as they have a buyer for the 13 houses.

Motion made by Norberto Salinas and seconded by Shad Bogany to approve the release of the Land Use Restriction Agreement for Central Plains Center.
Passed Unanimously

<u>Kelly Mullane, Grant Works, Austin, Texas</u>
Ms. Mullane stated communities who are being recommended for the 2002-2003 funding are very grateful and she thanked the Board for these awards.

(b) Single Family HOME Program:

(1) 2003 Olmstead Set Aside Awards Totaling $469, 242

Ms. Carrington stated the Department has allocated $2 million toward populations served and addressed in the Supreme Court Olmstead decision. Staff sent out a NOFA and heavily marketed the NOFA. There were three workshops held for persons interested in the NOFA and funds. There were four applications submitted and staff is recommending approval of the funding of these four. There are project costs and a 6% administrative fee for these awards.

Organization	Cities Served	Amount
Valley Association for Ind. Living	McAllen, Edinburg, San Benito Brownsville, Harlingen	$122,825
Lubbock Regional MHMR	Lubbock, Crosbyton, Levelland, Tahoka, Morton	$211,661
Affordable Caring Housing	Huntsville	$ 63,282

Affordable Caring Housing	Bryan, College Stationb	$ 71,474

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the 2003 Olmstead Set Aside Awards totaling $469,242 as recommended by staff.
Passed Unanimously

(2) Single Family HOME Program Awards Totaling $6,663,261 Utilizing Deobligated Funds
Ms. Carrington stated last month the Board awarded about $13.8 million in deobligated funds in the HOME Program for disaster relief. Staff has been reviewing HOME commitments to determine how many of those actual dollars are being utilized and how many should be deobligated. Staff has identified about $21 million and with the $13.8 million awarded last month and with the awards being recommended today should reach the $21 million. Staff is asking the Board to approve the completion of funding for 33 developments that were partially funded last summer in the cycle for HOME awards. There was not sufficient funds to fund everyone that requested an allocation and some were partially funded. This would take the partially funded applications and fund them to be complete. These are:

Organization	Project Funds	Admin. Funds
Caprock Community	$194,512	$ 7,780
City of Brownwood	$ 98,392	$ 3,936
City of Bonham	$229,994	$ 9,200
City of Milford	$289,227	$11,569
City of Nevada	$ 69,994	$ 2,800
City of Royse City	$ 94,587	$ 3,783
City of Hughes Springs	$ 69,747	$ 2,790
City of Hughes Springs	$222,716	$ 8,909
City of Log Cabin	$404,912	$16,196
City of Maud	$ 95,323	$ 3,813
City of Naples	$222,716	$ 8,909
City of Omaha	$222,716	$ 8,909
City of Palestine	$323.935	$12,957
City of Redwater	$ 76,188	$ 3,048
City of Texarkana	$166,507	$ 6,660
City of Zavalla	$258,525	$10,341
City of Sealy	$466,800	$18,672
City of Cleveland	$ 10,090	$ 404
Travis County Hsg. Finance	$221,682	$ 8,867
City of Flatonia	$ 61,820	$ 2,473
City of Luling	$371,595	$14,864
City of Belton	$159,977	$ 6,399
City of Holland	$ 51,005	$ 2,040
City of Lott	$ 61,129	$ 2,445
City of Teague	$ 64,000	$ 2,560
City of LaCoste	$395,435	$15,817
City of Pleasanton	$221,373	$ 8,855
City of Premont	$433,440	$17,338
City of Seminole	$190,271	$ 7,611
City of Socorro	$311,118	$12,445
Big Bend Housing Dev.	$ 41,671	$ 1,667
City of Van Horn	$152,792	$ 6,112
Culberson County	$152,792	$ 6,112

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the Single Family HOME Program Awards totaling $6,663,261 utilizing deobligated funds as recommended by staff.
Passed Unanimously

(3) Single Family HOME Program Awards Totaling $9,080,240 Utilizing Deobligated Funds
Ms. Carrington stated there were 25 applications that fell below the cut-off score when the HOME Program awards were made. Staff has now picked up all applications that scored 111 (original cut off was 113) and staff is recommending approval of these applications. These are:

Organization	Project Funds	Admin Funds
City of Dawson	$214,000	$ 8,560
City of Avery	$330,000	$13,200
City of Carthage	$250,000	$10,000
City of Carthage	$250,000	$10,000
City of Emory	$500,000	$20,000
City of Hughes Springs	$225,000	$ 9,000
City of Palestine	$100,000	$ 4,000
City of Queen City	$220,000	$ 8,800
City of Sulphur Springs	$500,000	$20,000
Lamar County	$200,000	$ 8,000
Morris County	$500,000	$20,000
Red River County	$495,000	$19,800
City of Flatonia	$200,000	$ 8,000
City of Lexington	$220,000	$ 8,800
City of Manor	$400,000	$16,000
City of Taylor	$400,000	$16,000
City of Blum	$480,000	$19,200
City of Coolidge	$480,000	$19,200
City of Temple	$377,000	$15,080
City of Bishop	$500,000	$20,000
City of Victoria	$440,000	$17,600
San Patricio County	$500,000	$20,000
Brewster County	$500,000	$20,000
City of Van Horn	$225,000	$ 9,000
Culberson County	$225,000	$ 9,000

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the Single Family HOME Program Awards totaling $9,080,240 utilizing deobligated funds.
Passed Unanimously

Robert Chavira, Consultant, Austin, Texas
Mr. Chavira stated that Star Village Apartments will be appealing a staff decision to deny funds and they look forward to presenting their case at the next Board meeting.

(c) Multi Family HOME Program:
(1) Award in the amount of $999,999 for Bethel Senior Housing
Ms. Carrington stated the Board approved an appeal of Bethel Senior Housing in November and staff is now recommending that the allocation of $999,999 be approved for this development.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the award in the amount of $999,999 for Bethel Senior Housing.
Passed Unanimously

The Board took a lunch break at 12:20 p.m. and returned to Open Session at 12:50 p.m.

(6) Presentation, Discussion and Possible Approval of Financial Items:
(a) Investment Policy Update
Ms. Carrington stated the Board approved the investment policy in June, 2003. Staff is requesting the approval of an amendment that includes required ethics and disclosure for financial advisors and service providers. This was required in legislation passed in the 78th session.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the Investment Policy and approval of Resolution No. 03-096 as presented by staff.
Passed Unanimously

(b) Multi Family Division:
(1) Bond Trustees

Ms. Carrington stated staff issued an RFQ in April to add trustees to the list for multifamily bond issues and/or refundings. The RFQ was published in the Texas Register, the Bond Buyer and the Texas Marketplace. The Department received three proposals and staff is recommending two of the three institutions based on experience. The two that were recommended to be added to the list are Wachovia Bank and Bank of New York. The list currently includes Wells Fargo Bank, Bank One and J.P. Morgan Chase.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the addition of Wachovia Bank and Bank of New York as Bond Trustees for the Multi Family Division of TDHCA.
Passed Unanimously

Bill Fischer, Developer, Arlington, Texas
Mr. Fischer stated he is the developer of the Parkview Townhomes known as Providence at Rush Creek in Arlington, Texas. This project had a lot of public input. They pursued this property as a planned development, even though it had some multifamily zoning on it. They brought in all the local elected officials and held several meetings with the neighborhood groups. They utilized the 2004 sign requirement in the neighborhood to ensure that there was no misunderstanding about exactly how they were financing the development. They received good support from the neighbors and there was no opposition at the TEFRA hearing and they passed local planning and zoning at 8-1 and passed city council at 9-0. He asked for approval of the bonds and credits on this project.

(c) Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits:

(1) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Parkview Townhomes, (aka Providence at Rush Creek) Arlington, Texas in an Amount not to Exceed $16,600,000, and Issuance of Determination Notice in the Amount of $714,733, for Housing Tax Credits for Parkview Townhomes, 03-455 with TDHCA as the Issuer

Ms. Carrington stated this project is located in Arlington, Texas and will have 248 units with two series of bonds, one being the $15,000,000 tax-exempt, and the other being the $1.6 million that would be taxable. The interest rate on the tax-exempt bonds is 6.6% and on the taxable it is 8.5%.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve Resolution No. 03-091 for the issuance of multifamily mortgage revenue bonds for Parkview Townhomes (aka Providence at Rush Creek), Arlington, Texas in an amount not to exceed $16,600,000 and issuance of a determination notice in the amount of $714,733 in housing tax credits.
Passed Unanimously

(2) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Timber Ridge II, Houston, Texas in an Amount not to Exceed $7,500,000, and Issuance of Determination Notice in the Amount of $477,964, for Housing Tax Credits for Timber Ridge II, 03-456 with TDHCA as the Issuer

Ms. Carrington stated this project is located in Houston and will have 124 units with a $7 million tax-exempt bond series and a $500,000 taxable bond. The tax-exempt bonds will have a 5.75% interest rate initially and then fixed at 6.75% and the taxable bonds will have an 8% interest rate. The borrower entity is Big Horn Limited Partnership whose general partner is Blazer Residential.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve Resolution No. 03-093 for the issuance of multifamily mortgage revenue bonds for Timber Ridge 11, Houston, Texas in an amount not to exceed $7,500,000 and issuance of a determination notice in the amount of $477,964 in housing tax credits.
Passed Unanimously

(3) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Century Park Apartments, Austin, Texas in an Amount not to Exceed $13,000,000, and Issuance of Determination Notice in the Amount of $638,507, for Housing Tax Credits for Century Park Apartments, 03-459 with TDHCA as the Issuer

Ms. Carrington stated this project is located in Austin and will have 240 units. On the tax exempt bonds, the amount is $10,400,000 and the taxable bonds are $2.6 million.

Motion made by Vidal Gonzalez and seconded by Shad Bogany to approve Resolution No. 03-092 for the issuance of multifamily mortgage revenue bonds for Century Park Apartments, Austin, Texas in an amount not to exceed $13,000,000 and issuance of a determination notice in the amount of $638,507 in housing tax credits.
Passed Unanimously

(7) Presentation, Discussion and Possible Approval of Housing Tax Credit Items:

(a) Waiting List for Housing Tax Credits for Balance of Year 2003

Ms. Carrington stated staff is requesting approval of a final waiting list for the 2003 Housing Tax Credit Program. This list represents applications who will be offered credits in the event that credits are returned to the Department by December 31, 2003. Staff is asking the Board to grant staff the ability to allocate any credits returned.

Ms. Boston stated if credits come back from this year they would go through this list. If credits come back from any other year, they would go to the highest scoring application on the list.

Motion made by Shad Bogany and seconded b y C. Kent Conine to approve the waiting list for the Housing Tax Credits for the remainder of year 2003.

Amendment made by C. Kent Conine and seconded by Vidal Gonzalez if prior credits come back they are subject to the same rules of distribution, even though they may be from a different year and different circumstances, that they would be under the 2003 rules and to request staff to call the Chair or Vice Chair of the Board and review the procedure if awards are to be made from this list.
Passed Unanimously

Passed Unanimously - Motion with amendment.

(b) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:
03-432 Primrose Skyline Apartments, Houston in Amount of $882,436
Harris County Housing Finance Corp. is the Issuer
03-440 Sterlingshire Apartments, Houston in Amount of $341,421
Houston Housing Finance Corporation is the Issuer
03-458 Bayou Willows, Pasadena in Amount of $308,203
Harris County Housing Finance Corp. is the Issuer

Ms. Carrington stated Primrose Skyline is in Houston and is new construction; Sterlingshire is in Houston and is an acquisition rehab and Bayou Willows in Pasadena is an acquisition rehab.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve determination notices for 03-432 Primrose Skyline Apartments, Houston, for $881,436; 03-440 Sterlingshire Apartments, Houston for $341,421; and 03-458 Bayou Willows, Pasadena, for $308,203.
Passed Unanimously

(c) Proposed Amendments to Housing Tax Credit Projects:

(1) 02-147 Heatherbrook Apartments, Houston, Texas

Ms. Carrington stated this project is Houston and they are requesting a site plan amendment and staff is recommending this amendment.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the amendment for 02-147, Heatherbrook Apartments, Houston, Texas
Passed Unanimously

(2) 03-100 Churchhill at Longview Apartments, Longview, Texas

Ms. Carrington stated this project is in Longview and is a 2003 tax credit allocation. They are requesting an increase in acreage and an amendment to the site plan. Staff is recommending this amendment for approval.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the amendment for 03-100, Churchill at Longview Apartments, Longview, Texas.
Passed Unanimously

(3) 03-245 Meadows Place Senior Village, Meadows Place, Texas

Ms. Carrington stated this project is in Ft. Bend County and is a 2003 tax credit allocation. They are changing the building configuration to two buildings from a 3-story building and a 4-story building to two 2 story buildings. There is still the same number of units.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the amendment for 03-245, Meadows Place Senior Village, Meadows Place, Texas.
Passed Unanimously

(8) Presentation, Discussion and Possible Approval of Report from the Audit Committee:
(a) HUD Section 8 Rental Integrity Monitoring Review
(b) Status of Prior Audit Issues
(c) Status of Central Database

David Gaines, Director of Internal Auditing, stated the Audit Committee met earlier in the day and discussed a report from the Dept. of Housing and Urban Development on the Section 8 program. The committee was receptive to recommendations for this program and staff is in the process of implementing those recommendations.

The central database was discussed and the contract system is moving into production and the compliance tracking system is being fully deployed for the external business partners.

Management continues to work through the prior audit issues.

Motion made by Shad Bogany and seconded by Norberto Salinas to accept the report from the Audit Committee.
Passed Unanimously

(9) Discussion of SB1664 Research and Information Program

Ms. Carrington stated SB 1664 was passed by the 78th Legislature and the effect of the bill on TDHCA is that it provides resources to TDHCA to establish an affordable housing research and information program in which the Department will contract for 4 items that were identified: (1) periodic market studies to determine the need for housing; (2) research for effective affordable housing; (3) research for affordable housing design and development; and (4) public education and outreach. Staff has discussed how to best structure the utilization of the money with constituents. Staff will update the Board on this item at future meetings.

John Henneberger submitted suggestions to the Board in writing about priorities for research.

REPORT ITEMS

Executive Directors Report

Possible Return of Credits and Settlement of Litigation Concerning Tax Credit Project No. 03-223, Suncrest Townhomes, El Paso, Texas
Ms. Carrington stated there are potential settlements in El Paso to resolve lawsuits on Suncrest Townhomes and the staff will keep the Board informed on happenings of these lawsuits.

Approval of the 2004 Qualified Allocation Plan and Rules by the Governor
Ms. Carrington stated the Governor approved the 2004 Qualified Allocation Plan and did not make any changes.

Scoring on Quantifiable Community Participation
This item was not discussed.

Update on Revised Homebuyer Assistance Program Income Calculations for the HOME Program
Ms. Carrington stated that staff did the homebuyer assistance calculations in the summer. Staff realized that none of the applicants would be eligible for the full $10,000 and staff made that adjustment during the middle of a cycle. Staff has now looked at how many would have been impacted by the change to $10,000 and how many are eligible. Developers will still have to deliver the same number of units that they said they were going to deliver but have an option as to whether they want to use the $10,000.

Status of the Family Self Sufficiency Program
Ms. Carrington stated the Audit Committee heard the status of the Family Self-Sufficiency Program that has been sent to HUD in November. It outlines what staff plans to do with the program in Brazoria County.

Federal Legislation - HR284/S595 – Housing Bond and Credit Modernization And Fairness Act
Ms. Carrington stated on the federal legislation on HR284 and 595 that this legislation is not going to go anywhere this year. Texas now has the largest percentage of co-sponsors that it has ever had. d

Availability of 4.99% Unassisted First Time Homebuyer Funds
Ms. Carrington stated the department released about $45 million in 4.99% money out of the SF Mortgage Revenue Bond Program. There is no down payment assistance with that program.

Commercial Paper Program Update

Ms. Carrington stated that on the Commercial Paper Program the Department received three proposals and did get providers and staff is resolving any remaining issues and settling on what that provider will be around Dec. 15th. The result to the Department using a commercial paper program as opposed to using the convertible option bond, is going to be about $350,000 savings to the Department.

Ms. Carrington also stated that Brooke Boston and Sarah Anderson have been accepted into the 2004 Leadership Texas Program.

EXECUTIVE SESSION

Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code – Request for Extensions for Commencement of Substantial Construction for:

1) 02-075 Heatherwilde Estates Apartments, San Antonio
2) 02-107 Holly Park Apartments, Corpus Christi

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

Ms. Anderson stated there would be no Executive Session held.

<u>Dale Armwood, Retired Chief Master Sergeant for the USAF, San Antonio, Texas</u>

Ms. Armwood stated she is not against low income families as they are low income families who live in Sky Harbor which is next door to the proposed Heatherwilde Estates. She stated there is 48% of Section 8 Housing in their area and they are having a hard time trying to keep the neighborhood safe. She stated she fees it is unfair for the developers of Heatherwilde to ask for waivers and extension and they automatically get them. This development will impact the schools and make the student-to-teacher ratio even higher that it is now. There will be an economic impact for the neighborhood.

<u>Maria Magellanez San Antonio, Texas (speaking through translator)</u>

Ms. Magellanez stated she lives in Sky Harbor and is against giving the Heatherwilde Estates the extension. The schools have an excessive number of children. There is a need for additional schools and this will only hurt the neighborhood as the people who live there will have to pay more taxes for these additional schools.

<u>Bobby Leopold, San Antonio, Texas</u>

Mr. Leopold stated the developers have invested over $2 million into the Heatherwilde Estates and this development will be paying school taxes.

<u>Maria Gonzales, San Antonio, Texas</u>

Ms. Gonzales stated she is a single parent and works hard to maintain her household. She stated the developers know the rules and dates and times and did not feel that Heatherwilde Estates should be given another extension. She stated there is no construction at the proposed site and she was against the project.

<u>Carol Abitz, Southwest Community Association, San Antonio, Texas</u>

Ms. Abitz asked the Board not to grant the Extension for the Heatherwilde Estates project as she feels it is concentration of poverty in an area already concentrated in poverty. There is 48% of the city's Section 8 housing in their area and there has been an infill of 256 TIF homes in their area and they are trying to assimilate those people into the community. She stated County Commissioner Tejeda asked her to voice his opposition to this project and the extension as he was out of town and could not attend this meeting.

(10) Presentation, Discussion and Possible Approval of Request for Extensions for Commencement of Substantial Construction for:

(1) 02-075 Heatherwilde Estates Apartments, San Antonio

Ms. Carrington stated this request is for extension of commencement of substantial construction. This was a 2002 tax credit development allocated in San Antonio. The extension request should have been received in the Department by October 30 but was not received until November 18. Because of this extension not being timely filed, staff is recommending denial of the extension request.

Mr. Bogany stated he felt for the people of this neighborhood but he has not heard one reason why this project should not be located in that neighborhood. The school district's job is to build schools and educate the children. There has been a lot of emotion and a lot of fears heard at this meeting. He was concerned that the developer has not worked with the neighborhood.

Mr. Salinas stated he did not want the people to feel that this Board is on the side of the developer all the time. This project has been approved by the Zoning Commission and the City Council in San Antonio and that is where these comments should have been heard.

Ms. Anderson stated this Department is going to work very hard this year with all the new rules in effect and offer needed protection for a community, for people to be notified and if the developer did not do all the notifications, the community would have information to mobilize on its own.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the extension for commencement of construction for: 02-075, Heatherwilde Estates Apartments, San Antonio, Texas to March 1, 2004.
Passed Unanimously

(2) 02-107 Holly Park Apartments, Corpus Christi

Ms. Carrington stated this is a request for an extension for Holly Park Apartments in Corpus Christi, Texas. If the request for an extension had been timely filed, it would have been received on October 30. It was not received until November 5th and because it was not timely filed, staff is recommending the denial of this request.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the extension for commencement of construction for: 02-107, Holly Park Apartments, Corpus Christi, Texas to March 31, 2004 and the denial of the staff recommendation.
Passed Unanimously

ADJOURN

Motion made by Vidal Gonzalez and seconded by Norberto Salinas to adjourn the meeting.

The meeting adjourned at 2:30 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

Bdmindec

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

January 6, 2004

TO: **CHAIR ANDERSON AND MEMBERS OF THE BOARD**

FROM: **Edwina Carrington**
Executive Director

SUBJECT: **Interagency Contract Between TDHCA and ORCA**

Attached for your review is the proposed, second year, Interagency Contract between TDHCA and ORCA concerning the Housing Tax Credit Program Rural Regional Allocation. It includes changes from last year's contract based on SB 264 and Board input. It is black lined against last year's contract. The proposed new contract follows the requirements of Sections 2306.6723 and 2306.111, Texas Government Code, and the 2004 QAP.

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

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

SECTION 1. PARTIES TO THE CONTRACT

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

SECTION 2. PERIOD OF PERFORMANCE

This contract shall commence on September 1, 2003~~2~~ and shall terminate on August 31, 2004~~3~~, unless otherwise specifically provided by the terms of this contract.

SECTION 3. CONTRACT PERFORMANCE

A. Joint Performance. TDHCA and ORCA shall during the period of performance specified in Section 2 of this contract jointly administer ~~any set aside~~the rural regional allocation ~~for rural areas~~ established by TDHCA under the ~~Low Income~~ Housing Tax Credit (~~LI~~HTC) program to ensure the maximum use and optimum geographic distribution of housing tax credits in rural areas and to provide for information sharing, efficient procedures, and the fulfillment of development compliance requirements in rural areas. TDHCA and ORCA shall jointly adjust the regional allocation of federal low-income housing tax credits to offset the under-utilization and over-utilization of multifamily private activity bonds and other housing resources in the different regions of the state of Texas. In addition, TDHCA and ORCA shall jointly implement an outreach and training program to promote rural area capacity building and the maximum use and dispersal of tax credits in rural areas. If the staff of TDHCA and ORCA disagree on the tax credit allocations to be recommended, and the disagreement cannot be resolved by further staff discussion, each staff may make separate allocation recommendations.

B. TDHCA Performance. TDHCA shall train ORCA staff, as needed, on site inspection requirements and ~~LI~~HTC application threshold and scoring review. Statewide, TDHCA will target a set percentage of the year's credit ceiling to rural areas, with the percentage varying from region to region, based on TDHCA's approved 2004 Regional Allocation Formula. If an insufficient number of applications are received or if applications are found to be ineligible or infeasible, any excess rural allocation will be allocated to the urban/exurban regional allocation.

C. ORCA Performance ORCA shall perform the following activities:

1. ORCA shall assist TDHCA in developing all threshold, scoring, and underwriting criteria applied to applications eligible for the ~~LI~~HTC rural ~~set-aside~~ regional allocation. Such criteria shall be approved by ORCA. Pursuant to Section 2306.6724(a) of the Texas Government Code, the TDHCA Board must adopt the qualified allocation plan ("QAP") which includes threshold and scoring criteria not later than September 30 each year. ORCA agrees to provide its input on the QAP and underwriting criteria while the rules are being drafted prior to the notice and comment rulemaking period for the QAP and the Underwriting Rules. ~~Prior to September 30 each year, the TDHCA Board and ORCA Executive Committee shall hold a joint workshop to discuss the proposed QAP. At the workshop, the ORCA Executive Committee shall provide its input on the threshold and scoring criteria applied to applications eligible for the LIHTC rural set-aside. Underwriting criteria no longer in the QAP will also be discussed at this joint workshop, or in a separate joint workshop.~~
2. ORCA shall participate in the site inspections of all projects proposed under the rural ~~set-aside~~ regional allocation. ORCA staff assigned to perform such inspections shall have completed sufficient training to enable them to perform the inspections.
3. ORCA shall assign a representative to attend ~~LI~~HTC public hearings relating to the Qualified Allocation Plan and other application requirements and to participate in TDHCA's executive award and review advisory committee meetings in which recommendations relating to the allocation of tax credits to rural ~~set-aside~~ regional allocation applicants is discussed.
4. ORCA shall assist TDHCA in developing and negotiating the Memorandum of Understanding between TDHCA and the U.S. Department of Agriculture relating to the administration of the Rural Development ~~sub set-aside~~ set-aside or allocation.~~within the LIHTC rural set-aside.~~

SECTION 5. TDHCA FUNDING OBLIGATIONS

From the total amount of ~~LI~~HTC application fees collected by TDHCA during the most recent allocation cycle from applicants for the rural ~~set-aside~~ regional allocation, ORCA shall be reimbursed for any costs incurred in carrying out the requirements of this contract in an amount not to exceed 50% of the application fees received from such applicants. TDHCA's maximum amount of liability under this contract shall not exceed such amount and will be provided on a reimbursement basis. ORCA shall submit a statement to TDHCA on a monthly basis that provides a detailed description of the work performed and hours spent on such work, including the names of the employees performing the work.

SECTION 6. AMENDMENTS AND CHANGES

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

SECTION 7. POLITICAL ACTIVITY

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

SECTION 8. SECTARIAN ACTIVITY

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

SECTION 9. ORAL AND WRITTEN AGREEMENTS

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

SECTION 10. TERMINATION

A. This contract may be terminated prior to the date specified in Section 2 of this contract only upon 14 days written notice from one party to the other.

B. Upon notice of termination, ORCA shall no longer be reimbursed for any costs hereunder.

WITNESS OUR HANDS EFFECTIVE ____

Signed: ____
Robt. J. “Sam” Tessen, MS
Executive Director, Office of Rural Community Affairs

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

Signed: ____
Edwina P. Carrington
Executive Director, Texas Department of Housing and Community Affairs

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
January 13, 2004

Action Item

Appeal of Star Village Apartments.

Requested Action

Issue a determination on the appeal.

Background and Recommendations

The Applicant originally filed an appeal for this issue on November 25, 2003, to Edwina Carrington appealing the determination by Real Estate Analysis that the development was financially infeasible due to insufficient funds. The appeal submitted to the Department was not submitted timely and did not identify a procedural error in processing the Application or any "good cause" to consider the appeal as required by 10 T.A.C. §1.7 of Title 10 of the Texas Administrative Code. Additionally, increasing the award as was requested in the appeal is not allowable because it is not grounds for an appeal pursuant to 10 T.A.C. §1.7 of Title 10 of the Texas Administrative Code.

It should also be noted that while the appeal did not utilize an eligible reason for an appeal, the response from the Executive Director did address each of the merits addressed by the Applicant. In the appeal the Applicant requested an increase in the HOME award to $1,350,000 to compensate for the loss of Federal Home Loan Bank Affordable Housing Program (AHP) funds originally identified in the application as a funding source. However, it was determined by the Real Estate Analysis Division that increasing the HOME award would not resolve the underwriting issues because the loss of the AHP funds for the Star Village Apartments was only a part of the determination of insufficient funds. The Department's underwriting reflected that at a minimum, $232,072 in additional sources of funds, as well as the $350,000 AHP funds would be required based on the development's debt service capacity and the Department's minimum 1.10 debt coverage ratio. The term sheet from Frost Bank provided with the appeal letter to Executive Director reflects a minimum debt coverage ratio of 1.25 which would likely further limit the lender's actual permanent loan to something less than the $1,590,000 projected in the Department's underwriting, thereby further increasing the degree to which the anticipated sources of funds were insufficient.

For the aforementioned reasons, the appeal was denied by the Executive Director on December 9, 2003. On December 12, 2003, the Applicant submitted a subsequent appeal to the Board that requests that the Application be found feasible and awarded $1,350,000

Application Information:

Applicant:	Housing Plus, Inc.
City/County:	San Benito/ Cameron
Region:	11
Type of Development:	New Construction
Units:	52
Staff Recommendation:	The Executive Director denied the original appeal. That recommendation has not changed. If, however, the Board determines to grant the appeal, staff recommends that the Board simultaneously approve the award of funds as conditioned in the original Multifamily Underwriting Report dated July 18, 2003.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 18, 2003 **PROGRAM:** HOME **FILE NUMBER:** 2003-0320

DEVELOPMENT NAME

Star Village Apartments

APPLICANT

Name:	Housing Plus, Inc.	**Type:**	Non-Profit CHDO		
Address:	518 E. Harrison Street	**City:**	Harlingen	**State:**	TX
Zip:	78550 **Contact:** Alfredo Huerta	**Phone:**	(956) 421-3290	**Fax:**	(956) 421-1084

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Alfredo Huerta	**(%):**	100	**Title:**	Executive Director
Name:	Robert Chavira dba SMi Consulting	**(%):**	N/A	**Title:**	Consultant

PROPERTY LOCATION

Location: N. McCullough St., 1000 feet SW of intersection with Line 17 Road ☐ **QCT** ☐ **DDA**

City: San Benito **County:** Cameron **Zip:** 78586

REQUEST

Amount	Interest Rate	Amortization	Term
1) $1,000,000	N/A	30 yrs	30 yrs
2) $50,000	N/A	N/A	N/A

Other Requested Terms: 1) HOME Program loan
2) CHDO operating expenses grant

Proposed Use of Funds: New construction **Property Type:** Multifamily

Set-Aside(s): ☒ CHDO ☐ Rural ☐ TX RD ☐ Non-Profit ☐ Elderly ☐ At Risk

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO INSUFFICIENT COMMITTED FUNDING SOURCES TO COMPLETE THE DEVELOPMENT AS PROPOSED

☒ ANY BOARD APPROVAL OF FUNDS FOR THIS DEVELOPMENT SHOULD BE CONDITIONED ON THE FOLLOWING:

CONDITIONS

1. The HOME award should not exceed $1,000,000, structured as a 5-year term, non-amortizing loan at 0% interest to be restructured at the end of the term based upon operating cash flow history;
2. Receipt, review, and acceptance of evidence of successful rezoning of the site to a conforming use.
3. Receipt, review, and acceptance of evidence of commitment of at least $363,165 in grant funds or other soft financing or fully committed first lien debt of at least $1,953,165 (which is still subject to item 4 below) or some applicable combination of these;
4. Receipt, review, and acceptance of a revised permanent loan commitment(s) reflecting a maximum total debt service amount of $140,000.
5. Should the terms or rates of the permanent funding change or additional financing be secured this development should be reevaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	52	**# Rental Buildings**	13	**# Common Area Bldgs**	1	**# of Floors**	1	**Age:**	0 yrs	**Vacant:**	N/A at / /

Net Rentable SF: 55,072 **Av Un SF:** 1,059 **Common Area SF:** 1,950 **Gross Bldg SF:** 57,022

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 60% stucco 40% brick veneer exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters.

ON-SITE AMENITIES

A 1,950-SF community building with activity room, management offices, laundry facilities, kitchen, & restrooms is to be located at the entrance to the site. A swimming pool, basketball court, & equipped children's play area are to be located in the middle of the property.

Uncovered Parking: 126 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Star Village Apartments is a moderately dense (7.4 units per acre) new construction development of 52 units of affordable housing located in northeast San Benito. The development is to be comprised of 13 evenly distributed fourplex residential buildings as follows:

- Seven Building Type A with four three-bedroom/two-bath units; and
- Six Building Type B with four two-bedroom/two-bath units.

Architectural Review: The buildings are simple in appearance, with pitched and hipped roofs and exterior entries off an unusual covered alcove which is shared with another unit. Each unit also has an outside storage closet at the end of this alcove and a covered porch off the living and dining area.

Supportive Services: The Applicant indicates that supportive services will be provided by themselves and their parent organization, the Harlingen Community Development Corporation, at no cost to the property.

Schedule: The Applicant anticipates construction to begin in March of 2004, to be completed in Octoberof 2005, to be placed in service in November of 2005, and to be substantially leased-up in January of 2006.

SITE ISSUES

SITE DESCRIPTION

Size: 7 acres 304,920 square feet **Zoning/ Permitted Uses:** A-O, Agriculture & Open Space, rezoning request submitted

Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: San Benito is located in far south Texas, approximately 15 miles northwest of Brownsville in Cameron County. The site is a rectangularly-shaped parcel located in the northeast area of the city, approximately one mile from the central business district. The site is situated on the southeast side of N. McCullough Street.

Adjacent Land Uses: The site is surrounded by undeveloped agricultural land, interspersed with single-family residential uses. Adjacent land uses include:

- **Northwest:** N. McCullough Street with agricultural land, single-family residential, and a school beyond

- **Northeast:** agricultural land with Line 17 Road and scattered single-family residences beyond
- **Southeast:** agricultural land
- **Southwest:** agricultural land

Site Access: Access to the property is from the northeast or southwest from N. McCullough Street. The development is to have two entries from N. McCullough Street. Access to U.S. Highway is one mile southwest, which provides connections to all other major roads serving the San Benito area as well as Harlingen, Brownsville, and other surrounding communities.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within three miles of all the facilities and services available in San Benito.

Special Adverse Site Characteristics: The site is not currently zoned for the proposed use and a rezoning request has been submitted. Receipt, review, and acceptance of evidence of the site's successful rezoning to a conforming use is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on May 15, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was not included, as 2003 HOME rental program applicants are not required to submit this report.

POPULATIONS TARGETED

Income Set-Aside: All of the units (100% of the total) will be reserved for low-income. Eleven of the units (22%) will be reserved for households earning 50% or less of AMGI and the remaining 41 units (78%) will be reserved for households ultimately earning up to 80% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$17,280	$19,800	$22,260	$24,720	$26,700	$28,680

MARKET HIGHLIGHTS

A market analysis report was not included, as 2003 HOME rental program applicants are not required to submit this report. A review of known TDHCA funded developments in the area reflects only one property, a 1996 LIHTC property known as Canal Place Apartments within a five mile radius of the proposed subject. Yearend 2001 financial statements for Canal Place reflects that the 72 units (100% affordable development consisting of two, three and four bedroom units) is 95% occupied for the year. The 2000 census reflected that San Benito had a total population of 23,444 and total households of 7,065. Renter households comprised 2,160 units. Based upon the census data approximately 21.15% of all households would be income eligible to live in the proposed units suggested a gross income eligible renter demand at 456 units. Census information reflects that 18% of all households moved into their current residence within the past year, and while this percentage should be higher for renter households its conservative use reflects a turnover demand of at least 82 income eligible renter households. Another measure of demand can be calculated by considering the percentage of renters paying 35 percent or more for rent. In San Benito this amounts to 28.9 percent and using that as a proxy for the turnover rate would yield a demand 132 units. Finally using the traditional IREM region 6 turnover rate of 63% would yield 287 units of turnover demand. Census information also suggests 3.7% growth in San Benito which would increase demand by 17 units. These crude demand calculations result in inclusive capture rates of 53%, 35%, and 17% respectively which are below the 100% allowed for rural areas.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under HOME Program guidelines. Due to the lack of third party market analysis information the Underwriter was unable to conclusively confirm the reasonableness of these rents however the low HOME rents are less than the rents charged in 2001 at the nearby Canal Place, and the proposed high HOME rents are only slightly higher than those historical rents and therefore are likely to be feasible today. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines; as a result the Applicant's effective gross income estimate is identical to the Underwriter's.

Expenses: The Applicant's total expense estimate of $2,145 per unit is 17% lower than the Underwriter's database-derived estimate of $2,579 per unit for comparably-sized developments. The Applicant's payroll estimate, at $327/unit, is regarded as 40%-50% lower than either TDHCA or IREM database averages. The Applicant used a payroll estimate from a 2001 TDHCA underwriting analysis done for a Harlingen development as substantiation, but the TDHCA database has been updated with more recent data from the subject's region which suggests the Underwriter's estimate is more accurate. The Applicant, assuming a CHDO tax exemption, has included no property taxes in the operating budget, and the Underwriter has concurred with this assumption on the basis of exemptions granted on similar properties.

Conclusion: Due primarily to the difference in operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.96 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $140,000 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. This will significantly limit the potential debt of the development and hinder any HOME fund repayment.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 7 acres	$92,000	**Date of Valuation:**	3/ 28/ 2003
Appraiser: Rio Grande Appraisals	**City:** San Benito	**Phone:**	(956) 428-9595

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The Appraiser used only the market approach as the property is not currently producing any income. The three comparables used were all within one mile of the subject, sold within the last two years and were residential in purpose. All three comps sold for $10K per acre but the appraiser adjusted the sales prices for various reasons to result in a value of $13,142 per acre for the subject.

ASSESSED VALUE

Land: 13.678 acres	$68,390	**Assessment for the Year of:**	2003
Land: 1 acre	$5,000	**Valuation by:**	Cameron County Appraisal District
Prorated Value: 7 acres	$35,000	**Tax Rate:**	

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial contract – unimproved property		
Contract Expiration Date:	11/ 4/ 2003	**Anticipated Closing Date:**	11/ 4/ 2003
Acquisition Cost:	$94,000*	**Other Terms/Conditions:**	$1,000 earnest money
Seller:	Kenneth J. Benton*	**Related to Development Team Member:**	No

*Note: The 7-acre site is part of a 13.678-acre parcel currently owned by Robert and Sandra Nelson. The Applicant proposes that the larger parcel be acquired for an undisclosed price by Kenneth Benton (a developer unrelated to the Applicant), rezoned and improved with water, sewer, and drainage by Mr. Benton, and then resold to the Applicant for $94,000.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $94,000 ($0.31/SF or $13,429/acre) is three times the assessed prorata value but is substantiated by the appraised value of $92,000 and more importantly is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Costs: No off-site costs were included in the application. Mr. Kenneth Benton will arrange for the completion of off-site improvements prior to conveying the land to the Applicant.

Sitework Cost: The Applicant's claimed sitework costs of $5,577 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $37K or 2% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limits of $71,549 and $92,559 for two- and three-bedroom units, respectively. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to size the award recommendation.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: First National Bank **Contact:** Edna Martinez

Principal Amount: $1,822,072 **Interest Rate:** 8.5%

Additional Information:

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

LONG TERM/PERMANENT FINANCING

Source: First National Bank **Contact:** Edna Martinez

Principal Amount: $1,822,072 **Interest Rate:** 8%

Additional Information:

Amortization: 30 yrs **Term:** 15 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $160,437 **Lien Priority:** 1st **Commitment Date** 3/ 28/ 2003

APPLICANT EQUITY

Amount: (None) **Source:** N/A

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The original application included the First National Bank loan of $1,822,072 and a Federal Home Loan Bank (FHLB) grant of $350,000. Subsequent to submitting the application the Applicant received notification that the FHLB grant had been denied and it appears that the First National Bank loan is less likely. As of the date of this report the Applicant has applied to Coastal Banc for a loan of $2,172,072 to fill this financing gap, but Coastal Banc has provided only a letter of interest subject to their underwriting. Documentation as to the interest rate or terms on this potential loan was not included in the July 14, 2003 letter of interest. While the proposed debt amount in the letter does not appear to be credibly possible an increase in the Underwriter's anticipated debt amount would be possible with a reduction in the interest rate assumption. The Underwriter's analysis suggests that at a 6% interest rate the increase in debt would be marginally sufficient to absorb the gap of funds resulting from the loss of the FHLB AHP grant.

Financing Conclusions: As discussed in the Operating Proforma Analysis section above, due to the difference in estimated net operating income the Underwriter's debt coverage ratio (DCR) of 0.96 is less than the TDHCA minimum standard of 1.10. Therefore, the maximum debt service for this development should not exceed $140,000 by a reduction of the permanent loan amount and/or a reduction in the interest rate and/or an extension of the term. To compensate for the reduction in loan funds and the loss of the FHLB grant, the Applicant's entire developer fee of $218,907 would have to be deferred and furthermore a funding gap of $363,165 would remain which would have to be filled with grant funds or other soft financing. Therefore, due to the loss of the FHLB funding as well as the development's limited debt service capacity, the development is regarded as infeasible as currently proposed. Alternatively, a loan structured with an interest rate at 6% or less would provide enough debt capacity (approximately $1,953,165) to cover the excess gap. Though most or all of the developer fee would still need to be deferred. Should the Board choose to fund this transaction it should be conditioned upon the receipt, review, and acceptance of a revised debt structure and the HOME loan should be structured as a five year non amortizing zero percent interest loan to be re-structured at maturity based upon historic operating cash flow.

Return on Equity: As proposed no equity was to be contributed and as underwritten an infeasible amount of equity is required therefore a return on equity has not been calculated.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant is also the Developer. These are common relationships for affordable housing developments.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant, Housing Plus, Inc., submitted an audited financial statement as of September 30, 2002 reporting total assets of $253K and consisting of $800 in cash and other current assets, $37K in receivables, $96K in work in progress, $101K in real property, $4K in furniture and fixtures, and $14K in restricted assets. Liabilities totaled $501K, resulting in net assets of ($248K).
- The parent of the Applicant, the Harlingen Community Development Corporation (HCDC), submitted an audited financial statement as of September 30, 2002 reporting total assets of $3.9M and consisting of $451K in cash and other current assets, $222K in fixed assets, $1.8M in receivables, $179K in work in progress, $716K in real property, and $256K in other long-term assets, and $250K in restricted assets. Liabilities totaled $1.5M, resulting in a net worth of $2.4M. The Applicant provided a commitment from HCDC to act as guarantor for the development contingent upon the Applicant's receipt of HOME and bank funding.

Background & Experience: The Applicant administers a TDHCA HOME Homebuyer Assistance program in conjunction with a 24-unit single-family development in Crystal City and also has a 72-unit LIHTC development (Northstar Apartments, 9% LIHTC #01069) in Raymondville 25 miles northwest of San Benito currently under construction.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The Applicant does not appear to have sufficient financial capacity to support the project if needed.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	Jim Anderson	**Date:**	July 18, 2003
Director of Real Estate Analysis:	Tom Gouris	**Date:**	July 18, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Star Village Apartments, San Benito, HOME #2003-0320

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
LH	5	2	2	932	$463	$403	$2,015	$0.43	$60.00	$35.00
HH	19	2	2	932	501	441	8,379	0.47	60.00	35.00
LH	6	3	2	1,168	535	464	2,784	0.40	71.00	45.00
HH	22	3	2	1,168	628	557	12,254	0.48	71.00	45.00
TOTAL:	52		**AVERAGE:**	1,059	$555	$489	$25,432	$0.46	$65.92	$40.38

INCOME	Total Net Rentable Sq Ft:	55,072		**TDHCA**	**APPLICANT**		USS Region	11
POTENTIAL GROSS RENT				$305,184	$305,184		IREM Region	
Secondary Income	Per Unit Per Month:	$10.00		6,240	6,240	$10.00	Per Unit Per Month	
Other Support Income:				0	0			
POTENTIAL GROSS INCOME				$311,424	$311,424			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(23,357)	(23,352)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$288,067	$288,072			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.04%	$335	0.32	$17,402	$15,500	$0.28	$298	5.38%
Management	5.00%	277	0.26	14,403	$14,339	0.26	276	4.98%
Payroll & Payroll Tax	11.96%	663	0.63	34,458	$17,000	0.31	327	5.90%
Repairs & Maintenance	7.06%	391	0.37	20,338	$22,000	0.40	423	7.64%
Utilities	3.38%	187	0.18	9,726	$12,000	0.22	231	4.17%
Water, Sewer, & Trash	5.76%	319	0.30	16,601	$11,600	0.21	223	4.03%
Property Insurance	3.63%	201	0.19	10,464	$8,830	0.16	170	3.07%
Property Tax (Exempt)	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements	3.61%	200	0.19	10,400	$10,296	0.19	198	3.57%
Other: compliance fees	0.00%	0	0.00	0	$0	0.00	0	0.00%
TOTAL EXPENSES	46.44%	$2,573	$2.43	$133,792	$111,565	$2.03	$2,145	38.73%
NET OPERATING INC	53.56%	$2,967	$2.80	$154,275	$176,507	$3.21	$3,394	61.27%
DEBT SERVICE								
First National Bank Loan	55.69%	$3,085	$2.91	$160,437	$160,437	$2.91	$3,085	55.69%
Federal Home Loan Bank Grant	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
HOME Loan	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	-2.14%	($118)	($0.11)	($6,161)	$16,070	$0.29	$309	5.58%
AGGREGATE DEBT COVERAGE RATIO				0.96	1.10			
RECOMMENDED DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.04%	$1,875	$1.77	$97,500	$97,500	$1.77	$1,875	3.07%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.04%	5,577	5.27	290,000	290,000	5.27	5,577	9.14%
Direct Construction		61.47%	37,934	35.82	1,972,584	1,935,546	35.15	37,222	61.02%
Contingency	1.47%	1.04%	641	0.61	33,323	33,323	0.61	641	1.05%
General Req'ts	5.89%	4.15%	2,563	2.42	133,293	133,293	2.42	2,563	4.20%
Contractor's G & A	1.96%	1.38%	854	0.81	44,430	44,430	0.81	854	1.40%
Contractor's Profit	5.89%	4.15%	2,563	2.42	133,293	133,293	2.42	2,563	4.20%
Indirect Construction		4.23%	2,608	2.46	135,600	135,600	2.46	2,608	4.27%
Permanent Financing		0.77%	478	0.45	24,845	24,845	0.45	478	0.78%
Developer's G & A	0.80%	0.69%	427	0.40	22,215	22,215	0.40	427	0.70%
Developer's Profit	7.04%	6.13%	3,783	3.57	196,692	196,692	3.57	3,783	6.20%
Interim Financing		1.61%	993	0.94	51,655	51,655	0.94	993	1.63%
Reserves		2.30%	1,417	1.34	73,680	73,680	1.34	1,417	2.32%
TOTAL COST		100.00%	$61,714	$58.27	$3,209,110	$3,172,072	$57.60	$61,001	100.00%
Recap-Hard Construction Costs		*81.24%*	***$50,133***	***$47.34***	***$2,606,923***	***$2,569,885***	***$46.66***	***$49,421***	*81.02%*

SOURCES OF FUNDS

						RECOMMENDED	
First National Bank Loan	56.78%	$35,040	$33.09	$1,822,072	$1,822,072	$1,590,000	Developer Fee Available
Federal Home Loan Bank Grant	0.00%	$0	$0.00	0	0	0	$218,907
HOME Loan	31.16%	$19,231	$18.16	1,000,000	1,000,000	1,000,000	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	0	218,907	100%
Additional (excess) Funds Required	12.06%	$7,443	$7.03	387,038	350,000	363,165	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$3,209,110	$3,172,072	$3,172,072	$580,804.06

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Star Village Apartments, San Benito, HOME #2003-0320

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.12	$2,319,835
Adjustments				
Exterior Wall Finish	3.20%		$1.35	$74,235
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.02)	(111,245)
Floor Cover			1.92	105,738
Porches	$10.79	13,812	2.71	149,031
Plumbing	$615	156	1.74	95,940
Built-In Appliances	$1,625	52	1.53	84,500
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	80,956
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$65.08	1,951	2.31	126,965
Other:			0.00	0
SUBTOTAL			53.13	2,925,955
Current Cost Multiplier	1.03		1.59	87,779
Local Multiplier	0.80		(10.63)	(585,191)
TOTAL DIRECT CONSTRUCTION COSTS			$44.10	$2,428,543
Plans, specs, survy, bld prm	3.90%		($1.72)	($94,713)
Interim Construction Interes	3.38%		(1.49)	(81,963)
Contractor's OH & Profit	11.50%		(5.07)	(279,282)
NET DIRECT CONSTRUCTION COSTS			$35.82	$1,972,584

PAYMENT COMPUTATION

Primary	$1,822,072	Term	360
Int Rate	8.00%	DCR	0.96
Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	0.96
Additional	$1,000,000	Term	
Int Rate		Aggregate DCR	0.96

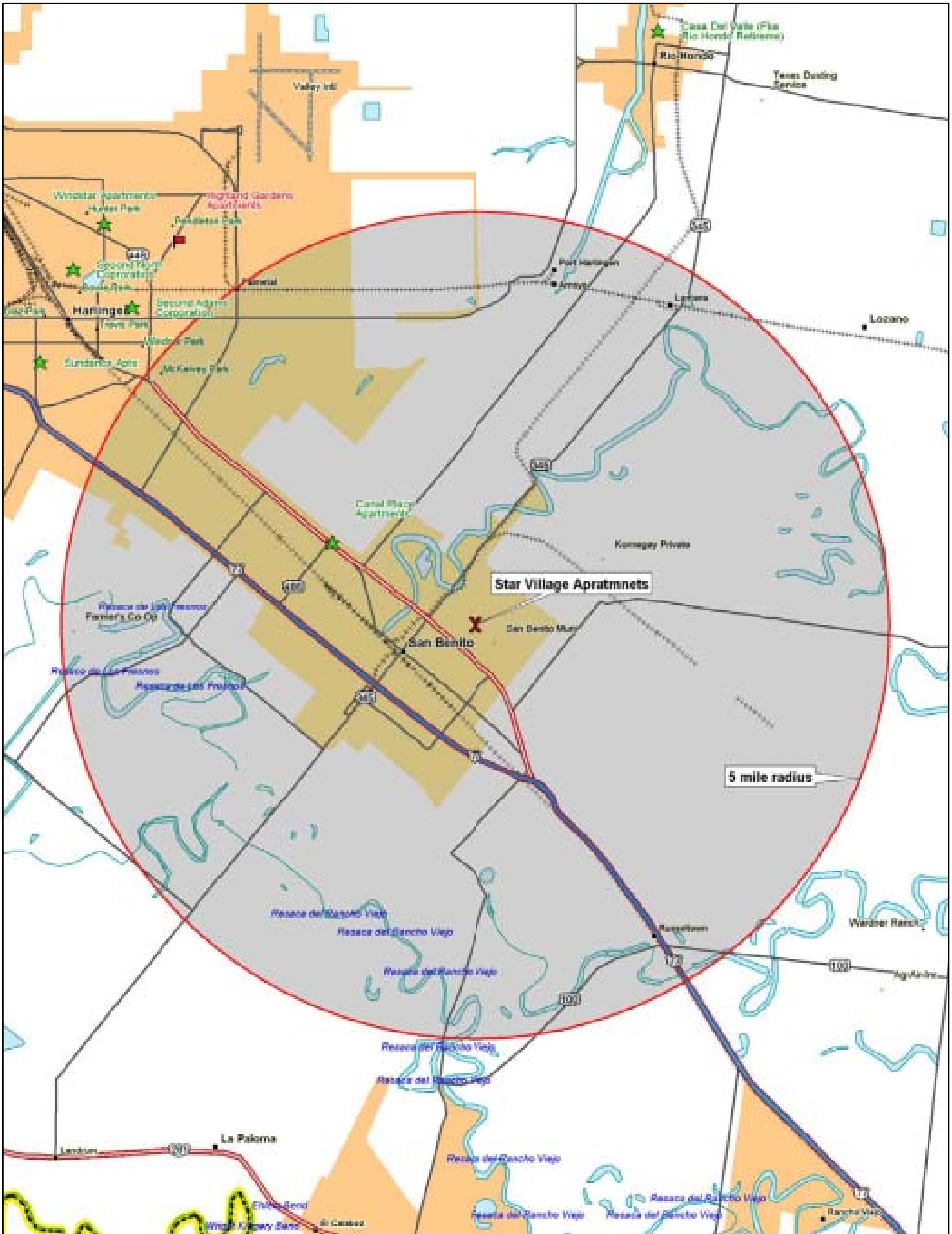
RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$140,002
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$14,273

Primary	$1,590,000	Term	360
Int Rate	8.00%	DCR	1.10
Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	$1,000,000	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	$305,184	$314,340	$323,770	$333,483	$343,487	$398,196	$461,618	$535,142	$719,186
Secondary Income	6,240	6,427	6,620	6,819	7,023	8,142	9,439	10,942	14,705
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	311,424	320,767	330,390	340,301	350,510	406,338	471,057	546,084	733,891
Vacancy & Collection Loss	(23,357)	(24,058)	(24,779)	(25,523)	(26,288)	(30,475)	(35,329)	(40,956)	(55,042)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$288,067	$296,709	$305,610	$314,779	$324,222	$375,862	$435,727	$505,128	$678,849
EXPENSES at 4.00%									
General & Administrative	$17,402	$18,098	$18,822	$19,575	$20,358	$24,769	$30,135	$36,664	$54,271
Management	14,403	14,835	15,281	15,739	16,211	18,793	21,786	25,256	33,942
Payroll & Payroll Tax	34,458	35,836	37,269	38,760	40,311	49,044	59,670	72,597	107,462
Repairs & Maintenance	20,338	21,151	21,997	22,877	23,792	28,947	35,219	42,849	63,427
Utilities	9,726	10,115	10,520	10,941	11,378	13,844	16,843	20,492	30,333
Water, Sewer & Trash	16,601	17,265	17,955	18,674	19,421	23,628	28,747	34,975	51,772
Insurance	10,464	10,882	11,318	11,770	12,241	14,893	18,120	22,045	32,633
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	10,400	10,816	11,249	11,699	12,167	14,802	18,009	21,911	32,434
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$133,792	$139,000	$144,411	$150,035	$155,879	$188,720	$228,529	$276,790	$406,274
NET OPERATING INCOME	$154,275	$157,710	$161,199	$164,744	$168,343	$187,142	$207,199	$228,338	$272,576
DEBT SERVICE									
First Lien Financing	$140,002	$140,002	$140,002	$140,002	$140,002	$140,002	$140,002	$140,002	$140,002
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$14,273	$17,707	$21,197	$24,742	$28,341	$47,140	$67,197	$88,335	$132,573
DEBT COVERAGE RATIO	1.10	1.13	1.15	1.18	1.20	1.34	1.48	1.63	1.95



Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100,000
1" = 1.58 mi

0 ½ 1 1½ 2 mi
0 1 2 3 4 km

TN
MN
5.7°E

Housing Plus, Inc.

Alfredo Huerta, Executive Director
Dora J. Ellis, Chairman

518 E. Harrison
Off. (956) 421-3290
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Harlingen, Texas 78550

E-mail: hcdc2@swbell.net

DEC 19:05

December 12, 2003

Ms. Edwina Carrington
Executive Director
Texas Department of Housing
and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

Re: Star Village Apartments; Appeal to the Board of Directors; CHDO Rental Housing Development Application No. 2003-0320

Dear Ms. Carrington:

Housing Plus, Inc. hereby submits this appeal to the Board of Directors of the Texas Department of Housing and Community Affairs (TDHCA) to reverse the decision to decline a $1 million deferred/forgivable loan request under the HOME Program Community Housing Development Organization (CHDO) fund for the Star Village Apartments, a 52-unit rental housing development in San Benito, Cameron County, Texas (Region 11). This proposed housing development would help meet an existing renter demand of over 500 units. This appeal is submitted in accordance with 10 TAC 1.7(d) and (g).

The CHDO application for Star Village Apartments was one of ten applications, out of a total of 27 applications submitted, that met the minimum threshold requirements established by TDHCA, and were then determined to be eligible to compete for CHDO funding. Star Village Apartments was not recommended for funding due to "insufficient committed funding sources to complete the proposed development."[1] The uncommitted funding sources referred to in the TDHCA underwriting report were a $350,000 grant from the Federal Home Loan Bank of Dallas (FHLB), and a $1,822,072 bank loan from First National Bank.

As to the FHLB grant, Housing Plus' application successfully met the minimum threshold requirements; however, it did not receive funding as the moderate amount of funds available ($6.6 million) were quickly exhausted among the hundreds of qualified applicants competing for housing finance assistance for the Region (includes the states of Texas, New Mexico, Louisiana, Mississippi, and Arkansas).

As to the loan from First National Bank, Housing Plus, Inc. found itself in a position where First National and TDHCA were both seeking firm commitments from one party before the other would

[1] Multifamily Underwriting Analysis for Star Village Apartments, TDHCA, July 18, 2003, Page 1.

commit. The commitment letter (July 10, 2003) presented to TDHCA was in fact a conditional commitment subject to the award of grant financing. However, this conditional commitment should have been acceptable to TDHCA since Housing Plus, Inc. had just recently received TDHCA tax credits with a conditional commitment from a private lender. The fact remains that First National Bank, and our newest lender, Frost Bank, are serious in providing the necessary financing to complete the project, but only on the condition that Housing Plus, Inc. secures grant funding first.

To address the grounds for an appeal, Housing Plus, Inc. identifies the following procedural errors:

1. TDHCA did not notify Housing Plus, Inc. in writing of its application status. In accordance with the Selection Procedures described in the Guidelines of the 2003 CHDO Rental Housing Development Application, "applicants will be notified in writing at least 7 days prior to the date of the Board Meeting of their application status." TDHCA compliance with this requirement is essential to an applicant, as it relates specifically to the filing of timely appeals.

2. TDHCA's policies (in effect for the application cycle) did not specifically preclude conditional commitments from additional sources for financing. Hence, the conditional commitment from First National Bank and/or Frost Bank should have been deemed acceptable by TDHCA.

3. TDHCA did not allow latitude in the variances between Housing Plus, Inc. and TDHCA's estimation of operating expenses for the proposed development, as permitted in TDHCA's *2003 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, and Property Condition Assessment Rules and Guidelines [1.32(d)(5)]*. Taking into account the tolerance levels described in the Guidelines, the only operating expense that was not within range was the Payroll expense. Due to the size of the proposed development (52 units), Housing Plus, Inc. assumed that on-site management, leasing, and maintenance would be headquartered in another rental property in which Housing Plus, Inc., or its parent organization, had a ownership interest (i.e., Northstar Apartments, LIHTC, 72 units, Raymondville, TX & Windstar Apartments, LIHTC, 80 units, Harlingen, TX). Consequently, Housing Plus, Inc. estimated the Payroll expense at $17,000 as compared to TDHCA's estimation of $34,000. Housing Plus, Inc. also informed TDHCA (in writing) that its estimates on operating expenses were relied upon discussions with local property managers, previous market feasibility reports, and previous TDHCA underwriting analyses on similar properties within the market area (i.e., Highland Garden Apartments, Harlingen, TX, LIHTC file #1058). Ultimately, the Debt Coverage Ratio estimated by Housing Plus, Inc. was 1.10 and 0.96 by TDHCA.

4. TDHCA did not make adjustments to the financing structure of Star Village Apartments that could have resulted in a re-characterization of the development as feasible, as permitted in TDHCA's *2003 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, and Property Condition*

Assessment Rules and Guidelines [1.32(d)]. Whereas, TDHCA increased the requested amount of CHDO funding for Canal Street Apartments (App No. 2003-0178) from $1 million to $1,250,000 in order to fill a financing gap caused by a denial in TDHCA Housing Trust Funds (thereby making their project financially feasible), it too could have performed a similar action with Star Village Apartment.

Together with this appeal, Housing Plus, Inc. respectfully requests the following for Star Village Apartments, taking into account the precedents established in the approval of the recent appeals presented by Canal Street Apartments (Application No. 2003-0178) and Bethel Senior Housing (Application No. 2003-0288):

1. Simultaneous approval of the appeal and award of CHDO funding.

2. Approval of an increase in the CHDO loan request from $1 million to $1,350,000; thereby removing the need to obtain FHLB financing. The approval of the CHDO loan would be subject to the receipt of bank financing (and/or other sources) in the amount necessary to construct the project, and subject to acceptable operating financial feasibility by all funding sources. The requested terms of the CHDO loan are: $1,350,000 loan amount, 0% interest, non-amortizing, 20 year term, forgiven at end of term.

The approval of CHDO funds would allow Housing Plus, Inc. to immediately proceed with the development of Star Village Apartments, and help satisfy a need for affordable rental housing in San Benito, TX.

Should you have any questions, please feel free to contact me at (956) 421-3290 or Robert L. Chavira, SMi Consulting, at (512) 891-0459.

Respectfully submitted,

Alfredo Huerta
Executive Director

cc: Ms. Brooke Boston, Director, Multifamily Finance Production, TDHCA
Ms. Elizabeth M. Anderson, Chair, Board of Directors, TDHCA
Mr. C. Kent Conine, Vice Chair, Board of Directors, TDHCA
Housing Plus, Inc., Board of Directors

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

December 9, 2004

Mr. Alfredo Huerta
Executive Director
Housing Plus, Inc.
518 E. Harrison
Harlingen, TX 78550

Re:Star Village Apartments, TDHCA# 2003-0320

Dear Mr. Huerta:

I am writing in response to the appeal we received on November 25, 2003 regarding the above-referenced HOME Application.

Appeal Review

Your appeal references a procedural error and "good cause". Pursuant to 10 T.A.C. §1.7 of Title 10 of the Texas Administrative Code, if an Applicant wishes to make an appeal based on a procedural error, it must be because, "The Application is not processed by Department staff in accordance with the Application and selection rules in effect for the current application cycle." The appeal submitted to the Department does not identify a procedural error in processing your application or any "good cause". Also, increasing the award as requested in your appeal is not allowable.

It should be noted that even if the increase were included, it would not be sufficient to satisfy the underlying underwriting recommendation to not fund your application. I also note that your appeal was not submitted in a timely manner. The appeal should have been submitted by September 11, 2003, which was the seventh day after the date the Department published notice on its website of the results of the application evaluation process. The appeal was not submitted until November 25, 2003.

Granting the appeal of an award for the Star Village Apartments based upon the premise that precedent was set by successful appeal by New Hope Housing, Inc. for their Canal Street development is not warranted. Your appeal appears to be based on the concern that your application was not treated in the same manner as the Canal Street application. The facts for the Canal Street appeal, however, were far different than the facts in your case. For example, Canal Street had significant additional funding commitments firmly in place and, in addition, pledged their own well-substantiated funds to support the development. By contrast, the commitments included in the Star Village Apartments' application were not firm commitments but were non-binding letters and term sheets.

Increasing the HOME award to $1.35M would not resolve the underwriting issues with this transaction because the loss of the AHP funds for the Star Village Apartments was only a part of the determination of insufficient funds. The Department's underwriting reflected that at a minimum, $232,072 in additional sources of funds as well as the $350,000 AHP funds would be required based on the development's debt service capacity and the Department's minimum 1.10 debt coverage ratio. The term sheet provided with this appeal reflects a minimum debt coverage ratio of 1.25 which would likely further limit the lender's actual permanent loan to something less than the $1.59M projected in the Department's underwriting thereby further increasing the degree to which the anticipated sources of funds were insufficient.

Appeal Determination

Based on the aforementioned reasons, your appeal is denied.

Please be aware that an Appeals Process exists for the Texas Department of Housing and Community Affairs. Pursuant to §1.7 of Title 10 of the Texas Administrative Code, if you are not satisfied with the Executive Director's response to this Appeal, you may appeal in writing to the Board within 7 days after the date of this letter. Therefore, to have an appeal considered by the Board, the appeal must be received by Delores Groneck, Board Secretary, no later than December 16, 2003.

As a reminder, to make a further appeal, you must specifically identify your grounds of appeal under 10 T.A.C. §1.7 for one of the following reasons:

- Misplacement of the application
- A mathematical error, and/or
- A procedural error (the application not processed in accordance with the rules and cite the specific rule allegedly violated)

A copy of the aforementioned policy is enclosed for your review.

If you have questions or comments, please call (512) 475-3995.

Sincerely,
Bill Dally

for Edwina Carrington
Executive Director

Enc. (1)

****
*** TX REPORT ***
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TRANSMISSION OK

TX/RX NO	0373
CONNECTION TEL	99564211084
CONNECTION ID	
ST. TIME	12/10 08:13
USAGE T	01'09
PGS. SENT	2
RESULT	OK

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

December 9, 2004

Mr. Alfredo Huerta
Executive Director
Housing Plus, Inc.
518 E. Harrison
Harlingen, TX 78550

Re:Star Village Apartments, TDHCA# 2003-0320

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It should be noted that even if the increase were included, it would not be sufficient to satisfy the underlying underwriting recommendation to not fund your application. I also note that your appeal was not submitted in a timely manner. The appeal should have been submitted by September 11, 2003, which was the seventh day after the date the Department published notice on its website of the results of the application

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*** ERROR TX REPORT ***
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TX FUNCTION WAS NOT COMPLETED

TX/RX NO	0371
CONNECTION TEL	99564211084
CONNECTION ID	
ST. TIME	12/09 16:18
USAGE T	00'00
PGS. SENT	0
RESULT	NG #018

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS
WWW.TDHCA.STATE.TX.US

December 9, 2004

Mr. Alfredo Huerta
Executive Director
Housing Plus, Inc.
518 E. Harrison
Harlingen, TX 78550

Re:Star Village Apartments, TDHCA# 2003-0320

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*** ERROR TX REPORT ***

TX FUNCTION WAS NOT COMPLETED

TX/RX NO	0372
CONNECTION TEL	99564211084
CONNECTION ID	
ST. TIME	12/09 16:27
USAGE T	00'00
PGS. SENT	0
RESULT	NG #018

TEXAS
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

December 9, 2004

Mr. Alfredo Huerta
Executive Director
Housing Plus, Inc.
518 E. Harrison
Harlingen, TX 78550

Re:Star Village Apartments, TDHCA# 2003-0320

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It should be noted that even if the increase were included, it would not be sufficient to satisfy the underlying underwriting recommendation to not fund your application. I also note that your appeal was not submitted in a timely manner. The appeal should have been submitted by September 11, 2003, which was the seventh day after the date the Department published notice on its website of the results of the application evaluation process. The appeal was not submitted until November 25, 2003.

<<Prev Rule

Texas Administrative Code

Next Rule>>

TITLE 10	COMMUNITY DEVELOPMENT
PART 1	TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 1	ADMINISTRATION
SUBCHAPTER A	GENERAL POLICIES AND PROCEDURES
RULE §1.7	**Staff Appeals Process**

(a) Definitions. The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Appeal file--The written record of an appeal that contains the applicant's appeal; the responses, if any, of Department staff, and the executive director, and the final decision.

(2) Applicant--A person who has submitted to the Department an application for Department funds or other assistance.

(3) Application--The written request for Department funds or other assistance in the format required by the Department including any exhibits or other supporting material.

(4) Board--The Governing Board of the Texas Department of Housing and Community Affairs.

(5) Department--The Texas Department of Housing and Community Affairs.

(6) Person--Any individual, partnership, corporation, association, unit of government, community action agency, or public or private organization of any character.

(b) Grounds. This appeal process is available to any Applicant, including for tax exempt bonds and low income housing tax credits under 26 U.S.C. §42, except for low income housing tax credits which are subject to the State housing credit ceiling and which have a separate appeals process. An Applicant for funding or other assistance from the Department may only appeal the disposition of the Application by Department staff based on one or more of the following grounds.

(1) Misplacement of an Application. All or a portion of the Application is lost, misfiled, or otherwise misplaced by Department staff resulting in unequal consideration of the Applicant's proposal.

(2) Mathematical error. In rating an Application, the score on any selection criteria is incorrectly computed by the Department due to human or computer error.

(3) Procedural error. The Application is not processed by Department staff in accordance with the Application and selection rules in effect for the current application cycle.

(c) Appeal to the executive director. An Applicant must file a written Appeal with the Department not later than the seventh day after the date the Department publishes notice on its website of the results of the Application evaluation process or, in the case of private activity mortgage revenue bond programs, after written notice has been provided to the Applicant, whichever is earlier. The notice must include specific information relating to the disposition of each Application, including the reasons for disqualification or summaries detailing the points awarded. The Applicant must specifically identify the Applicant's grounds for the Appeal based on the disposition of its Application. Upon receipt of an Appeal, staff shall prepare an Appeal file for the executive director's review. The executive director shall respond in writing to the Appeal not later than the fourteenth day after the date of receipt of the Appeal. The executive director may take one of the following actions.

(1) Concur with the Appeal and make the appropriate adjustments to the staff's decision; or

(2) Disagree with the Appeal and provide the basis for rejecting the Appeal to the Applicant.

(d) Appeal to the Board. If the Applicant is not satisfied with the executive director's response to the Appeal, the Applicant may appeal in writing directly to the Board within seven days after the date of the executive director's response. The executive director shall prepare an Appeal file for the board's review. The Board may not consider any information submitted by the Applicant after the written appeal. The Board will review the Appeal de novo and may consider any information properly considered by the Department in making its prior decision(s).

(e) Public Comment. The Board will hear public comment on the Appeal under its usual procedures. While public comment will be heard, persons making public comment are not parties to the Appeal and no rights accrue to them under this section or Appeal process.

(f) Possible actions. In instances in which the Appeal if sustained by the Board could have resulted in an award to the Applicant, the Application shall be approved by the Board contingent on the availability of funds. If no funds are available in the current year's funding cycle, then the Applicant shall be awarded funds from the next year's available funding or from the pool of deobligated funds. In the case of private activity mortgage revenue bond programs, the Applicant shall be encouraged to reapply in the next year's program funding cycle. If the Appeal is denied, the Department shall notify the Applicant of the decision, including the basis for denial.

(g) Final Decision. Appeals not submitted in accordance with this section will not be considered, unless the Department or Board, in the exercise of its discretion, determines there is good cause to consider the appeal. The decision of the Board is final.

Source Note: The provisions of this §1.7 adopted to be effective January 1, 2002, 26 TexReg 10864; amended to be effective June 24, 2003, 28 TexReg 4631

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Housing Plus, Inc.

Alfredo Huerta, Executive Director
Dora J. Ellis, Chairman

518 E. Harrison
Off. (956) 421-3290
Fax (956) 421-1084

Harlingen, Texas 78550

E-mail: hcdc2@swbell.net

RECEIVED
NOV 2_ 2003
EXECUTIVE

November 24, 2003

Ms. Edwina Carrington
Executive Director
Texas Department of Housing
and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

Re: Star Village Apartments, Appeal to the Executive Director and the Board of Directors; CHDO Rental Housing Development Application No. 2003-0320

Dear Ms. Carrington:

Housing Plus, Inc. hereby submits this appeal to you, as Executive Director, and the Board of Directors of the Texas Department of Housing and Community Affairs (TDHCA) to reverse the decision to decline a $1 million deferred/forgivable loan request under the HOME Program Community Housing Development Organization (CHDO) fund for the Star Village Apartments, a 52-unit rental housing development in San Benito, Cameron County, Texas (Region 11). This proposed housing development would help meet an existing renter demand of over 500 units. This appeal is submitted in accordance with 10 TAC 1.7(b)(3) and (g).

The CHDO application for Star Village Apartments was one of ten applications that met the minimum threshold requirements established by TDHCA, and were then determined to be eligible to compete for CHDO funding out of a total of 27 applications submitted. Star Village Apartments was not recommended for funding due to "insufficient committed funding sources to complete the proposed development."[1] The uncommitted funding source referred to in the TDHCA underwriting report was a $350,000 grant application to the Federal Home Loan Bank of Dallas (FHLB) under their Affordable Housing Program (AHP). Although the application successfully met the minimum threshold requirements, it did not receive funding as the moderate amount of funds available ($6.6 million) under the AHP program were quickly exhausted among the hundreds of qualified applicants competing for housing finance assistance for the Region (includes the states of Texas, New Mexico, Louisiana, Mississippi, and Arkansas). Furthermore, Housing Plus, Inc. has since re-submitted the FHLB grant application under their "Round 2" funding cycle.

A similar situation rested with another HOME Program CHDO applicant, New Hope Housing, Inc., for the development of Canal Street Apartments (Application No. 2003-0178) in Houston, TX. New Hope Housing, Inc. requested $1 million in HOME Program CHDO funds and $250,000 in Housing Trust Funds (TDHCA). As well as having other underwriting deficiencies, they too fell victim to a housing finance source that did not have enough funds to award to all qualified applicants; this case being the Housing Trust Fund. However, on an appeal based on opposition to their underwriting deficiencies, New Hope Housing, Inc. received Board approval (October 9, 2003) on their original request of $1 million and an additional $250,000 to fill their financing gap.

[1] Multifamily Underwriting Analysis for Star Village Apartments, TDHCA, July 18, 2003, Page 1.

Based on the precedent established with New Hope Housing, Inc. (Canal Street Apartments), Housing Plus, Inc. requests the following for Star Village Apartments:

1. An increase in the CHDO loan request to $1,350,000; thereby removing the need to obtain FHLB financing.
2. An action item presented to the Board of Directors at the next available Board Meeting (December 11, 2003) to vote on the new CHDO loan request.

The authorization allowing the Board of Directors to uphold this appeal is found in 10 TAC 1.7(g). Furthermore, an approval by the Board of Directors for the newly requested amount is authorized in 10 TAC 53.53(2), and will coincide with the $250,000 increase in funding to New Hope Housing, Inc. for the development of Canal Street Apartment. Moreover, the amount of uncommitted CHDO funds presently stands at over $8.8 million.

Housing Plus, Inc. has secured a $1,822,072 conditional loan from Frost Bank (see attached letter), contingent upon the approval of grant or grant-like funds (i.e., deferred/forgivable loan) totaling at least $1,350,000. However, as Housing Plus, Inc. continues to secure its remaining financing commitments, timing is a factor that will affect the realization of Star Village Apartments. In order to maintain the proposed tax exempt status of Star Village Apartments, Housing Plus, Inc. must purchase the land and make a request for tax exemption by year end. Housing Plus, Inc. will not purchase the land unless all its financing sources are secured. Furthermore, the funding of FHLB applications will not be announced until late December or early January 2004; hence, further supporting the need to obtain additional HOME Program CHDO funds.

The approval of CHDO funds would allow Housing Plus, Inc. to immediately proceed with the development of Star Village Apartments, and help satisfy a need for affordable rental housing in San Benito, TX.

Should you have any questions, please feel free to contact me at (956) 421-3290 or Robert L. Chavira, SMi Consulting, at (512) 891-0459.

Respectfully submitted,

Alfredo Huerta
Executive Director

cc: Ms. Brooke Boston, Director, Multifamily Finance Production, TDHCA
Ms. Elizabeth M. Anderson, Chair, Board of Directors, TDHCA
Mr. C. Kent Conine, Vice Chair, Board of Direcors, TDHCA

Housing Tax Credit Program
Board Action Request
January 13, 2004

Action Item

Request, review, and board determination of four (4) four percent (4%) tax credit applications with TDHCA as the issuer.

Recommendation

Staff is recommending that the board review and approve the issuance of four percent (4%) Tax Credit Determination Notices with **TDHCA** as the Issuer for tax exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
03461	Addison Park Apartments	Arlington	TDHCA	224	224	$19,501,640	$14,000,000	$620,571
03462	Providence at Veterans Memorial	Houston	TDHCA	250	250	$21,976,067	$15,900,000	$677,432
03463	Providence at Rush Creek II	Arlington	TDHCA	144	144	$14,261,408	$10,000,000	$438,609
03465	Humble Parkway	Houston	TDHCA	216	216	$18,689,168	$11,700,000	$556,530

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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REQUEST FOR BOARD APPROVAL
Multifamily Finance Production

2003 Private Activity Multifamily Revenue Bonds

Addison Park Apartments
6500 Hwy 287
Arlington, Texas
Arlington Partners L.P.
224 Units

$14,000,000 Tax Exempt – Series 2004

TABLE OF EXHIBITS

BOARD APPROVAL MEMORANDUM January 13, 2004

DEVELOPMENT:	Addison Park Apartments, Arlington, Tarrant County, Texas
PROGRAM:	Texas Department of Housing & Community Affairs 2003 Multifamily Housing Revenue Bonds (Reservation received 9/23/2003)
ACTION REQUESTED:	Approve the issuance of multifamily mortgage revenue bonds (the “Bonds”) by the Texas Department of Housing and Community Affairs (the “Department”). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling Act (the “Act”), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.
PURPOSE:	The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Arlington Partners, L.P., a Mississippi limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 224-unit multifamily residential rental development to be constructed on approximately 12.45 acres of land located at 6500 Highway 287, Arlington, Tarrant County, Texas 76001 (the "Development").
BOND AMOUNT:	$ 14,000,000 Series 2004, Tax Exempt Bonds $ 14,000,000 Total Tax Exempt Bonds (*)The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.
ANTICIPATED CLOSING DATE:	The Department received a volume cap allocation for the Bonds on September 23, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. Department is required to deliver the Bonds on or before January 21, 2004. The anticipated closing date is January 21, 2004.
BORROWER:	Arlington Partners L. P., a Mississippi limited partnership (the "Borrower"), the general partner of which is Jan-TX IV, LLC, a Mississippi limited liability company its sole member is Southeast Development, LLC A Mississippi limited liability company. Members are J.H. Thames, Jr. and Rodney F. Triplett, Jr.

COMPLIANCE HISTORY:

The Compliance Status Summary completed on November 17, 2003 reveals that the principals of the general partner above have no properties being monitored by the Department at this time.

ISSUANCE TEAM:

Red Stone Partners, L.L.C. ("Credit Enhancer")
Compass Bank ("Construction Phase Credit Facility Provider")
Paramount Financial Group. ("Equity Provider")
Merchant Capital, LLC ("Underwriter")
Wells Fargo Bank, National Association ("Trustee")
Vinson & Elkins L.L.P. ("Bond Counsel")
RBC Dain Rauscher Inc. ("Financial Advisor")
McCall, Parkhurst & Horton, L.L.P. ("Disclosure Counsel")

BOND PURCHASER:

The Bonds will be publicly offered on a limited basis on or about January 20, 2004 at which time the final pricing and Bond Purchaser(s) will be determined.

DEVELOPMENT DESCRIPTION:

The Development is a 224-unit multifamily residential rental development to be constructed on approximately 12.45 acres of land located at 6500 Highway 287, Arlington, Tarrant County, Texas 76001 (the "Development"). The proposed site density will be 18 units per acre and will consist of ten (10) three story garden style buildings and one club house consisting of wood-framed construction on post-tension slabs with a total of 241,016 net rentable square feet and an average unit size of 1,076 square feet.

The residential building exteriors will consist of masonry and hardi-plank siding with wood trim to provide minimum exterior maintenance.. Unit amenities will include balconies with storage areas, nine foot ceilings, ceiling fans, disposals and washer/dryer hook-ups. The property will have clubhouse, leasing, office and community room space and a laundry building.

Units	Unit Type	Square Feet	Proposed Net Rent
24	1-Bedrooms/1-Bath	783	$630.00
116	2-Bedrooms/1-Baths	1,012	$752.00
84	3-Bedrooms/2-Baths	1,248	$864.00
224	Total Units		

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each Development will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS: For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (60%) of the area median income.

TENANT SERVICES: Borrower will provide Tenant Services provided by Mississippi Housing and Community Services, Inc. A Mississippi Non-Profit Corporation and 501(C)(3) enitity.

DEPARTMENT ORIGINATION FEES:
$1,000 Pre-Application Fee (Paid)
$10,000 Application Fee (Paid)
$70,000 Issuance Fee (.50% of the bond amount paid at closing)

DEPARTMENT ANNUAL FEES: $14,000 Bond Administration (0.10% per annum of the aggregate principle amount of the Bonds outstanding)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT FEE: $5,600 to TDHCA or assigns ($25/unit/year adjusted annually for CPI)

TAX CREDITS: The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to $652,632 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $5,220,534 of equity for the transaction.

BOND STRUCTURE & SECURITY FOR THE BONDS: The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

As stated above, the Bonds are being issued to fund a Mortgage Loan to finance the acquisition, construction, equipping and long-term financing of the Development. The Mortgage Loan will be secured by, among other things, a Deed of Trust and other security instruments on the Development. The Mortgage Loan, Deed of Trust and the other security instruments will be assigned to the Trustee and will become part of the Trust Estate securing the Bonds.

The Bonds will bear interest at a variable rate until maturity or the Fixed Rate Conversion Date.

During both the construction period (the "Construction Phase") and permanent mortgage period (the "Permanent Phase"), the bonds will be credit enhanced by either the Construction credit enhancer or by the take out credit enhancer. In addition to the credit enhanced Mortgage Loan, other security for the Bonds during the Construction Phase consist of the net bond proceeds, the revenues and any other moneys received by the Trustee for payment of principal and interest on the Bonds, and amounts otherwise on deposit in the Funds and Accounts (excluding the Rebate and Cost of Issuance Funds) and any investment earnings thereon. See Funds and Accounts section, below.

The Bonds are revenue bonds and, as such, create no liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

BOND INTEREST RATES: The initial interest rate on the Tax Exempt Bonds will be variable at 3.75%. The Real Estate Analysis division used an interest rate of 6.0% .

CREDIT ENHANCEMENT: The credit enhancement of the bonds allows for an anticipated rating of SP1+ or VMIG-1 on the Bonds and an anticipated initial variable interest rate of 3.75% for the tax exempt bonds. Without the credit enhancement, the Bonds would not be investment grade and would therefore command a higher interest rate from investors on similar maturity bonds.

FORM OF BONDS: The Bonds will be issued in book entry form and for variable rate bonds or bonds bearing interest at a fixed rate for a period of less than nine (9) month in denominations of $100,000 or any larger amount that is a multiple of $5,000 and for bonds bearing interest at a Fixed Rate for a Fixed Rate Period of more than 9 months, $5,000 or any integral multiple thereof.

MORTGAGE LOAN: The Mortgage Loan is a non-recourse obligation of the Borrower, which means, subject to certain exceptions, that the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest for 360 months beginning in the 36th month. The Stabilization Date is anticipated to occur within thirty-six (36) months from the closing date of the Bonds, but must occur before the Final Balancing Date which is forty-eight (48) months from closing of the Bonds. Stabilization of the Development will convert the Mortgage Loan from the Construction Phase to the Permanent Phase upon satisfaction the conversion requirements set forth in the documents. Among other things, these requirements include completion of the Development according to plans and specifications and achievement of certain occupancy and debt-coverage thresholds.

MATURITY/SOURCES & METHODS OF REPAYMENT:

The Bonds are anticipated to mature no later than January 1, 2044.

The Bonds will be payable from: (1) revenues earned from the Mortgage Loan (which during the Construction Phase will be payable as to interest only); (2) earnings derived from amounts held in Funds & Accounts (discussed below) on deposit in an investment agreement; (3) funds deposited to the Construction Fund specifically for capitalized interest during a portion of the Construction Phase; or (4) payments made by the credit enhancer under the letter of credit guarantee.

The Bonds will be structured to have level debt service from commencement of amortization until maturity.

REDEMPTION OF BONDS PRIOR TO MATURITY:

The Bonds are subject to redemption under any of the following circumstances:

Optional Redemption:

The Bonds are subject to optional redemption by the Borrower while in the Variable Rate Mode at any time without premium. The Bonds are subject to optional redemption by the Borrower while in a Fixed Rate Mode after the Conversion Date based upon a Redemption price as stated in the Indenture.

Mandatory Redemption:

(1) The Bonds will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, without any premium, plus accrued and unpaid interest, on specified dates of redemption stated in the Indenture. The Bonds are subject to special mandatory redemption:

(a) in part to the extent that funds remain in the

Construction Fund that are not required to pay costs of the Development;

(b) in whole or in part to the extent that insurance or condemnation proceeds, if any, are not applied to the rebuilding of the Development;

(c) in whole or in part upon the occurrence of certain events of default under the documents;

(d) in whole upon a determination of taxability or during a Fixed Rate Period upon a rating downgrade of the Credit Enhancer below BBB+.

Special Purchase in Lieu of Redemption:

If the Bonds are called for redemption in whole, and not in part, as a result of casualty or condemnation failure to achieve stabilization or the occurrence of certain events of default under the documents (during the period that the Construction Phase Credit Facility from the Construction Phase Credit Facility Provider is in effect), the Bonds may be purchased in lieu of such redemption by the Trustee for the account of a designated purchaser selected by the Construction Phase Credit Facility Provider. Upon this special purchase, the Bonds would not benefit from the bond insurance and would not be transferable to any other third-party owner without the approval of the Department or receipt of an investment grade rating.

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture, Wells Fargo Bank, National Association (the "Trustee") will serve as registrar and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Senior Bonds. The Senior Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Senior Bonds will be deposited with DTC. The Subordinate Bonds will be physical bonds.

Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to eight (8) funds with the following general purposes:

1) Expense Fund – A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee;

2) Construction Fund (containing a Bond Proceeds Account and a Acquisition end. The Trustee shall deposit net bond proceeds and disburse for the purpose of paying the costs of the Development;

3) Equity Fund – Borrower will deposit funds other than bond proceeds for the purpose of paying the costs of the Development;

4) Bond Fund (containing a current Account and a Letter of Credit Account) – Used to receive, hold and payout bond interest and principal;

5) Capitalized Interest Fund – fund into which amounts are deposit4ed to pay interest on the bonds during construction;

6) Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds;

7) Bonds Purchase Fund – remarketing proceeds received upon remarketing of the Bonds will be deposited and used to pay purchase price of Bonds to former owners thereof.

Essentially, all of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase (over 18 to 36 months) to finance the construction of the Development. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also

through an RFP process) to act as Agency bond counsel.

2. Bond Trustee – Wells Fargo Bank, National Association was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.

1. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

2. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 2003.

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 04-03

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING ADJUSTABLE/FIXED RATE REVENUE BONDS (ADDISON PARK APARTMENTS) SERIES 2004; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development 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 mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Adjustable/Fixed Rate Revenue Bonds (Addison Park Apartments) Series 2004 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Arlington Partners, L.P., a Mississippi limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 10, 2002, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original aggregate principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest rate on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, payment of the Bonds will be secured by an irrevocable direct-pay letter of credit (the "Letter of Credit") initially from Compass Bank in favor of the Trustee and for the benefit of the holders of the Bonds and the Board desires to accept such Letter of Credit; and

WHEREAS, the obligations of the Borrower under the Agreement and the Note will be secured by a Deed of Trust and Security Agreement dated as of January 1, 2004 (the "Deed of Trust") from the Borrower for the benefit of the Issuer and Compass Bank, relating to the Project, and the Board desires to accept such Deed of Trust; and

WHEREAS, the Issuer's rights under the Note and the Deed of Trust will be assigned to the Trustee pursuant to an Assignment of Note, Liens, Security Interests and Other Documents (the "Assignment"); and

WHEREAS, the Board has further determined that the Issuer shall enter into a bond purchase agreement (the "Purchase Agreement") with Merchant Capital, LLC, as underwriter (the "Underwriter"), and the Borrower, setting forth certain terms and conditions relating to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Tarrant County; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, it is anticipated that the remarketing of Bonds tendered for purchase pursuant to the provisions of the Indenture will be provided for initially by the terms of a Remarketing Agreement dated as of January 1, 2004 (the "Remarketing Agreement"), between the Borrower and Merchant Capital, LLC, as remarketing agent (the "Remarketing Agent"), and the Board desires to accept such Remarketing Agreement; and

WHEREAS, the Board understands that the Underwriter intends to distribute an official statement (the "Official Statement") in connection with the offering and sale of the Bonds; and

WHEREAS, in connection with the preparation of the Official Statement, the Issuer has furnished the information to the Underwriter set forth in the Official Statement concerning the Issuer under the captions "The Corporation" and "Litigation," as it relates to the Issuer, and the Board now desires to authorize the use of such information in the Official Statement; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Deed of Trust, the Assignment, the Regulatory Agreement, the Letter of Credit, the Asset Oversight Agreement, the Purchase Agreement, the Remarketing Agreement and the Official Statement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the initial interest rate on the Bonds shall not exceed 6% (subject to adjustment as provided in the Indenture); (ii) the aggregate principal amount of the Bonds shall not exceed $14,000,000; (iii) the final maturity of the Bonds shall occur no later than January 1, 2044; and (iv) the Chairman or Vice Chairman of the Governing Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rates on the Bonds as determined by the Remarketing Agent (as defined in the Indenture), which determinations shall be conclusively evidenced by the execution and delivery by the Chairman or Vice Chairman of the Governing Board or the Executive Director of the Department of the Indenture and the Purchase Agreement. In no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignment and to deliver the Assignment to the Trustee.

Section 1.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Underwriter, and the Borrower.

Section 1.8--Acceptance of the Letter of Credit, the Deed of Trust and the Remarketing Agreement. That the Letter of Credit, the Deed of Trust and the Remarketing Agreement are hereby accepted by the Issuer.

Section 1.9--Official Statement. The Board hereby authorizes the use and distribution of the information described in the penultimate recital of this Resolution in the Official Statement; provided that, in adopting this Resolution, the Issuer hereby disclaims any responsibility for the Official Statement except for the information described as having been provided by it in the penultimate recital of this Resolution and expressly disclaims any responsibility for any other information included as part of the Official Statement.

Section 1.10--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.11--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.12--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B - Indenture
Exhibit C - Loan Agreement
Exhibit D - Deed of Trust
Exhibit E - Regulatory Agreement
Exhibit F - Letter of Credit
Exhibit G - Assignment
Exhibit H - Purchase Agreement
Exhibit I - Asset Oversight Agreement

Exhibit J - Remarketing Agreement
Exhibit K - Official Statement

Section 1.13--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.14--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.15--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Issuer.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) That the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford;

(ii) That the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income;

(iii) That the Borrower is financially responsible;

(iv) That the financing of the Project is a public purpose and will provide a public benefit; and

(v) That the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) That the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income;

(ii) That the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms; and

(iii) That the Borrower is not, or will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) That the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income; and

(ii) That the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

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PASSED AND APPROVED this 13th day of January, 2004.

By: ________________________________
Elizabeth Anderson, Chair

[SEAL]

Attest: _______________________
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Arlington Partners, L.P., a Mississippi limited partnership

Project: The Project is a 224-unit multifamily facility to be known as Addison Park Apartments and to be located at 6500 Highway 287, Arlington, Texas. The Project will include a total of 10 two- and three-story residential apartment buildings with a total of approximately 241,016 net rentable square feet and an average unit size of approximately 1076 square feet. The unit mix will consist of:

24 one-bedroom/one-bath units
116 two-bedroom/two-bath units
84 three-bedroom/two and one half-bath units

224 Total Units

Unit sizes will range from approximately 783 square feet to approximately 1,248 square feet.

The Project will include resident amenities consisting of a fitness room, swimming pool, designated playground area with age-appropriate equipment and a combined community center and leasing office containing a computer facilities area, a furnished community room and community laundry facilities. All of the units include range, refrigerator, air conditioning, dishwasher, carpet, disposal, mini-blinds, wall-to-wall carpeting in the bedrooms and living areas and vinyl tile in the foyer, kitchen and bath areas.

HOUSING TAX CREDIT PROGRAM
2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
Texas Department of Housing and Community Affairs

Development Name: **Addison Park Apartments** TDHCA#: 03461

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Arlington	QCT: N	DDA: N	TTC: N
Development Owner:	Arlington Partners, LP			
General Partner(s):	JAN-TX IV, LLC, 100%, Contact: Cliff Bates			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: TDHCA			
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $620,571 Eligible Basis Amt: $625,816 Equity/Gap Amt.: $720,433

Annual Tax Credit Allocation Recommendation: $620,571

Total Tax Credit Allocation Over Ten Years: $ 6,205,710

PROPERTY INFORMATION

Unit and Building Information

Total Units: 224 LIHTC Units: 224 % of LIHTC Units: 100

Gross Square Footage: 245,516 Net Rentable Square Footage: 241,016

Average Square Footage/Unit: 1076

Number of Buildings: 10

Currently Occupied: N

Development Cost

Total Cost: $19,501,640 Total Cost/Net Rentable Sq. Ft.: $80.91

Income and Expenses

Effective Gross Income:[1] $1,978,997 Ttl. Expenses: $906,468 Net Operating Inc.: $1,072,529

Estimated 1st Year DCR: 1.07

DEVELOPMENT TEAM

Consultant:	Not utilized	Manager:	Park Management
Attorney:	Taylor, Covington & Smith	Architect:	Humphreys & Partners
Accountant:	Novogradac & Company	Engineer:	GSWW
Market Analyst:	Jack Poe Company	Lender:	Red Stone Partners, LLC
Contractor:	Unicorp, LLC	Syndicator:	Paramount Financial Group, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Kim Brimer, District 10 - NC
# in Opposition: 5	Rep. Bill Zedler, District 96 - O
Public Hearing:	Mayor Robert Cluck - NC
# in Support: 2	Trey Yelvertson, Director of Neighborhood Services, City of Arlington; The City of Arlington's Consolidated Plan identified a need for affordable housing for low income households as a priority need.
# in Opposition: 5	
# in Neutral: 2	

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) 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. An explanation as to how the Mississippi Housing & Community Services will be able to perform supportive services in Arlington, TX due to the distance between the two locations and the lack of an operating expense line item budgeted for this purpose.
3. Board acceptance of a likely mandatory redemption of up to $400,000 of tax exempt bonds at conversion to permanent status.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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).

_______________________________ __________ _______________________________ ______

Robert Onion, Multifamily Finance Manager Date Brooke Boston, Director of Multifamily Finance Production Date

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 Date
Chairman of Executive Award and Review Advisory Committee

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

____

____

Chairperson Signature: _______________________________ __________
Elizabeth Anderson, Board Chair Date

Addison Park Apartments

Estimated Sources & Uses of Funds

Sources of Funds	
Series 2004 Tax-Exempt Bond Proceeds	$ 14,000,000
Tax Credit Proceeds	4,810,980
Deferred Developer's Fee/Contractor Overhead	690,660
Total Sources	$ 19,501,640

Uses of Funds	
Deposit to Mortgage Loan Fund (Construction funds)	$ 15,278,862
Capitalized Interest	407,767
Rent Up Reserves	179,200
Developer's Overhead & Fee	2,273,508
Costs of Issuance	
Direct Bond Related	401,900
Bond Purchaser Costs	825,000
Other Transaction Costs	70,403
Real Estate Closing Costs	65,000
Total Uses	$ 19,501,640

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (0.50% of Issuance)	$ 70,000
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee ($25 per unit)	5,600
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	5,000
Borrower's Counsel	12,500
Underwriter/Placement Agent Fee	112,000
Underwriter/Placement Agent Councel	27,000
Trustee's Fees (Note 1)	8,050
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee ($1,250 per series, max. of 2 series)	1,250
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Issuance)	3,750
Rating Agency Fee	17,750
TEFRA Hearing Publication Expenses	2,500
Miscellaneous/Contingency	20,000
Total Direct Bond Related	$ 401,900

Bond Purchase Costs	
Red Stone Origination Fee	140,000
Red Stone Application Fee	25,000
Red Stone Administration Fee (During Construction)	157,500
Compas Bank Origination Fee	75,000

Addison Park Apartments

Compas Bank Annual Fee (2 years)		420,000
Miscellaneous		7,500
Total	$	825,000

Other Transaction Costs		
Tax Credit Determination Fee (4% annual tax cr.)		25,823
Tax Credit Applicantion Fee ($20/u)		44,580
Total	$	70,403

Real Estate Closing Costs		
Title & Recording (Const.& Perm.)		15,000
Property Taxes		50,000
Total Real Estate Costs	$	65,000
Estimated Total Costs of Issuance	$	1,362,303

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	January 5, 2004	**PROGRAM:**	4% HTC	**FILE NUMBER:**	03461
			MRB		2003-028

DEVELOPMENT NAME

Addison Park Apartments

APPLICANT

Name:	Arlington Partners, L.P.			**Type:**	For-profit		
Address:	2680 Crane Ridge Drive			**City:**	Jackson	**State:**	MS
Zip:	39216	**Contact:**	Cliff Bates	**Phone:**	(601) 321-7600	**Fax:**	(601) 321-7624

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	JAN-TX IV, LLC	**(%):**	0.1	**Title:**	Managing General Partner
Name:	Southeast Development, LLC			**Title:**	100% owner of MGP
Name:	J. H. Thames, Jr.			**Title:**	75% owner of So.East Dev
Name:	Rodney F. Triplett, Jr.			**Title:**	25% owner of So.East Dev

PROPERTY LOCATION

Location:	6501 Joplin Road		☐ **QCT**		☐ **DDA**
City:	Arlington	**County:**	Tarrant	**Zip:**	76060

REQUEST

Amount	Interest Rate	Amortization	Term
1) $620,571	N/A	N/A	N/A
2) $14,000,000	6.0%	30 yrs	30 yrs

Other Requested Terms:
1) Annual ten-year allocation of low-income housing tax credits
2) Tax-exempt private activity mortgage revenue bonds

Proposed Use of Funds: New construction **Property Type:** Multifamily

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A TAX CREDIT ALLOCATION NOT TO EXCEED $620,571 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A TAX-EXEMPT BOND AMOUNT OF NOT MORE THAN $14,000,000, AMORTIZING OVER 30 YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. An explanation as to how the Mississippi Housing & Community Services will be able to perform supportive services in Arlington, TX due to the distance between the two locations and the lack of an operating expense line item budgeted for this purpose.
2. Board acceptance of a likely mandatory redemption of up to $400,000 of tax exempt bonds at conversion to permanent status.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 224 **# Rental Buildings** 10 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** N/A yrs

Net Rentable SF: 241,016 **Av Un SF:** 1,076 **Common Area SF:** 4,500 **Gross Bldg SF:** 245,516

STRUCTURAL MATERIALS

A wood frame on a post-tensioned concrete slab on grade, 30% brick veneer/70% Hardiplank siding exterior wall covering, drywall interior wall surfaces and composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, laminated counter tops, individual water heaters

ON-SITE AMENITIES

A 4,500-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, business center, central mailroom, swimming pool, equipped children's play area is located at the entrance to of the property. In addition perimeter fencing with limited access gate is also planned for the site.

Uncovered Parking: 448 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Addison Park Apartments is a relatively dense (18 units per acre) new construction development of 224 units of affordable income housing located in southwest Arlington. The development is comprised of ten evenly distributed large to medium garden style walk-up residential buildings as follows:

- Two Building Type 1 with 12 one-bedroom/one-bath units and 12 two-bedroom/two-bath units;
- Seven Building Type 2 with 12 two- bedroom/two-bath units and 12 three- bedroom/ two-bath units;
- One Building Type 3 with eight two- bedroom/two-bath units;

Architectural Review: The building elevations and unit floor plans are attractive and functional.

Supportive Services: Mississippi Housing & Community Services will provide supportive services that will consist of: family counseling, support and educational services. The services will be optional and the cost of the services is included in the rent. The Applicant did not include any operating budget to account for these services. An explanation as to how this organization will be able to perform these services in Arlington, TX is being made a condition of this report.

Schedule: The Applicant anticipates construction to begin in January of 2004 and to be completed in June of 2005. The development should be placed in service in June of 2006 and substantially leased-up in June of 2006.

SITE ISSUES

SITE DESCRIPTION

Size: 12.45 acres 542,322 square feet **Zoning/ Permitted Uses:** MF-18

Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Arlington is located in the Dallas/Fort Worth Metropolitan Area. The site is an irregularly-shaped parcel located on the southwest side of US-287 one block south of Sublett Road in Arlington, Tarrant County, Texas.

Adjacent Land Uses:

- **North:** Vacant land
- **South:** Agricultural land
- **East:** Large homes on large lots
- **West:** Vacant land

Site Access: Access to the property is from the southeast or northwest along US-287. The development is to have one main entry from the southwest side of US-287, which is a four-lane, divided, limited access thoroughfare. It intersects with IH-20 to the north and runs south through the cities of Mansfield and Waxahachie.

Public Transportation: The City of Arlington does not provide public transportation.

Shopping & Services: The subject has good proximity to shopping. The Sublett Crossing Shopping Center is a recently completed neighborhood center located at the southwest corner of Sublett road and SH-287. It is anchored by an Albertson's Grocery Store, and other retailers in this center include Subway, Mr. Wok, a dry cleaner, a tanning salon, hair salon and nail salon. A large concentration of shopping centers, retail buildings and restaurants are located at the intersection of US-287 and IH-20, two miles north of the subject.

Site Inspection Findings: TDHCA staff performed a site inspection on November 11, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October, 2003 was prepared by Rone Engineers, Ltd. and contained the following findings and recommendations:

Findings: "This assessment has not revealed evidence of recognized environmental conditions in connection with the historical and present use of the property." (p. 10)

Recommendations: **"**Based upon the results of the ESA, Rone does not recommend further environmental investigation of the property." (p. 10)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All 224 of the units (100% of the total) will be reserved for low-income tenants. All 224 of the units (100%) being a Priority 2 private activity bond will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$25,740	$29,400	$33,120	$36,780	$39,720	$42,660

MARKET HIGHLIGHTS

A market feasibility study dated October 16, 2003 was prepared by Jack Poe Company Incorporated and highlighted the following findings:

Definition of Primary Market Area: "There are no significant geographic boundaries that delineate the primary market, thus a five mile radius from the subject is relatively consistent with a ten minute commute. Thus, the primary market area is concluded to be a five mile radius from the subject site, which includes southwest Arlington, Southeast Fort Worth, Northwest Mansfield, and the entire suburban City of Kennedale." (p. 25)

Population: The estimated 2003 population of the Primary Market was 169,959 and is expected to increase by 9% to approximately 184,465 by 2007. Within the primary market area there were estimated to be 60,042 households in 2003. (p. 27)

Total Primary Market Demand for Rental Units: "1,234 new households are forecasted to be created in the primary market every year for the ext five years." (p. 49)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	174	3%	87	2%
Resident Turnover	5,745	97%	3,569	98%
TOTAL ANNUAL DEMAND	**5,919**	**100%**	**3,656**	**100%**

Ref: p. 49

Inclusive Capture Rate: "There are four existing LIHTC complex within the subject's Primary Market, but three of these complexes have maintained a stabilized occupancy for twelve months. The 176 unit, Cedar Point Apartments in Mansfield have not completed construction, and only 10% of the units are occupied. There are 176 units, but 106 units are income restricted. Thus, 106 of this complexes unit must also be included in the Inclusive Capture Rate. No affordable housing complexes in the primary market area were awarded tax credits in the 2003 application cycle, and we are unaware of any proposed LIHTC/affordable housing complexes for the 2004 application cycle other than the subject. The total low income qualified demand is estimate to be 5,919 in the Primary Market, and the inclusive capture rate is 5.6%." (p. 51)

The Underwriter has considered but not included the development Hampton Villas with 280 units even though it is located just to the northeast outside of the five mile market area radius and Providence at Rush Creek with 248 units both recently approved and to be built as well as correcting the number of units in Cedar Point Apartments to 132 income-restricted units. The pending 144 units proposed with Providence at Rush Creek II were also considered in this analysis but not included in supply because that development did not have the same priority as Addison Park. As a result the underwriter recalculated the inclusive capture rate to be an acceptable 16.5%. Even with Rush Creek II included the inclusive capture rate calculated by the Underwriter would remain below 25%.

Market Rent Comparables: The market analyst surveyed eight comparable apartment projects totaling 1,825 units in the market area. (p. 31)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (60%)	$630	$630	-$0	$750	-$120
2-Bedroom (60%)	$752	$752	-$0	$850	-$98
3-Bedroom (60%)	$864	$864	-$0	$1,075	-$211

(NOTE: Differentials are amount of diff864erence between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Primary Market Vacancy Rates: "The developer is projecting a 7.5% vacancy and collection loss for the proposed development. The rent comparables in this report are 2% to 5% vacant. The South Arlington submarket has a 7.4% overall vacancy rate as of the 3rd Quarter of 2003, but apartments constructed after 1990 have an 4.4% vacancy rate, which is consistent with the rent comparables. Therefore, the developer's 7.5% vacancy rate is relatively conservative, and the subject is likely to operate with lower vacancy and collection losses." (p. 50)

Absorption Projections: "New LIHTC apartments are leasing between 25 and 35 units per month in the lease up stage of their life cycle. This, a lease up rate of 30 units per month is inferred from market data. Based on this analysis, we project that the subject will be approximately 30% occupied (67 units) once construction is completed, and that it will take approximately six months to lease up the remaining units and reach a stabilized occupancy of 92.5%." (p. 52)

Known Planned Development: "No affordable housing complexes in the primary market area were awarded tax credits in the 2003 application cycle, and we are unaware of any proposed LIHTC/affordable housing complexes for the 2004 application cycle other than the subject." (p. 51) Clearly the Market Analyst did not consider the two Rush Creek properties when making this statement.

The Underwriter found the market study to be informative enough to complete this analysis.

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The Applicant's effective gross income is essentially the same as the underwriter's estimate of effective gross income.

Expenses: The Applicant's total expense estimate of $3,570 per unit is 12% lower than a TDHCA database-derived estimate of $4,047 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly the general and administrative ($26.7K lower), utilities ($20.3K lower), water, sewer, and trash ($93.6K lower), property tax ($44.2K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: The Applicant's estimated expenses and operating income are more than 5% different than the Underwriter's expectations and database-derived estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. When utilizing the Underwriter's estimates, the debt coverage ratio is 1.04 based on the current loan amount, an amount less than the department's 1.10 allowable DCR minimum. In order to reach the required DCR minimum, there is projected to be a potential mandatory redemption of $400,000 in bonds to $13,600,000 in order to meet a minimum 1.10 DCR at conversion to permanent status.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 18.35 acres	$799,326	**Assessment for the Year of:**	2003
Prorated 1 acre:	$43,560	**Valuation by:**	Tarrant County Appraisal District
Prorated 12.45 acres:	$542,322	**Tax Rate:**	2.909698

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest money contract		
Contract Expiration Date:	1/ 29/ 2004	**Anticipated Closing Date:**	1/ 29/ 2004
Acquisition Cost:	$1,111,760	**Other Terms/Conditions:**	$10,000 earnest money
Seller:	Gonzales Properties No. 2, LTD	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,969 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $349.5K or 4% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to size the award recommendation and calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $17,480,882 is used to determine a credit allocation of $625,816 from this method. This exceeds the requested amount of $620,571; therefore, the requested amount will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION FINANCING

Source: Red Stone Partners, LLC **Contact:** Jim Gillespie

Principal Amount: $14,000,000 **Interest Rate:** 6.0%

Amortization: N/A yrs **Term:** 2.5 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

PERMANENT FINANCING

Source: Red Stone Partners, LLC **Contact:** Jim Gillespie

Principal Amount: $14,000,000 **Interest Rate:** 6.0%

Additional Information: Tax–exempt bond proceeds

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $961,851 **Lien Priority:** 1st **Commitment Date** 11/ 5/ 2003

LIHTC SYNDICATION

Source: Paramount financial Group, Inc. **Contact:** Michael Moses

Address: 3201 Enterprise Parkway, Suite 470 **City:** Cleveland

State: OH **Zip:** 44122 **Phone:** (216) 896-9696 **Fax:** (216) 896-9642

Net Proceeds: $5,351,581 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 11/ 14/ 2003

APPLICANT EQUITY

Amount: $690,660 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. The issuer of the bonds will be TDHCA.

LIHTC Syndication: Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $4,810,980 based on a syndication factor of 82%.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $690,660 amount to approximately 37% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the HTC allocation should be limited to $625,816, but the Applicant's requested credit amount of $620,571 annually for ten years is lower; therefore, the lower of the two will be used. This results in syndication proceeds of $5,083,594. Based on the underwriting analysis, the Applicant's deferred developer fee will be repayable from cash flow within ten years. It should be noted that this analysis is based on the likely redemption amount of up to $400,000 from the tax-exempt amount of $14,000,000.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager firms are all related entities. These are common relationships for HTC-funded developments.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant, the General Partner, and the owner of the General Partner, Southeast Development, LLC, are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 75% owner of Southeast Development, LLC, J.H. Thames, Jr., submitted an unaudited financial statement as of June 30, 2003 and is anticipated to be guarantor of the development.

- The 25% owner of Southeast Development, LLC, Rodney R. Triplett, Jr., submitted an unaudited financial statement as of June 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The 70% owner of the General Partner, J. H. Thames, Jr., has completed 45 LIHTC/affordable and conventional housing developments totaling 5,128 units since 1980.
- The 30% owner of the General Partner, Rodney F. Triplett, Jr., has completed 44 LIHTC/affordable and conventional housing developments totaling 5,472 units since 1995.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	January 5, 2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	January 5, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Addison Park Apartments, Arlington, HTC #03461

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (60%)	24	1	1	783	$689	$630	$15,120	$0.80	$59.00	$37.00
TC (60%)	116	2	2	1,012	828	752	87,232	0.74	76.00	41.00
TC (60%)	84	3	2	1,248	956	864	72,576	0.69	92.00	51.00
TOTAL:	224		AVERAGE:	1,076	$861	$781	$174,928	$0.73	$80.18	$44.32

				TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	241,016					USS Region	3
POTENTIAL GROSS RENT				$2,099,136	$2,099,136		IREM Region	Fort Worth
Secondary Income	Per Unit Per Month:		$15.00	40,320	40,320	$15.00	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$2,139,456	$2,139,456			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(160,459)	(160,464)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,978,997	$1,978,992			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	3.74%	$331	0.31	$74,096	$47,440	$0.20	$212	2.40%
Management	5.00%	442	0.41	98,950	$98,950	0.41	442	5.00%
Payroll & Payroll Tax	10.11%	893	0.83	200,032	$197,120	0.82	880	9.96%
Repairs & Maintenance	4.73%	418	0.39	93,660	$89,400	0.37	399	4.52%
Utilities	2.78%	245	0.23	54,958	$34,653	0.14	155	1.75%
Water, Sewer, & Trash	5.19%	458	0.43	102,675	$9,027	0.04	40	0.46%
Property Insurance	2.31%	204	0.19	45,793	$42,336	0.18	189	2.14%
Property Tax 2.909698	9.22%	815	0.76	182,496	$226,688	0.94	1,012	11.45%
Reserve for Replacements	2.26%	200	0.19	44,800	$45,000	0.19	201	2.27%
Other Expenses: Compl. Fees	0.46%	40	0.04	9,008	$9,008	0.04	40	0.46%
TOTAL EXPENSES	45.80%	$4,047	$3.76	$906,468	$799,622	$3.32	$3,570	40.41%
NET OPERATING INC	54.20%	$4,788	$4.45	$1,072,529	$1,179,370	$4.89	$5,265	59.59%
DEBT SERVICE								
First Lien Mortgage	50.90%	$4,497	$4.18	$1,007,245	$961,851	$3.99	$4,294	48.60%
Trustee Fee	0.18%	$16	$0.01	$3,500		$0.00	$0	0.00%
TDHCA Admin. Fees	0.71%	$63	$0.06	14,000		$0.00	$0	0.00%
Asset Oversight Fees	0.17%	$15	$0.01	3,360		$0.00	$0	0.00%
NET CASH FLOW	2.42%	$214	$0.20	$47,924	$217,519	$0.90	$971	10.99%
INITIAL AGGREGATE DEBT COVERAGE RATIO				1.04	1.23			
INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO				1.06				
RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.76%	$4,963	$4.61	$1,111,760	$1,111,760	$4.61	$4,963	5.70%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.08%	6,969	6.48	1,561,000	1,561,000	6.48	6,969	8.00%
Direct Construction		47.66%	41,102	38.20	9,206,796	9,556,340	39.65	42,662	49.00%
Contingency	4.86%	2.71%	2,334	2.17	522,906	522,906	2.17	2,334	2.68%
General Req'ts	6.00%	3.34%	2,884	2.68	646,068	667,040	2.77	2,978	3.42%
Contractor's G & A	2.00%	1.11%	961	0.89	215,356	222,346	0.92	993	1.14%
Contractor's Profit	6.00%	3.34%	2,884	2.68	646,068	667,040	2.77	2,978	3.42%
Indirect Construction		4.56%	3,929	3.65	880,107	880,107	3.65	3,929	4.51%
Ineligible Costs		3.78%	3,258	3.03	729,798	729,798	3.03	3,258	3.74%
Developer's G & A	2.00%	1.53%	1,322	1.23	296,178	0	0.00	0	0.00%
Developer's Profit	13.00%	9.97%	8,594	7.99	1,925,156	2,273,508	9.43	10,150	11.66%
Interim Financing		5.85%	5,047	4.69	1,130,595	1,130,595	4.69	5,047	5.80%
Reserves		2.30%	1,985	1.84	444,579	179,200	0.74	800	0.92%
TOTAL COST		100.00%	$86,234	$80.15	$19,316,366	$19,501,640	$80.91	$87,061	100.00%
Recap-Hard Construction Costs		*66.26%*	***$57,135***	***$53.10***	***$12,798,193***	***$13,196,672***	***$54.75***	***$58,914***	*67.67%*

SOURCES OF FUNDS					0	RECOMMENDED	
Tax-Exempt Bonds	72.48%	$62,500	$58.09	$14,000,000	$14,000,000	$13,600,000	Developer Fee Available
Taxable Bonds/ Additional Financing	0.00%	$0	$0.00	0		0	$2,221,334
LIHTC Syndication Proceeds	24.91%	$21,478	$19.96	4,810,980	4,810,980	5,083,594	% of Dev. Fee Deferred
Deferred Developer Fees	3.58%	$3,083	$2.87	690,660	690,660	818,046	37%
Additional (Excess) Funds Required	-0.96%	($827)	($0.77)	(185,274)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$19,316,366	$19,501,640	$19,501,640	$3,705,695

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Addison Park Apartments, Arlington, HTC #03461

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.48	$9,997,344
Adjustments				
Exterior Wall Finish	3.10%		$1.29	$309,918
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.67)	(162,284)
Floor Cover			1.92	462,751
Porches/Balconies	$17.26	22,400	1.60	386,699
Plumbing	$615	600	1.53	369,000
Built-In Appliances	$1,625	224	1.51	364,000
Stairs/Fireplaces	$1,625	73	0.49	118,625
Floor Insulation			0.00	0
Heating/Cooling			1.47	354,294
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$56.80	4,500	1.06	255,620
Other:			0.00	0
SUBTOTAL			51.68	12,455,965
Current Cost Multiplier	1.03		1.55	373,679
Local Multiplier	0.88		(6.20)	(1,494,716)
TOTAL DIRECT CONSTRUCTION COSTS			$47.03	$11,334,928
Plans, specs, survy, bld prm	3.90%		($1.83)	($442,062)
Interim Construction Interes	3.38%		(1.59)	(382,554)
Contractor's OH & Profit	11.50%		(5.41)	(1,303,517)
NET DIRECT CONSTRUCTION COSTS			$38.20	$9,206,796

PAYMENT COMPUTATION

Primary	$14,000,000	Term	360
Int Rate	6.00%	DCR	1.06

Secondary		Term	
Int Rate		Subtotal DCR	1.06

All-In		Term	
Rate		Aggregate DCR	1.04

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$978,466
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversigh	17,360
NET CASH FLOW	$73,203

Primary	$13,600,000	Term	360
Int Rate	6.00%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.09

All-In		Term	
Rate		Aggregate DCR	1.07

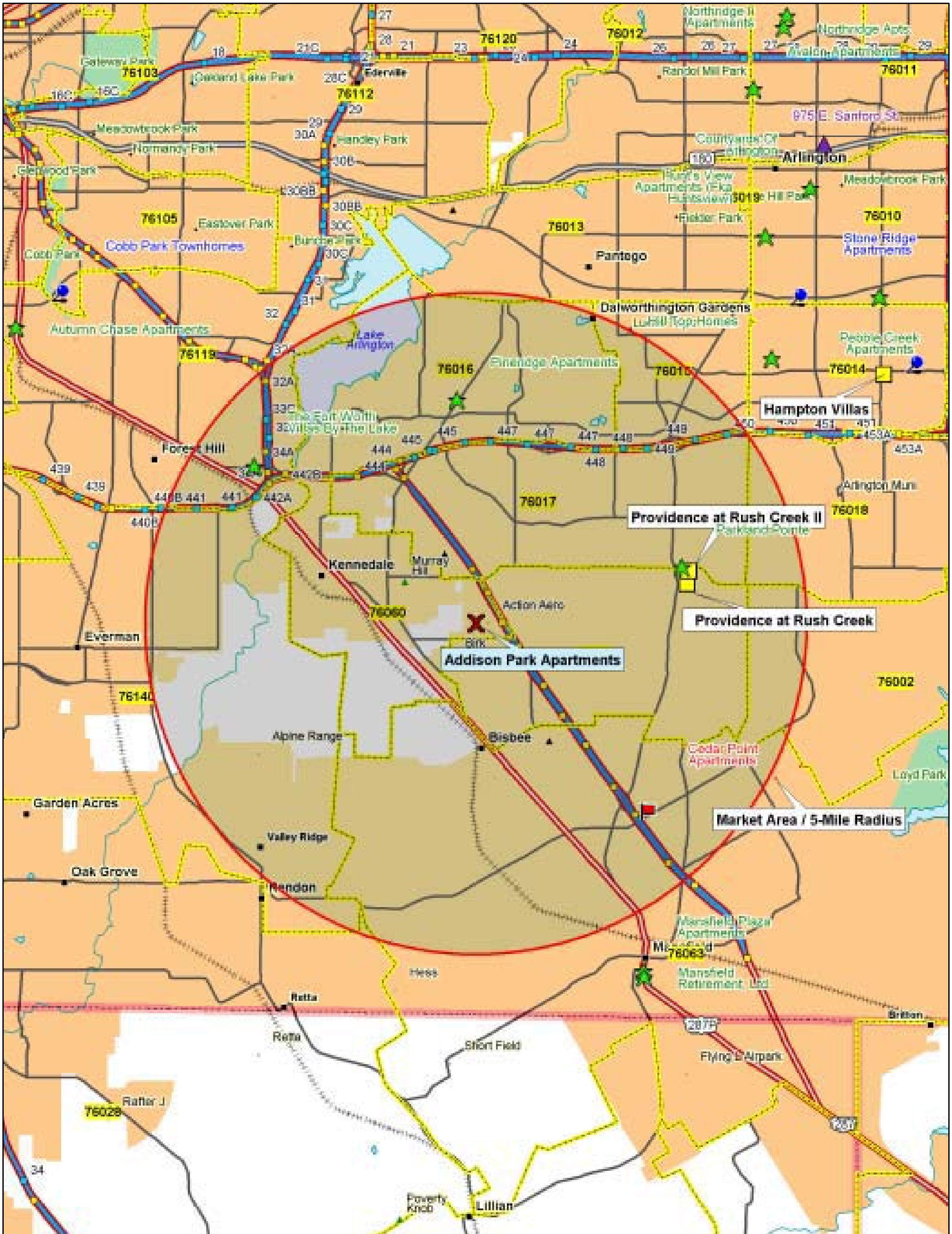
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,099,136	$2,162,110	$2,226,973	$2,293,783	$2,362,596	$2,738,896	$3,175,132	$3,680,848	$4,946,751
Secondary Income	40,320	41,530	42,775	44,059	45,381	52,608	60,988	70,701	95,017
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,139,456	2,203,640	2,269,749	2,337,841	2,407,977	2,791,505	3,236,119	3,751,549	5,041,768
Vacancy & Collection Loss	(160,459)	(165,273)	(170,231)	(175,338)	(180,598)	(209,363)	(242,709)	(281,366)	(378,133)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,978,997	$2,038,367	$2,099,518	$2,162,503	$2,227,378	$2,582,142	$2,993,410	$3,470,183	$4,663,636
EXPENSES at 4.00%									
General & Administrative	$74,096	$77,060	$80,142	$83,348	$86,682	$105,462	$128,310	$156,109	$231,079
Management	98,950	101,918	104,976	108,125	111,369	129,107	149,671	173,509	233,182
Payroll & Payroll Tax	200,032	208,033	216,355	225,009	234,009	284,708	346,391	421,437	623,830
Repairs & Maintenance	93,660	97,406	101,303	105,355	109,569	133,307	162,189	197,327	292,093
Utilities	54,958	57,156	59,442	61,820	64,293	78,222	95,169	115,787	171,394
Water, Sewer & Trash	102,675	106,782	111,053	115,496	120,115	146,139	177,800	216,321	320,208
Insurance	45,793	47,625	49,530	51,511	53,571	65,178	79,299	96,479	142,813
Property Tax	182,496	189,796	197,388	205,283	213,495	259,749	316,024	384,492	569,142
Reserve for Replacements	44,800	46,592	48,456	50,394	52,410	63,764	77,579	94,387	139,716
Other	9,008	9,368	9,743	10,133	10,538	12,821	15,599	18,978	28,093
TOTAL EXPENSES	$906,468	$941,737	$978,387	$1,016,473	$1,056,051	$1,278,457	$1,548,030	$1,874,827	$2,751,548
NET OPERATING INCOME	$1,072,529	$1,096,630	$1,121,131	$1,146,030	$1,171,328	$1,303,685	$1,445,380	$1,595,355	$1,912,087
DEBT SERVICE									
First Lien Mortgage	$978,466	$978,466	$978,466	$978,466	$978,466	$978,466	$978,466	$978,466	$978,466
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Ov	17,360	16,793	16,616	16,427	16,228	15,027	13,409	3,360	3,360
NET CASH FLOW	$73,203	$97,870	$122,548	$147,636	$173,134	$306,691	$450,005	$610,029	$926,761
AGGREGATE DCR	1.07	1.10	1.12	1.15	1.17	1.31	1.45	1.62	1.94

LIHTC Allocation Calculation - Addison Park Apartments, Arlington, HTC #03461

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,111,760	$1,111,760		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,561,000	$1,561,000	$1,561,000	$1,561,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,556,340	$9,206,796	$9,556,340	$9,206,796
(4) Contractor Fees & General Requirements				
Contractor overhead	$222,346	$215,356	$222,346	$215,356
Contractor profit	$667,040	$646,068	$667,040	$646,068
General requirements	$667,040	$646,068	$667,040	$646,068
(5) Contingencies	$522,906	$522,906	$522,906	$522,906
(6) Eligible Indirect Fees	$880,107	$880,107	$880,107	$880,107
(7) Eligible Financing Fees	$1,130,595	$1,130,595	$1,130,595	$1,130,595
(8) All Ineligible Costs	$729,798	$729,798		
(9) Developer Fees				
Developer overhead		$296,178		$296,178
Developer fee	$2,273,508	$1,925,156	$2,273,508	$1,925,156
(10) Development Reserves	$179,200	$444,579		
TOTAL DEVELOPMENT COSTS	$19,501,640	$19,316,366	$17,480,882	$17,030,229

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$17,480,882	$17,030,229
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$17,480,882	$17,030,229
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$17,480,882	$17,030,229
Applicable Percentage		3.58%	3.58%
TOTAL AMOUNT OF TAX CREDITS		$625,816	$609,682
Syndication Proceeds	**0.8192**	**$5,126,556**	**$4,994,395**
Total Credits (Eligible Basis Method)		**$625,816**	**$609,682**
Syndication Proceeds		**$5,126,556**	**$4,994,395**
Requested Credits		**$620,571**	
Syndication Proceeds		**$5,083,594**	
Gap of Syndication Proceeds Needed		**$5,901,640**	
Credit Amount		**$720,433**	



DeLorme

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RENT CAP EXPLANATION
Fort Worth / Arlington MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is **"affordable"** if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2003

MSA/County: Fort Worth/Arlington **Area Median Family Income (Annual):** $60,300

ANNUALLY				MONTHLY								
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below 50%	At or Below 60%	At or Below 80%	Unit Type	At or Below 50%	At or Below 60%	At or Below 80%	(provided by the local PHA)	At or Below 50%	At or Below 60%	At or Below 80%	
1	$ 21,450	$ 25,740	$ 34,350	Efficiency	$ 536	$ 643	$ 858		$ 536	$ 643	$ 858	
2	24,500	29,400	$ 39,250	1-Bedroom	574	689	920	85.00	489	604	835	
3	**27,600**	**33,120**	**$ 44,150**	**2-Bedroom**	**690**	**828**	**1,103**	**106.00**	**584**	**722**	**997**	
4	30,650	36,780	$ 49,050	3-Bedroom	796	956	1,275	131.00	665	825	1,144	
5	33,100	39,720	$ 52,950									
6	35,550	42,660	$ 56,900	4-Bedroom	888	1,066	1,422		888	1,066	1,422	
7	38,000	45,600	$ 60,800	5-Bedroom	980	1,176	1,569		980	1,176	1,569	
8	40,450	48,540	$ 64,750									
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4			

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning $30,000 per year would fall in the 60% set-aside group. A family of three earning $25,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning $33,120 could not pay more than $828 for rent and utilities under the affordable definition.

1) $33,120 divided by 12 = **$2,760** monthly income; then,

2) **$2,760** monthly income times 30% = **$828** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in ***Figure 3*** from the maximum total housing expense for each unit type found in ***Figure 2***.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

Addison Park Apartments

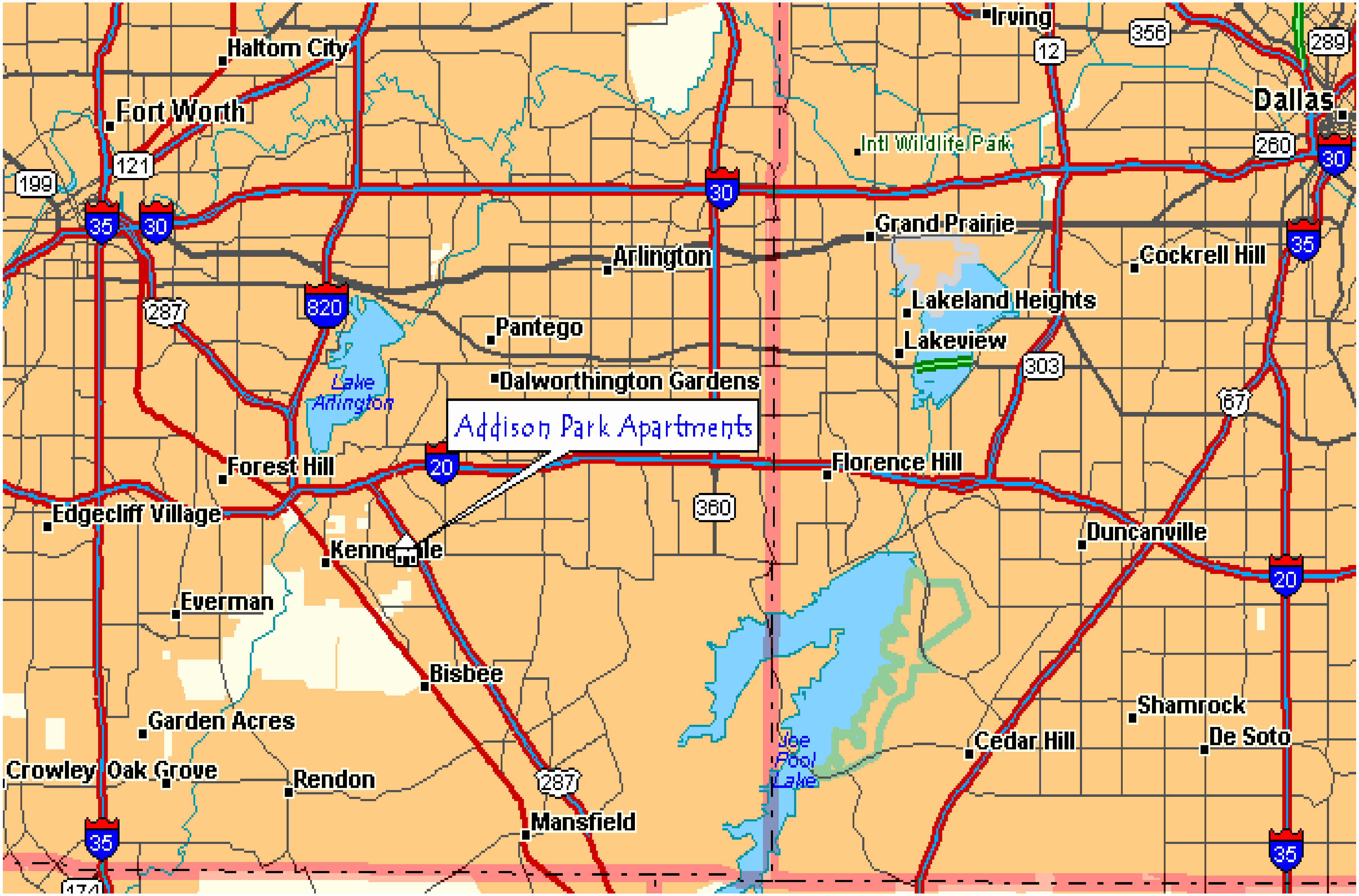
RESULTS & ANALYSIS:

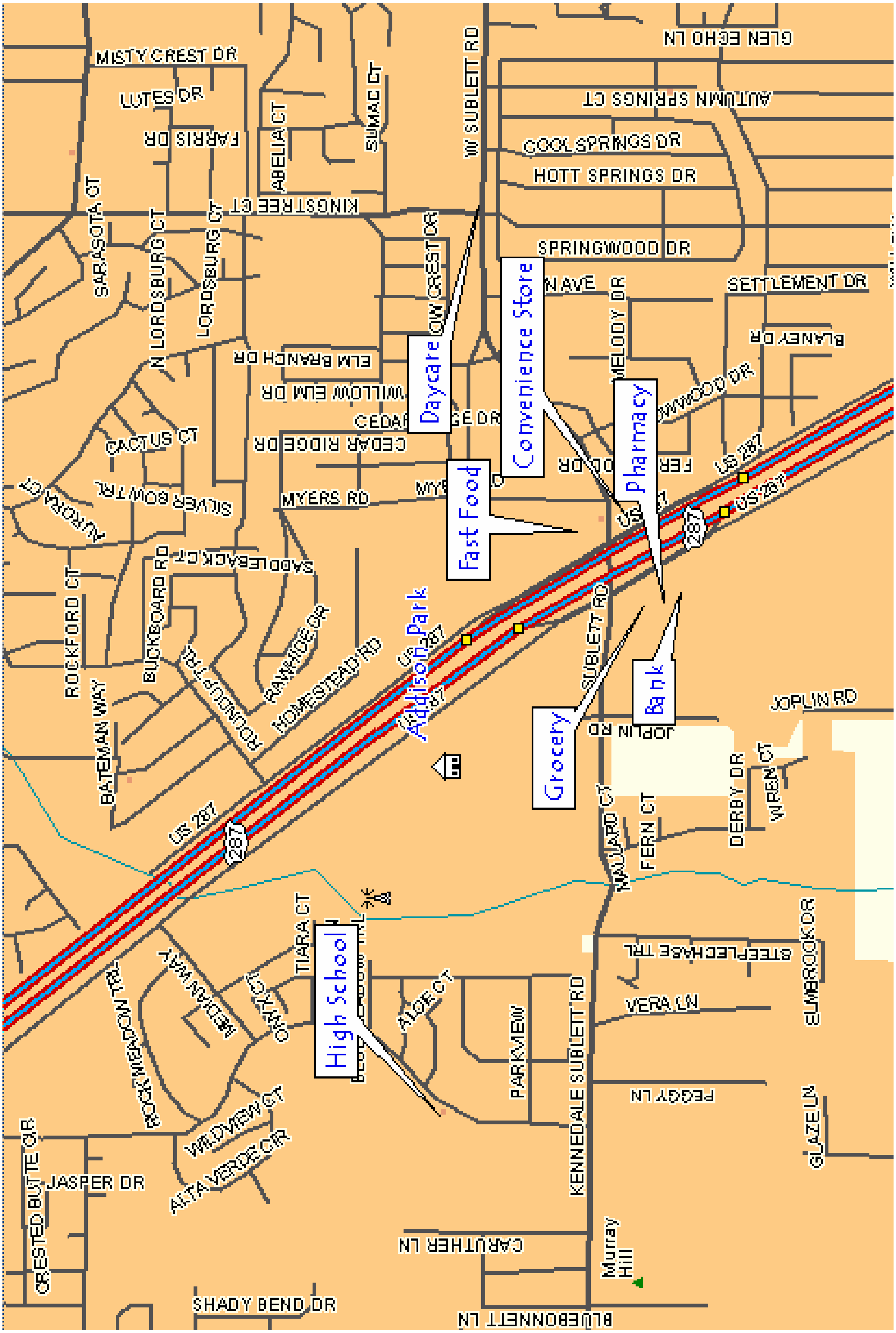
Tenants in the 60% AMFI bracket will **save $96 to $175** per month (leaving 3.9% to 5.5% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **13.7% to 17.5%.**

PROJECT INFORMATION	Unit Mix			
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom	
Square Footage	783	1,012	1,248	
Rents if Offered at Market Rates	$700	$830	$1,000	
Rent per Square Foot	$0.89	$0.82	$0.80	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 60% AMFI Set-Aside	$604	$722	$825	
Monthly Savings for Tenant	**$96**	**$108**	**$175**	
Rent per Square Foot	$0.77	$0.71	$0.66	
Maximum Monthly Income - 60% AMFI	$2,450	$2,760	$3,188	
Monthly Savings as % of Monthly Income	**3.9%**	**3.9%**	**5.5%**	
% DISCOUNT OFF MONTHLY RENT	**13.7%**	**13.0%**	**17.5%**	

Appraisal information provided by: Jack Poe Company Incorporated, 400 N Saint Paul Street, Suite 440, Dallas, Texas 75201. Report dated October 16, 2003.


Addison Park Apartments
Dallas
Irving
Haltom City
Fort Worth
Intl Wildlife Park
Grand Prairie
Arlington
Cockrell Hill
Lakeland Heights
Lakeview
Pantego
Dalworthington Gardens
Lake Arlington
Forest Hill
Florence Hill
Edgecliff Village
Kennedale
Duncanville
Everman
Bisbee
Garden Acres
Shamrock
De Soto
Cedar Hill
Joe Pool Lake
Crowley
Oak Grove
Rendon
Mansfield



Daycare
Convenience Store
Pharmacy
Fast Food
Bank
Grocery
High School
Addison Park
Murray Hill
MISTY CREST DR
LUTES DR
FARRIS DR
ABELIA CT
SUMAC CT
W SUBLETT RD
GLEN ECHO LN
AUTUMN SPRINGS CT
COOL SPRINGS DR
HOTT SPRINGS DR
KINGSTREE CT
SARASOTA CT
N LORDSBURG CT
LORDSBURG CT
SPRINGWOOD DR
SETTLEMENT DR
BLANEY DR
MELODY DR
ELM BRANCH DR
WILLOW ELM DR
CEDAR RIDGE DR
CACTUS CT
SILVER BOW TRL
AURORA CT
MYERS RD
SADDLEBACK CT
ROCKFORD CT
BUCKBOARD RD
RAWHIDE DR
HOMESTEAD RD
ROUNDUP TRL
BATEMAN WAY
US 287
287
SUBLETT RD
JOPLIN RD
DERBY DR
WREN CT
MALLARD CT
FERN CT
STEEPLECHASE TRL
ELMBROOK DR
VERA LN
TIARA CT
ALOE CT
PARKVIEW
KENNEDALE SUBLETT RD
PEGGY LN
GLAZE LN
ROCKMEADOW TRL
MEDIAN WAY
ONYX CT
WILDVIEW CT
ALTA VERDE CIR
CRESTED BUTTE CIR
JASPER DR
CARUTHER LN
SHADY BEND DR
BLUEBONNETT LN

Developer Evaluation

Project ID # **03461** Name: **Addison Park Apartments** City: **Arlington**

LIHTC 9% ☐ LIHTC 4% ☑ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☑ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☐ N/A ☑ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☑ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 0

Program Monitoring/Draws

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara Carr Newsom Date November 25, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by S Roth Date 11/14/2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ______ Date ______

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Office of Colonia Initiatives

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 12/1 /2003

Executive Director: Edwina Carrington **Executed:** Friday, January 02, 2004

Status Summary

Project ID# 03461

Name: Addison Park Apartments

City Arlington

- [ ] **LIHTC 9**
- [x] **LIHTC 4**
- [ ] **HOME**
- [ ] **HTF**
- [ ] **Bond**
- [ ] **SEC**
- [ ] **ESGP**
- [ ] **Other**

Developer	Role	Disbarr
Arlington Partners, L.P.	**Owner/Applicant Name**	[ ]
JAN-TX IV, LLC	**General Partner**	[ ]
Southeast Development, LLC	**100% Sole Member of GP**	[ ]
J. H. Thames, Jr.	**Member (75%)**	[ ]
Rodney F. Triplett, Jr.	**Member (25%)**	[ ]

Projects/Contracts Monitored by the Department

Out of State Response Received: Yes

Non-Compliance Reported No

Completed By: Jo En Taylor **Date:** 11/17/2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

Public Comment Summary

Addison Park Apartments

Public Hearing

Total Number Attended	9
Total Number Opposed	5
Total Number Supported	2
Total Number Neutral	2
Total Number that Spoke	3

Letters Received

Opposition	5
Support	0

Summary of Opposition

1 Negative impact to Kennedale School District

Response to Summary of Opposition

1 Land is zoned multifamily.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

ADDISON PARK APARTMENTS

PUBLIC HEARING

Kennedale High School
901 Treepoint
Kennedale, Texas

November 10, 2003
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Loan Analyst

I N D E X

P R O C E E D I N G S

MS. MEYER: Okay. We will get started whenever you all are ready. I'm ready, and it's -- plenty of time.

What I'll do is, I've got a short speech, and I'm going to do kind of a short presentation, tell you about the programs that are involved here, give you a little bit of general information about the development itself.

Then we'll have a question-answer period if you have any questions for the developer, there is a representative from the developer here. If you have any questions of the Department of Housing, I'll be glad to answer those questions.

And, at that point, once we finish with that little piece, then I'll move on to the public comment. You can come up and make your comments at that time. Okay? Are we ready?

Good evening, my name is Robbye Meyer, and I'm with the Texas Department of Housing and Community Affairs. And let the record show that it is 6:27 p.m. on Monday, November 10, 2003, and we are at the Kennedale High School located at 901 Treepoint Drive in Kennedale, Texas.

And I'm here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issuance of tax exempt multifamily revenue bonds for residential rental community. This hearing is required by the Internal Revenue Code, and the sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issuance.

No decisions regarding the development will be made at this hearing. The Department's board is scheduled to meet to consider this transaction on December 11, 2003. In addition to providing your comments at this hearing, the public is also invited to provide comment to the board at any of their meetings.

Department staff will also accept written comments from the public via facsimile at 512-475-0764 up until 5:00 on November 28. I have some information cards if you need that information later. You don't have to write it down right now.

The bonds will be issued as tax exempt multifamily revenue bonds in an aggregate principle amount not to exceed $15 million, and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and

Community Affairs.

The proceeds of the bonds will be loaned to Arlington Partners, L.P., or a related person or affiliate thereof to finance a portion of the cost of acquiring, constructing and equipping a multifamily rental housing community described as follows: 224-unit multifamily residential rental development to be constructed on approximately 12.45 acres of land located at 6500 Highway 287, Arlington, Tarrant County, Texas.

The proposed multifamily rental housing community will be initially owned and operated by the borrower or a related person or affiliate thereof.

I would like to welcome you, and thank you for your participation in this hearing. The sole purpose of the department is to try to improve the quality of life for Texans by building better communities, and that's we are an issuer within the state.

The federal government came up with two different programs. They were trying to privatize the industry of housing. And in those two programs -- one is called private activity bonds -- tax exempt bonds -- and housing tax credits.

The private activity bond program, not to be confused with property taxes in any way -- the tax exemption is to the bond purchaser of the bonds, the investor. It doesn't have anything to do with any kind of property taxes to the development. They will be paying their full share of school taxes and city taxes and county taxes, or, you know, all their taxes that are on the books to be paid.

In this program, what the federal government tried to do is bring the private sector together, being private investors, private developers, and that's part of the reason why the Texas Department of Housing is in this. The program is actually administered by the Texas Bond Review Board. The Texas Department of Housing is an issuer for those bonds.

We are a conduit issuer; therefore, we have no liability or obligation to the State, so it's not your tax dollars that are involved here, and I don't want anybody to freak out on me and think that's what it is. The tax exemption on the bonds is to the bond purchaser.

One of the things a bond purchaser allows for a lower rate of return because they don't have to pay income tax on their investment. Because of that, they are willing to accept a lower rate of return, so therefore, the lender that is involved can charge a lower interest rate to the developer.

The developer, in turn, can build a normal market rate quality, high quality development for lesser fortunate individuals. And those lesser fortunate individuals can live in a nice, safe, clean quality place of living for their families. And that's the whole point of the program that we deal with.

The other piece of this is the housing tax credits. And it is an IRS tax credit. Again, it's not a property tax credit to the development, it is an IRS credit and it is for 10 years to the development. It's an extremely complicated program, so I'm not going to try to go into risk indicator and all that.

Just to let you know, that piece of this allows -- the bond piece allows the developer to actually build a better quality development. The tax credits afford them the ability to charge the lower rents to families so they can live in a quality development at an affordable price that they can afford.

Not only do you have these two programs, but we also have a compliance period that the developer is on the hook for with the state. And this is for 30 years at least, or as long as the bonds are outstanding.

If the development happens to have a 40-year mortgage on that development, then as long as those bonds are outstanding, from 30 to 40 years, there is a compliance period that the state audits for, and they audit the income restrictions making sure that the people that are supposed to be living there do live there, the occupancy.

Physical appearance -- and I know that's always a concern for the general families in the vicinities that do have single family homes. They want to make sure that, you know, you're not going to have somebody come in and throw up a thing and run away from it and all the plants die and that kind of thing. There is a physical aspect that we do monitor for to make sure that the development is of quality standards.

With both of these programs, the final end result is you've got lesser fortunate individuals that can live in a nice, comfortable, safe environment and they can do it at a price that they can afford.

Currently -- I was trying to explain this to the other gentleman back here -- currently, the developments are selected by a lottery. A developer will pick a site, they will submit an application to the Department, and that application is then placed in a lottery and it goes by lowest lot comes first.

We kind of have [inaudible] for the 2003 year, whereas a lot of the single-family issues weren't used this year because of the interest rates being so low, it really wasn't a need to use any kind of bond programs or bond proceeds. So a lot of the single family issues gave up their money this year.

So therefore, it left a huge amount of money for the rest of the issuers within the whole bond program itself. So this year we had an additional 350 million that came back, not only to multifamily, but to all the issuers, but multifamily is the biggest over-subscribed program within the Bond Review Board, and so therefore, there's a lot of developments out there.

So therefore, just kind of giving you an idea. That's exactly how a site is picked and it's not -- the lottery doesn't pick, it's the developer that actually picks it and then we move forward and it goes by lowest lot.

For 2004 -- some legislation was changed this past June -- so the 2004 round, everything, all of our applications were scored and ranked. So going forward it'll be a little bit different process for the Texas Department of Housing. For the local issuers, it's still strictly by lot. But we do have a few things in place for the 2004 round.

One other thing, this is not a Section 8 project based housing. A lot of people get that confused. It's not HUD, HUD's not involved. It is all privatized. You have a private lender, you have a private developer, you have a private investor. So you don't have a Section 8 project based housing development that's going up.

Now, not to say that a Section 8 voucher cannot live here. Under fair housing laws, that is a possibility. However, there are -- those particular tenants to have to qualify, just as any other tenant would have to qualify. So, I just wanted to make that clear. That's another concern that I have, is we're bringing the projects in to somebody's neighborhood and that's definitely not what we're trying to do.

There's what's called a reservation of allocation. Once we receive an application, we submit it into the lottery and if we get to that particular number that's drawn, there's what's called a reservation of allocation that's issued.

Once that reservation is received by the Department, we have 120 days to close on the bond transaction. This particular develop received an allocation on September 23. That allocation will expire on January 24. So we're kind of right in the middle of it, and the public comment period comes in, usually right in the middle of it, right where it is.

So -- I mean, I've had some comments tonight that it's already a done deal. Well, it's not already a done deal. There's a lot of things that still have to move forward from this point. Your lenders still have underwriting to do, my Department still has underwriting to do, there's feasibility aspects, and there's the comments that you make tonight. All that information will be presented to my board on December 11.

So, I mean, there's still a lot of negotiations and things that have to go on between now and the time that the bonds close.

This particular development will consist of 10 three story residential buildings and one non-residential building. It will have 224 total units; 24 one-bedroom, one-bath units with an average square footage of 783; 116 two-bedroom, two-bath units with an average square footage of 1,012; and 84 three-bedroom, two-bath units with an average square footage of 1,248.

One hundred percent of the units within this development will service families at 60 percent of the area median income. For the Fort Worth/Arlington metropolitan statistical area, that median income is

60,300. I can give you an example, for an average family of four they could not earn a combined income of more than 36,780.

A one-bedroom maximum rent will be 630. A two-bedroom maximum rent will be 752, and three-bedroom unit, a maximum rent of 864.

At this time, I'm going to open it up for public comment. At the end of the hearing, I'll give you some specific dates and I'll reiterate when you need to have public comment in if you want any additional comments to go to our board. And also I'll reiterate when the Department's board meetings are.

At this time, I'll open it up. If -- do you want to say anything Mr. Bates on behalf of the development before we start question and answers? Okay.

This is Cliff Bates. He is the developer on the development.

MR. BATES: All right. I think I've spoken to just everybody in the room, I believe, so far and we met with some of the homeowners reps before our meeting and met with the mayor, met with the city, and, you know, our goal is to work with the residents in the area and try to come up with something, a development that's going to please everyone.

And that's why we've been here, meeting with people in the front end and we're happy to meet with any of you all after this meeting. We can come back out and meet with you at any time. Our doors, our phones are open and we just want you to know that. And if you have any questions, you know, tonight, that's what we're here for. Thanks.

MS. MEYER: Okay. Are there any questions for either myself or the developer?

VOICE: Sorry, I can't come --

MS. MEYER: Okay.

VOICE: -- up there.

MS. MEYER: The question is, who will be managing the properties?

MR. BATES: We have an in-house management company, Park Management, and they'll be managing the property.

VOICE: [inaudible].

MR. BATES: Jackson, Mississippi. But we'll have a regional office in Texas.

VOICE: [inaudible].

MS. MEYER: For income qualifications?

VOICE: Yes.

MS. MEYER: Okay. The -- it's based on 60 percent of the area -- the question is, if I'd repeat the qualifications on income. The -- it is based on 60 percent of the area median income. For Fort Worth/Arlington, the area median income -- and these incomes are set by HUD -- is 60,300.

Now, if you need all of them -- I can just give you the family of four, was 36,720. If you want the other ones, I -- they're all on our website and I'll be glad to give you that information. But it is -- it's set on 60 percent of the area median income. And it is -- it goes by family size.

Hang on just a second. Yes, sir?

VOICE: [inaudible].

MR. BATES: We've done a market study, yes. And I've got -- I could -- if you'll leave me your name and address, I can -- I'd be happy to send you a copy.

VOICE: [inaudible].

MR. BATES: It did not include school district [inaudible]. It basically shows demand and market information as far as multifamily [inaudible].

MS. MEYER: And that question, was there any impact studies done prior to -- I just have to make sure she gets everything. She can't hear --

THE REPORTER: I can't hear anything out there.

MS. MEYER: So I just want to make -- no, no, no. You don't -- I mean, we'll get it.

VOICE: [inaudible].

MS. MEYER: The question was, is there any -- okay, we'll try this one more time. Any impact on school age children? Is that --

VOICE: [inaudible].

MS. MEYER: Any estimate on school-age children for the impact?

MR. BATES: I don't think there's an estimate in that market study, no.

MS. MEYER: Mr. Sing?

VOICE: [inaudible].

MS. MEYER: Sixty percent of area median income.

VOICE: [inaudible].

MS. MEYER: Oh. I think it's 36 -- it's either 36,720 or 36,780 -- 36,780, and that's an average family of four. And all this information is on my website, and so -- I mean, I can direct you to it if you want that. I'll send you the link.

Any other questions? You can take your seat. I'll be glad to open it up for public comment at this point. And the first person I have is Chip Triplet [phonetic]. Do you want to speak or do you want to just --

VOICE: [inaudible].

MS. MEYER: Okay. Let's go with Joe Taylor.

MR. TAYLOR: Ms. Meyer, I'm Joe Taylor. I'm the -- I'm a member of the school board here at the Kennedale School District. As a matter of fact, I'm vice president.

I cannot speak for the school board; I'm speaking as an individual, but the board acts as a body corporate, so, outside of a board meeting, we act as individuals and speak as individuals.

You sent me some information which I wanted to point to. One piece of information was a study done by a Dallas developer which said that only about 23 percent of the children in the complex in his study in the Dallas area came from outside the school district.

And in Dallas, I think that, you know, maybe that's a good study, good average. But I don't think that can apply in the Kennedale School District, because the Dallas School District is several hundred square miles; the Kennedale School District is about ten square miles.

And so I'm certain that more than 23 percent of the residents in a complex like this new complex here would come from outside the district. And even if some of that 23 percent or whatever came from inside the district, that's going to open up other housing in the district that would allow more people to move into the district, so, from that standpoint, I think the impact will be greater than the study done in Dallas, okay.

About 50 percent of our students are from Arlington and about 50 percent are Kennedale residents in our school district here. As a matter of fact, here's a map of the school district. Roughly, right here is Arlington and here's Kennedale, which is where our school district is.

Another number in this communication that you sent to me says that the National Multi-housing Council average statistic of .29 school age children per unit is what we could expect here. And based on that number, which -- again, relative to the Kennedale School District, looks like it would probably be low.

Our cost to educate a student here is about $6,473 per year, which means, if using that .29 per household, if we extrapolate from that, we get a cost of about $420,000 to educate 65 students from a complex of this size.

My understanding from the developers is that the property tax is about $300,000, which, you know, based on that, looks to me like it leaves the school district somewhere around $150,000 per year short.

However, that's incorrect because the $300,000 is divided between the city and the county and the school district. So it probably actually leaves us closer to $140 or $150,000 per year short on the cost of educating children in the Kennedale School District.

This year we have about 2,935 students and so 65 students would be -- if it was just 65 students, it would be about a 2.2 percent increase in our student enrollment, I believe this is the number I estimated. And, like I said, that's based on the low numbers from the Dallas studies.

I -- you know, I guess that's the high points of what I wanted to say. You know, I'm not opposed to this kind of development in general. I think it'd be great if they put it in downtown Arlington, you know, anywhere in the Arlington School District or the Dallas School District or the Fort Worth School District where they can afford it.

But it's -- it would be a huge impact on the Kennedale School District, and we're currently involved in master planning. We're planning on -- we've just had a couple of meetings here within the school district to get some parents' -- or public's input on rearranging our students so we can fit them in the facilities that we have.

And we're starting master planning to try to determine what we're going to have to build and renovate in the next -- well, starting as soon as we can. And so, in general, we're opposed to any multifamily housing.

And the other thing that I would say is that we're looking at the Texas Association of School Boards in the Delegate Assembly at the convention in September has proposed at least two resolutions, Resolution 16 and Resolution 17, to the legislators to allow school districts to impose -- or assess impact fees to developers.

They're looking at it in Pearland and Cibolo, Universal City, Sunnyvale and McKinney ISD, among others. And so it's -- it appears it's something we're going to sure have to look at here too.

And it's -- you know, it's hard to guess if it's $150,000 a year cost to our school district above the tax resources from a complex like this, how many years of that do we need to add up for an impact fee for a developer like this? It's just going to lead to a downward spiral for our school district is what this -- what it appears to me. That's it.

MS. MEYER: Let's see, the next -- Steve Hayes?

MR. HAYES: My name is Steve Hayes. I've been a Kennedale resident since July 4, 1985, and then lived in Arlington prior to that point. And I also serve on the Kennedale ISD school board as secretary.

I've been a member of our -- Kennedale's Planning and Zoning Building Board of Appeals for about the last seven years and have been -- I was one of the original members of the Board of Adjustment for Planning and Zoning in Kennedale starting back in 1991.

So I have a little bit of background in both the municipal and school district area. And I took a little time this afternoon before I came over just to look at some of the numbers and some of the potential impact on our school district in general.

I really have two contentions and two issues that I think need to be addressed, and I was really dismayed that the market study -- or the studies were just market to the point, and that the actual impact to the surrounding area, the neighborhoods and the schools hadn't even been addressed. I think that's a significant oversight, and I question why that happens.

But my contentions are that the students' needs in these apartments are at risk because of the impact to the district. And that multifamily housing of this magnitude is inappropriate for this district. It may be okay for the area, but if you don't look at the school district, it's 100 percent inappropriate.

I put together a few visual prompts. I know that doesn't help with a recording, but when you look at high density housing, the impact, large district -- we'll use Arlington -- 160,000 students, I rounded it up to 250 apartments, but 150 students from -- in those 200 apartments. That's probably pretty conservative, probably low.

That has a .09 percent impact on the Arlington School District. And if you look down here -- the other fact, and I'm sure that everybody's aware, that the lower income homes -- families have a higher need for special -- or higher degree of special needs for those students. They don't have the advantages of private schools and preschools and everything else, and so about 57 percent of those students fall in our special need category.

So out of those 150 students, probably approximately half of those are going to impact our district 75. And as you can see on here, I've highlighted in dark black the impact on Arlington School District. Now, if you can't see it, it's because it's .09 percent.

Now, to make my point, Kennedale School District, 3,000 students. Same number of apartments, same number of students, 5 percent total to our district. Half of that, 75 students, that doubles the number of students in our special need category. I've got that highlighted in black over here.

That's a significant financial impact, but beyond that, that puts those students' ability to get a good education in the Kennedale School District at risk. And I think that's something that needs to be looked at way early.

Even if we had the resources to support that, to double the size of our special needs organization in the school, it doesn't happen overnight. Those people are hard to come by, they're specially trained.

If these apartments are built in the next -- I don't know what the time frame is, but probably the next 18 months or so, that means that we have to get on the ball and start going out and looking for people. Of course, we don't have the additional money to do that, the budget's not there, it won't be there until the apartments go in.

Median income in Kennedale's about $94,000. It takes $143,000 to support one student in the school district. We did a quick calculation on a $15 million loan. We're going to have about a 30 percent shortfall in funding those students, just at the normal rate, and if you start adding up the special needs, you're probably 60 percent low in funding those students, which will impact the entire district.

So, I think, when you start looking at multifamily housing, you also have to look at the district. You can't just look at the community [inaudible].

I think as part of the -- and I am representing myself -- I think that communities and districts need to start looking at things -- maybe call it reverse tax abatements.

As Joe pointed out, the potential for impact on these, you know, impact assessments, potentially even long term impact assessments, special tax districts for multifamily housing so that we can bring the values up to equity and I think that we'll have our attorneys start looking in that direct if we can. Thank you.

MS. MEYER: Roy Boenig?

MR. BOENIG: My name is Roy Boenig. I live at 1020 Kennedale Sublett Road here in Kennedale. I happen to also be a school board member, but I really wasn't going to touch much about how it affects the school district. I have some other points I want to make.

But I do want to make mention about one thing. In this same e-mail deal that Joe had gotten, the article -- it was in reference to the National Multi-Housing Council regarding on average rental apartments, house be for school age children than single family residents.

Well, by looking at those numbers, .29 versus .51, you would think that you might want apartments rather than single family houses. Well, that -- those two numbers are really misleading because, like in this complex, if you have 224 units, as Joe said, you're going to have approximately 65 students.

If this was single family, you usually build about five houses per acre and there's 12.4 acres, and times 51 percent on household, you end up with 32 students. So you actually end up with half the students that you do if it was single family versus multifamily, so it just, you know, depending on numbers, how you really look at them, sometimes they don't really show what the real impact is.

The other part that I was really here for is, who benefits by building these apartments? The corporation that's trying to do it is from Mississippi. So, part of my feelings are, why would they care what it does to the infrastructure around here and to the surrounding community?

The other person that probably benefits out of it is the City of Arlington because if you look at -- at least the zoning for the City of Arlington and our school district, they've taken all -- a lot of the multifamily zoning and stuck it way out to the very edge of their city limits.

Well, the City of Arlington benefits by that because one is, they don't have to deal with it as much because it's on the city limits, and they don't have to do it -- worry about the infrastructure, yet they're providing multi-housing.

I was told tonight that there's an area of land in downtown Arlington that was proposed by the city Chamber of Commerce for Arlington to put apartments down there to kind of revitalize the downtown area of Arlington. Well, the city council voted that down.

And, you know, why not put these kind of apartments in downtown Arlington. Well, that's not what the city wants because there's no benefit to them to having them down there.

The other area that it'll effect is transportation-wise out here. There aren't any buses out here. There aren't any taxi service in this area because it's on the very outskirts of Arlington. Kennedale doesn't have any of those transportation opportunities.

So, consequently, the only -- there are other pieces of property available in the City of Arlington, but, of course, that would require zoning changes to be done and this -- obviously, the City of Arlington doesn't want them there, so that's -- this probably is a feather in their cap because they can say, hey, we provided subsidized housing.

I guess that's it. Thank you.

MS. MEYER: I don't have any other people that have signed up that wanted to speak. Is there anybody that didn't sign up to speak that would like to?

Well, at this time, then, I would like to adjourn the meeting. And let the record show that it is 6:58. Thank you. Appreciate it.

(Whereupon, at 6:58 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: Addison Park Apartments

LOCATION: Kennedale, Texas

DATE: November 10, 2003

I do hereby certify that the foregoing pages, numbers 1 through 27, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Barbara Wall before the Texas Department of Housing and Community Affairs.

11/21/2003

(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

Steven V. Hayes –Materials Presented November 10th, 2003 at a public hearing

Texas Housing Department conducted public hearing at the Kennedale H.S. on proposed Revenue Bonds to be used for the Addison Park Apartments at 6500 Hwy 287

Steven Hayes is a resident of Kennedale and currently serves as a Kennedale ISD trustee. Steve also serves on Kennedale's Planning and Zoning Board of Adjustment and Building Board of Appeals.

Visual materials supporting comments opposing Tax Exempt Bond Assisted Multifamily Housing proposed for lands within the Kennedale ISD

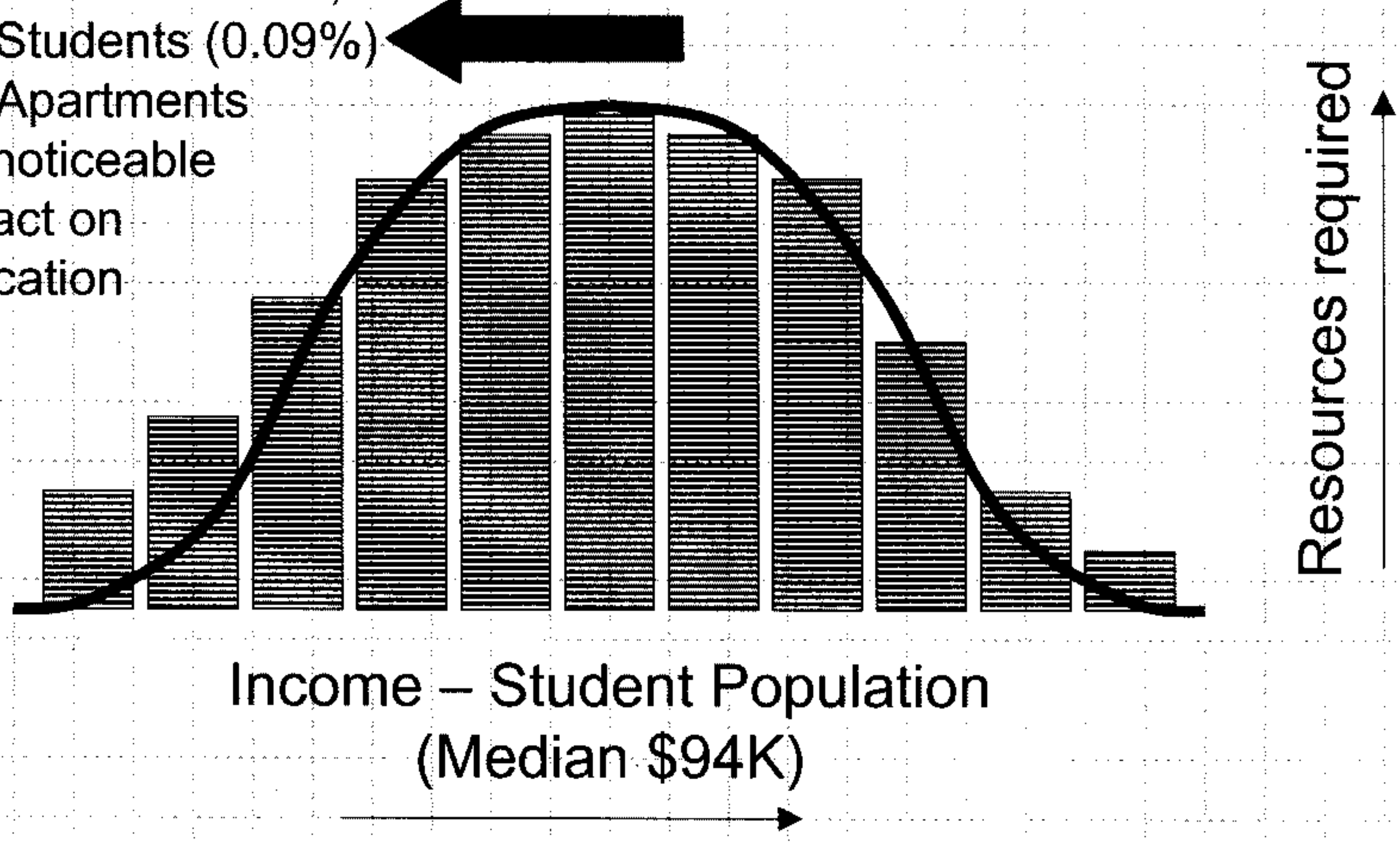
The attached speaker comments reflect my individual opinion and do not represent the KISD or other governing body.

Impact on Local Schools
of
Tax Exempt Bond Assisted High Density Housing

- Proposed multifamily housing is in Arlington (population ~240,000)
- Proposed multifamily housing is in (Kennedale ISD) ~3,000 Students
- The impact of high density housing coupled with special need and low income families is significant on small school districts
  - Educational opportunities for new students are a risk
    - Increased load on special programs are not staffed nor funded
    - Resources do not exist to react to anticipated influx of students
  - Projected special program impact exceeding 50% growth unacceptable
    - Current student's education and opportunities will be impacted
    - State funding opportunities are declining and based on previous history
- Multifamily housing occupancy will be impacted
  - Highly rated KISD educational system is a draw for renters
  - The impact of excessive multifamily housing on schools will reduce desirability of schools
  - Families will seek alternate housing closer to jobs

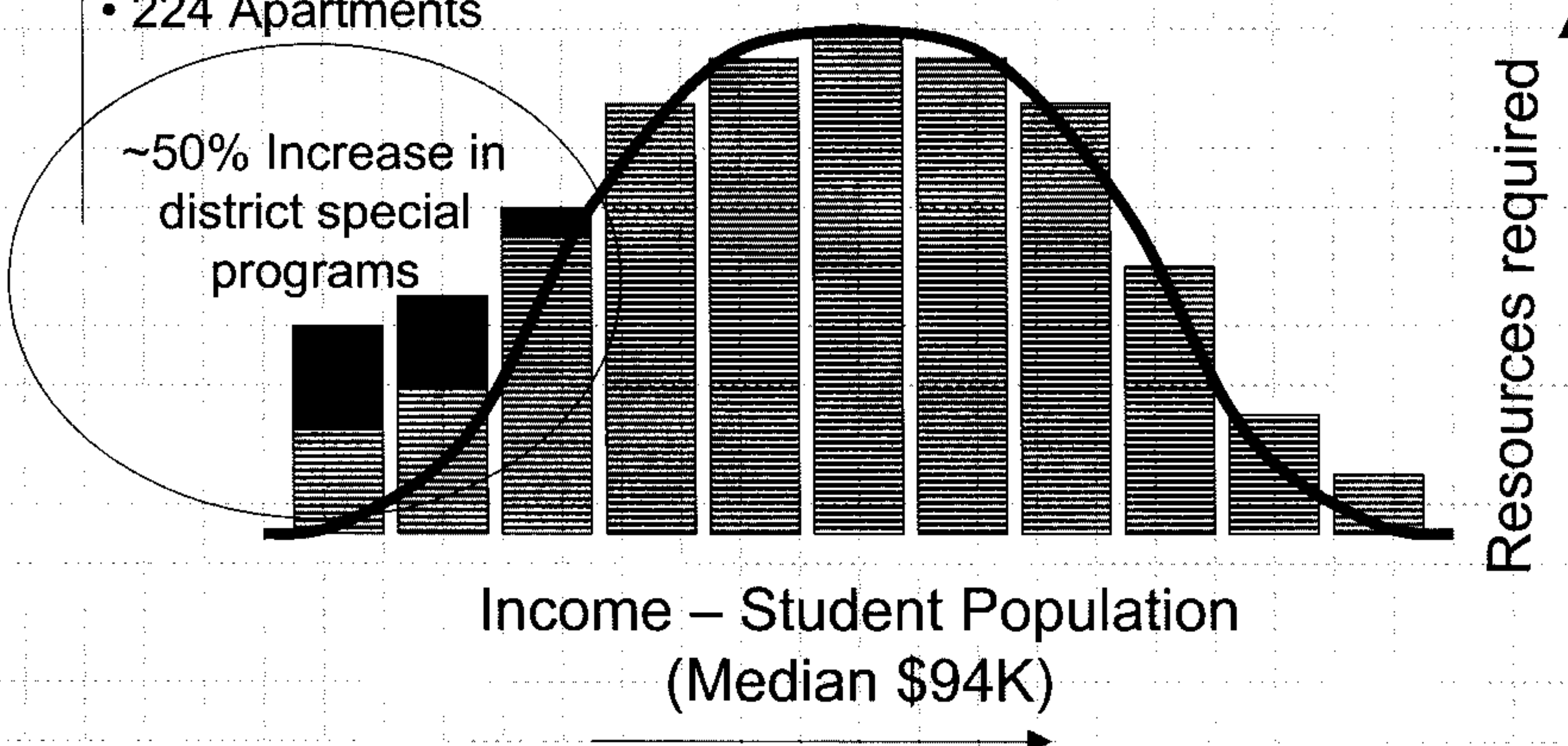
Impact on Local Schools
of
Tax Exempt Bond Assisted High Density Housing

Assumptions:
- Large District – 160,000 Students
- 150 Students (0.09%)
- 224 Apartments
- No noticeable impact on education



Impact on Local Schools
of
Tax Exempt Bond Assisted High Density Housing

Assumptions:
- Small District – ~3,000 Students (Kennedale)
- 150 Students **(5% enrollment increase)**
- 224 Apartments



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Business and Commerce
Finance
Government Organization

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The Senate of Texas

Senator Kim Brimer

District 10

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Ft. Worth, Texas 76102
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Fax: (817) 332-8751

December 8, 2003

Shannon Roth
Multifamily Finance Production Division
Texas Department of Housing
P.O. Box 13941
Austin, TX. 78711-3491

Dear Shannon:

Please find enclosed the e-mail correspondence from Joe Taylor of the Kennedale Independent School District pertaining to the pending Housing Tax Credit application for the Addison Park Apartments at 6501 Joplin Rd. in Arlington, TX.

I am confident that this notice will reach you in time for you to present it to your Board at the December 11 meeting. Best regards.

Cordially,

Kim Brimer

Kim Brimer

encl.
cc: Joe Taylor, Kennedale ISD School Board

SANDRA CLAPP - Inetmail: Multi Family Housing in KISD LG

From: <jdtaylorco@prodigy.net>
To: <sandra.clapp@senate.state.tx.us>
Date: 12/3/2003 12:18 PM
Subject: Inetmail: Multi Family Housing in KISD

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DEC 0 8 2003
LIHTC

Mailing Information:
Name: Joe Taylor CC
Title: Vice-President
Business/Organization/Agency: Kennedale ISD School Board
Phone: 817 478 3892
Street Address: 604 Bluebonnet Lane
City: Kennedale
State: Texas
ZIP code: 76060

RECEIVED
DEC 3 2003
DISTRICT OFFICE

Dear Senator Brimer,
As you are probably aware, the Texas Department of Housing is considering the issuance of tax exempt bond money for a low income housing complex which is in the Kennedale ISD, and in the Arlington city limits. (The Addison Park Apartments)
I believe there is a need for this type of housing, and that the cause is good. However, the placement of this type of complex in our school district has the potential for a very detrimental impact on KISD.
In the last three years, it has been necessary to implement a Reduction in Force (RIF), or layoff of employees, as well as a number of other measures to tighten the belts at KISD in order to improve our financial position. We were near financial collapse three and one-half years ago when Mr. Dugger was hired as the new Superintendent at KISD. Since then, we have improved finances to the point of getting a good report from the auditors, but not without a lot of sacrifices. The Board has passed on programs which we thought beneficial, many teachers and staff have stayed through a time when they could have gone elsewhere for higher pay, they have learned to work with a substantial cut back in materials and supplies, and the administration has worked with a shortage of personnel in many areas.
One of our greatest goals is to reach the position where we can pay our people on a scale in line with the other districts in the area, and another is to provide educational and support programs which we are lacking at KISD.

We currently have an enrollment of 2,935 students, and our buildings are all at or over capacity. We have just re-aligned the grade span of three campuses, in part to ease crowding and buy some time to allow for renovation and new construction of facilities to accommodate the expected growth from single family housing which is coming.

The Board and Superintendent are involved in a master planning project for programs and facilities, to attain the objective of passing a bond issue while interest rates are low.

One of the greatest difficulties in this process is to estimate the expected growth in the district in the coming years. The experts tell us that projections are an educated guess, at best, and to a great extent just a roll of the dice. This is evidenced by past experience in KISD when a consultant was hired to estimate growth, and their projection was bettered with a forecast done by the Board Members.

The apartment complex currently under consideration by TDHCA is comprised of 224 units, including 84 three bedroom units, and a similar number of two bedroom units. The increase in enrollment here is a potentially large setback for us, in that it may be as much as a 10% increase (new to the district) from one project, and with inadequate time for us to plan or prepare. Other concerns include the impact on special ed programs, as evidence suggest that this type of housing will typically bring a high percentage of special needs students, and the transient nature of that population will only compound the problems related to planning for personnel, programs, and facilities.

Additionally, with the funding of public education in question and being cut back in many areas, cuts in support programs such as those to the Education Service Centers, and the increasing number of unfunded or under funded mandates, the uncertainty of the financial future for public schools in Texas is just more fuel for the fire.

Add to that the apparent shortfall of tax base caused by such an apartment project to a small school district, and the effects seem to be magnified. As I'm sure you are aware, the commercial tax base at Kennedale leaves something to be desired.

These are a few of the high points which concern us here at KISD. In the end, it seems that the placement of an apartment complex such as the one under consideration in such a small school district is not the best application of those federal funds, and is not well thought out, when so many other locations are an option here.

There is not time for us to plan and prepare, as an apartment complex can be constructed and occupied much faster than planning, passing a bond issue, and construction and staffing of a school can be performed. The impact on a district such as Arlington, Ft. Worth, or even Mansfield would be insignificant, but the impact on Kennedale ISD is potentially devastating.
I implore you to take the time necessary to investigate and address these concerns, and if there is some way you can help or assist Kennedale ISD, in what is best for the education of our students, please do so.
The time for the final decisions on this project is fast approaching.
If we can ...

Bill Zedler
STATE REPRESENTATIVE
DISTRICT 96

State of Texas
House of Representatives
Austin

CAPITOL OFFICE:
P.O. BOX 2910
AUSTIN, TEXAS 78768-2910
512-463-0374

DISTRICT OFFICE:
817-361-7855

December 18, 2003

RECEIVED
DEC 29 REC'D
Multifamily Finance Division

Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

RE: Addison Park

Dear Board Members:

Park Development is requesting tax-exempt bonds for a property located within the Kennedale Independent School District. As State Representative of this area, my concern is that it will be extremely difficult for the Kennedale Independent School District to provide for the children that would live in the housing development.

The Kennedale School Board has expressed to me the great negative impact this development would bring. A housing development such as a senior center would have virtually no negative impact on the Kennedale Independent School District.

As the Addison Park proposal stands, I recommend that you deny the tax-exempt bonds. Thank you for your consideration and for your service on the Board.

Sincerely,

Bill Zedler
State Representative
District 96

BZ/ac

COMMITTEES:
BUSINESS & INDUSTRY • PUBLIC HEALTH • RULES & RESOLUTIONS

Kennedale Independent School District

P. O. Box 467 - Kennedale, Texas 76060

Telephone (817) 483-3600 - Fax (817) 483-3610 - www.kennedale.net

Gary Dugger
Superintendent

Jeanette Dixon
Administrative Assistant

Barbara DeGuire
Administrative Assistant

Arlene Blythe
Administrative Receptionist

Gary Dugger
Superintendent

December 3, 2003

Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Dear Ms. Meyer:

The Kennedale Independent School District is opposed to the multifamily bond transaction of the Addison Park Apartments. Building this 224-unit complex would have a very negative impact on KISD due to the strain of significantly increasing the number of additional students being enrolled in our district over a very short period of time once the project is completed.

Our current student population is 2,941. Given the number of units of 2-3 bedrooms at 200, once this complex is completed we could experience a fairly rapid increase in student population from 10 to 20 percent.

Our district over the years has experienced slow and steady student enrollment growth. From the 2000-01 school year through the 2003-04 school year, the increase in student population averaged less than 3% per year. A sudden surge of an additional increase in student enrollment from the Addison Park Apartments of 10 to 20 percent would cause serious facility and staffing disruption to our small district.

Another concern is the complex is not offering any kind of educational programs to enhance the learning of the children residing in the complex. As we know, this is a very necessary complement to the children's school day.

It is hoped that your department will seriously consider the above negative impacts that could seriously compromise the education of all our students.

Sincerely,

Gary W. Dugger
Superintendent

An Equal Opportunity Employer
WILDCATS

HOODENPYLE & LOBERT, P.C.

ATTORNEYS AND COUNSELORS AT LAW

JERRY R. HOODENPYLE
JAMES E. LOBERT
DAVID G. PETTER
MARK D. STOECKER

COMMERCE CENTER
519 EAST BORDER STREET
ARLINGTON, TEXAS 76010-7402

TELEPHONE: (817) 277-5211
METRO: (817) 265-2841
TAX DEPT: (817) 277-0041
FAX LINE: (817) 275-3657

December 31, 2003

Via e-mail at robbye.meyer@tdhca.state.tx.us

Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Re: Proposed Addison Park Apartments-- 224-unit multifamily residential rental development to be located at 6500 Highway 287, Arlington, Tarrant County, Texas 76001

Dear Ms. Meyer:

This firm represents the Kennedale Independent School District ("KISD") with regard to the above-referenced proposed development, which is currently being reviewed by the TDHCA with respect to an issue of tax-exempt multi-family residential rental development revenue bonds. Please be advised that our client has serious concerns with regard to the enormity of the negative consequences the proposed development will have on KISD. Representatives from KISD plan on appearing before the TDHCA at the hearing on the bond issue that is scheduled for January 13, 2004 to raise KISD objections to the bond issue and proposed development. It is my understanding that the staff will be making a report to the TDHCA board prior to the January 13, 2004 meeting. Please make them aware that representatives of KISD will appear at the hearing in opposition to the proposed development.

Very truly yours,

JAMES E. LOBERT

JEL/dgp

c: Mr. Gary Dugger, Superintendent VIA FACSIMILE AT 817-275-3657
Kennedale Independent School District

Robbye Meyer

From: Jim Fountain [jfountain99@comcast.net]
Sent: Wednesday, December 10, 2003 12:52 AM
To: robbye.meyer@tdhca.state.tx.us
Subject: Multifamily Housing in KISD

Dear Ms. Meyer,
Concerns over another multi-family complex in Arlington is probably no big deal to a school district budget like the AISD, but will devastate a small one like Kennedale ISD. Considering the commercial revenue of the city of Kennedale which is close to nil, how can a committee or yourself (for that matter), even consider putting the burden of another multi-family, government assisted housing project on such a small school district? We can't afford it.
Arlington loves it, they get credit for being the good guys here and then we, the parents wind up paying for someone else's taxes and our students suffer because of the demands put on their school system. The first KISD school built in Arlington was at capacity the first year it was open and the new high school is dangerously at capacity now. Both of these problems were because of budget restraints.
The school district is combining grades to other campuses just to ease the overcrowding issue at hand. This is just a temporary fix and the school district does not have the money to add teachers, special programs associated with such housing, or the real estate needed for a such developement.
Please consider NO on this matter,
Thank you for your time
Jim Fountain
Arlington Resident
KISD Parent
Committe Chairman Boy Scout Troop 35 in Kennedale

Attn: Robbye Meyer
Texas Dept. of Housing
and Community Affairs
PO Box 13941
Austin, 78711-3941

Re: Multifamily housing within the Kennedale ISD

I would like to express the concern my wife and I, as well as many other families have regarding this proposed Multifamily housing plan.

We are very concerned about the impact this will have on the KISD and more importantly the impact for our children that attend KISD. Like so many schools in Texas we are already in need of additional classroom space and staff for the students that already attend school, approximately 3000. The Multifamily housing plan will add 150-200 students to our schools, therefore adding to the already stressed school system and making the problem worse. If you do the math on adding this many students to KISD schools it comes to around a 5% increase in students. This plan will increase the demands on the schools at the same providing very little to no increase in tax revenue to assist with the increased demands the added students will require. In looking at this with our children in mind this is not a good plan and we are strongly against this proposal.

We moved to this area because we feel our children's education is very important. After looking at many schools we choose KISD and if needed we will move to another school system if needed to expose our kids to the best education possible.

Sincerely,

Paul and Heather Hess

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

REQUEST FOR BOARD APPROVAL
Multifamily Finance Production

2003 Private Activity Multifamily Revenue Bonds

Providence at Rush Creek II Apartments
Southwest quadrant of Sublett Road and Mineral Springs Road
Arlington, Texas
Chicory Court – Rose Hill, L.P.
144 Units

$10,000,000 Tax Exempt – Series 2004

TABLE OF EXHIBITS

BOARD APPROVAL MEMORANDUM
January 13, 2004

DEVELOPMENT: Providence at Rush Creek II Apartments, Arlington, Tarrant County, Texas 76017.

PROGRAM: Texas Department of Housing & Community Affairs
2003 Multifamily Housing Revenue Bonds
(Reservation received 10/6/2003)

ACTION REQUESTED: Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Chicory Court XV, L.P., a Texas limited partnership (the "Owner" or "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a proposed 144-unit multifamily residential rental development to be constructed on approximately 10.80 acres of land located in the southwest quadrant of the intersection of Sublett Road and Mineral Springs Road, Arlington, Tarrant County, Texas, 76017 (the development). The Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental development. The Borrower intends to lease the units of the Development to senior citizens.

BOND AMOUNT:

$ 10,000,000	Series 2004 Tax Exempt Bonds
$ 10,000,000	Total Bonds

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on October 6, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before February 3, 2004, the anticipated closing date is January 29, 2004.

BORROWER: Chicory Court XV, L.P., a Texas limited partnership, the general partner of which is Chicory GP Rush Creek, Inc. Leon J. Backes is President. Subsequent to the closing of the Bonds, Leon J. Backes will sell his interest in the general partnership to Aubra Franklin. An

** Preliminary - Represents Maximum Amount* acceptable compliance score of this individual has also been obtained.

COMPLIANCE HISTORY:

The Compliance Status Summary completed on July 29, 2003 reveals that the principal of the general partner above has a total of one (1) property being monitored by the Department with a material non-compliance threshold score of less than 30. .

ISSUANCE TEAM/ ADVISORS:

MuniMae TEI Holdings, LLC or an affiliate thereof ("Bond Purchaser")
MMA Financial Bond Warehousing, LLC ("Equity Provider")
Wells Fargo Bank Texas, N.A. ("Trustee")
Vinson & Elkins L.L.P. ("Bond Counsel")
RBC Dain Rauscher Inc. ("Financial Advisor")
McCall, Parkhurst & Horton, L.L.P. ("Disclosure Counsel")

BOND PURCHASER:

The Bonds will be purchased by MuniMae TEI Holdings, LLC or an affiliate thereof. The purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

DEVELOPMENT DESCRIPTION:

The development is a 144-unit apartment community to be constructed on a 10.8 acre site located in the southwest quadrant of the intersection of Sublett Road and Mineral Springs Road, Arlington, Tarrant County, Texas, 76017 (the development). . The development will consist of (7) two and three-story, wood-framed apartment building consisting of a total of 160,308 net rentable square feet and an average unit size of 1113 square feet. The units feature large floor plans with high grade finishes including built in cabinets, ceiling fans, high grade appliance packages, stainless steel sinks, designer countertops, central heat and air and high grade carpet and ceramic tile finishes. In addition to the residential buildings, the Development will have one community building with laundry, maintenance and full kitchen facilities. There will be picnic areas, one community swimming pool and gathering areas interspersed among the buildings. The design concept is to create a village complete with walkways connecting the units, and as focus of the village, the community building. A variety of plant and tree species will be provided based on Texas drought resistant and low maintenance requirements. As much as possible, materials used will be selected based on energy conservation renewable resources. This will include Type V construction with wood framing and concrete slab on grade. Colors are chosen from a palette compatible with the surrounding architecture and scenery

Units	Unit Type	Square Feet	Proposed Net Rent
36	2-Bedrooms/2-Baths	967	$753.00
108	3-Bedrooms/2-Baths	1,162	$865.00
144	Total Units		

SET-ASIDE UNITS: For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each development will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS: For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income.

TENANT SERVICES: Borrower will provide an executed Supportive Services Agreement to provide a wide range of supportive services that would otherwise not be available for the tenants. The provision of these services will be required pursuant to the Regulatory and Land Use Restriction Agreement (LURA).

DEPARTMENT ORIGINATION FEES:

$1,000 Pre-Application Fee (Paid)
$10,000 Application Fee (Paid)
$50,000 Issuance Fee (.50% of the bond amount paid at closing)

DEPARTMENT ANNUAL FEES:

$10,000 Bond Administration (0.10% of first year bond amount)
$3,600 Compliance ($25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT FEE: $3,600 to TDHCA or assigns ($25/unit/year adjusted annually for CPI)

TAX CREDITS: The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately $475,748 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $3,753,158 of equity for the transaction.

BOND STRUCTURE: The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser. The

Bond Purchaser contemplates transferring the Bonds to a custodial or trust arrangement whereby beneficial interests in the Bonds will be sold in the form of trust certificates to Qualified Institutional Buyers or Accredited Investors.

The Bond Purchaser will be required to sign the Department's standard investor letter. Should the Bonds be transferred to a custodial trust, a slightly modified investor letter will be provided by the trust.
The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

BOND INTEREST RATES: The interest rate on the Series 2004 Bonds will be 5.375% through and including June 30, 2005 ("Construction Loan Period") and then 6.70% per annum thereafter until maturity which shall occur on January 1, 2044. The Department's Real Estate Analysis division underwrote the transaction using 6.7% as the rate.

CREDIT ENHANCEMENT: The bonds will be unrated with no credit enhancement.

FORM OF BONDS: The Bonds will be issued in physical form and in denominations of $100,000 or any amount in excess of $100,000.

MATURITY/SOURCES & METHODS OF REPAYMENT: The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Fund, earnings derived from amounts held on deposit in an investment agreement, and other funds deposited to the Revenue Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

TERMS OF THE MORTGAGE LOAN: The Mortgage Loan is a nonrecourse obligation of the Borrower (which means, subject to certain exceptions, the Owner is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. Deeds of Trust and related documents convey the Owner's interest in the Development to secure the payment of the Mortgage Loan.

REDEMPTION OF BONDS PRIOR TO

MATURITY: The Bonds are subject to redemption under any of the following circumstances:

Mandatory Redemption:

(a) The Bonds are subject to mandatory redemption, in whole or in part (i) from any and all Receipts Requiring Mandatory Redemption, at a redemption price equal to 100% of the principal amount of Bonds being redeemed, plus interest accrued to the redemption date, and (ii) from moneys available for such purpose on deposit in the funds and accounts established by the Trust Indenture to the extent required.

Optional Redemption at Direction of Borrower:

(a) From and after March 1, 2021 only, the Bonds shall be subject to redemption at the option of the Issuer, in whole only, and only at the written direction of the Borrower, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date.

Optional Redemption at Direction of Servicing Agent and Holders:

(a) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Servicing Agent, from and to the extent of amounts on deposit in the Construction Fund if construction of the Development has not lawfully commenced within sixty (60) days of the Closing Date.

(b) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds, upon the occurrence of an Event of Taxability, but only if so directed by the Holders in writing within ninety (90) days of the occurrence of the Event of Taxability, at a redemption price equal to 106% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date, plus, with respect to the Series A-2 Bonds, all accrued and unpaid Deferred Debt Service; provided, however, that the foregoing 106% redemption premium shall equal 100% in the event of any redemption of the Bonds at the direction of the Holders upon the occurrence of an Event of Taxability that is due solely to a change in the Code or the Regulations.

(c) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of 100% of the outstanding principal amount of the Bonds, at any time after the March 1, 2021 without premium, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date, but only if the Holders provide the Issuer, the Trustee and the Borrower with written notice of their election to require the redemption of the Bonds at least one hundred eighty (180) days prior to the date set for redemption.

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture, Wells Fargo Bank Texas, N.A. (the "Trustee") will serve as registrar, and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to ten (10) funds with the following general purposes:

1. Bond Proceeds Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Bond Proceeds Fund and immediately applied by the Trustee to other funds as required.

2. Revenue Fund – Revenues from the Development are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the amount required and order designated by the Trust Indenture – first to the Fee and Expense Account, second to the Tax and Insurance Account, third to the Interest Account, fourth to the Principal Account.

3. Borrower Equity Fund – Funds from sources other than Bond proceeds to pay for Costs of Issuance and certain other costs relating to the acquisition and development of the Development.

4. Costs of Issuance Fund – Fund into which amounts for the payment of certain costs incurred in connection with the issuance of the bonds are deposited and disbursed.

5. Construction Fund – Fund into which amounts needed to complete construction of the improvements are deposited and disbursed.

6. Capitalized Interest Fund – Fund into which a portion of the proceeds of the bonds or borrower equity are deposited and used to fund the payment of interest during the construction period.

7. Lease-Up Fund – Funded from syndication proceeds or other funds provided by the Borrower other than proceeds of the Bonds. Such amount, plus other funds transferred therein pursuant to the Indenture, will be applied to pay the Operating Expenses of the Development to the extent that the Development's net cash flow is insufficient to pay such amounts. On the date that on which the Development achieves a certain debt service coverage ratio, amounts remaining in the Lease-Up Fund will be used to pay any

deferred and unpaid developer's fees, and the balance, if any, will be released to the Borrower.

8. Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

9. Replacement Fund – Fund into which amounts are held in reserve to cover replacement cost and ongoing maintenance to the Development.

10. Temporary Funds and Accounts – The Trustee may establish and maintain one or more temporary funds and account for so long as is necessary.

Essentially, all of the Bond proceeds will be deposited into the Construction Fund and the Capitalized Interest Fund and disbursed there from during the Construction Phase (over 18 to 24 months) to finance the construction of the Development and to pay interest on the Bonds. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower.

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee – Wells Fargo Bank Texas, N.A. was selected as bond trustee by the Department pursuant to a request for proposal process in June 1996.

3. Financial Advisor – RBC Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 2003.

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 04-05

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (PROVIDENCE AT RUSH CREEK II APARTMENTS) SERIES 2004; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development 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 mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Providence at Rush Creek II Apartments) Series 2004 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association, (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Chicory Court XV, LP, a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 10, 2002, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Loan and Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original aggregate principal amount corresponding to the original aggregate principal amount of the

Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Financing Agreement; and

WHEREAS, it is anticipated that the Borrower's obligations under the Note will be secured by the Deed of Trust, Security Agreement and Assignment of Rents and Leases and Financing Statement (the "Deed of Trust") from the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that, in order to assure compliance with Sections 142(d) and 145 of the Code, the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Tarrant County, Texas;

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Financing Agreement, the Assignments, the Regulatory Agreement and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Deed of Trust and the Note; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.12, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Deed of Trust and the Note and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

<u>Section 1.1--Issuance, Execution and Delivery of the Bonds</u>. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchasers thereof.

<u>Section 1.2--Interest Rate, Principal Amount, Maturity and Price</u>. That: (a)(i) the interest rate on the Bonds shall be (A) from the date of issuance through and including June 30, 2005, 5.375% per annum, and (B) from July 1, 2005 and thereafter until the maturity date thereof 6.70% (provided, however, that the interest rate is subject to adjustment as set forth in the Indenture); (ii) the aggregate principal amount of the Bonds shall be $10,000,000; and (iii) the final maturity of the Bonds shall occur on January 1, 2044.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Financing Agreement and Regulatory Agreement. That the form and substance of the Financing Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Financing Agreement and the Regulatory Agreement and deliver the Financing Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.8--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.9--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B - Indenture
Exhibit C - Financing Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Assignments
Exhibit F - Asset Oversight Agreement
Exhibit G - Deed of Trust

Section 1.10--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.11--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department, and the Secretary to the Board.

Section 1.12--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Issuer, as stated in Section 5 of the Regulatory Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III
CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) that the Borrower is financially responsible,

(iv) that the financing of the Project is a public purpose and will provide a public benefit, and

(v) that the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the Loan made with the proceeds of the Bonds in accordance with its terms, and

(iii) that the Borrower is not, and will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Financing Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Financing Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the Loan established pursuant to the Financing Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the

Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 13th day of January, 2004.

By:___________________________________
Elizabeth Anderson, Chair

[SEAL]

Attest:_________________________
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Chicory Court XV, LP, a Texas limited partnership

Project: The Project is a 144-unit multifamily facility to be known as Providence at Rush Creek II Apartments and to be located at 975 Mineral Springs Road, Arlington, Tarrant County, Texas. The Project will consist of seven (7) two-story and three-story residential apartment buildings with approximately 160,308 net rentable square feet and an approximate average unit size of 1,113 square feet. The unit mix will consist of:

36 two-bedroom/one-bath units
108 three-bedroom/two-bath units

144 Total Units

Unit sizes will range from approximately 967 square feet to approximately 1,162 square feet.

The Project will include an administration office, a business center, a fitness room, an activity room, a community room, a computer lab, kitchen facilities, and public restrooms. On-site amenities will include a swimming pool, a children's play area, playground equipment, and a picnic area. All individual units will have washer/dryer connections and individual water heaters. Additionally, the Project will include 22 garages, 36 carports and approximately 200 uncovered parking spaces.

HOUSING TAX CREDIT PROGRAM
2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
Texas Department of Housing and Community Affairs

Development Name: **Providence at Rush Creek II Apartments** TDHCA#: 03463

DEVELOPMENT AND OWNER INFORMATION

Development Location: Arlington QCT: N DDA: N TTC: N
Development Owner: Chicory Court XV, LP
General Partner(s): Chicory GP Rush Creek, Inc., 100%, Contact: Aubra Franklin
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $444,932 Eligible Basis Amt: $438,609 Equity/Gap Amt.: $531,879
Annual Tax Credit Allocation Recommendation: $438,609
Total Tax Credit Allocation Over Ten Years: $ 4,386,090

PROPERTY INFORMATION

Unit and Building Information
Total Units: 144 LIHTC Units: 144 % of LIHTC Units: 100
Gross Square Footage: 165,282 Net Rentable Square Footage: 160,308
Average Square Footage/Unit: 1113
Number of Buildings: 7
Currently Occupied: N
Development Cost
Total Cost: $14,261,408 Total Cost/Net Rentable Sq. Ft.: $88.96
Income and Expenses
Effective Gross Income:[1] $1,371,492 Ttl. Expenses: $587,759 Net Operating Inc.: $783,733
Estimated 1st Year DCR: 1.08

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Capstone Real Estate Services
Attorney:	Coats, Rose, Yale, Ryman & Lee	Architect:	RPGA Architects
Accountant:	Novogradac & Company	Engineer:	Kimley Horn & Assoc.
Market Analyst:	Butler Burgher, LLC	Lender:	Municipal Mortgage and Equity, LLC
Contractor:	Northwest Construction	Syndicator:	MMA Financial LLC

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0 **Public Hearing:** # in Support: 3 # in Opposition: 15 # Neutral: 1	Sen. Kim Brimer, District 10 - NC Rep. Bill Zedler, District 96 - NC Mayor Robert Cluck - NC Trey Yelvertson, Director of Neighborhood Services, City of Arlington; The City of Arlington's Consolidated Plan identified a need for affordable housing for low income households as a priority need.

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) 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. Acceptance by the Board of a likely redemption of bonds or up to $100,000 at the time of stabilization.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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).

Robert Onion, Multifamily Finance Manager Date Brooke Boston, Director of Multifamily Finance Production Date

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 Date
Chairman of Executive Award and Review Advisory Committee

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Chairperson Signature: ______________________ ______________
Elizabeth Anderson, Board Chair Date

Providence at Rush Creek II
Apartments

Estimated Sources & Uses of Funds

Sources of Funds	
Series 2004 Tax-Exempt Bond Proceeds	$ 10,000,000
Tax Credit Proceeds	3,610,000
Deferred Developer Fee	605,703
Other Deferred Amounts	28,491
Investment Earning	43,782
Total Sources	$ 14,287,976

Uses of Funds	
Deposit to Mortgage Loan Fund (Construction funds)	$ 11,262,515
Construction Period Interest	646,333
Rent Up Reserve	181,798
Developer's Overhead & Fee	1,525,000
Costs of Issuance	
Direct Bond Related	247,450
Bond Purchaser Costs	275,000
Other Transaction Costs	59,880
Real Estate Closing Costs	90,000
Total Uses	$ 14,287,976

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 50,000
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee ($25 per unit) 2 years	7,200
TDHCA Bond Counsel and Direct Expenses (Note 1)	60,000
TDHCA Financial Advisor and Direct Expenses	30,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	60,000
Trustee Fee	8,500
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee ($1,250 per series, max. of 2 series)	2,500
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Reservation)	2,500
TEFRA Hearing Publication Expenses	7,750
Total Direct Bond Related	$ 247,450

Providence at Rush Creek II
Apartments

Bond Purchase Costs		
MuniMae Origination Fee		250,000
MuniMae Application Fee		25,000
Total	$	275,000
Other Transaction Costs		
Tax Credit Determination Fee (4% annual tax cr.)		57,000
Tax Credit Applicantion Fee ($20/u)		2,880
Total	$	59,880
Real Estate Closing Costs		
Title & Recording (Const.& Perm.)		90,000
Real Estate Legal		105,000
Property Taxes		35,000
Total Real Estate Costs	$	90,000
Estimated Total Costs of Issuance	$	672,330

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	01/05/2004	**PROGRAM:**	4% HTC MRB	**FILE NUMBER:**	03463 2003-065

DEVELOPMENT NAME

Providence at Rush Creek II Apartments

APPLICANT

Name:	Chickory Court XV, LP			**Type:**	For Profit		
Address:	9901 IH 10 West, Suite 605			**City:**	San Antonio	**State:**	TX
Zip:	78230	**Contact:**	Ryan Wilson	**Phone:**	(210) 694-2223	**Fax:**	(210) 694-2225

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Chickory GP Rush Creek, Inc.	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Provident Realty Advisors	**(%):**	N/A	**Title:**	Co-developer
Name:	Franklin Development Company	**(%):**	N/A	**Title:**	Co-developer
Name:	Aubra Franklin			**Title:**	100% owner of MGP and Franklin Development Co.
Name:	Leon J. Backes			**Title:**	100% Owner of Provident Realty Advisors

PROPERTY LOCATION

Location:	1200 Mineral Springs Road			☐ **QCT**	☐ **DDA**
City:	Arlington	**County:**	Tarrant	**Zip:**	76001

REQUEST

Amount	Interest Rate	Amortization	Term
1) $444,932	N/A	N/A	N/A
2) $10,000,000	6.7%	40	40

Other Requested Terms: 1) Annual ten-year allocation of housing tax credits
2) Tax-exempt mortgage revenue bonds

Proposed Use of Funds: New Construction **Property Type:** Multifamily

RECOMMENDATION

☒ RECOMMEND APPROVAL OF TAX CREDITS NOT TO EXCEED $438,609 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF THE ISSUANCE OF TAX-EXEMPT BONDS NOT TO EXCEED $10,000,000, BEARING INTEREST AT 6.70%, AND MATURING IN 40 YEARS.

CONDITIONS

1. Acceptance by the Board of a likely redemption of bonds or up to $100,000 at the time of stabilization; and
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	144	**# Rental Buildings**	7	**# Common Area Bldngs**	1	**# of Floors**	3	**Age:**	N/A yrs	**Vacant:**	N/A at / /

Net Rentable SF: 160,308 **Av Un SF:** 1,113 **Common Area SF:** 4,974 **Gross Bldg SF:** 165,282

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 10% masonry veneer/30% Hardiplank siding/60% stucco 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, cable connections, internet access, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

A 4,974-s.f. community building with furnished community room, residential kitchen, laundry facilities, public telephones and public restroom, computer room, exercise room, and management offices. A swimming pool and an equipped playground will be located on the site which will be secured by perimeter fencing and limited access gates

Uncovered Parking: 273 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Providence at Rush Creek II is a relatively dense (13 units per acre) new construction development of 144 units of affordable housing located in Arlington. The development is comprised of seven evenly distributed large garden style walk-up low-rise residential buildings as follows:

- (3) Building Type I with 8 two-bedroom/ two-bath units and 8 three- bedroom/ two-bath units;
- (1) Building Type II with 12 two-bedroom/ two-bath units and 12 three- bedroom/ two-bath units; and
- (3) Building Type III with 24 three-bedroom/ two-bath units.

Architectural Review: The exterior façade of the proposed buildings are generally attractive with hipped roofs, stone, stucco, and hardiplank siding veneer, and alternate balconies and windows. The floor plans of the individual units appear to be well organized, each having a sufficient amount of space in each of the bedrooms and living areas, an adequate amount of storage space among the closets, and a fair amount of work space in the kitchen.

Supportive Services: The Applicant has entered into a contract with American Agape Foundation for the provision of supportive services to the residents of the development for $18,000 annually. Services to be provided will include after school programs for children, health screenings, “case management,” computer facilities, and social events.

Schedule: The Applicant anticipates construction to begin in February of 2004 and to be completed in February of 2005. The development should be placed in service in May of 2005 and substantially leased-up in September of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 10.73 acres 467,398 square feet **Zoning/ Permitted Uses:** Multifamily

Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the southern quadrant of Arlington, approximately 6.5 miles from the central business district. The site is situated on the north side of Mineral Springs Road. The site is located near but not adjacent to a recently approved tax credit development, the Providence at Rush Creek Apartments, HTC #03455. The current application is subject to the 2003 rules, and not the newer 2004 rules regarding the proximity of developments to each other.

Adjacent Land Uses:

- **North:** Multifamily across W. Sublett Road
- **South:** Single family residential across Mineral Springs Road
- **East:** Multifamily across W. Sublett Road
- **West:** Agricultural land and buildings

Site Access: The development is to have three main entries, two from the east by West Sublett Road and Mineral Springs Road, and one from the south by Mineral Springs. Access to Interstate Highway 20 is 2.5 miles north, which provides connections to all other major roads serving the Dallas-Fort Worth area.

Public Transportation: According to the market study, public transportation is not provided in Arlington.

Shopping & Services: The site is within one mile of a major grocery and pharmacy, and an elementary school. Shopping centers, restaurants, churches, hospitals and health care facilities are all located within driving distance from the site.

Site Inspection Findings: The site was inspected by a TDHCA staff member on December 3, 2003, and found to be a "very good location for an affordable housing complex."

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment (ESA) report dated December 2, 2003 was prepared by Alpha Testing, Inc. The Underwriter had one question regarding some equivocal language about soil piles which were found on the site, and the ESA inspector provided a subsequent addendum dated December 29, 2003 clarifying that the soil piles do not appear to constitute an environmental concern. The ESA concludes that there is no evidence of recognized environmental conditions in connection with the site.

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 project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI. All 144 of the units will be reserved for low-income households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$25,740	$29,400	$33,120	$36,780	$39,720	$42,660

MARKET HIGHLIGHTS

A market feasibility study dated December 5, 2003 was prepared by Butler Burgher, Inc. and highlighted the following findings:

Definition of Primary Market Area: "The Primary Market Area is defined as East Loop 820 South and US 287 Business to the west, SH 303 to the north, SH 360 to the east, and US 287 and Cannon Road to the south (p. 58)." The Primary Market Area has an area of approximately 80 square miles, which would be the equivalent area of a circle with a radius of approximately five miles.

Population: The estimated 2003 population in the Primary Market Area (PMA) was 230,899 and is expected to increase annually by 2.65% to approximately 261,454 by 2008. Observing this very high growth rate, the Market Analyst notes that the project is in the second fastest growing area of the state. Within the PMA there were estimated to be 79,767 households in 2003, resulting in an average household size of 2.89 persons.

Total Primary Market Demand for Rental Units: The Market Analyst calculates a total demand of 4,707 qualified households in the PMA, based on the current number of 79,767 housholds in the PMA, the projected annual growth rate of 2.65%, estimated renter households of 36.17%, estimated income qualified households of 22.39%, and a turnover rate of 70.30% (page 80).

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	166	4%	166	3%
Resident Turnover	4,540	96%	4,655	97%
TOTAL ANNUAL DEMAND	4,707	**100%**	4,821	**100%**

Ref: p. 5

Inclusive Capture Rate: The Market Analyst identified 1,072 units of unstabilized affordable rental housing in the PMA as shown among the following five developments:

Name	HTC No.	Units	Comments
Rush Creek II	HTC #03463	144	Present application
Rush Creek I	HTC #03455	248	
Addison Park	HTC #03461	224	Pending approval
Arlington Villas	HTC #03424	280	
Cedar Point	HTC #01148	176	Only 132 affordable units
Total		1,072	1,028 affordable units

The result of the Market Analyst's unstabilized affordable supply, divided by the demand from qualified households results in a capture rate of 22.78%, which is within TDHCA's guidelines of 25%. The Underwriter calculated an inclusive capture rate of 21.32% based upon a revised supply of 1,028 unstabilized units (due to one of the unstabilized developments in the PMA actually having fewer affordable units than included by the Market Analyst), and a revised demand of 4,821 income qualified households (due to differences between the Underwriter's and the Analyst's mathematical assumptions). Although the relatively high concentration of recently approved developments in the Arlington market causes some concern, scrutiny of the market study supports that the capture rate falls within TDHCA's regulatory guidelines of 25%.

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 1,918 units in the market area (p. 85).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom (60%)	$758	$753	+$5	$880	-$122
3-Bedroom (60%)	$871	$865	+$6	$1,055	-$184

(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)

Primary Market Occupancy Rates: "M/PF reflects 92.6% occupancy for 24,867 units in the third quarter of 2003 in South Arlington. The surveyed units reflect a higher occupancy of 94% (p. 83)."

Absorption Projections: "An absorption rate of 15 units/month, after completion, is reasonable for the subject, as encumbered by LIHTC, resulting in just over a 6-month absorption period, after completion, to obtain stabilizes physical occupancy (p. 83)."

The Underwriter found the market study to have adequate information to support the conclusion that there is demand for the proposed units, and that the proposed rents may be achieved.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's projected potential gross rental income is within 1% of the Underwriter's estimate due to differing calculation of utility allowances. The resulting difference of $1,800 is insignificant. The Applicant's estimate of secondary income at $20 per unit per month deviates from TDHCA's standard allowance of $15 per unit per month due to income from the provision of cable services to the residents. The Applicant's estimate is justifiable within a reasonable margin based on historic operating data maintained by TDHCA. The Applicant's vacancy and collection loss rate of 7.5% is consistent with TDHCA's underwriting guidelines.

Expenses: The Applicant's estimate of total operating expense is approximately 3.16% lower than the Underwriter's estimate, an acceptable deviation. The Applicant's budget shows some line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($13,633 lower), and utilities ($16,736 lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: The Applicant's estimated 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. Based on the Applicant's NOI, the DCR for the bonds only is 1.09. To achieve a DCR of 1.10, the maximum debt service for this project should be limited to $712,518 by a reduction of the loan amount (either at the time of debt issuance or under a redemption clause at the time of stabilization), a reduction in the interest rate, or an extension of the amortization period. For purposes of this analysis, the Underwriter assumed a reduction of the principal of the primary loan to $9,900,000, and an increase of the deferred developer's fee by a like amount. When the various trustee, asset oversight, and administrative fees associated with TDHCA's bond issuance are included, the DCR decreases further, an indicator of the possibility that TDHCA may have to defer a portion of some of these fees initially.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 10.68 acres	$651,309	**Assessment for the Year of:**	2003
Building:	$0	**Valuation by:**	Tarrant County Appraisal District
Total Assessed Value:	$651,309	**Tax Rate:**	$2.977277

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved Commercial Property Contract		
Contract Expiration Date:	02/ 16/ 2004	**Anticipated Closing Date:**	02/ 16/ 2004
Acquisition Cost:	$750,000	**Other Terms/Conditions:**	
Seller:	DFRP Arlington Joint Venture	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,570 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $23,362 or less than 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's general and administrative fees exceed the 2% maximum allowed by HTC guidelines by $4,959 based on their own construction costs. 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 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 HTC allocation. As a result an eligible basis of $12,285,972 is used to determine a credit allocation of $438,609 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

INTERIM AND PERMANENT FINANCING

Source: Municipal Mortgage and Equity, LLC **Contact:** Ryan Luxson

Principal Amount: $10,000,000 **Interest Rate:** 5.375% during construction, 6.70% after conversion

Additional Information: Interest only is payable during a construction period of up to two years.

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $719,715 **Lien Priority:** 1st **Commitment Date** 11/ 20/ 2003

TAX CREDIT SYNDICATION

Source: MMA Financial, LLC **Contact:** Marie Keutmann

Address: 101 Arch Street **City:** Boston

State: Mass. **Zip:** 02110 **Phone:** (617) 439-3911 **Fax:** (617) 439-9978

Net Proceeds: $3,658,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 11/ 21/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $568,408 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing will be provided from the proceeds of tax-exempt debt issued by TDHCA and privately placed with MMA Financial. The loan of $10,000,000 will carry an interest rate of 6.70% and will be amortized over forty years. Because bonds issued by TDHCA cannot remain outstanding for more than 40 years, the initial contruction period of up to two years during which interest only would be paid means that the bonds are not fully amortizing, and any outstanding principal remaining at the end of the term would have to be repaid in a single "balloon" payment.

According to the Applicant's figures, the DCR would be approximately 1.09 for the bonds only. In order to achieve a 1.10 DCR, the principal would have to be reduced to $9,900,000 or the interest rate or amortization of the loan would have to be otherwise adjusted. For purposes of this report, the Underwrtier reduced the debt to $9,900,000.

LIHTC Syndication: MMA Financial has proposed to purchase a 99.99% interest in the property, providing $3,648,000 in equity based on an eligible basis of $12,290,930, an applicable percentage of 3.62%, and an investment of $0.82 per dollar of tax credits. TDHCA's calculation of an eligible basis of $12,285,972 using the Applicant's cost estimate, and the use of an applicable percentage of 3.57% result in the provision of $3,596,596 in equity based on the syndicator's investment rate. The difference of $51,404 would have to be made up by deferring an equivalent amount of the Developer's fee.

Deferred Developer's Fees: The Applicant's sources of funds schedule show that $568,408 of the Developer's fee would have to be deferred. The Applicant also included as a source of funds interest income in the amount of $45,000 from the guaranteed investment contract in which bond proceeds would be invested during the construction period. As the contract has not yet been bid, and the Applicant did not include sufficient information regarding the assumptions made in deriving the amount for the Underwriter to verify the estimate, the Underwriter did not include GIC income as a source of funds, and included the difference by increasing the portion of the Developer's fee to be deferred. Together with the projected reductions of debt and equity, the Underwriter estimates that the portion of the Developer's fee deferred may be as high as $764,812. This represents approximately 50% of the total Developer's fee, and could potentially be repaid within the eighth year of stabilized operations.

Financing Conclusions: It is projected that based on the Applicant's estimates of income, expenses, and project costs, the principal of the loan may have to be reduced and a slightly lower equity contribution will be provided, resulting in a corresponding increase of the deferred developer's fee.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, and the Developer are related entities. This is a common relationship for HTC-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.
- Provident Realty Advisors, Co-developer in this transaction, submitted unaudited financial statements as of December 31 2002, reporting total assets of $419,958 and consisting of $156,123 in cash, $35,523 in receivables, $28,411 in fixed assets, and $199,901 in other assets. Liabilities total $104,363, resulting in a net worth of $315,594.
- Franklin Development Company, Co-developer in this transaction, submitted unaudited financial statements as of August 12, 2003 reporting total assets of $1,981,000 and consisting of $370,000 in cash, and $1,611,000 in receivables. The financial statement shows that there are no liabilities.
- Leon Backes and Aubra Franklin, the principals of the General Partner, submitted unaudited financial statements as of June and November of 2003, respectively, and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Leon J. Backes, a principal of the General Partner has completed two HTC/affordable housing developments totaling 544 units since 2002.
- Aubra Franklin, a principal of the General Partner has three LIHTC/affordable housing developments currently under construction totaling 744 units.

SUMMARY OF SALIENT RISKS AND ISSUES

- In order to achieve a 1.10 DCR, it is estimated that up to $100,000 in bonds may have to be redeemed after project stabilization, reducing the total principal of the loan to $9,900,000.

Underwriter:	*Stephen Apple*	**Date:**	01/05/2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	01/05/2004

MULTIFAMILY COMPARATIVE ANALYSIS

Providence at Rush Creek II, Arlington, 4% HTC #03463

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%	36	2	2	967	$828	$753	$27,108	$0.78	$75.00	$41.00
TC 60%	108	3	2	1,162	956	865	93,420	0.74	91.00	50.00
TOTAL:	144		AVERAGE:	1,113	$924	$837	$120,528	$0.75	$87.00	$47.75

INCOME				TDHCA	APPLICANT			
Total Net Rentable Sq Ft: 160,308							USS Region	3
POTENTIAL GROSS RENT				$1,446,336	$1,448,136		IREM Region	Fort Worth
Secondary Income	Per Unit Per Month:		19.41	33,543	34,560	$20.00	Per Unit Per Month	
Other Support Income				0	0			
POTENTIAL GROSS INCOME				$1,479,879	$1,482,696			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(110,991)	(111,204)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,368,888	$1,371,492			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.48%	$331	0.30	$47,633	$34,000	$0.21	$236	2.48%
Management		4.00%	380	0.34	54,756	$54,860	0.34	381	4.00%
Payroll & Payroll Tax		9.39%	893	0.80	128,592	$138,500	0.86	962	10.10%
Repairs & Maintenance		4.49%	427	0.38	61,437	$63,119	0.39	438	4.60%
Utilities		2.80%	266	0.24	38,336	$21,600	0.13	150	1.57%
Water, Sewer, & Trash		4.92%	468	0.42	67,375	$55,700	0.35	387	4.06%
Property Insurance		2.23%	212	0.19	30,459	$36,000	0.22	250	2.62%
Property Tax	2.977277	8.64%	821	0.74	118,226	$125,680	0.78	873	9.16%
Reserve for Replacements		2.10%	200	0.18	28,800	$28,800	0.18	200	2.10%
Services, Security, Fees, Cable		2.16%	205	0.18	29,500	$29,500	0.18	205	2.15%
TOTAL EXPENSES		44.20%	$4,202	$3.77	$605,112	$587,759	$3.67	$4,082	42.86%
NET OPERATING INC		55.80%	$5,304	$4.76	$763,776	$783,733	$4.89	$5,443	57.14%
DEBT SERVICE									
First Lien Mortgage		52.58%	$4,998	$4.49	$719,715	$719,715	$4.49	$4,998	52.48%
Trustee Fee		0.26%	$24	$0.02	$3,500		$0.00	$0	0.00%
TDHCA Admin. Fees		0.73%	$69	$0.06	10,000		$0.00	$0	0.00%
Asset Oversight Fees		0.16%	$15	$0.01	2,160		$0.00	$0	0.00%
NET CASH FLOW		2.33%	$222	$0.20	$31,901	$64,018	$0.40	$445	4.67%
INITIAL AGGREGATE DEBT COVERAGE RATIO					1.04	1.09			
INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.05				
RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO						1.10			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.89%	$5,903	$5.30	$850,000	$850,000	$5.30	$5,903	5.96%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.55%	6,570	5.90	946,081	946,081	5.90	6,570	6.63%
Direct Construction		46.28%	46,407	41.69	6,682,625	6,705,987	41.83	46,569	47.02%
Contingency	1.97%	1.04%	1,042	0.94	150,000	150,000	0.94	1,042	1.05%
General Req'ts	5.83%	3.08%	3,090	2.78	445,000	445,000	2.78	3,090	3.12%
Contractor's G & A	2.00%	1.06%	1,060	0.95	152,574	158,000	0.99	1,097	1.11%
Contractor's Profit	3.93%	2.08%	2,083	1.87	300,000	300,000	1.87	2,083	2.10%
Indirect Construction		9.38%	9,406	8.45	1,354,500	1,354,500	8.45	9,406	9.50%
Ineligible Costs		7.08%	7,104	6.38	1,022,977	1,022,977	6.38	7,104	7.17%
Developer's G & A	3.89%	2.89%	2,903	2.61	418,000	418,000	2.61	2,903	2.93%
Developer's Profit	10.36%	7.70%	7,719	6.93	1,111,471	1,111,471	6.93	7,719	7.79%
Interim Financing		4.86%	4,874	4.38	701,892	701,892	4.38	4,874	4.92%
Reserves		2.12%	2,125	1.91	305,983	97,500	0.61	677	0.68%
TOTAL COST		100.00%	$100,285	$90.08	$14,441,104	$14,261,408	$88.96	$99,038	100.00%
Recap-Hard Construction Costs		*60.08%*	***$60,252***	***$54.12***	***$8,676,281***	***$8,705,068***	***$54.30***	***$60,452***	*61.04%*

SOURCES OF FUNDS						RECOMMENDED	
Tax-Exempt Bonds	69.25%	$69,444	$62.38	$10,000,000	$10,000,000	$9,900,000	Developer Fee Available
Taxable Bonds/ Additional Financing	0.00%	$0	$0.00	0	0	0	$1,529,471
HTC Syndication Proceeds	25.26%	$25,333	$22.76	3,648,000	3,648,000	3,596,596	% of Dev. Fee Deferred
Deferred Developer Fees	4.25%	$4,260	$3.83	613,408	613,408	764,812	50%
Additional (Excess) Funds Required	1.24%	$1,248	$1.12	179,696	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$14,441,104	$14,261,408	$14,261,408	$2,804,742

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Providence at Rush Creek II, Arlington, 4% HTC #03463

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.79	$6,859,969
Adjustments				
Exterior Wall Finish	0.80%		$0.34	$54,880
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.79)	(126,554)
Floor Cover			2.00	320,616
Porches/Balconies	$14.41	46512	4.18	670,135
Plumbing	$605	432	1.63	261,360
Built-In Appliances	$1,650	144	1.48	237,600
Stairs/Fireplaces	$1,700	44	0.47	74,800
Floor Insulation			0.00	0
Heating/Cooling			1.53	245,271
Garages & Carports	$10.59	15,400	1.02	163,112
Comm &/or Aux Bldgs	$56.25	4,974	1.75	279,802
Other:			0.00	0
SUBTOTAL			56.40	9,040,990
Current Cost Multiplier	1.03		1.69	271,230
Local Multiplier	0.88		(6.77)	(1,084,919)
TOTAL DIRECT CONSTRUCTION COSTS			$51.32	$8,227,301
Plans, specs, survy, bld prm	3.90%		($2.00)	($320,865)
Interim Construction Interes	3.38%		(1.73)	(277,671)
Contractor's OH & Profit	11.50%		(5.90)	(946,140)
NET DIRECT CONSTRUCTION COSTS			$41.69	$6,682,625

PAYMENT COMPUTATION

Primary	$10,000,000	Term	480
Int Rate	6.70%	DCR	1.06

Secondary		Term	
Int Rate		Subtotal DCR	1.05

All-In		Term	
Rate		Aggregate DCR	1.04

RECOMMENDED FINANCING STRUCTURE APPLICANT'S

Primary Debt Service	$712,518
Trustee Fee	3,500
TDHCA Admin. Fees Asset Overs	12,060
NET CASH FLOW	$55,655

Primary	$9,900,000	Term	480
Int Rate	6.70%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.09

All-In		Term	
Rate		Aggregate DCR	1.08

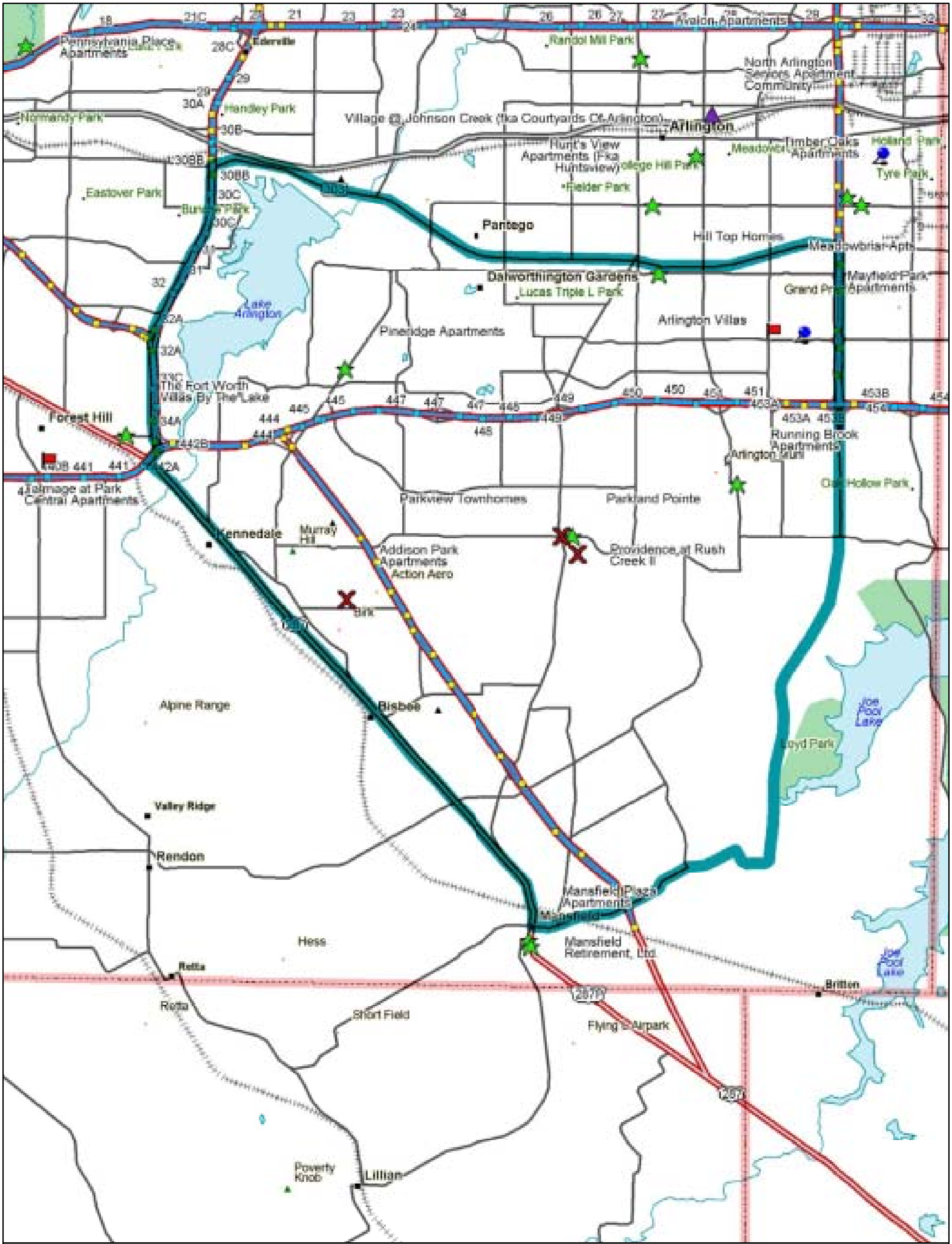
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$1,448,136	$1,491,580	$1,536,327	$1,582,417	$1,629,890	$1,889,489	$2,190,436	$2,539,315	$3,412,627
Secondary Income	34,560	35,597	36,665	37,765	38,898	45,093	52,275	60,601	81,443
Other Support Income	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,482,696	1,527,177	1,572,992	1,620,182	1,668,787	1,934,582	2,242,711	2,599,916	3,494,070
Vacancy & Collection Loss	(111,204)	(114,538)	(117,974)	(121,514)	(125,159)	(145,094)	(168,203)	(194,994)	(262,055)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,371,492	$1,412,639	$1,455,018	$1,498,668	$1,543,628	$1,789,488	$2,074,507	$2,404,923	$3,232,015
EXPENSES at 4.00%									
General & Administrative	$34,000	$35,360	$36,774	$38,245	$39,775	$48,393	$58,877	$71,633	$106,034
Management	54,860	56505.6167	58200.78516	59946.80871	61745.21298	71579.62462	82980.40306	96197.02995	129280.7642
Payroll & Payroll Tax	138,500	144,040	149,802	155,794	162,025	197,129	239,837	291,799	431,933
Repairs & Maintenance	63,119	65,644	68,270	71,000	73,840	89,838	109,302	132,982	196,846
Utilities	21,600	22,464	23,363	24,297	25,269	30,744	37,404	45,508	67,363
Water, Sewer & Trash	55,700	57,928	60,245	62,655	65,161	79,278	96,454	117,351	173,709
Insurance	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Property Tax	125,680	130,707	135,935	141,373	147,028	178,882	217,637	264,789	391,952
Reserve for Replacements	28,800	29,952	31,150	32,396	33,692	40,991	49,872	60,677	89,817
Other	29,500	30,680	31,907	33,183	34,511	41,988	51,084	62,152	92,000
TOTAL EXPENSES	$587,759	$610,721	$634,584	$659,386	$685,162	$830,061	$1,005,789	$1,218,935	$1,791,207
NET OPERATING INCOME	$783,733	$801,918	$820,433	$839,283	$858,467	$959,427	$1,068,718	$1,185,988	$1,440,808
DEBT SERVICE									
First Lien Financing	$712,518	$712,518	$712,518	$712,518	$712,518	$712,518	$712,518	$712,518	$712,518
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Ov	12,060	12,009	11,955	11,897	11,835	11,454	10,923	2,160	2,160
NET CASH FLOW	$55,655	$73,891	$92,460	$111,368	$130,614	$231,955	$341,778	$467,810	$722,630
AGGREGATE DCR	1.08	1.10	1.13	1.15	1.18	1.32	1.47	1.65	2.01
BONDS & TRUSTEE FEE-ONLY	1.09	1.12	1.15	1.17	1.20	1.34	1.49	1.66	2.01
BONDS-ONLY DCR	1.09994873	1.12547059	1.15145645	1.177910754	1.204835112	1.346530596	1.499917761	1.664502311	2.022135593
						181,284	286,866	404,794	595,220
Cumulative Cash Flow	55,655	129,546	222,007	333,374	463,988	1,370,410	2,804,742	4,828,710	10,780,910
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30

LIHTC Allocation Calculation - Providence at Rush Creek II, Arlington, 4% HTC #03463

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$850,000	$850,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$946,081	$946,081	$946,081	$946,081
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$6,705,987	$6,682,625	$6,705,987	$6,682,625
(4) Contractor Fees & General Requirements				
Contractor overhead	$158,000	$152,574	$153,041	$152,574
Contractor profit	$300,000	$300,000	$300,000	$300,000
General requirements	$445,000	$445,000	$445,000	$445,000
(5) Contingencies	$150,000	$150,000	$150,000	$150,000
(6) Eligible Indirect Fees	$1,354,500	$1,354,500	$1,354,500	$1,354,500
(7) Eligible Financing Fees	$701,892	$701,892	$701,892	$701,892
(8) All Ineligible Costs	$1,022,977	$1,022,977		
(9) Developer Fees				
Developer overhead	$418,000	$418,000	$418,000	$418,000
Developer fee	$1,111,471	$1,111,471	$1,111,471	$1,111,471
(10) Development Reserves	$97,500	$305,983		
TOTAL DEVELOPMENT COSTS	$14,261,408	$14,441,104	$12,285,972	$12,262,144

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$12,285,972	$12,262,144
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$12,285,972	$12,262,144
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$12,285,972	$12,262,144
Applicable Percentage		3.57%	3.57%
TOTAL AMOUNT OF TAX CREDITS		$438,609	$437,759
Syndication Proceeds	**0.8200**	**$3,596,596**	**$3,589,620**
Total Credits (Eligible Basis Method)		**$438,609**	**$437,759**
Syndication Proceeds		**$3,596,596**	**$3,589,620**
Requested Credits		**$444,932**	
Syndication Proceeds		**$3,648,442**	
Gap of Syndication Proceeds Needed		**$4,361,408**	
Credit Amount		**$531,879**	



DeLORME

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Zoom Level: 10-6 Datum: WGS84

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RENT CAP EXPLANATION
Fort Worth / Arlington MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is **"affordable"** if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2003

MSA/County: Fort Worth/Arlington **Area Median Family Income (Annual):** $60,300

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)		
# of	At or Below			Unit	At or Below			(provided by	At or Below		
Persons	50%	60%	80%	Type	50%	60%	80%	the local PHA)	50%	60%	80%
1	$ 21,450	$ 25,740	$ 34,350	Efficiency	$ 536	$ 643	$ 858		$ 536	$ 643	$ 858
2	24,500	29,400	$ 39,250	1-Bedroom	574	689	920		574	689	920
3	**27,600**	**33,120**	**$ 44,150**	**2-Bedroom**	**690**	**828**	**1,103**	**70.00**	**620**	**758**	**1,033**
4	30,650	36,780	$ 49,050	3-Bedroom	796	956	1,275	85.00	711	871	1,190
5	33,100	39,720	$ 52,950								
6	35,550	42,660	$ 56,900	4-Bedroom	888	1,066	1,422		888	1,066	1,422
7	38,000	45,600	$ 60,800	5-Bedroom	980	1,176	1,569		980	1,176	1,569
8	40,450	48,540	$ 64,750								
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4		

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning $30,000 per year would fall in the 60% set-aside group. A family of three earning $25,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning $33,120 could not pay more than $828 for rent and utilities under the affordable definition.

1) $33,120 divided by 12 = **$2,760** monthly income; then,

2) **$2,760** monthly income times 30% = **$828** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in ***Figure 3*** from the maximum total housing expense for each unit type found in ***Figure 2***.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

Providence at Rush Creek II Apartments

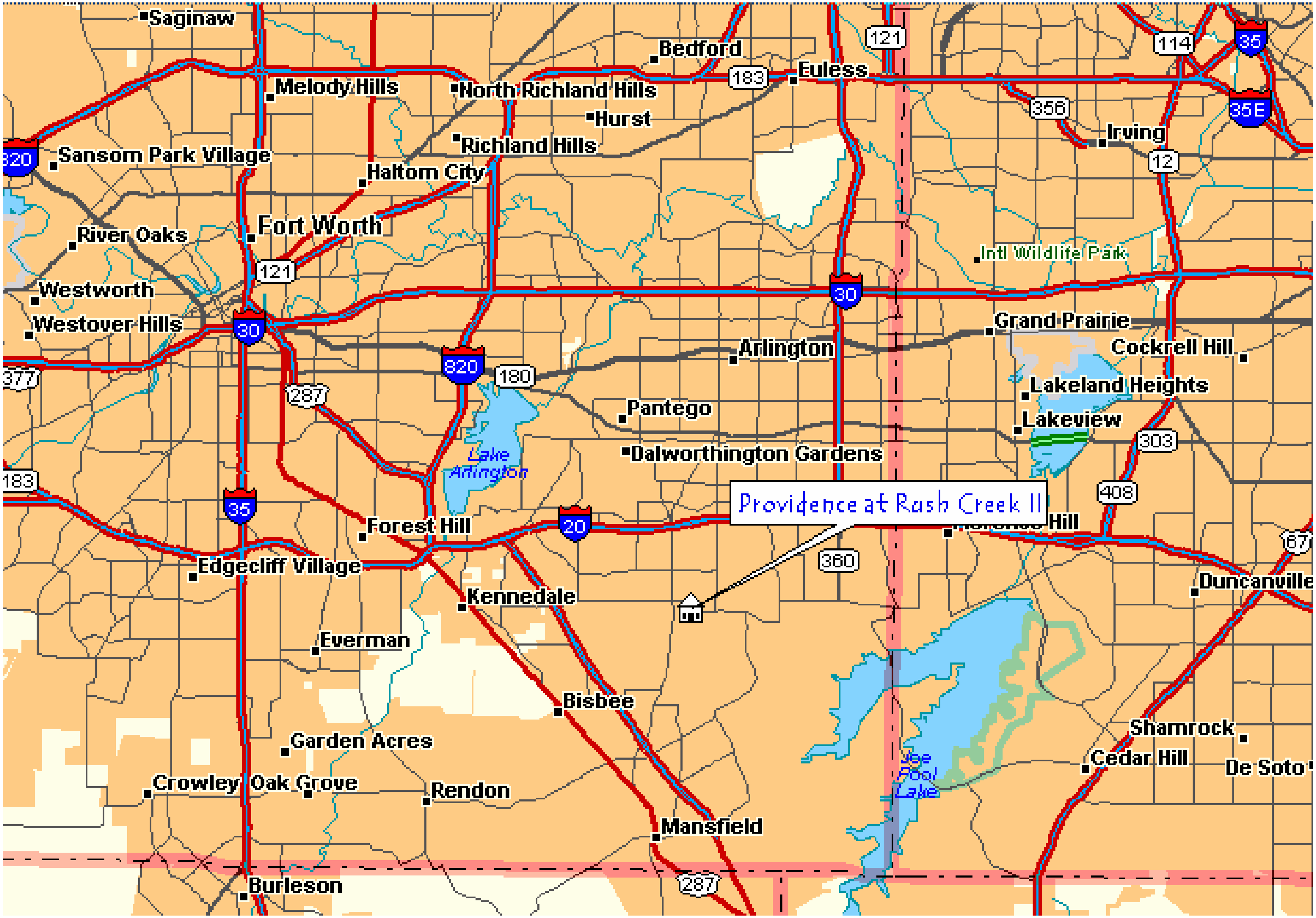
RESULTS & ANALYSIS:

Tenants in the 60% AMFI bracket will **save $97 to $159** per month (leaving 3.5% to 5.0% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **11.3% to 15.4%.**

PROJECT INFORMATION				
		Unit Mix		
Unit Description		2-Bedroom	3-Bedroom	
Square Footage		967	1,162	
Rents if Offered at Market Rates		$855	$1,030	
Rent per Square Foot		$0.88	$0.89	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 60% AMFI Set-Aside		$758	$871	
Monthly Savings for Tenant		**$97**	**$159**	
Rent per Square Foot		$0.78	$0.75	
Maximum Monthly Income - 60% AMFI		$2,760	$3,188	
Monthly Savings as % of Monthly Income		**3.5%**	**5.0%**	
% DISCOUNT OFF MONTHLY RENT		**11.3%**	**15.4%**	

Appraisal information provided by: Tim H. Cole with Pacific Southwest Valuation. Report dated December 10, 2003.


Providence at Rush Creek II
Saginaw
Bedford
Euless
Melody Hills
North Richland Hills
Hurst
Irving
Sansom Park Village
Richland Hills
Haltom City
River Oaks
Fort Worth
Intl Wildlife Park
Westworth
Westover Hills
Grand Prairie
Arlington
Cockrell Hill
Lakeland Heights
Pantego
Lakeview
Dalworthington Gardens
Lake Arlington
Forest Hill
Hill
Edgecliff Village
Kennedale
Duncanville
Everman
Bisbee
Garden Acres
Shamrock
Cedar Hill
De Soto
Crowley
Oak Grove
Rendon
Joe Pool Lake
Mansfield
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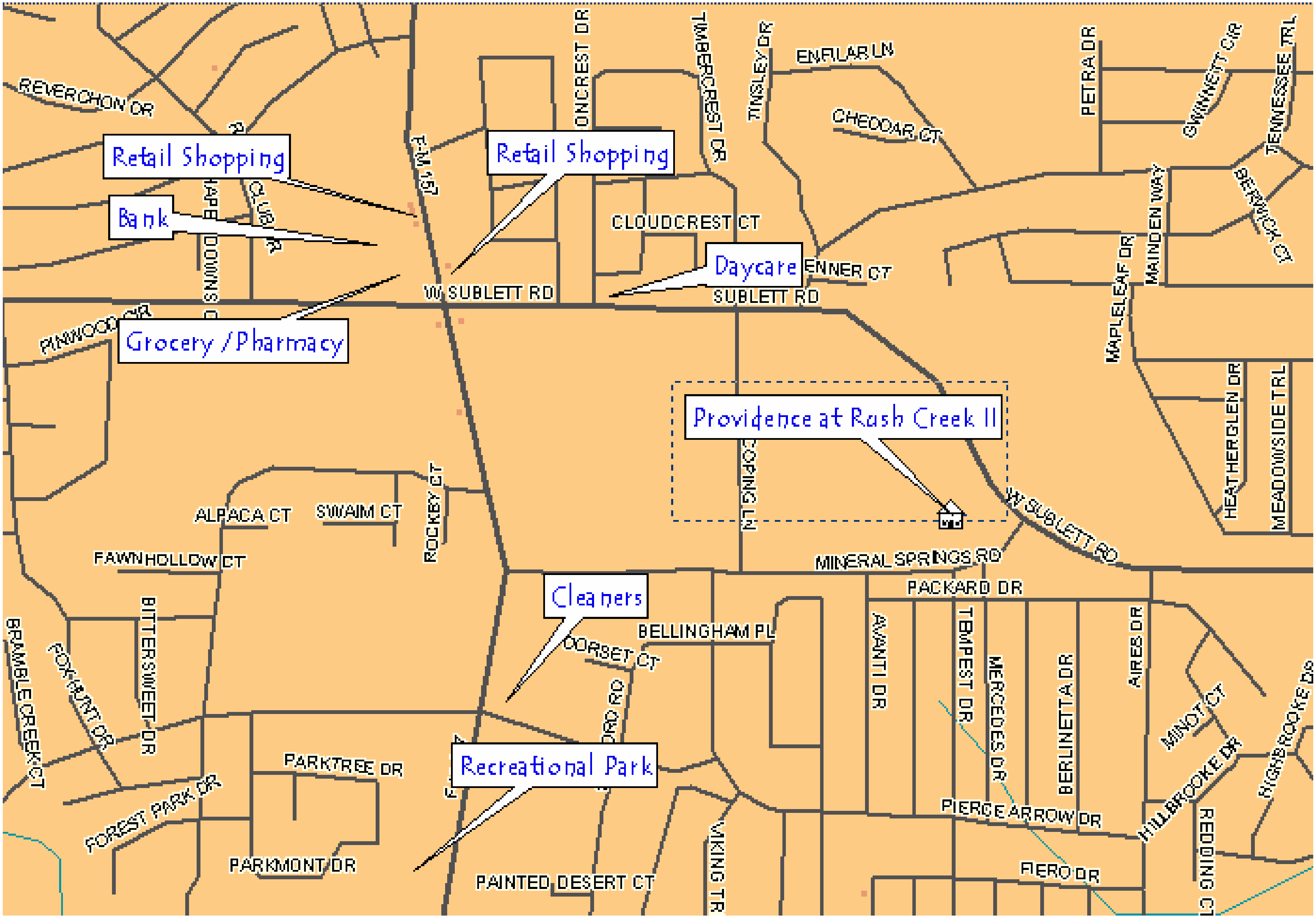
377
408
20
360
67



Providence at Rush Creek II
Daycare
Retail Shopping
Retail Shopping
Bank
Grocery / Pharmacy
Cleaners
Recreational Park
W SUBLETT RD
SUBLETT RD
F-M 157
MINERAL SPRINGS RD
COPING LN
AVANTI DR
TEMPEST DR
MERCEDES DR
BERLINETTA DR
AIRES DR
PACKARD DR
PIERCE ARROW DR
FIERO DR
REDDING CT
MINOT CT
HILLBROOKE DR
HIGHBROOKE DR
MEADOWSIDE TRL
HEATHERGLEN DR
MAPLELEAF DR
MAINDEN WAY
BERWICK CT
TENNESSEE TRL
GWINNETT CIR
PETRA DR
ENFLAR LN
CHEDDAR CT
TINSLEY DR
TIMBERCREST DR
CLOUDCREST CT
ONCREST DR
BELLINGHAM PL
DORSET CT
VIKING TR
PAINTED DESERT CT
ROCKBY CT
SWAIM CT
ALPACA CT
FAWNHOLLOW CT
BITTERSWEET DR
FOX HUNT DR
BRAMBLE CREEK CT
FOREST PARK DR
PARKTREE DR
PARKMONT DR
PINWOOD CIR
REVERCHON DR

Developer Evaluation

Project ID # **03463** Name: **Providence @ Rush Creek II** City:

LIHTC 9% ☐ LIHTC 4% ☑ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 5

Program Monitoring/Draws

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara Carr Newsom Date December 22, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by S. Roth Date 12/22/2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by EEF Date 12/29/2003

Office of Colonia Initiatives

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 12/29/2003

Executive Director: Edwina Carrington **Executed:** Friday, January 02, 2004

Status Summary

Project ID# 03463

Name: Providence @ Rush Creek II

City

- [ ] LIHTC 9
- [x] LIHTC 4
- [ ] HOME
- [ ] HTF
- [ ] Bond
- [ ] SEC
- [ ] ESGP
- [ ] Other

Developer	Role	Disbarr
Chicory Court XV, LP	Owner/Applicant Name	☐
Chicory GP Rush Creek, Inc.	General Partner (.01%)	☐
Aubra Franklin	100% Owner	☐
Franklin Development Company	Co-Developer	☐
Aubra Franklin	President	☐
Provident Realty Advisors, Inc.	Co-Developer	☐
Leon Backes	President	☐

Projects/Contracts Monitored by the Department

Program	Project ID	Project Name	Score
LIHTC	02474	Quail Creek Apartments	N/A
LIHTC	02475	Rose Court Thorntree	N/A
LIHTC	02471	Southside Villas	N/A
LIHTC	03176	San Miguel	N/A
LIHTC	03434	Preakness Ranch	N/A

Out of State Response Received: N/A

Non-Compliance Reported

Completed By: Jo En Taylor **Date:** 12/22/2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

Public Comment Summary

Providence at Rush Creek II

Public Hearing

Total Number Attended	19
Total Number Opposed	15
Total Number Supported	3
Total Number Neutral	1
Total Number that Spoke	3

Letters Received

Opposition	0
Support	0

Summary of Opposition

1 Increased crime rates
2 Decrease property values

Response to Summary of Opposition

1 There are no statistics that support an increased crime rate in affordable housing developments.
2 There are no statistics that support a decrease in property values due to affordable housing in the neighborhood.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS
RUSH CREEK II

PUBLIC HEARING

Moore Elementary School
5500 Park Springs Blvd.
Arlington, Texas

December 3, 2003
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

P R O C E E D I N G S

MS. MEYER: Good evening. My name is Robbye Meyer and I'm the Multifamily Bond Administrator for the Texas Department of Housing. I would like to proceed with the public hearing and let the record show that it is 6:23 p.m. on Wednesday, December 3, and we are at the Moore Elementary School located at 5500 Park Springs Blvd., Arlington, Texas.

I'm here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issuance of tax exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issuance.

No decisions regarding the development will be made at this hearing. The department's board is scheduled to meet to consider this transaction on January 13, 2004. In addition to providing your comments at this hearing, you are encouraged to speak directly to the board at their board meeting, or you can -- department staff will accept written comments from the public via facsimile and that is 512-475-0764 up until 5:00 on January 2. I have cards and I'll give them -- you don't have to panic.

The bonds will be issued as tax exempt multifamily revenue bonds in the aggregate principle amount not to exceed $10 million and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to Chicory Court - Rose Hill, L.P., or a related person or affiliate entity thereof to finance a port of the cost in acquiring, constructing and equipping a multifamily rental housing community described as follows: 150 unit multifamily residential rental development to be constructed on approximately 10.8 acres of land located at the south quadrant of Sublett Road and Mineral Springs Road in Arlington, Tarrant County, Texas.

The proposed multifamily rental housing community will be initially owned and operated by the borrower or related person or affiliate thereof.

There's two different financing pieces to this particular transaction. One is tax exempt bonds and one is tax credits. Whenever I say that, people start panicking, thinking they're not paying their taxes. This development will be paying their full property taxes, your school taxes, your county taxes, all their taxes.

The tax exempt bond piece is a tax exemption to the bond purchaser. Because the bond purchaser has that tax exemption, their willing to take a lower rate of return on their investment, therefore, charging the lender that's in the middle of all this, a lower rate to them, which in turn the lender can turn around and charge a lower rate to the development itself.

There will be a mortgage on the property that has to be paid back. It's not a grant, there is a financing structure to it. Because of this and the lower interest rate, a developer can come in an building a nice complex just like any market rate property at a lower cost.

Now, there's also another piece, it's the tax credit piece, which is an equity injection into the particular development. And there's a syndicator that's involved and that's -- it's a major financing structure there, but that allows the developer to then charge the lower rents to affordable families.

By using both of the programs involved together, it allows a lesser fortunate family to be able to afford to live in a nice market rate type quality built development.

Along with these two programs, there's also a compliance period that is put on there, it's actually affordability period. And it is under compliance guidelines that the Texas Department of Housing and Community Affairs adheres to.

There is a land use restriction agreement that is signed and our compliance department monitors that for at least 30 years or as long as the bonds are outstanding. If there happens to be a mortgage for 40 years, it's as long as those bonds are outstanding.

So there is an affordability period and a compliance period for at least 30 years on this property that will be under the thumb of the state.

The bond program is actually administered through the Texas Bond Review Board, and the Texas Department of Housing is an issuer for the Texas Bond Review Board. Being that, applications are filed annually and, as of right now, they are put under -- for this particular program, everything is drawn by lot. So it just goes by the next lowest lot number and we've moved down that list quite quickly this year.

For the 2004 and going forward, the

applications that are received by the Texas Department of Housing and Community Affairs will not be scored and ranked and it's done a little bit differently. This program is still under the old rules, so there's a few things that are different from what will be transpiring in the future.

The Rush Creek II development received what call a reservation of allocation on October 6. Once they receive that allocation, they have 120 days to close the bonds. And in that 120 days, they have until February 3, to actually close on the bond transaction itself.

Just to keep everybody in the same place that I'm in, this is not Section 8 project based housing. The federal government came up with these programs in essence to get them out of the housing management industry. And because of that, it's all privatized now. And this isn't a project based development that's going to be up here. It's privately owned, it's privately managed.

HUD doesn't -- they're not involved, so there's -- that misconception, a lot of people think that that's what's going to happen is we're bringing projects in and building ghettos in their backyards, and that's not what we're trying to do.

This particular development, again, it's at the southwest quadrant of Sublett Road and Mineral Springs, and it'll consist nine three story residential buildings and one non-residential building, 150 residential units, 48 two bedroom one bath units -- actually it's two bedroom two bath units, with an average square footage of 950 feet, and 102 three bedroom two bath units, with an average square footage of 1100.

It will service families at 60 percent of the area median income. For Fort Worth/Arlington, that's 60,300. And to give you an idea, for a family of four, they couldn't make more than $36,780 in order to live here. The maximum rent for a two bedroom is approximately $672, the maximum rent for a three bedroom is approximately $862.

I'm going to open the floor up now for questions, if you have any questions for the developer. Or, if you have any questions of myself, I'll be glad to answer those at this time, and then we'll start the comment section. Does anybody have any questions?

VOICE: When you say that it's not like a Section 8 type housing development, to me it sounds exactly like it. I mean, the development that's across the street already is -- I mean, I think it's majority whatever program you just mentioned -- what did you call it?

MS. MEYER: The tax exempt bond program?

VOICE: Yes, the --

VOICE: [inaudible] the one that's right now on Sublett, is that correct?

VOICE: No.

MS. MEYER: Which one? But it --

VOICE: But it's the same program. I mean, it's the same thing you explained just then, that it's subsidized, meaning a family of four could make no more than $36,000 a year to live there.

MS. MEYER: Well, no, there's -- the question being that, yes, this is the same as a complex that's already there. Are you referring to Parkland Point?

VOICE: Yes.

MS. MEYER: Is that the one?

VOICE: Yes.

MS. MEYER: I don't know if -- exactly what program they are under. It's not under the bond program through the Department. I don't know. It may be under a HUD program, they've might have used another program. But it's not under this particular program that I'm using now.

VOICE: I know this thing --

VOICE: Right. It's the same scenario.

MR. FRANKLIN: I think their rents are set, and there are different levels of rent restrictions, 30 percent of median, 40, 50, 60. And I'm pretty sure they're at a lower percent, which makes a big difference because 60 percent of median is only -- pretty close to market in Arlington.

And, again, like Robbye said, the financing structure allows us to build a product that's not like Parkland Point.

VOICE: Yeah, but Parkland Point actually looks very nice. I mean, just -- well, just that as it's going up, the development looks very nice. I drive by there --

MR. FRANKLIN: You know, if we build this product, you know, in Plano or something, you'd be talking about $1,000 to $1200 rents --

VOICE: Right.

MR. FRANKLIN: -- same product. And, again, they're not Section 8 vouchers, that's the -- you know, that's the big thing.

VOICE: Well, we're just thinking about the class of people that it draws, because I mean, at Parkland Point alone, they're -- you know, I'm sure you've seen applied by now, there's, you know, been 100 calls this year. This year alone.

VOICE: Not even -- nine months.

VOICE: The year's not even up.

VOICE: Yeah.

VOICE: We're talking ten months. There's been 100 police calls, just police calls there alone.

VOICE: And that's not even including the amount of emergency vehicles that have been going in and out of there, you know.

VOICE: And, I mean, I can speak for this group here, everybody here has had something to them, and personally, to their house or their property, to their children's property since those apartments have gone up. Now, we do not want another place like that, but right even closer to us.

MS. MEYER: Okay.

VOICE: And traffic's not enough.

VOICE: Right.

MS. MEYER: All right. If we can get the questions out of the way, because I'd really -- have all your comments on record so that my board can hear it because all this information will go to the them. And she can't hear everything that's going on out there, so.

Good.

VOICE: Can you clarify, is it 144 or 150 --

VOICE: Actually we lost some --

VOICE: Yeah --

VOICE: -- to a right of way dedication.

MS. MEYER: Oh, so you have to change that. Okay.

VOICE: So it's 144.

MS. MEYER: Okay, it's 144 units.

VOICE: Yeah.

MS. MEYER: Okay.

VOICE: What about the traffic -- effect of traffic? You're really going to have to widen Mineral Springs, or you're going to have to come up with a left turn lane coming out of there because I wouldn't suggest trying to turn left on Sublett right now. Unless you want to drive over a divider or play chicken.

MS. MEYER: I don't know where the entrance -- do you know what -- does the entrance come out on Mineral --

VOICE: You come off of Mineral and can turn in off of Sublett and then --

VOICE: To Mineral Springs.

VOICE: -- exit off Mineral Springs the way it's set up now.

MS. MEYER: Okay. So you have two entrances?

VOICE: Yeah, we have addressed that.

MS. MEYER: Okay.

VOICE: That's correct.

MS. MEYER: So you have -- there are traffic concerns and they have addressed those.

VOICE: [inaudible] given to the city as well --

MS. MEYER: Can you come up here so my board can hear --

VOICE: Okay.

MS. MEYER: -- at least hear the answer.

VOICE: You may be able to answer, do you know what the plans are for Sublett, because we've been given additional --

MR. FRANKLIN: We've given additional property to Arlington for Sublett. And then Mineral Springs, there was a little piece at the back of this property that's also being dedicated. So, I need to have plans for Mineral Springs as well.

VOICE: Are you going to widen Mineral Springs --

MR. FRANKLIN: Well, we're not. But I think the city has plans for that. Our entrances are closer -- our entrance is closer to the intersection -- to the property.

VOICE: So --

VOICE: What other properties -- that would be comparable to this one?

MS. MEYER: Can you repeat the question?

MR. FRANKLIN: What other properties have we done comparable to this one? We've been doing multifamily for about eight years.

VOICE: And what developments --

VOICE: Is there some other ones around here?

MR. FRANKLIN: In Dallas. You know, I've not done another housing tax credit project here. We're doing one is San Antonio currently. We've -- you know, the thing is -- the funny thing is, prior to doing to the housing tax credits, we were trying to hit this market -- we call it -- you know, it's where everybody does a real high end apartment so the rent -- and you get those rents. And you lower your product on a market rent deal so you can charge a little bit lower rent.

The thing is, we have the best of both worlds because we can build the class A luxury apartment, multiple amenity areas, you know, 100 percent masonry, but the rents are lowered, you know, just a little bit. So we get to have the best of both worlds. It's not --

VOICE: Oh, we know.

VOICE: From our own perspective, that's real good for you, but that's not so good for the people that live around this area --

VOICE: I mean -- I mean --

VOICE: -- having the problems.

VOICE: Now, you've got people in the same neighborhood paying $600 a month to live there. I mean, they're in our neighborhood. They're in our backyard. Now, we're paying well over 1,000 --

MR. FRANKLIN: Seven fifty -- 750. I mean, that's --

VOICE: Seven fifty's okay.

MR. FRANKLIN: Well, it's not exactly, you know, give away prices.

(Pause.)

VOICE: But that also -- it's also going to affect our tax rates also because we're going to have to build new schools in our area because Davis Elementary, which is in our school district is already overwhelmed.

MR. FRANKLIN: What --

VOICE: Then we have another elementary on our side and that's also going to increase our school --

MR. FRANKLIN: Well --

VOICE: -- taxes, which are already outrageous.

MR. FRANKLIN: We've done -- another person that's working this area did a study on the -- is it Mansfield School District?

VOICE: Yes, it is.

MR. FRANKLIN: You know, the implication or the impact of this project on that school district, which is going out here from like 15 to 50,000 kids, is, you know, less than 1 percent. But I understand your concern on that. But, you know, it is a growing area.

VOICE: All right. Let's stay on the same tax subject.

MR. FRANKLIN: Okay.

VOICE: You get 144 families on ten acres, you're not going to get nearly that number of single family dwelling houses on ten acres, you're probably going to get more like 40. And I know what my tax bill is, and I'm willing to bet that you're not going to get 144 times my tax bill out of that complex.

MR. FRANKLIN: You might be surprised. You might be surprised.

VOICE: I don't think so.

MR. FRANKLIN: Well, do you mind telling me what your taxes are?

VOICE: Right now, about 3,000 a year total.

MR. FRANKLIN: 3,000, so three -- we're going to --

VOICE: Supposed to be around 105 to 110 based on the current rate.

VOICE: Okay, 105 to 110,000.

MR. FRANKLIN: For --

VOICE: You can repeat that.

MR. FRANKLIN: 110,000.

VOICE: Approximately, based on your --

MR. FRANKLIN: So, for -- your house is larger, I mean --

VOICE: We understand that. But I paid for that.

MR. FRANKLIN: Okay. Well --

VOICE: You're not paying 700 a month.

VOICE: I'm sorry?

VOICE: You're not paying 700 a month for it.

(Pause.)

MR. FRANKLIN: Well, I understand. So that's the way taxes are set up is based on value, so we're not getting a break on that.

VOICE: Would you want to live behind the complex?

VOICE: Would you want this to be built in your neighborhood?

MR. FRANKLIN: Honestly, the way I know that we manage properties, it would not -- I would not have a problem at all.

VOICE: Good. Then you can buy one of the houses over there.

MR. FRANKLIN: Well.

MS. MEYER: Are there any other questions?

VOICE: What can we do to stop this? Is there anything that we can do to petition -- anything that we can do to stop this?

MS. MEYER: Well, you're going to have your chance to make your comments here. Once this is through, if you have any other comments, you have petitions, whatever you want to submit, like I said, I have my cards, you're welcome to send that information to me. All right, you've got a fax number, I've got my e-mail address.

VOICE: What about legal representation?

MS. MEYER: I -- that -- I'm not here to stop anything. And I can't give you any advice as to what to do.

VOICE: But how do we facilitate something like?

MS. MEYER: You would have to -- you know, get your own attorney to talk about that. I'm not here to do that. All I'm here is to, you know, take the public comments and submit everything to my board for them to make a decision.

VOICE: Is this property still up for sale or has it already been purchased --

MR. FRANKLIN: It has been -- it is under contract that we have to purchase this property.

VOICE: So it's not been bought?

MR. FRANKLIN: It will be finalized in January.

VOICE: When do you plan on starting development?

MR. FRANKLIN: In -- shortly thereafter, or the first part of February.

MS. MEYER: But they have to be ready -- once we close on the bonds, they have to be ready for construction at that time.

VOICE: When will the bonds be closing?

MS. MEYER: Well, we're going to the board in January and the schedule -- what, the 13th --

MR. FRANKLIN: The 13th.

VOICE: The board --

MS. MEYER: The board's on the 13th and I think we're scheduled to close, if everything goes -- everything is approved, then we will close at the end of the month of January.

VOICE: And what are the restrictions as far as foreclosure. I mean, you said if everything goes as planned, such as what?

MS. MEYER: Well, we have to -- the Texas Department of Housing and Community Affairs board has to approve the transaction. If they do that, then the transaction will move forward to closing.

VOICE: The Texas Department of what?

MS. MEYER: Housing and Community Affairs.

MR. FRANKLIN: Let me point this out, the land use -- we didn't decide the land use. We didn't do a zoning change. The property was zoned MF14, 14 units per acre which is pretty low density for apartments. The property's going to be developed as apartments, okay. That's the land owner's right, you know, to do that. It's going to get built as apartments.

Now, you -- in my opinion, to have a choice to build a project of this caliber with tax credits is far superior, than somebody coming in, cheapening up the project to -- they're going to get the rent, so they only -- they don't have choice. So the rent is the rent. And they cheapen up the product and it's going to be far inferior to what we plan.

So, I mean, the issue with your guy's land use, it's zoned for multifamily.

VOICE: Well, actually, our issue is property values. Our own --

VOICE: What's your --

VOICE: Sorry. Go ahead.

VOICE: Go ahead.

VOICE: What's your contribution, though, to the surrounding area? I don't see any positive value on this.

MR. FRANKLIN: Is your opinion -- I mean, the contribution is quality housing.

VOICE: But to the --

MR. FRANKLIN: That is a contribution.

VOICE: -- neighborhood as a whole, what does it do for the neighborhood as a whole? You know, what do you -- in other words, when you build a -- when there's a housing project put up, and say what's in only ten acres, those -- you know, you put 40 homes on there, it appreciates the value of the other homes as well, the surrounding homes.

Well, there's an added plus to that. Whenever there is a complex such as this moving into a neighborhood, it's proven that it devalues.

MR. FRANKLIN: I'm not sure that that's the case.

MS. MEYER: There are no statistics --

MR. FRANKLIN: There are no statistics on that.

MS. MEYER: -- that actually prove that and -- I mean, we fight that argument.

MR. FRANKLIN: Yeah, that argument is not valid.

VOICE: But how -- you what it -- you know, how's it going to help the area?

MR. FRANKLIN: I mean, you don't have apartments -- or your don't have single family throughout the whole city. You have different land uses and it's planned with retail, commercial. If you up next to commercial, would you be -- you know, would your property be devalued because of that?

VOICE: I don't fight most of the commercial.

MR. FRANKLIN: Well, I mean, there is a transition zone all the time. Single family, typically you have multifamily, then you go into more commercial uses land. And there are no statistics to prove that your property is -- your property values are not going to go down.

VOICE: Well, my life experiences proven it to me. And I've taken statistics. I can make them say anything you want.

MS. MEYER: Okay. Miss?

VOICE: Can we see what you're at?

MR. FRANKLIN: Yeah.

VOICE: Can we see what your project is about?

MR. FRANKLIN: Why -- go on and grab that.

(Pause.)

MR. FRANKLIN: We don't have a site plan, but, as I said, it's very low density as apartments go, with 144 units on ten acres. The clubhouse is situated up on the corner with a circle, you know, drive, fountain out in the middle. The buildings themselves are all 100 percent masonry, stones, brick and stucco.

VOICE: How many will get --

VOICE: We also mentioned amenities, you know, we're planning the playground.

MR. FRANKLIN: Yeah, the amenity -- again, we have, you know, multiple amenity areas. We know we're going to have children, so we're planning for that. We have a large clubhouse with facilities in the clubhouse. Two recreation -- actually, three recreation areas on the property with a pool for the larger kids, a playground -- small playground for the smaller kids.

VOICE: Will it be gated?

MR. FRANKLIN: It will be gated.

VOICE: And the back side will be --

MR. FRANKLIN: It will be fully perimeter-fenced and gated.

VOICE: Along with it, the results also --

MR. FRANKLIN: A nice buffer and Rick can help us attach that from Sublett into the property, there's a large buffer where not -- there's no buildings, all the buildings are set back. So it's not --

VOICE: Will there --

MR. FRANKLIN: -- your typical --

VOICE: Let me make another point on --

MR. FRANKLIN: I'm sorry, Rick.

VOICE: -- apartments because the way these tax credit projects are set up, the compliance is ten times more than on a market rate deal. If I own this property and it's just a market rate, maybe I finance to the bank or whatever, I can rent to anybody. This project you cannot. Every resident has to go through a certification. Background checks, criminal checks --

VOICE: Do the children have to go through the criminal checks? That's who keep stealing our bikes.

VOICE: Okay. Well, I can tell you, if there's a -- you know, the way we manage properties, if there's a problem, we'll have courtesy patrols. I mean, we will go the extra mile to have this -- it's not good for us either.

VOICE: Because --

VOICE: I don't know who manages Parkland Point --

VOICE: I've had to go to those apartments and find my child's bike. Little kids -- not little kids, but --

VOICE: Youths?

VOICE: Yes. On his bike.

VOICE: Are they gated?

VOICE: Yes.

VOICE: They're gated.

(Pause.)

VOICE: Well, I mean, how gated are they? It's open all the time. I mean, let's be realistic.

MR. FRANKLIN: Okay. Well --

VOICE: Just because there's a gate there, is it secure? What kind of security -- your company is going to manage their property, right?

MR. FRANKLIN: Well, I have a company that I work with that manages it.

VOICE: Okay. So is that company -- what kind of a security is that company going to provide?

MR. FRANKLIN: Well, we typically go on a case by case. If we're in a tough -- you know, a little bit tougher area -- I mean, we have, you know, courtesy patrol that's certain times, you know, so we monitor that and we gauge the concern based on that.

VOICE: So, the people that live in the surrounding community would have -- if this property were to be built, the people in the surrounding community would have some place to go to say, there's a problem here --

MR. FRANKLIN: Absolutely they would.

VOICE: I guess my concern is not necessary the people who are living in that complex, it's the people that know, hey, there's a high density of people here, let's, you know, go to their neighborhood and steal from them, you know. It's not -- I'm not saying the people that live there to be so much --

Before I got married, I lived in an apartment complex. And every apartment complex, you know, I lived in in North Arlington, it got -- you know, something got stolen. There was always something getting stolen, you know. I'm not saying the people in it are doing it, but it attracts it. And no matter what --

VOICE: Basically, there's nothing we can do about this at this point.

MR. FRANKLIN: Well --

MS. MEYER: Well, but -- I mean, you're in the -- the whole point to this hearing is to make your comments.

MR. FRANKLIN: And we're not just saying this. I mean, we want the --

VOICE: But you said it was zoned for apartments period, right? Is that what you're saying? For apartments --

MR. FRANKLIN: It is zoned for apartments.

VOICE: -- for housing, such as houses.

MR. FRANKLIN: It's zoned for -- MF14, which is multifamily.

VOICE: MF14 is apartments only?

VOICE: Yes.

MR. FRANKLIN: If you --

MS. MEYER: It's multifamily.

MR. FRANKLIN: Yeah, it's multifamily. I mean, if you want to do single family, you go rezone it for that.

VOICE: Okay. So it can be rezoned for single family such as strictly --

MR. FRANKLIN: It could be rezoned. The property owner wouldn't want to do that because it wouldn't be as valuable to him.

VOICE: Unless we can get the city to possibly give him some incentive to rezone it.

MR. FRANKLIN: Okay.

VOICE: Yeah.

VOICE: I mean --

(Pause.)

VOICE: But, realistically, who would want to live off of Sublett like that?

MR. FRANKLIN: Yeah, that's why you have land use in that manner. You have all the high -- you know, vehicular traffic areas, you have the higher density uses and then your single family is set back. Nobody wants to live on Sublett like that.

MS. MEYER: I may go on and open the floor up for comment. Has everybody signed in that wants to speak?

(Pause.)

MS. MEYER: Nancy Redman [phonetic]?

MS. REDMAN: I'm Nancy Redman and I --

MS. MEYER: Wait. I need you to come up here.

MS. REDMAN: Oh. I'm Nancy Redman, I live on Packard Drive. Is it on? I'd like to go on record saying that -- I think I speak for my husband -- that we don't want this property to be built.

Our concerns are the crime rates will go up as indicated by the property -- the apartment complexes built on the north side of Sublett behind our house. And I believe statistics are published.

The property values will go down, the impact on the school district will be negative. And I'm concerned that this targeting low income families, which will, again, reiterate the crime rate issue. And concerned about the road structure and -- construction or changes of the road structure in Arlington. Thank you.

MS. MEYER: Mr. Redman?

MR. REDMAN: She's got it.

MS. MEYER: She's got it all? Okay. Brandon Compton?

MR. COMPTON: I'm Brandon Compton, I live at 6203 Lotus Drive. Once again, my concerns are the same as hers. I live pretty close to the apartment complex as it is, and we're a pretty tight group on that corner and we've all pretty much been, you know, hit by the apartment complex problem. And doubling it up and making it closer is just -- it's not going to help any matter.

MS. MEYER: Brian?

VOICE: Closer?

MS. MEYER: Uh-huh. Do you want to speak or do you --

VOICE: No, I just want to tell we had this sign in.

MS. MEYER: Okay. I don't have anybody else that has checked -- yes, is there anybody that would like to speak? And you're name?

VOICE: My name is Brandi Oglethorpe and my property actually backs up to where this is going to be built, and we moved there about five years ago before the complex that's there now is there, and I don't know what they call this thing, but they're basically set up the same way, to -- they've subsidized -- you can -- as a family of four, you can make $30,000 to live there. So, whether it's a bond package or whatever, they're set up the same way, and we see what kind of traffic they attract over there.

And since we moved in five years ago, we've had things stolen out of our garage, my nephew's four wheeler stolen out of our front yard. Things like this didn't happen before these apartments were built. We've since then put in an alarm system, have Everett locks on every gate in our house and now this stuff is moving closer to our properties.

So, you know, again, I ask you and you and you, you know, would you want this in your neighborhood? And, you know, we don't.

MS. MEYER: Is there anybody else? Nobody else. Okay.

Again, you will have an opportunity -- and I have some cards up here and I'll be glad to hand those out. This is scheduled to meet -- to be presented to the Texas Bond -- the Texas Department of Housing and Community Affairs board meeting on January 13 --

VOICE: Hold on a second. I want to mark that down.

MS. MEYER: Okay. It's January 13. It is in

Austin. The -- any additional public comments, if you want to send in written comments that you would like the board to see, or if you have neighbors or anything like that, that you would -- that want to send anything in, we have up until January 2 to get that to me.

Five o'clock on January 2 is the cutoff in order for me to be able to present it -- get the information -- we have to post it on our website and all that -- in order for my board to be able to see it. Okay. So keep those two dates in mind. Again, I have my cards up here.

Seeing that there is no more comments at this time, I will conclude the hearing. And it is now 6:53.

(Whereupon, at 6:53 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE:Rush Creek II

LOCATION:Arlington, Texas

DATE:December 3, 2003

I do hereby certify that the foregoing pages, numbers 1 through 33, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Judy Farnsworth before the Texas Department of Housing and Community Affairs.

12/29/2003
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

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REQUEST FOR BOARD APPROVAL
Multifamily Finance Production

2003 Private Activity Multifamily Revenue Bonds

Providence at Veterans Memorial Apartments
Southwest quadrant of Veterans Memorial Parkway and Gears Road
Houston, Texas
Trail of Sycamore Townhomes Limited Partnership
238 Units
$15,000,000 Tax Exempt – Series 2004A
$1,300,000 Taxable – Series 2004B

TABLE OF EXHIBITS

BOARD APPROVAL MEMORANDUM

January 13, 2004

DEVELOPMENT:	Providence at Veterans Memorial Townhomes, Houston, Harris County, Texas
PROGRAM:	Texas Department of Housing and Community Affairs 2003 Multifamily Housing Mortgage Revenue Bonds (Reservation received 09/29/2003)
ACTION REQUESTED:	Approve the issuance of multifamily housing mortgage revenue bonds (the “Bonds”) by the Texas Department of Housing and Community Affairs (the “Department”). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.
PURPOSE:	The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Trail of Sycamore Townhomes Limited Partnership, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 238 unit multifamily residential rental Development located at in the southwest quadrant of the intersection of Veterans Memorial Parkway and Gears Road, Houston, Harris County, Texas, 77067 (the "Development"). The Bonds will be tax-exempt by virtue of the Development’s qualifying as a residential rental Development.
BOND AMOUNT:	$15,000,000 Series 2004A Tax Exempt bonds (*) $ 1,300,000 Series 2004B Taxable bonds (*) $16,300,000 Total bonds (*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.
ANTICIPATED CLOSING DATE:	The Department received a volume cap allocation for the Bonds on September 29, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. The Department is required to deliver the Bonds on or before January 27, 2004, the anticipated closing date is January 27, 2004.
BORROWER:	Trails of Sycamore Townhomes Limited Partnership, a Texas limited partnership, the general partner of which is Chicory GP – Southside, Inc, a Texas Corporation, Leon J. Backes its President.

** Preliminary* **-** *Represents Maximum Amount*

COMPLIANCE HISTORY: The Compliance Status Summary completed on October 9. 2003 reveals that the principal of the general partner above has no properties being monitored by the Department.

ISSUANCE TEAM & ADVISORS: Charter Municipal Mortgage Acceptance Company ("Bond Purchaser")
Wells Fargo Bank, National Association, ("Trustee")
Vinson & Elkins L.L.P. ("Bond Counsel")
RBC Dain Rauscher Inc. ("Financial Advisor")
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

BOND PURCHASER: The Bonds will be purchased by Charter Municipal Mortgage Acceptance Company. The purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

DEVELOPMENT DESCRIPTION:

Site: The proposed affordable housing community is a 238-unit multifamily residential rental development to be constructed on approximately 33 acres of land located at in the southwest quadrant of the intersection of Veterans Memorial Parkway and Gears Road, Houston, Harris County, Texas, 77067 (the "Development"). The proposed density is 9 dwelling units per acre. Shopping and neighborhood amenities are located nearby along Veterans Memorial Parkway. Banking, shopping, doctors and dentist offices are all close by on Veterans Memorial Parkway with an Elementary school located on Gears Road.

Buildings: The development will include a total of twenty one (21) two and three-story, wood-framed apartment buildings containing approximately 276,976 net rentable square feet and having an average unit size of 1164 square feet. The units feature large floor plans with high grade finishes including solid wood cabinets, ceiling fans, GE appliance packages, stainless steel sinks, designer countertops, central heat and air and high grade carpet and ceramic tile finishes. In addition to the residential buildings, the Development will have one community building with laundry, maintenance and full kitchen facilities. There will be picnic areas, one community swimming pool and gathering areas interspersed among the buildings. The design concept is to create a village complete with walkways connecting the units, and as focus of the village, the community building. A variety of plant and tree species will be provided based on Texas drought resistant and low maintenance requirements. As much as possible, materials used will be selected based on energy conservation renewable resources. This will include Type V construction with wood framing and concrete slab on grade. Colors are chosen from a palette compatible with the surrounding architecture and scenery.

Units	Unit Type	Square Feet	Proposed Net Rent
98	2-Bedrooms/2-Baths	1080 average	$764.00
140	3-Bedrooms/2-Baths	1246 average.	$882.00
238	Total Units		

On-site Amenities: There will be a community building with laundry and maintenance facilities as well as picnic and playground equipment and open play areas interspersed throughout the site. The community building will be centrally located and will have office and leasing space as well as provide for community and educational meetings. The community building will contain the following spaces: manager and leasing offices, social service office, business center/community services room, television, residential kitchen, activity center, entry foyer, restrooms, telephone and vending area, laundry room, mechanical room, and maintenance shop.

SET-ASIDE UNITS: For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each Development will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS: For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income.

TENANT SERVICES: Tenant Services will be performed by New Horizons Services.

DEPARTMENT ORIGINATION FEES:

$1,000 Pre-Application Fee (Paid).
$10,000 Application Fee (Paid).
$81,500 Issuance Fee (.50% of the bond amount paid at closing).

DEPARTMENT ANNUAL FEES:

$16,300 Bond Administration (0.10% of first year bond amount)
$6,250 Compliance ($25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT FEE: $6,250 to TDHCA or assigns ($25/unit/year adjusted annually for CPI)

TAX CREDITS: The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately $750,577 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $6,154,114 of equity for the transaction.

BOND STRUCTURE: The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser, and will mature over a term of 40 years. During the construction and lease-up period, the Bonds will pay as to interest only. The loan will be secured by a first lien on the Development.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the Development financed through the issuance of the Bonds.

BOND INTEREST RATES: The interest rate on the Tax Exempt Bonds will be 6.6% and the Taxable Bonds will be 8.50%. The Real Estate Analysis division used an interest rate of 6.6% on the tax-exempt bonds and 8.5% on the taxable bonds.

CREDIT ENHANCEMENT: The bonds will be unrated with no credit enhancement.

FORM OF BONDS: The Bonds will be issued in book entry (typewritten or lithographical) form and in denominations of $100,000 and any amount in excess of $100,000.

MATURITY/SOURCES & METHODS OF REPAYMENT: The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Account of the Construction Fund, earnings derived from amounts held on deposit in an investment agreement, if any, and other funds deposited to the Revenue Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

TERMS OF THE MORTGAGE LOAN:

The Mortgage Loan is a non-recourse obligation of the Borrower (which means, subject to certain exceptions, the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Borrower's interest in the Development to secure the payment of the Mortgage Loan.

REDEMPTION OF BONDS PRIOR TO MATURITY:

The Bonds may be subject to redemption under any of the following circumstances:

Mandatory Redemption:

(a) (i) In whole or in part, to the extent excess funds remain on deposit in the Loan Account of the Construction Fund after the Development's Completion Date; and (ii) under certain circumstances, upon request by the Majority Owner to redeem Bonds from amounts on deposit in the Earnout Account of the Construction Fund; or

(b) in part, if (i) the development has not achieved Stabilization within twenty-four (24) months after the earlier of (A) the date the Development achieves Completion or (B) the Completion Date or (ii) upon request by the Majority Owner to redeem Bonds from amount on deposit in the Earnout Account of the Construction Fund; or

(c) in whole or in part, if there is damage to or destruction or condemnation of the Development, to the extent that Insurance Proceeds or a Condemnation Award in connection with the Development are deposited in the Revenue Fund and are not to be used to repair or restore the Development; or

(d) upon the determination of Taxability if the owner of a Bond presents his Bond or Bonds for redemption on any date selected by such owner specified in a written notice delivered to the Borrower and the Issuer at least thirty (30) days' prior to such date; or

(e) with respect to the Tax Exempt Bonds, in whole on any interest payment date on or after January 1, 2021, if the Owners of all of the Bonds elect redemption and provide not less than 180 days' written notice to the Issuer, Trustee and Borrower; or

(f) In part, according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule of Redemptions.

Optional Redemption:

The Bonds are subject to redemption, in whole, any time on or after January 1, 2021, from the proceeds of an optional prepayment of the Loan by the Borrower.

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture, the Trustee will serve as registrar and authenticating agent for the Bonds and as trustee of certain of the accounts created under the Trust Indenture (described below). The Trustee will also have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture accounts are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create the following Funds and Accounts:

1. Construction Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Construction Fund which may consist of five (5) accounts as follows:

   (a) Loan Account – represents a portion of the proceeds of the sale of the Bonds that will be used to pay for Development Costs;

   (b) Insurance and Condemnation Proceeds Account - represents Condemnation Award and Insurance Proceeds allocated to restore the Development pursuant to the Loan Documents;

   (c) Capitalized Interest Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower which may be transferred to the Revenue Fund from this account in order to pay interest on the Bonds until the Completion Date of the Development;

   (d) Costs of Issuance Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower from which the costs of issuance are disbursed;

   (e) Earnout Account – represents a portion of the initial equity contribution of the Borrower, the disbursements from which are to be requested in writing by the Developer and approved by the Majority Owner of the Outstanding Bonds; and

   (f) Equity Account – represents the balance of the initial equity contribution of the Borrower.

2. Replacement Reserve Fund – Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the Development.

3. Tax and Insurance Fund – The Borrower must deposit certain moneys in the Tax and Insurance Fund to be applied to the payment of real estate taxes and insurance premiums.

4. Revenue Fund – Revenues from the Development are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Trust Indenture: (1) to the payment of interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any, on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.

5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

The majority of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase to finance the construction of the Development. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Tax-Exempt Bond proceeds. It is currently anticipated that costs of issuance will be paid by Taxable Bond proceeds.

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee - Wells Fargo Bank National Association (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in

June 1996.

3. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 2003.

ATTORNEY GENERAL REVIEW OF BONDS: No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 04-04

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (PROVIDENCE AT VETERANS MEMORIAL APARTMENTS) SERIES 2004A AND TAXABLE MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (PROVIDENCE AT VETERANS MEMORIAL APARTMENTS) SERIES 2004B; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development 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 mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Providence at Veterans Memorial Apartments) Series 2004A (the "Series 2004A Bonds") and the Texas Department of Housing and Community Affairs Taxable Multifamily Housing Mortgage Revenue Bonds (Providence at Veterans Memorial Apartments) Series 2004B (the "Series 2004B Bonds", and together with the Series 2004A Bonds, the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Trails of Sycamore Townhomes Limited Partnership, a Texas limited partnership (the

"Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 10, 2002, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Borrower and CharterMac, a Delaware statutory trust (the "Purchaser"), will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Harris County, Texas; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Asset Oversight Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Series 2004A Bonds shall be 6.60% per annum from the date of issuance thereof until paid on the maturity date or earlier redemption or acceleration thereof and the interest rate on the Series 2004B Bonds shall be 8.50% per annum from the date of issuance thereof until paid on the maturity date or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law); (ii) the aggregate principal amount of the Series 2004A Bonds shall be $15,000,000 and of the Series 2004B Bonds shall be $1,300,000; and (iii) the final maturity of the Series 2004A Bonds shall occur on January 1, 2044 and of the Series 2004B Bonds shall occur on August 1, 2017.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Borrower and the Purchaser.

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B -Indenture
Exhibit C - Loan Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Assignments
Exhibit F - Purchase Agreement
Exhibit G - Asset Oversight Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary of the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into or direct the Trustee to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit O to the Loan Agreement and shall be annually redetermined by the Issuer as stated in the Loan Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) that the Borrower is financially responsible,

(iv) that the financing of the Project is a public purpose and will provide a public benefit, and

(v) that the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms, and

(iii) that the Borrower is not, or will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

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PASSED AND APPROVED this 13th day of January, 2004.

By: ___________________________________
Elizabeth Anderson, Chair

Attest: ________________________________
Delores Groneck, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Trails of Sycamore Townhomes Limited Partnership, a Texas limited partnership

Project: The Project is a 238-unit multifamily facility to be known as Providence at Veterans Memorial Town Homes and to be located at the northwest quadrant of the intersection of Veterans Memorial Parkway and Gears Road, Houston, Harris County, Texas. The Project will include a total of 21 residential apartment buildings with a total of approximately 276,976 net rentable square feet and an average unit size of approximately 1,164 square feet. The unit mix will consist of:

98	two-bedroom/two-bath units
140	three-bedroom/two-bath units
238	Total Units

Unit sizes will range from approximately 1,017 square feet to approximately 1,325 square feet.

Common areas will include a swimming pool, a children's play area, and a community building with kitchen facilities, vending area, television and telephones.

HOUSING TAX CREDIT PROGRAM

2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Providence at Veterans Memorial** TDHCA#: 03462

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: N DDA: N TTC: N
Development Owner: Trails of Sycamore Townhomes, LP
General Partner(s): Chicory GP - Southside, Inc., 100%, Contact: Matthew Harris
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: $750,577 Eligible Basis Amt: $677,432 Equity/Gap Amt.: $741,074

Annual Tax Credit Allocation Recommendation: $677,432

Total Tax Credit Allocation Over Ten Years: $ 6,774,320

PROPERTY INFORMATION

Unit and Building Information

Total Units: 238 LIHTC Units: 238 % of LIHTC Units: 100
Gross Square Footage: 282,420 Net Rentable Square Footage: 276,976
Average Square Footage/Unit: 1164
Number of Buildings: 21
Currently Occupied: N

Development Cost

Total Cost: $21,976,067 Total Cost/Net Rentable Sq. Ft.: $79.34

Income and Expenses

Effective Gross Income:[1] $2,253,100 Ttl. Expenses: $970,708 Net Operating Inc.: $1,282,392
Estimated 1st Year DCR: 1.11

DEVELOPMENT TEAM

Consultant:	Not utilized	Manager:	To Be Determined
Attorney:	Cherry, Howell & Landry, LLP	Architect:	Beeler Guest Owens
Accountant:	Novogradac & Company	Engineer:	To Be Determined
Market Analyst:	Butler Burgher	Lender:	Charter MAC
Contractor:	Provident Housing Construction, LLC	Syndicator:	Related Capital Company

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 21 # in Opposition: 1 **Public Hearing:** # in Support: 1 # in Opposition: 19 # Neutral: 4	Sen. John Whitmire, District 15 - NC Rep. Sylester Turner, District 139 - NC Judge Robert Eckels - NC David Turkel, Director, Office of Housing & Economic Development, Harris County; Consistent with the Harris County Consolidated Plan.

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) 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 floodplain mitigation plan directly addressing the Department's underwriting guidelines and approved by Harris County and the Department. A re-evaluation of the project's costs and financing structure after all of the costs of mitigation have been verified and identified witin the development budgetis also required prior to cost certification.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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).

Robert Onion, Multifamily Finance Manager ______ Date ______ Brooke Boston, Director of Multifamily Finance Production ______ Date

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: ______________________
Elizabeth Anderson, Board Chair

Date

Veterans Memorial Apartments

Estimated Sources & Uses of Funds

Sources of Funds	
Bond Proceeds, Series 2003A Bonds (Tax-Exempt)	$ 15,000,000
Bond Proceeds, Series 2003B Taxable	$ 1,300,000
LIHTC Equity	6,312,000
Interest Income	96,004
Deferred Developer's Fee	1,470,613
Total Sources	$ 24,178,617

Uses of Funds	
Deposit to Mortgage Loan Fund (Construction funds)	$ 18,423,613
Capitalized Interest (Constr. Interest)	1,485,000
Taxable Tail Interest	165,750
Letter of Credit Interest	244,724
Developer's Overhead & Fee	2,766,148
Costs of Issuance	
Direct Bond Related	223,500
Bond Purchaser Costs	210,500
Other Transaction Costs	434,382
Real Estate Closing Costs	225,000
Total Uses	$ 24,178,617

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 81,500
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee ($25 per unit)	6,250
TDHCA Bond Counsel and Direct Expenses (Note 1)	70,000
TDHCA Financial Advisor and Direct Expenses	30,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	2,500
Trustee's Fees (Note 1)	8,000
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee ($1,250 per series, max. of 2 series)	2,500
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
TEFRA Hearing Publication Expenses	2,500
Total Direct Bond Related	$ 223,500

Bond Purchase Costs	
Loan Origination Fee (Charter Mac @1%)	163,000
Due Diligence Cost (Charter Mac)	12,500
Bond Counsel & Expenses (Charter Mac)	35,000
Total	$ 210,500

Other Transaction Costs

Veterans Memorial Apartments

Letter of Credit Origination Fee	163,000
Letter of Credit Annual Fee (2 years)	235,382
Tax Credit Determination Fee (4% annual tax cr.)	31,000
Tax Credit Applicantion Fee ($20/u)	5,000
Total	$ 434,382

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	115,000
Property Taxes	50,000
Borrower's Bond Counsel	60,000
Total Real Estate Costs	$ 225,000
Estimated Total Costs of Issuance	$ 1,093,382

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Tax-Exempt Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower or from Taxable Bond proceeds.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	01/05/2004	**PROGRAM:**	4% HTC MRB	**FILE NUMBER:**	03462 2003-061

DEVELOPMENT NAME

Providence at Veterans Memorial

APPLICANT

Name:	Trails of Sycamore Townhomes, LP			**Type:**	For Profit		
Address:	5400 LBJ Freeway, Suite 975			**City:**	Dallas	**State:**	TX
Zip:	75240	**Contact:**	Matt Harris	**Phone:**	(972) 239-8500	**Fax:**	(972) 239-8373

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Chicory GP - Southside, Inc.	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Provident Realty Advisors	**(%):**	N/A	**Title:**	Co-Developer
Name:	Sphinx Development	**(%):**	N/A	**Title:**	Co-Developer
Name:	Leon J Backes	**(%):**	N/A	**Title:**	Owner of MGP & Provident Realty Advisors
Name:	Jay O Oji	**(%):**	N/A	**Title:**	Owner of Sphinx Development
Name:	LBJ Financial, LP	**(%):**	N/A	**Title:**	Guarantor for Permanent Financing

PROPERTY LOCATION

Location:	Veterans Memorial Parkway and Gears Road			☐ **QCT**	☐ **DDA**
City:	Houston	**County:**	Harris	**Zip:**	77067

REQUEST

Amount	Interest Rate	Amortization	Term
1) $750,577	N/A	N/A	N/A
2) $15,000,000	6.6%	40 yrs	40 yrs
3) $900,000	8.5%	40 yrs	40 yrs

Other Requested Terms:
1) Annual ten-year allocation of low-income housing tax credits
2) Tax-exempt mortgage revenue bonds
3) Taxable mortgage revenue bonds

Proposed Use of Funds: New Construction **Property Type:** Multifamily

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $677,432 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF 40-YEAR TERM MORTGAGE REVENUE BOND ISSUANCE STRUCTURED AS $15,000,000 IN TAX-EXEMPT BONDS AT AN INTEREST RATE OF 6.6% AND $900,000 IN TAXABLE BONDS AT AN INTEREST RATE OF 8.5%, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a floodplain mitigation plan directly addressing the Department's underwriting guidelines and approved by Harris County and the Department. A re-evaluation of the project's costs and financing structure after all of the costs of mitigation have been verified and identified within the development budget is also required prior to cost certification.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

The proposed site was part of an application for mortgage revenue bonds and 4% tax credits submitted and underwritten in 2002. That development was to be named Veterans' Memorial Apartments and the proposed owner and affiliates were entities unrelated to the current Applicant. The underwriting analysis did not recommend an award due to the following:

1. The recommended sources and amounts of funding are insufficient to fund the development as evaluated.
2. The development is not likely to generate sufficient net operating income to allow an increase in debt, nor are there sufficient fees that could be deferred to fund the anticipated funding shortfall.
3. The development is located entirely within the 100-year floodplain and the Applicant did not provide a sufficient mitigation plan.
4. The concentration capture rate, based upon the Site Effective Market Area demographics, is 57% or well above the Department's policy limit of 25%.

The application was declined by the TDHCA Board in May of 2002.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	238	**# Rental Buildings**	21	**# Common Area Bldngs**	2	**# of Floors**	2	**Age:**	N/A yrs	**Vacant:**	N/A at / /

Net Rentable SF:	276,976	**Av Un SF:**	1,164	**Common Area SF:**	5,444	**Gross Bldg SF:**	282,420

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 60% stucco/40% 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, ceiling fans, laminated counter tops

ON-SITE AMENITIES

5,444-SF community building with activity room, management offices, laundry facility, kitchen, restrooms, central mailroom, swimming pool, equipped children's play area are located at the entrance to/middle of the property. In addition perimeter fencing with limited access gate(s) is planned for the site.

Uncovered Parking: 500 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Providence at Veterans Memorial is a moderately dense (8 units per acre) new construction development of affordable housing located in northwest Houston. The development is comprised of evenly distributed garden style walk-up residential buildings as follows:

- Fourteen Building Type II with six two- bedroom units and four three- bedroom units; and
- Seven Building Type V with two two- bedroom units and twelve three- bedroom units.

Architectural Review: The design combines one and two-story units in garden-style buildings. The units offer floorplans and amenities that are typical for current new construction. The overall Development will be attractive with combination stucco and siding exteriors and varied rooflines.

Supportive Services: As a recipient of tax credits through the private activity mortgage revenue bond program, the Applicant will be required to provide supportive services; however, the provider will be determined at a later date. Currently, the Applicant has budgeted $18K to cover related costs.

Schedule: The Applicant anticipates construction to begin in January of 2004 and to be completed in January of 2005. The development should be placed in service in March of 2005 and substantially leased-up in June of 2005.

SITE ISSUES

SITE DESCRIPTION

Size:	28.99	acres	1,262,804	square feet	**Zoning/ Permitted Uses:** N/A (Houston)
Flood Zone Designation:	Zone A		**Status of Off-Sites:**	Fully Improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a very irregularly-shaped parcel located in the northwest area of Houston, approximately ten miles from the central business district. The site is situated on the west sides of Veterans Memorial Parkway and Gears Road.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed, with vacant land, residential, retail, and public uses. Adjacent land uses include:

- **North:** Retail and Greens Road, with single-family residential beyond
- **South:** Undeveloped land and drainage canals with the Sam Houston Tollway beyond
- **East:** Veterans' Memorial Parkway and Gears Road with retail and single-family residential beyond
- **West:** Single-family residential, a drainage canal, and an elementary school

Site Access: Access to the property is from the southeast or northwest along Veterans' Memorial Parkway or Gears Road or the east or west from Greens Road. The project is to have two entries from Veterans' Memorial Parkway and one from Greens Road. Access to the Sam Houston Tollway and Interstate Highway 45 is three miles east, which provide connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the Houston bus system with a stop on Veterans Memorial Parkway adjacent to the site.

Shopping & Services: The site is within one mile of a major grocery/pharmacy and neighborhood shopping centers, and within three miles of a regional shopping mall and a variety of other retail establishments and restaurants. An elementary school is adjacent to the site and other schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: According to the FEMA Flood Insurance Rate Map (FIRM), the site lies within Zone AE, a 100-year flood area. The Applicant provided a Hydraulic Analysis for Proposed Improvements Along Greens Bayou prepared by Dodson & Associates and dated December 8, 2003. The results of the analysis are detailed in the Highlights of Soils and Hazardous Materials Report(s) section of this underwriting report. An estimate of the cost to implement the mitigation plans was also provided, but the Applicant submitted no documentation from Harris County as to the conditions under which the proposed structures can obtain permits and be built within or up and out of the floodplain.

Federal law prohibits federal funds from being used in new properties within the 100-year floodplain. For example, FHA will not close on a new construction transaction located within the 100-year floodplain. The LIHTC program, however, is generally not considered to be a direct source of federal funds.

Site Inspection Findings: TDHCA staff performed a site inspection on November 18, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A *Phase I Environmental Site Assessment* report dated October 24, 2003 was prepared by MAS-D Environmental Associates and contained the following findings and recommendations:

Findings: "There was no visual evidence of waste disposal, underground tanks or other industrial contamination. No leak has been reported on this site based on our review of environmental databases. There is trash scattered on various areas of the property including some empty barrels, bottles and tires. This trash does not appear of recent vintage. Some household trash including tires was observed on the property along Gears Street. The subject appears to be within the 100 year flood zone. A survey is needed to determine the precise boundaries of the property and the flood zone. No spills have been reported on properties adjacent to the Subject. Therefore, there are no issues that are likely to affect the environmental quality of the Subject."

Recommendations: "Based on evidence gathered during the site visit, visual inspection and our analysis of the available data, MAS-D concludes that no further environmental investigation is warranted at this time."

The Applicant provided a *Hydraulic Analysis for Proposed Improvements* Along Greens Bayou prepared by Dodson & Associates and dated December 8, 2003. The purpose of the analysis is to:

1. create a revised existing conditions hydraulic model (using architectural plans);
2. complete an impact analysis to identify impacts related to the proposed development within the left overbank of Greens Bayou; and
3. provide a feasible solution to mitigate any impacts.

Findings: According to the analyst, "a maximum 100-year impact of 0.15 feet along Greens Bayou is computed due to the placement of the proposed development within the left overbank of Greens Bayou (p. 4)." This finding is based upon the proposed buildings, drives, green space and mitigation basins. The TDHCA 2003 underwriting guidelines require the buildings' finished ground floor to clearly be engineered to be at least one foot above the floodplain and all drives and parking lots to clearly be engineered to be not lower than six inches below the floodplain. It is not clear that this requirement will be met by the current development plan.

Recommendations: In order to "eliminate the 0.15 feet of impact associated with the proposed development," the analyst suggests "increasing the conveyance capacity across the project site…by creating a clear conveyance path along the subject property and adjacent to Greens Bayou, and by adding some minor channel improvements within the Greens Bayou right-of-way adjacent to the subject property (p. 6)." The recommendations include off-site work. Costs for such work were not included in the Applicant's development budget. The analyst concludes, "By providing the proposed conveyance path along the subject property and channel improvements within Greens Bayou, the 0.15 feet of impact along Greens Bayou is eliminated (p.7)." However, this conclusion does not specifically address the Department's underwriting guidelines for building and drive elevations for Developments constructed within the 100-year floodplain.

Although the Applicant submitted an Engineer's Opinion of Probable Construction Costs and Quantities, it is not clear as to where these costs that are directly associated with the mitigation of the floodplain are included in the development cost schedule. Offsite work is clearly needed, but the cost schedule submitted does not include line-item costs for off site work. Also, the current sitework cost on a per unit basis seems to be comparable to those of a development without floodplain issues. It should be noted the Applicant's direct construction cost estimate is $1.3M higher than the Underwriter's estimate suggesting that some of the mitigation costs may be imbedded in this line item. However, without a detailed description of which costs within the development budget are associated with normal course of construction and which are attributable to floodplain mitigation, the Underwriter must assume that the development budget, as submitted, does not include the mitigation costs. Again, any recommendation for funding should be conditioned upon acceptance of a floodplain mitigation plan directly addressing the Department's underwriting guidelines and approved by Harris County and the Department. A re-evaluation of the project's costs and financing structure after all of the costs of mitigation have been verified and identified within the development budget will also be required.

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 project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated October 23, 2003 was prepared by Butler-Burgher, Inc. and highlighted the following findings:

Definition of Primary Market Area: "The Primary Market Area is defined as Spring Creek to the north, the Hardy Toll Road to the east, N Sam Houston Parkway to the south, and SH 249 to the west (p. 52)." This area encompasses approximately 52 square miles and is equivalent to a four-mile radius. The Market Analyst also refers to a market area known as the "FM 1960 West/Champions Submarket (NW4)" as defined by Apartment Data Services, LLC. This area is equivalent in size to the Primary Market Area, but encompasses a larger portion of Houston proper.

In 2002, the Danter Company prepared a market study indicating the following, "The Site Effective Market Area [EMA] for the subject…site includes the near north area of Houston (p. V-6)." The EMA was an irregular shape that roughly resembles a rectangle, with Rankin Road as its northern boundary, Bammel North Houston Road as its western boundary, West Road as its southernmost boundary, and the Hardy Toll Road as its easternmost boundary. The Underwriter estimated this EMA area to equate to somewhat less than the area of a three-mile radius.

Population: The 2000 Census indicated a population of 261,785 and the Market Analyst estimated the 2003 population of the Primary Market Area to be 280,289. The Market Analyst projects an increase in the population by 11% to approximately 311,121 by 2008. The Department's Market Analysis Rules and Guidelines allow Market Analysts considerable discretion with regards to the size of the Primary Market Area. However, the guidelines indicate a limit of 250,000 persons is most informative and any deviation should be supported by narrative indicating the rationale for exceeding the limit. The subject Primary Market will result in an oversized demand calculation and understated inclusive capture rate.

Total Primary Market Demand for Rental Units: The demand calculation is based upon information specific to the Primary Market Area. The Market Analyst utilized an income band which includes tenants with no income. Rationale for including 100% of such households was not provided. The Underwriter's demand calculation restricts the lower end of the income band to a minimum income of $15K. Also, the total number of households included is adjusted by 12% to account for the Market Analyst's oversized Primary Market Area.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		**Underwriter**	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	262	3%	176	3%
Resident Turnover	7,807	97%	5,065	97%
TOTAL ANNUAL DEMAND	**8,069**	**100%**	**5,319**	**100%**

Inclusive Capture Rate: At the time the original market analysis was completed, the Applicant planned to develop 250 units; therefore, the Market Analyst was asked by the Underwriter to submit a revised inclusive capture rate calculation based on the 238 actual subject units. The Market Analyst calculated an inclusive capture rate of 15.09% based on 1,218 total forecast units (p. 70, revised). The Underwriter calculated a inclusive capture rate of 22.9% based upon unstabilized comparable affordable units of 1,218 divided by a significantly revised demand of 5,319.

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects including two HTC mixed income properties in the market area. The adjustments made to the comparable rents took into account concessions offered by most properties in the area. It should be noted, the two HTC properties were not offering concessions (p. 74) and the Market Analyst made only negative net adjustments to the comparable rents.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom (60%)	$764	$764	$0	$875	-$111
3-Bedroom (60%)	$882	$882	$0	$975	-$93

(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)

Primary Market Occupancy Rates: "Gross occupancy levels [in the FM 1960 West/Champions Submarket] have slowly eroded over the last two years from a high of 94.4% in September 2001 to a low of 89.2% in the most recent report (p. 64)." Occupancy levels of the affordable units within the Primary Market Area are currently at approximately 95% (p. 77).

Absorption Projections: Despite negative absorption in the subject Submarket of FM 1960 West/Champions Submarket (NW4), the Market Analyst has projected an absorption rate of 20 units per month based on similar Class B+ and Class A developments in the Houston area (p. 70). "New units are generally quickly absorbed. Any new LIHTC units in Houston have been quickly absorbed to full occupancy with waiting lists while some of the luxury units in the subject submarket are struggling to maintain stabilized occupancy, as indicated by occupancy figures in our survey (p. 70)."

Known Planned Development: Developments proposed or under construction include North Vista Apartments, Park at Kirkstall, Shadow Ridge and Kimberly Pointe. Both Humble and Wellington, which are also up for approval by the TDHCA Board in January and located in Houston, are located outside of the defined Primary Market Area.

The Underwriter found the market study provided sufficient information for purposes of this underwriting analysis, but included the errors described above and numerous inconsistencies. Inconsistencies throughout the report include, but are not limited to references to a city other than the subject city, the wrong number of proposed units, and a Primary Market Area Boundary that cannot be verified due to the lack of a boundary map. Also, references are made to a separate Submarket as well as a Primary Market Area. The two areas do not compare. However, the demand and market rent conclusions are derived from information derived from the defined Primary Market Area.

OPERATING PROFORMA ANALYSIS

Income: Although the Applicant inexplicably chose to show the rent for 14 of the three bedroom units at $879 per month rather than $882, the maximum net allowed, the potential gross rent projection is in line with the Underwriter's estimates. It should be noted, the Applicant plans to develop a complex with a central water heating system and, therefore, tenants will not be responsible for water heating utility cost. The Applicant's anticipated secondary income per unit per month exceeds the underwriting guideline of $15 per unit per month; however, the Underwriter was able to verify an amount up to $19.45 based on comparable properties located within the City of Houston. Overall, the Applicant's effective gross income estimate is comparable to the Underwriter's estimate.

Expenses: The Applicant's total annual operating expense estimate of $3,804 per unit is more than 5% less than the Underwriter's estimate. Several of the Applicant's line-item projections also varied significantly as compared to the Underwriter's estimates; in particular, general and administrative is $26K less.

Conclusion: Due to the difference in total annual operating expense, the Applicant's net operating income figure is more than 5% higher than the Underwriter's estimate. Because this difference is greater than 5%, the Underwriter's proforma is used to determine the Development's debt service capacity. Both the Underwriter's and the Applicant's proformas indicate the Development can support the proposed debt with an initial debt coverage ratio that is within the Department's guideline of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 31.2533 acres	$1,414,250	**Assessment for the Year of:**	2003
1 acre:	$42,251	**Valuation by:**	Harrris County Appraisal District
Total: prorated 28.99 acres	$1,311,833	**Tax Rate:**	3.42877

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved Commercial Property Contract		
Contract Expiration Date:	01/ 30/ 2004	**Anticipated Closing Date:**	12/ 30/ 2003
Acquisition Cost: $1,100,000		**Other Terms/Conditions:**	Buyer is listed as Provident Odyssey Acqisition, LLC and Assigns; Closing date was extended, but date is listed as 01/30/2003 rather than 2004
Seller:	VA Beltway Partners, Ltd. c/o Richard Gould	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: When presented for underwriting in the 2002 funding cycle, the property was under contract for $1,025,000. The current price of $1,100,000 is supported by the previous contract price and the current prorated tax assessed value of $1,311,833.

Off-Site Costs: The Applicant did not include offsite costs as part of the cost schedule. However, the flood mitigation plan provided clearly recommends work to be completed on a drainage channel that is not part of the subject site.

Sitework Cost: A supplement to the development cost schedule indicates that the Applicant may have intended to budget site work costs at $7,500 per unit. However, the actual total indicated in the cost schedule amounts to $6,750 per unit. Sitework costs of up to $7,500 per unit are currently considered to be reasonable for developments without floodplain issues. It seems the Applicant has either failed to include the cost for flood mitigation in the current cost schedule or categorized the costs associated with the mitigation as something other than site work or offsite costs.

Direct Construction Cost: The Applicant's costs vary by more than 5% as compared to the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs are overstated. An attempt was made to reconcile the difference by referencing past applications submitted by the Applicant. However, the past applications support the Underwriter's conclusion that the Applicant's direct construction cost figure is overstated. Attempts were also made to contact the Applicant by telephone, but due to time constraints, these efforts were unsuccessful prior to report deadline.

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 by $25K based on their own construction costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by $5K. Consequently the Applicant's eligible fees in these areas have been reduced with the overage of $30,076 effectively moved to ineligible costs.

It should be noted the Applicant has also included more than the 5% of sitework and direct construction costs allowed by Department guidelines as eligible contingency costs and, therefore, eligible contingency has been reduced by $8,925.

Conclusion: Due to the difference in direct construction cost estimates, the Applicant's total development cost is more than 5% higher than the Underwriter's estimate. Therefore, the Underwriter's estimate is used to determine the Development's eligible basis and need for permanent funds. An eligible basis of $18,975,683 results in tax credits of $677,432 annually. This amount will be compared to the Applicant's request and the tax credits calculated based on the gap in permanent financing. The recommended tax credit allocation will be equal to the lower of the three.

FINANCING STRUCTURE

BOND FINANCING

Source: Charter MAC - Capital Solutions **Contact:** Jim Spound

Tax-Exempt Amount: $15,000,000 **Interest Rate:** 6.60%, Fixed

Taxable Amount: $1,300,000 **Interest Rate:** 8.50%, Fixed

Additional Information:

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $1,137,049 **Lien Priority:** 1st **Commitment Date** 10/ 24/ 2003

LIHTC SYNDICATION

Source: Related Capital Company - Capital Solutions **Contact:** Justin Ginsberg

Address: 625 Madison Avenue **City:** New York

State: NY **Zip:** 10022 **Phone:** (212) 588-2100 **Fax:** (212) 751-3550

Net Proceeds: $6,312,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 10/ 25/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $1,072,610 **Source:** Deferred Developer Fee

Amount: $121,000 **Source:** Proceeds from Guaranteed Income Contract

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the sources and uses listed in the application save that the Applicant has indicated they do not plan to use the full $1,300,000 in taxable bonds committed to be purchased. Instead, the sources and uses presented on December 30, 2003 indicates only $900,000 in taxable bonds will be utilized. Therefore, the recommendations of this report will reflect the lower bond amount though the higher amount appears to be financially feasible. Although the terms presented are the same, the Applicant anticipates an annual debt service amount that is $10K higher than calculated by the Underwriter. The Applicant's estimate may include fees not typically accounted for in the interest rate.

LIHTC Syndication: The syndicator is related to the mortgage provider and has offered a reasonable rate for purchase of the tax credits. The pay-in schedule indicates the majority of the syndication proceeds (75%) will be made available during the construction period.

Deferred Developer's Fees: The Applicant anticipates the developer will defer 48% of available developer fees. The actual amount of deferred fees will vary with changes in the total development budget and anticipated syndication proceeds.

Financing Conclusions: As stated above, the Underwriter's total development cost estimate is used to determine the Development's eligible basis. The resulting tax credits are less than both the Applicant's request and the tax credits needed to fill the gap in need for permanent funds. Therefore, $677,432 annually in tax credits is the recommended allocation. Syndication terms available as of the date of this report indicate the Applicant will receive $5,554,386 in proceeds, or $622K less than anticipated at application. Despite the decrease in syndication proceeds, the Underwriter's lower total development cost estimate results in a need for deferred developer fees of only $521,681, or 21% of available developer fees. Deferred fees in this amount appear to be repayable from Development cashflow within four years of stabilized operation. Should the Applicant's higher costs be realized, deferred fees would expand to $1,814,885, or 67% of the available developer fees, and still be repayable within ten year of stabilized operation.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer and General Contractor are related entities. These are common relationships for HTC-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.
- The Co-Developer, Provident Realty Advisors, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of $420K and consisting of $156K in cash, $232K in receivables, $34K in other assets. Liabilities totaled $104K, resulting in a net worth of $316K. The Co-Developer and its princiapls, Sphinx Development, do not have an ownership interest in the subject Development.
- Leon J Backes, principal of the Guarantor of permanent financing, General Partner and Developer, submitted a personal financial statement.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Leon Backes provided no evidence of previous participation in the development of affordable housing.
- Jay O Oji, owner of the Co-Developer, has received a certificate of experience from the Department.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant environmental/locational risk exists due to the site's location in the 100-year floodplain as defined by the Federal Emergency Management Agency.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Lisa Vecchietti*	**Date:**	01/05/2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	01/05/2004

MULTIFAMILY COMPARATIVE ANALYSIS

Providence at Veterans Memorial, Houston, MRB #2003-061/4% HTC 03462

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, Trsh
TC 60%	28	2	2	1,017	$804	$764	$21,392	$0.75	$40.00	$30.00
TC 60%	28	2	2	1,028	804	764	21,392	0.74	40.00	30.00
TC 60%	14	2	2.5	1,114	804	764	10,696	0.69	40.00	30.00
TC 60%	28	2	2.5	1,158	804	764	21,392	0.66	40.00	30.00
TC 60%	56	3	2	1,152	930	882	49,392	0.77	48.00	36.00
TC 60%	14	3	2	1,213	930	882	12,348	0.73	48.00	36.00
TC 60%	28	3	2	1,251	930	882	24,696	0.71	48.00	36.00
TC 60%	14	3	2	1,291	930	882	12,348	0.68	48.00	36.00
TC 60%	28	3	2	1,325	930	882	24,696	0.67	48.00	36.00
TOTAL:	238		**AVERAGE:**	1,164	$878	$833	$198,352	$0.72	$44.71	$33.53

INCOME	Total Net Rentable Sq Ft: 276,976		TDHCA	APPLICANT		USS Region 6
POTENTIAL GROSS RENT			$2,380,224	$2,379,720		IREM Region Houston
Secondary Income	Per Unit Per Month:	$19.45	55,560	57,120	$20.00	Per Unit Per Month
Other Support Income: (describe)			0	0		
POTENTIAL GROSS INCOME			$2,435,784	$2,436,840		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(182,684)	(182,760)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$2,253,100	$2,254,080		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.70%	$350	0.30	$83,411	$57,500	$0.21	$242	2.55%
Management		4.00%	379	0.33	90,124	$90,163	0.33	379	4.00%
Payroll & Payroll Tax		9.19%	870	0.75	$207,060	$188,800	0.68	793	8.38%
Repairs & Maintenance		4.19%	396	0.34	$94,312	$100,383	0.36	422	4.45%
Utilities		1.77%	168	0.14	39,950	$50,218	0.18	211	2.23%
Water, Sewer, & Trash		4.25%	402	0.35	95,760	$69,020	0.25	290	3.06%
Property Insurance		2.34%	221	0.19	52,625	$55,395	0.20	233	2.46%
Property Tax	3.42877	9.05%	857	0.74	204,012	$190,400	0.69	800	8.45%
Reserve for Replacements		2.11%	200	0.17	47,600	47,600	0.17	200	2.11%
Supportive Services, Compliance, Secuirty, Cable		2.48%	235	0.20	55,853	55,853	0.20	235	2.48%
TOTAL EXPENSES		43.08%	$4,079	$3.50	$970,708	$905,332	$3.27	$3,804	40.16%
NET OPERATING INC		56.92%	$5,388	$4.63	$1,282,392	$1,348,748	$4.87	$5,667	59.84%
DEBT SERVICE									
First Lien Mortgage		50.41%	$4,772	$4.10	$1,135,708	$1,145,846	$4.14	$4,814	50.83%
Trustee Fee		0.16%	$15	$0.01	$3,500	0	$0.00	$0	0.00%
TDHCA Admin. Fees		0.71%	$67	$0.06	15,900	0	$0.00	$0	0.00%
Asset Oversight Fees		0.16%	$15	$0.01	3,570	0	$0.00	$0	0.00%
NET CASH FLOW		5.65%	$535	$0.46	$127,213	$202,902	$0.73	$853	9.00%
INITIAL AGGREGATE DEBT COVERAGE RATIO					1.11	1.18			
INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.11				
RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO					1.13				

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)		5.26%	$4,853	$4.17	$1,155,000	$1,155,000	$4.17	$4,853	4.96%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.31%	6,750	5.80	1,606,500	1,606,500	5.80	6,750	6.90%
Direct Construction		48.27%	44,574	38.30	10,608,495	11,877,973	42.88	49,907	51.05%
Contingency	5.00%	2.78%	2,566	2.21	610,750	683,149	2.47	2,870	2.94%
General Req'ts	6.00%	3.33%	3,079	2.65	732,900	819,778	2.96	3,444	3.52%
Contractor's G & A	2.00%	1.11%	1,026	0.88	244,300	273,259	0.99	1,148	1.17%
Contractor's Profit	6.00%	3.33%	3,079	2.65	732,900	819,778	2.96	3,444	3.52%
Indirect Construction		3.65%	3,370	2.90	802,000	802,000	2.90	3,370	3.45%
Ineligible Costs		6.20%	5,724	4.92	1,362,306	1,362,306	4.92	5,724	5.85%
Developer's G & A	2.00%	1.50%	1,387	1.19	330,012	541,356	1.95	2,275	2.33%
Developer's Profit	13.00%	9.76%	9,013	7.74	2,145,077	2,165,422	7.82	9,098	9.31%
Interim Financing		5.29%	4,886	4.20	1,162,750	1,162,750	4.20	4,886	5.00%
Reserves		2.20%	2,030	1.74	483,077	0	0.00	0	0.00%
TOTAL COST		100.00%	$92,336	$79.34	$21,976,067	$23,269,271	$84.01	$97,770	100.00%
Recap-Hard Construction Costs		*66.14%*	***$61,075***	***$52.48***	***$14,535,844***	***$16,080,437***	***$58.06***	***$67,565***	*69.11%*

SOURCES OF FUNDS						RECOMMENDED	
Tax-Exempt Bonds	68.26%	$63,025	$54.16	$15,000,000	$15,000,000	$15,000,000	Developer Fee Available
Taxable Bonds/ Additional Financing	4.10%	$3,782	$3.25	900,000	900,000	900,000	$2,475,089
HTC Syndication Proceeds	28.11%	$25,951	$22.30	6,176,412	6,176,412	5,554,386	% of Dev. Fee Deferred
Deferred Developer Fees	5.43%	$5,012	$4.31	1,192,858	1,192,858	521,681	21%
Additional (Excess) Funds Required	-5.88%	($5,434)	($4.67)	(1,293,203)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$21,976,067	$23,269,271	$21,976,067	$5,067,170

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Providence at Veterans Memorial, Houston, MRB #2003-061/4% HTC 03462

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.84	$11,865,337
Adjustments				
Exterior Wall Finish	0.40%		$0.17	$47,461
Elderly/9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.02)	(281,131)
Floor Cover			2.00	553,952
Porches/Balconies	$17.59	13,895	0.88	244,413
Plumbing	$605	798	1.74	482,790
Built-In Appliances	$1,650	238	1.42	392,700
Interior Stairs	$900	182	0.59	163,800
Floor Insulation			0.00	0
Heating/Cooling			1.53	423,773
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$55.70	5,444	1.09	303,239
Other:			0.00	0
SUBTOTAL			51.25	14,196,335
Current Cost Multiplier	1.03		1.54	425,890
Local Multiplier	0.89		(5.64)	(1,561,597)
TOTAL DIRECT CONSTRUCTION COSTS			$47.15	$13,060,628
Plans, specs, survy, bld prm	3.90%		($1.84)	($509,364)
Interim Construction Interes	3.38%		(1.59)	(440,796)
Contractor's OH & Profit	11.50%		(5.42)	(1,501,972)
NET DIRECT CONSTRUCTION COSTS			$38.30	$10,608,495

PAYMENT COMPUTATION

Primary	$15,900,000	Amort	480
Int Rate	6.64%	DCR	1.13

Secondary		Amort	
Int Rate		Subtotal DCR	1.11

All-In		Amort	
Rate		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$1,135,708
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversigh	19,470
NET CASH FLOW	$123,713

Primary	$15,900,000	Term	480
Int Rate	6.64%	DCR	1.13

Secondary		Term	
Int Rate		Subtotal DCR	1.13

All-In		Term	
Rate		Aggregate DCR	1.11

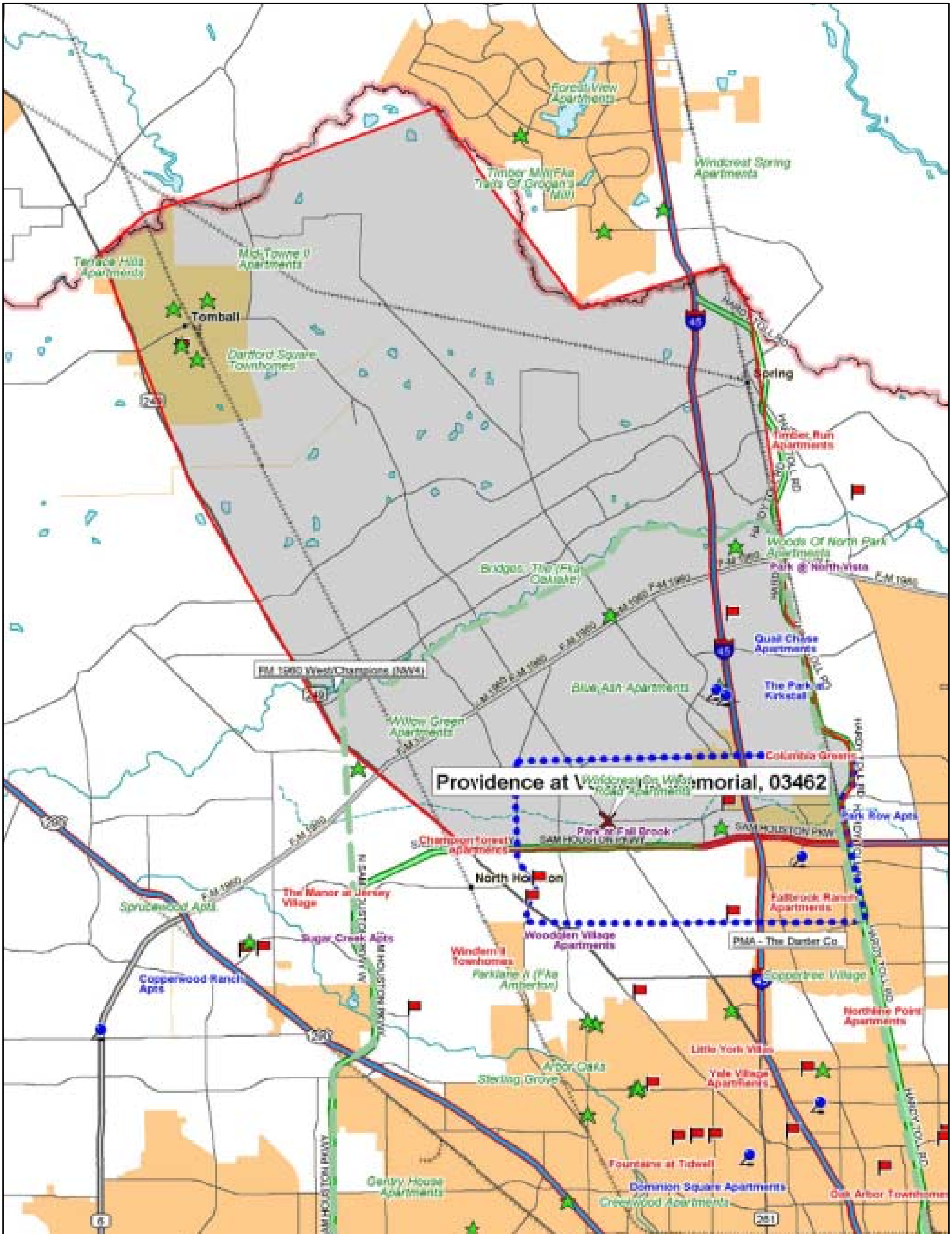
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,380,224	$2,451,631	$2,525,180	$2,600,935	$2,678,963	$3,105,652	$3,600,302	$4,173,737	$5,609,154
Secondary Income	55,560	57,226	58,943	60,711	62,533	72,493	84,039	97,424	130,930
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,435,784	2,508,857	2,584,123	2,661,646	2,741,496	3,178,145	3,684,341	4,271,161	5,740,084
Vacancy & Collection Loss	(182,684)	(188,164)	(193,809)	(199,623)	(205,612)	(238,361)	(276,326)	(320,337)	(430,506)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,253,100	$2,320,693	$2,390,314	$2,462,023	$2,535,884	$2,939,784	$3,408,016	$3,950,824	$5,309,577
EXPENSES at 4.00%									
General & Administrative	$83,411	$86,748	$90,218	$93,827	$97,580	$118,720	$144,442	$175,735	$260,131
Management	90,124	92,828	95,613	98,481	101,435	117,591	136,321	158,033	212,383
Payroll & Payroll Tax	207,060	215,342	223,956	232,914	242,231	294,711	358,561	436,244	645,748
Repairs & Maintenance	94,312	98,085	102,008	106,088	110,332	134,236	163,318	198,701	294,127
Utilities	39,950	41,548	43,210	44,939	46,736	56,862	69,181	84,169	124,591
Water, Sewer & Trash	95,760	99,590	103,574	107,717	112,026	136,296	165,825	201,752	298,642
Insurance	52,625	54,730	56,920	59,196	61,564	74,902	91,130	110,874	164,120
Property Tax	204,012	212,172	220,659	229,486	238,665	290,372	353,282	429,822	636,242
Reserve for Replacements	47,600	49,504	51,484	53,544	55,685	67,750	82,428	100,286	148,448
Other	55,853	58,087	60,411	62,827	65,340	79,496	96,719	117,674	174,186
TOTAL EXPENSES	$970,708	$1,008,635	$1,048,052	$1,089,018	$1,131,594	$1,370,937	$1,661,208	$2,013,291	$2,958,618
NET OPERATING INCOME	$1,282,392	$1,312,057	$1,342,261	$1,373,005	$1,404,289	$1,568,847	$1,746,808	$1,937,533	$2,350,959
DEBT SERVICE									
First Lien Mortgage	$1,135,708	$1,135,708	$1,135,708	$1,135,708	$1,135,708	$1,135,708	$1,135,708	$1,135,708	$1,135,708
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Ov	19,470	19,387	19,298	19,204	19,103	18,483	17,620	3,570	3,570
NET CASH FLOW	$123,713	$153,462	$183,754	$214,592	$245,978	$411,155	$589,979	$794,755	$1,208,180
AGGREGATE DCR	1.11	1.13	1.16	1.19	1.21	1.36	1.51	1.70	2.06

LIHTC Allocation Calculation - Providence at Veterans Memorial, Houston, MRB #2003-061/4% H

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,155,000	$1,155,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,606,500	$1,606,500	$1,606,500	$1,606,500
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$11,877,973	$10,608,495	$11,877,973	$10,608,495
(4) Contractor Fees & General Requirements				
Contractor overhead	$273,259	$244,300	$269,689	$244,300
Contractor profit	$819,778	$732,900	$809,068	$732,900
General requirements	$819,778	$732,900	$809,068	$732,900
(5) Contingencies	$683,149	$610,750	$674,224	$610,750
(6) Eligible Indirect Fees	$802,000	$802,000	$802,000	$802,000
(7) Eligible Financing Fees	$1,162,750	$1,162,750	$1,162,750	$1,162,750
(8) All Ineligible Costs	$1,362,306	$1,362,306		
(9) Developer Fees			$2,701,691	
Developer overhead	$541,356	$330,012		$330,012
Developer fee	$2,165,422	$2,145,077		$2,145,077
(10) Development Reserves		$483,077		
TOTAL DEVELOPMENT COSTS	$23,269,271	$21,976,067	$20,712,964	$18,975,683

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$20,712,964	$18,975,683
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$20,712,964	$18,975,683
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$20,712,964	$18,975,683
Applicable Percentage		3.57%	3.57%
TOTAL AMOUNT OF TAX CREDITS		$739,453	$677,432
Syndication Proceeds	**0.8199**	**$6,062,907**	**$5,554,386**
Total Credits (Eligible Basis Method)		**$739,453**	**$677,432**
Syndication Proceeds		**$6,062,907**	**$5,554,386**
Requested Credits		**$753,296**	
Syndication Proceeds		**$6,176,409**	
Gap of Syndication Proceeds Needed			**$6,076,067**
Credit Amount			**$741,058**



DELORME

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RENT CAP EXPLANATION
Houston MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is **"affordable"** if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2003

MSA/County: Houston **Area Median Family Income (Annual):** $59,100

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				**Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)**				**Utility Allowance by Unit Type** (provided by the local PHA)	**Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)**		
# of Persons	At or Below 50%	60%	80%	Unit Type	At or Below 50%	60%	80%		At or Below 50%	60%	80%
1	$ 20,850	$ 25,020	33,400	Efficiency	$ 521	$ 625	$ 835		$ 521	$ 625	$ 835
2	23,850	28,620	38,150	1-Bedroom	558	670	894		558	670	894
3	**26,800**	**32,160**	**42,900**	**2-Bedroom**	**670**	**804**	**1,072**	**42**	**628**	**762**	**1,030**
4	29,800	35,760	47,700	3-Bedroom	775	930	1,240	51	724	879	1,189
5	32,200	38,640	51,500								
6	34,550	41,460	55,300	4-Bedroom	863	1,036	1,382		863	1,036	1,382
7	36,950	44,340	59,100	5-Bedroom	953	1,144	1,525		953	1,144	1,525
8	39,350	47,220	62,950								
FIGURE 1				**FIGURE 2**				**FIGURE 3**	**FIGURE 4**		

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning $30,000 per year would fall in the 60% set-aside group. A family of three earning $25,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning $32,160 could not pay more than $804 for rent and utilities under the affordable definition.

1) $32,160 divided by 12 = **$2,680** monthly income; then,

2) **$2,680** monthly income times 30% = **$804** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in ***Figure 3*** from the maximum total housing expense for each unit type found in ***Figure 2***.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

Providence at Veterans Memorial Apartments

RESULTS & ANALYSIS:

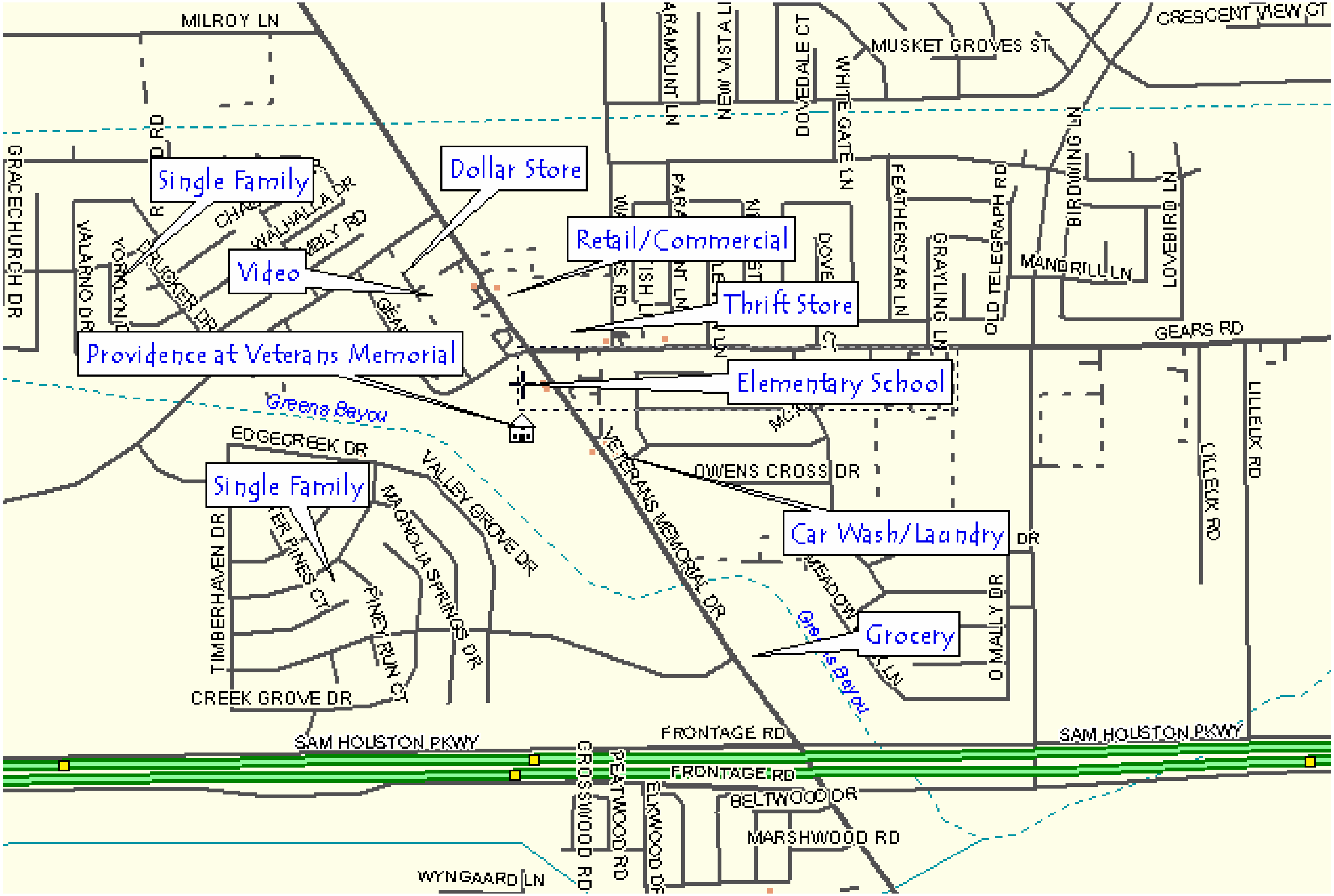
Tenants in the 60% AMFI bracket will **save $104 to $152** per month (leaving 3.9% to 4.9% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **12.0% to 14.7%**.

PROJECT INFORMATION				
		Unit Mix		
Unit Description		2-Bedroom	3-Bedroom	
Square Footage		1,074	1,226	
Rents if Offered at Market Rates		$866	$1,031	
Rent per Square Foot		$0.81	$0.84	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 60% AMFI Set-Aside		$762	$879	
Monthly Savings for Tenant		**$104**	**$152**	
Rent per square foot		$0.71	$0.72	
Maximum Monthly Income - 60% AMFI		$2,680	$3,100	
Monthly Savings as % of Monthly Income		**3.9%**	**4.9%**	
% DISCOUNT OFF MONTHLY RENT		**12.0%**	**14.7%**	

Appraisal information provided by: Butler Burgher, Inc., 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated December 22, 2003.

Providence at Veterans Memorial
Kohrville
Bammel
Westfield
Humble
Moonshine Hill
F-M 1960
249
290
59
45
10
610
327
90
SAM HOUSTON PKWY
HARDY TOLL RD
North Houston
Aldine
National Veterans Administration Cemetery
Kenwood Place
Mount Houston
Satsuma
Jersey Village
Highland Heights
Sheldon
Sheldon W M A
Houmont Park
Beaumont Place
Spring Valley
Hilshire Village
Addicks
Hedwig Village
Bunker Hill Village
Hunters Creek Village
Piney Point Village
Houston
Jacinto City
Galena Park


Single Family
Dollar Store
Retail/Commercial
Video
Thrift Store
Providence at Veterans Memorial
Elementary School
Single Family
Car Wash/Laundry
Grocery
Greens Bayou
MILROY LN
GRACECHURCH DR
VALARNO DR
EDGECREEK DR
VALLEY GROVE DR
MAGNOLIA SPRINGS DR
PINEY RUN CT
TIMBERHAVEN DR
CREEK GROVE DR
SAM HOUSTON PKWY
FRONTAGE RD
VETERANS MEMORIAL DR
OWENS CROSS DR
O MALLY DR
GEARS RD
LILLEUX RD
OLD TELEGRAPH RD
GRAYLING LN
FEATHERSTAR LN
WHITE GATE LN
DOVEDALE CT
NEW VISTA LN
MUSKET GROVES ST
CRESCENT VIEW CT
BIRDWING LN
LOVEBIRD LN
MANDRILL LN
CROSSWOOD RD
PEATWOOD RD
ELKWOOD DR
BELTWOOD DR
MARSHWOOD RD
WYNGAARD LN

Developer Evaluation

Project ID # **03462** Name: **Providence at Veterans Memo** City: **Houston**

LIHTC 9% ☐ LIHTC 4% ☑ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 2

Program Monitoring/Draws

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara Carr Newsom Date December 22, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by S. Roth Date 12/22/2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by EEF Date 12/29/2003

Office of Colonia Initiatives

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 12/29/2003

Executive Director: Edwina Carrington **Executed:** Friday, January 02, 2004

Status Summary

Project ID# 03462

Name: Providence at Veterans Memori

City Houston

☐ **LIHTC 9** ☑ **LIHTC 4**
☐ **HOME** ☐ **HTF**
☐ **Bond** ☐ **SEC**
☐ **ESGP** ☐ **Other**

Developer	Role	Disbarr
Trails of Sycamore Townhomes, LP	Owner/Applicant Name	☐
Chicory GP - Southside, Inc.	General Partner (.01%)	☐
Leon J. Backes	President	☐

Projects/Contracts Monitored by the Department

Program	Project ID	Project Name	Score
LIHTC	02474	Quail Creek	N/A
LIHTC	02475	Rose Court @ Thorn Tree	N/A

Out of State Response Received: N/A

Non-Compliance Reported

Completed By: Jo En Taylor **Date:** 12/22/2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

Public Comment Summary

Providence at Veterans Memorial

Public Hearing

Total Number Attended	24
Total Number Opposed	19
Total Number Supported	1
Total Number Neutral	4
Total Number that Spoke	9

Letters Received

Opposition	1
Support	21

Summary of Opposition

1. *Concern this is "public housing"*
2. *Potential of flooding*
3. *Not welcomed by the community*
4. *Disagreed with the notification process*
5. *Will lower property values*
6. *No benefit to the community*
7. *Will bring down the rents in the area*

Response to Summary of Opposition

1. *Addressed at public hearing*
2. *Engineer for project has addressed the issue in site plan*
3. *Developer has met with community since hearing*
4. *Notification was followed per statute*
5. *There are no stastistics that support this claim*
6. *Community does not see benefit in helping the tenant that will live in the complex*
7. *Gentleman was concerned about his own rental property in the area (competition)*

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TRAILS OF SYCAMORE

PUBLIC HEARING

Link Elementary School
2815 Ridge Hollow
Houston, Texas

November 18, 2003
6:12 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Loan Analyst

I N D E X

P R O C E E D I N G S

MS. MEYER: -- and then I'll give you a presentation -- some information about the two programs that are being used in order to build this development. I'll give you some general information about the development.

Once I go through that we will have questions and answers if you have -- there is a representative from the developer here if you'd like to ask him any questions. Also, if you have any questions from the Department -- from the Texas Department of Housing, which is where I'm from, I'll be glad to answer those questions.

And then we'll open the floor up for public comment if you have any comments to make at that time. Right now I only have a couple of people that would like to speak. But if there is anyone after the questions and answers that you would like to make a comment you'll be more than welcome to do that.

Good evening. My name is Robbye Meyer, and I'm with the Texas Department of Housing and Community Affairs. I would like to proceed with the public hearing. And let the record show that it is 6:12 on Tuesday, November 18. And we are at the Link Elementary School located at 2815 Ridge Hollow, Houston, Texas 77067.

I am here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issuance of tax-exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issuance.

No decisions regarding the development will be made at this hearing. The Department's board is scheduled to meet to consider this transaction on January 8. In addition to your providing comments at this hearing, the public is also invited to provide written comments to the board or at their meetings, if you would like. Or you can submit to staff via facsimile at 512/475-0764 up until 5:00 p.m. on December 26.

FEMALE VOICE: Give that number again.

MS. MEYER: I have some cards and I'll pass them out at the end of the hearing.

The Bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed 15 million and taxable bonds, if necessary, in an amount to be determined and issued by one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the Bonds will be loaned to Trails of Sycamore Townhomes Limited Partnership, or a related person or affiliate thereof, to finance a portion of the costs of acquiring, constructing, and equipping a multifamily rental housing community described as follows.

250-unit multifamily residential rental development to be constructed on approximately 33 acres of land located at the southwest quadrant of Veterans Memorial and Gears Road, Houston, Harris County, Texas. The proposed multifamily rental housing community will be initially owned and operated by the borrower, or a related person or affiliate thereof.

There is a couple of questions before we started the hearing. And one had to do with the exempt nature of this particular transaction and one concern that it was under property exemption, and that is completely false. This particular development is a for-profit developer. They will be paying their ad valorem taxes; they will be paying their school taxes.

Another concern that was addressed to me earlier in the month was that we were having this hearing at a school that wasn't in the school district. And when

I located this particular site -- the school district is actually on the border and Spring thought it was in their school district. And so we did have it at this hearing. However, it is close enough to the site that that is the reason why we didn't change the hearing to an Aldine School District. So that -- if there was any concerns about that that was the reason why we're here and not at the school that is in very close proximity to that particular development.

There was also one other concern that was addressed that there was a previous application on this particular site -- and that is true. That was voted by our Board and was declined at the time. That particular application is no longer valid. This is a totally new development. It's a different developer and it is a different application in the process. So kind of get those concerns that came up earlier.

The sole purpose of this particular development is to build better communities and improve the quality of life for the citizens of Texas. The federal government wanted to privatize the housing industry, and they came up with two different programs to do that. One is the tax-exempt bonds and one is housing tax credits.

The tax-exempt bonds -- the exemption is actually to the bond purchaser. It's to the investor in the bonds. It doesn't go to the development. What allows that -- investor allows for a lower rate of return for their money, so, therefore, the lender can actually charge a lower interest rate to the development. Therefore, in turn, the developer can build a market rate, very quality, nice apartment complex for the same amount as a market rate deal and use it as an affordable living facility. And that's one piece of the puzzle.

The second one is the housing tax credits. This is an IRS tax credit. Again, it's not your tax dollars there. It's not taking property tax. It is a tax exemption to a development. And this allows a developer to charge the lower rents. It gives them the capability to be able to do that and make the rents lower than market rate. This will happen for -- ten years they will get that exemption.

There's also -- with tax-exempt bonds and also for housing tax credits there's a compliance period with the State of Texas. And that is for 30 years or as long as the bonds are outstanding, whichever is greater. So they have -- for at least 30 years they will be on compliance monitoring with the State of Texas. And that goes into financial auditing, that goes into property auditing to make sure that they are kept -- keeping the property up to date and they're keeping it in nice condition.

They also check for income certifications and occupancy of the tenants and making sure that they are following their leasing criteria and they are following the affordable standards that they're supposed to be doing and making sure that the people that do live there are within the reasonable limits.

By doing all of this, and these programs put together, the whole end result is, again, building quality housing for less fortunate individuals at a price that they can afford. That's the whole point of the two developments -- the two programs together.

The Private Activity Bond Program is administered by the Texas Bond Review Board. Currently it is done under a strict lottery system -- and that's for 2003 -- and that's what we're still in. These applications were submitted for the 2003 year. They're under a little bit different set of rules than we will be in 2004. There's a lot different guidelines that come under the 2004 program.

But right now it is strictly by lot, and it is lowest lot goes first. We've moved down that list pretty quickly this year because of some of the interest rate issues under single family housing. So we've received a little bit more money in the multifamily area than we would have on a normal basis.

This particular development received what we call a reservation of allocation on September 29. From that date they have 120 days to actually close the bond transaction. And we are right in the middle of that 120-day transaction. This particular reservation will expire on January 27.

The Private Activity Bond Program is not a Section 8 project-based housing program. It is for affordable living, and it is not -- HUD doesn't have anything to do with it. It is all privatized. A lot of people get concerned that we're bringing in projects and we're going to downgrade your neighborhood. And that's exactly what we're not trying to do.

It is a private industry. It will be a private owner, a private management company. HUD does not have anything to say about what goes on with this particular property.

Now, there are -- if you do have a tenant that does have a Section 8 voucher they are allowed to live there. We do not turn tenants away because of that under

Fair Housing. However, they do have to meet the same criteria in leasing guidelines as any other tenant would within this particular development.

And I do believe -- don't you have your -- yes, the resident selection criteria, if you'd like to see this after the hearing, is behind me. The developer has put that up. So if you would like to see that you are more than welcome to.

This development will be located again at the southwest quadrant of Veterans Memorial and Gears Road. It will consist of 250 units. 118 of those units will be two-bedroom, two-bath units with an average square footage of 960. 132 three-bedroom, two-bath units with an average square footage of 1,120 feet.

The particular -- this particular development will service families at 60 percent of the area median income for this area. For the Houston metropolitan statistical area the average median income is 59,100. And giving an example, a family of four could not make more than $35,370 in order to qualify to live in this property.

The maximum two-bedroom rent will be approximately $762 and the maximum three-bedroom rent will be approximately $879.

I would ask when we start the hearing if you'll turn off any cell phones or pagers -- or at least move them to silent mode. If your phone does ring I'd ask you to take it outside and not answer your phone in here. Actually, I'd ask you to just turn them off anyway and don't answer it period. But I would appreciate if you'd have courtesy for everybody else that is here.

The closing public comment period for this particular development, again, is on December 26. And I have some information cards -- and I'll give you that information to where if you have any written comments, or anybody else that you know has any comments that they would like to make as a presentation to the Board, I'll be more than happy to submit those to the Board. And I'll give you all the information of how to reach me in order to get that information to me.

Again, the Texas Department of Housing and Community Affairs Board is scheduled to meet on January 8. There is some holiday confusion on that one, so it is very possible --

MALE VOICE: We can't hear you back here.

(Pause.)

MS. MEYER: Right now the Texas Department of Housing and Community Affairs Board is scheduled to meet on January 8. We're having some holiday conflicts there, so it is very likely that it will move to the 15th. But I'm giving you another date just to -- the earlier date just to make sure that, you know, nothing is missed. If we bump it a week I don't think that will be too detrimental to anything because you'll have an extra week to do things. But right now that meeting is scheduled for January 8.

At this time I would -- there is a representative from the developer here if you would have any questions for the developer or myself concerning this development.

(Pause.)

MS. MEYER: Yes, sir. Can you come up to the mike so everybody else can hear your question?

MALE VOICE: I'm sorry. I missed some of the information in the beginning. What I'm concerned about is --

MS. MEYER: That's just a transcription microphone. If you can come to this -- this has the audio mike. I'm sorry.

MALE VOICE: This seems to be a public housing project no matter how you look at it. Okay? And it floods in this area. Many of us own our homes. Some of us have paid for these homes already. We may want to rent these homes out and we'd be in direct competition with renting our homes out and your renting them out for less money. It doesn't work.

And I for one want to know what is the procedure -- because I am against it, period. It floods in the area. It flooded yesterday in our neighborhood. We don't need this problem. And you can address the situation, but we have flooding problems already. And I don't think we need the development. What we need in that area is for a drainage ditch of some sort. We have too much flooding problems in this area already.

Your housing development is not welcome by this community. And I intend to line up as many people as I can to protest it. We do not want it, and I do not want it in the community. And I think that -- I think the majority of us do not want it. You are not welcome. And the income level you're using is too low.

MS. MEYER: Not according to the HUD standards it's not.

FEMALE VOICE: We cannot hear you. If you would get a little closer to the mike.

MS. MEYER: All -- this is the audio mike; this one's not.

FEMALE VOICE: You'll have to speak louder or something. We cannot hear you.

MS. MEYER: Okay. Hang on just a second. The income levels are listed on my website. My website is on my information card, and you're more than welcome to check out those incomes. That is the correct income for the Houston MSA area. So --

MALE VOICE: MSA? What's MSA? Metropolitan area?

MS. MEYER: Metropolitan statistical area is what that is. And they -- those are set out by HUD every year.

MALE VOICE: By HUD?

MS. MEYER: By HUD. The incomes are. And they are -- I mean, that's what we have to go by under the federal laws under tax credits.

MALE VOICE: I'm with a large corporation and we do demographic studies in the Houston -- also in the metropolitan area. And you're using $59,000. I don't think that that is correct.

MS. MEYER: Well, sir, I'm not going to sit here and argue with you. I'm just telling you that's exactly what HUD has given, and that is what we use. So you're more than welcome to look on our website at those incomes -- and that's what posted. Now, come January those will change because we're in a new year. So that may change -- it may be different right now, but that's what was posted for the 2003 year.

Got a question or -- if you don't have questions -- if you have comments if you'll hold on just a second and we'll open it up for comments. Do you have a question?

FEMALE VOICE: No, I don't have a question.

MS. MEYER: Okay. Do we have any other questions?

FEMALE VOICE: The leading factor --

MS. MEYER: If you can come up here, ma'am, to the mike.

FEMALE VOICE: My questions are -- first of all, the closed public hearing that you mentioned, December 26 -- do I have these dates correctly because I couldn't hear you back there.

MS. MEYER: No, no. What I was saying -- the close of public comment. Anything -- if you want to send me any information, written notices -- if you want to e-mail me or anything like that the cutoff time is five o'clock on December 26.

FEMALE VOICE: 5:00 p.m.? And that will be sent to you --

MS. MEYER: That will --

FEMALE VOICE: -- and no one else?

MS. MEYER: No, no, no. That -- what I do is put the presentation together for our Board.

FEMALE VOICE: Okay.

MS. MEYER: And then it will be presented to the Texas Department of Housing and Community Affairs Board.

FEMALE VOICE: All right.

MS. MEYER: So any information that you send me will be presented to my Board.

FEMALE VOICE: Okay. Now, what about the meeting that you mentioned that's either January 8 or January 15?

MS. MEYER: Right now the Department's Board meeting is scheduled for the 8th. However, because of the holiday situation, there are some conflicts as far as Board members are concerned and those kind of things. So it most likely will be changed to the 15th. Right now it is still set for the 8th, but I just want to make sure -- I'm giving you the earlier date so nobody misses it. If it's delayed a week you don't miss it, and that's the reason why I'm giving you both dates. Right now it is scheduled for the 8th.

FEMALE VOICE: Where?

MS. MEYER: It will be in Austin, Texas. Well, that's where my Board meets. I can't do anything about that. They can't travel all over the state because they do issues for all over the state.

FEMALE VOICE: Oh, but we can. Where in Austin, Texas?

MS. MEYER: At -- right now it's probably at the Capitol Extension. And that will all be posted on my website. Or you can give me a call and I'll be glad to give you that information as soon as that meeting is set. We don't have the date nailed down yet, so I can't really tell you exactly where it will be -- if it will be at my office or whether it will be at the Capitol.

FEMALE VOICE: Okay.

MS. MEYER: It will be at one of those two.

FEMALE VOICE: Okay.

MS. MEYER: Okay? And I'll be glad to give you that information.

MALE VOICE: I'm not coming up there. They can hear my voice.

MS. MEYER: But I can't hear it on the transcription, sir. That's the reason why you have to come up here.

MALE VOICE: Oh.

MALE VOICE: Why don't you explain to them that there's a record being made for your Board with all your comments and that's why you're having to come up here.

MS. MEYER: Every thing that's said at this public hearing from the time I started will be presented to the Texas Department of Housing and Community Affairs Board.

MALE VOICE: Okay.

MS. MEYER: And that's the reason why I'm asking you to come here. One, the audio mike's up here. But also there is a transcription microphone, and that's what this lady behind me is doing.

MALE VOICE: You mentioned a Board.

MS. MEYER: Yes, sir.

MALE VOICE: Those Board members have names.

MS. MEYER: That's correct.

MALE VOICE: Can we get a list of their names?

MS. MEYER: Sure.

MALE VOICE: And is the Board appointed by the Legislative Budget Board or the Governor?

MS. MEYER: They're appointed by the Governor

MALE VOICE: That's who you write to, people.

FEMALE VOICE: The Governor.

MALE VOICE: The Governor.

MS. MEYER: The Board members are appointed by the Governor. Those names are also on my website, so if you have internet access -- and I'll be glad to walk you through any of the internet procedures. Or you can call me and I can give that to you over the phone. I don't have all their addresses in my head. But I can give all that information to you.

MALE VOICE: This is coming across as a subsidized program.

MALE VOICE: It is.

MALE VOICE: And it seems that you're saying it's private -- it's private -- it's private. It seems though that the government is subsidizing some of private industry to build it. I would like to see paperwork. Why isn't there documentation? Why are you not presenting any documentation?

Where you put the Board down with the information that you were telling -- to let everybody notify everybody. It's in a bad location because there are more subdivisions involved in this other than the subdivision that got a chance to --

Most of the people here are from Greenfield Village. This also is going to affect Briar Creek And I don't think -- is anybody here from Briar Creek?

(No response.)

MALE VOICE: No.

FEMALE VOICE: Nathan Green from Heritage Village?

MALE VOICE: It's going to have a lot here. You're in the wrong location --

MS. MEYER: Sir, that's not informed.

MALE VOICE: You should not build it. I'm against it. I'm quite sure everybody in this area is going to be against it. You need to find another place to go. Rick Perry is a Republic governor. This area is Democrat, and I'm quite sure he feels good about putting it in this area. It's just the wrong location. You people picked the wrong location. Choose another location.

MS. MEYER: Sir, if you want to -- I'm trying to get through the questions and answers. Then we're going to make comment in just a second. So you're more than welcome to make all these comments here in a minute.

MALE VOICE: Well, okay. What I want to know is why hasn't any paperwork or any presentation on how this -- you're saying it's subsidized by the Government. And it's not being subsidized directly by the Government.

It's a private entity that's taking care of this. But this private entity is getting more -- rather a lower return of interest.

I want to know if -- as a taxpayer who is subsidizing evidently this private entity I want information. I want it on paper. Why isn't there any paper presentation --

MS. MEYER: Well, I mean, I've given you presentation as far as handouts. I have not given you that information.

MALE VOICE: -- pictures.

FEMALE VOICE: The pictures? All we got were some pictures.

MALE VOICE: This is -- pictures? Come on. Get real.

MS. MEYER: Sir, if there's any information that you would like, I'd be more than happy to send it to you. I can't --

MALE VOICE: No, no, no. We want it --

FEMALE VOICE: Not one individual.

MALE VOICE: -- as a community. We want it in writing.

FEMALE VOICE: Right. Not individual.

MS. MEYER: That's fine, sir. I'll be glad to send you whatever you're wanting.

FEMALE VOICE: No, no.

MALE VOICE: The whole community is entitled to it.

MS. MEYER: Then the whole community can have it if they would like it. You're going to have --

MALE VOICE: Why didn't you bring it --

MS. MEYER: Sir, I --

MALE VOICE: -- if you were going to give a presentation --

MS. MEYER: -- cannot have this conversation, you know, like this. I can't go into everything that any question that might be asked. That's just impossible for me to do. I'm here to make a presentation. I'm here to take your comments. If that's what you want to start we'll go into public comment and I'll cut everything off and we'll end the hearing if that's what you'd like.

MALE VOICE: The information you gave --

FEMALE VOICE: No.

MALE VOICE: -- did not impress me.

FEMALE VOICE: What I'm thinking he was saying is -- and I feel the same way -- is that, since you were coming tonight we would have liked to have had a little more information. I'm upset about it, too.

MALE VOICE: Documentation.

FEMALE VOICE: Documentation as to what -- now, I wrote in my notes what you said. You said that it was private entity. And then later on you said that HUD was going to get involved. Well, HUD is -- what is it?

MS. MEYER: No. HUD is not involved. The only thing where HUD comes in is the income limitations that are set out. Those are used under the tax credit program, and that's what we have to use under the bond program also. HUD is not involved in this transaction.

FEMALE VOICE: Okay. Here's another one of my concerns. There -- I'm very concerned of that -- even though private entity is going to put up this housing project, I'm concerned about Connally Elementary School with all those young kids there.

You said it's private. How do we know how they're going to -- or you said they're going to screen the people that are going to come into these apartments? You know, as it's private. A lot of time private -- sometimes Government is a lot more stricter than private. You see what I'm saying?

MS. MEYER: Uh-huh.

FEMALE VOICE: So how do we know what's going to be coming in there?

MS. MEYER: Well, as I stated before, there is a listing here of the selection criteria for tenants. You're more than welcome to take a look at that and you can see what that is. I mean, it's right here behind me -- and it's there.

MALE VOICE: Yes, but that's the problem with your presentation. That should have been on a handout and passed out.

FEMALE VOICE: This is true.

MS. MEYER: I'll take that under advisement for the next one that I have.

MALE VOICE: No --

FEMALE VOICE: This should have been Xeroxed and given to everyone of us here tonight.

MS. MEYER: Okay. That's available to you. All you have to do is request it and I'll be glad to send it to you. It's not a problem.

FEMALE VOICE: All right. Is this the only meeting -- this is another question I want. Is this the only meeting you all are going to have regarding this housing project?

MS. MEYER: As far as a public forum --

FEMALE VOICE: Yes.

MS. MEYER: -- in this aspect? Yes. Now, you are welcome to present any comments that you would like at the Board at their meeting.

FEMALE VOICE: Okay. In Austin.

MS. MEYER: That is another -- and that is another public forum.

FEMALE VOICE: In Austin. Am I right?

MS. MEYER: That's correct. That is correct.

FEMALE VOICE: Okay.

MALE VOICE: Let me ask you something. If the public was not properly notified -- therefore, he does not have a valid hearing -- his project cannot be voted on by the Board. Is that right?

FEMALE VOICE: That's right.

MS. MEYER: By state and federal regulations it was. I do it myself. There was an ad put in the newspaper. There was also a posted --

MALE VOICE: Which one? Which newspaper? The Chronicle?

FEMALE VOICE: What newspaper?

MS. MEYER: It was in the Houston Chronicle and it was run on, I do believe, the 20th.

MALE VOICE: You ran the notices. I ran four.

MS. MEYER: Well, yes. My -- for this particular hearing it was -- I do believe it was on the

20th of October. And that notice was run -- and actually there's a 14-day. I mean, I could have waited around for 14 days, but it was almost 30-day notification. It was also run in the Texas Register. It's posted on my website. It was sent to the legislators, which is mandated by legislation. So everything that was legally supposed to be done was done.

MALE VOICE: Okay.

FEMALE VOICE: At this point I believe that everyone gathered here -- I think it's almost safe to say that most of us are opposed to this building or development. What can we do at this point to basically not have this development go forward, for number one? And, basically, who's working for us in this community so that we know that our concerns are being voiced?

MS. MEYER: Your concerns are being voiced because everything, as I said, is being recorded at this meeting and will be presented to the Board, okay, for a decision. This is one aspect where you can voice your concerns and your opposition if that's what you would like to do. You can also voice those concerns and opposition at the Board meeting.

You can send me a letter. You can e-mail me. That same information will be presented to the Board, just as this hearing is. And, I mean, if you'd like to contact your legislators you're more than welcome to do that also.

FEMALE VOICE: And will we receive feedback regarding this meeting, other meetings, and anything regarding this development?

MS. MEYER: As far as what kind of feedback?

FEMALE VOICE: Well, we all have concerns, and they're not all being addressed at this meeting. So we'd like to have some type of feedback as to the question that you don't have answered -- the documentation -- and which we've asked for. I think everyone here is lacking that information, as well as the homeowners who didn't come for whatever reason. We'd like to have, as he said, more documentation. When will we get that and -- or will we have to wait until this goes forward to receive it?

MS. MEYER: Okay.

FEMALE VOICE: I don't think --

MS. MEYER: You'll have to request it. I mean, I don't have everything with me. I can't give you everything that you're wanting. So if you will request that information from me I'll be glad to send it to you. We're a month-and-a-half away before any public comment has to be concluded. So I can get that information to you in a speedy fashion, and I have no problem doing that.

You're just going to have to tell me exactly what documentation that you'd like to see.

FEMALE VOICE: All documentation concerning this meeting and the development that we can have. We'd like that.

MS. MEYER: But you're going to be a little bit more specific as to what kind of documentation you're asking for.

FEMALE VOICE: First of all we'd like --

MS. MEYER: If you want the tenant selection I can give you that.

FEMALE VOICE: For number one.

MS. MEYER: Okay.

FEMALE VOICE: That's for number one.

MS. MEYER: Okay.

FEMALE VOICE: And all documentation, like I said. I mean, I don't know what you guys are working on specifically. We didn't know this development was going forward until we got some billboard up in our neighborhood. Obviously there is some documentation prior to that billboard being put up that we weren't even notified about.

You say it was in a Houston Chronicle and this that and the other. Okay, yes. Well, there is obviously documentation prior to that as well. We'd like it.

MS. MEYER: Okay. Again, if you'll request what you want, I'll be glad to send it to you.

MALE VOICE: Let [indiscernible] at least address that question.

MR. FISHER: Good evening. My name is Bill Fisher, and I've met many of you tonight and I appreciate everyone coming. I'm with Provident Realty. We're the developer of this housing community.

We have a sign up on the property, which many of you have commented on. It has our telephone number on it; it has our website. We are happy to answer any question you have about the development, share any studies that we have done professionally to deal with some of the concerns you've raised tonight.

I have had two phone calls from concerned individuals in your neighborhood over the last couple of weeks, and I think they will tell you that I have addressed any and all of their questions and agreed to provide them any documentation that we have available on the development to answer their concerns. We're certainly happy with the turnout tonight.

To answer your question, there really are three public hearings associated with this development. And you're right, two of them are in Austin coming up.

But I'm happy to work -- one of your neighborhood association presidents here. We have been in contact with your utility district here for several weeks. We'll be happy to organize a meeting over at Connally here in the next few weeks --

FEMALE VOICE: Thank you.

MR. FISHER: -- so that the neighbors can come together here. And we want -- again, I think we'll bring anything and everything that you all feel is relevant.

The reason I brought the information that I did tonight was really as a result of the conversations I had with the two individuals who called me. They wanted to know exactly what this housing community was going to look like because it's not apartments; it's townhomes. And they wanted to understand that it was a townhouse design and exactly what it would look like.

I think the one thing Ms. Meyers could tell you from the State -- we're obligated to build exactly what we present. They actually have inspectors who come out during construction. So when we propose townhouses, down to the exterior finishes and the amenities that are inside the units, which is this other poster here, we're obligated to provide every one of them, and they come out and ensure that that's done.

It's the same thing with any of the other concerns that you have as far as how this community will be gated, how our residents will be screened. Again, we're an open book.

And the other concern that was expressed, as I mentioned to a woman here earlier -- that she expressed to me, which is who is going to live on this property and how carefully are you all going to review who lives there. That's why we brought the poster on the screening criteria, because I discussed that specifically with those two ladies and told them that I would bring something in writing. You know, certainly it's simple for our organization to turn that into a handout for each and every one of you.

I will work with your leadership folks. If you'll stay in touch with your homeowner association presidents, your utility district president, I will make sure they have copies of whatever they need. My phone number and contact information is up on that sign.

FEMALE VOICE: The sign is down.

MR. FISHER: Well, again, I know the lower poster on the thing was -- I understand was blown off on the way over here. It was up at five o'clock when we went by. But there's a -- the taller sign that says, Coming 2005 has our name, phone number, address, and everything. And, again, we're an open book on this development.

Let me just comment real quickly on housing. I mean, you know, housing is about the growth of the community and a place to safely have our kids grow up. The people who live on our properties work for a living. They're policemen; they're firemen; they're nurses; they're school administrators; they're school teachers who can't afford to go into a brand-new apartment or a house at this point in time.

I don't know about you. I lived in an apartment or a townhouse before I had enough money to buy a home. We're a stepping stone to home ownership. Our single reason that people move off of our properties is to buy a home. And we have a lot of programs that are designed to do that.

Education is the number one concern that we have on our properties. We build an exceptionally large clubhouse. And one of the things we do in that clubhouse is we run education programs. You know, many of you were here before six o'clock tonight -- and they run an after-school program here where the kids whose parents work and they're too young to latchkey at this point -- they stay after school and they get help with their homework and organized activities. The parents here pay for that.

We provide those services free to our residents. It allows our families to be families and their kids to focus on education. You know, juvenile crime happens in this country from three to six o'clock. Our kids are in our clubhouse in a supervised environment getting help with their homework with access to the internet and computer labs in a supervised environment -- all included in the cost of our housing.

Our housing is a plus to the community. As I mentioned, we do pay full property taxes. The gentleman mentioned a subsidy. The housing in this country has always had some type of incentive. It's not a subsidy; it's an incentive.

Fannie Mae guarantees your mortgage so you pay a lower interest rate. Many of you bought your first home getting down payment lower interest assistance. We all did. That's why we want people to live in high quality and safe housing.

It's the same thing for us. The only support that we are getting is the same support that most homeowners get in the form of the financing. Now, we give something back in exchange for that. We agree to limit our rents to a range that's affordable to the teacher who teaches in your school, the new fireman, the new policeman in your community so they can live where they work.

Our residents work. They bring their check into the clubhouse every month and pay just like we do our mortgages. They pay their own utilities. They cannot have bad credit. They can't have been evicted -- all the same things that you had to do to qualify for your home.

And that's how we screen our residents. We get a third-party mortgage verification directly from the resident's employer in order to qualify them to live on our properties.

The good thing about what we do is you have a neighbor in us. We are a minimum 15-year neighbor with a $25 million investment in your community. Every concern that you have about education, safety, drainage is the same concern we have.

And the one thing that I can ensure you after doing nearly 7,000 housing units in this state over most of the last ten years, we were happy to share with you what we have learned about this site -- the appropriateness of this site -- and how it fits into your community effectively and positively.

All we'd ask -- again, we've had -- whether it's sufficient or not, we as a company have published four notices in the paper here to let the community know. We have sent a notice to every elected official in the area. We've contacted your school superintendent. Ms. Meyers' agency has also published a notice. We've erected a sign on the -- that's been out there for at least six weeks about --

FEMALE VOICE: No. Two weeks.

MR. FISHER: Let me finish. About the apartments coming --

MALE VOICE: Do not lie like that.

MR. FISHER: In two weeks --

FEMALE VOICE: Two weeks.

MR. FISHER: May I finish, please? For six weeks with a --

MALE VOICE: Less than two weeks. And many of us think you're shoving this down our throats.

MR. FISHER: No, sir, we're not.

MALE VOICE: And you've put it in a bad location. Sir, you're coming here is being dishonest. You're trying to get this through the legislation. You're speaking into the mike and you're trying to get that transcript where the government or where the Board or whoever hears this -- you're not being honest.

MR. FISHER: Actually --

MALE VOICE: [indiscernible].

MR. FISHER: Excuse me. I didn't interrupt you, sir.

MALE VOICE: [indiscernible].

MR. FISHER: Please. Sit down. I didn't interrupt you.

MALE VOICE: [indiscernible].

MR. FISHER: Let me finish and then I'll let you talk.

MALE VOICE: Well, let me finish.

MR. FISHER: We both can't talk at the same time. I didn't --

May I finish? Then you can get up and --

MALE VOICE: We did not receive proper notice.

MS. MEYER: Sir --

MR. FISHER: Please.

MS. MEYER: -- would you please take your seat?

MALE VOICE: And that sign's been up there for less than two weeks.

MR. FISHER: I did not interrupt you. That's all I'm asking you. Please, you can come right back up here and speak. Again, for about six weeks we've had a sign up --

MALE VOICE: That sign's been --

MR. FISHER: Let me finish.

(Pause.)

MR. FISHER: -- showing that we had luxury homes coming. And two weeks ago -- actually, a little over two weeks ago, on the third of November was the public notice for this hearing -- two weeks ago -- in addition to the newspaper. But, again, where I was headed is we have tried to reach out and let you all know that this housing community is in process. We've given contact information --

MALE VOICE: [indiscernible]

FEMALE VOICE: May I ask a question?

MR. FISHER: But --

MALE VOICE: This turnout would have been --

MR. FISHER: Please let me finish.

MALE VOICE: -- much larger than it is. You are trying to railroad this down our throat.

MR. FISHER: No, sir, I'm --

MALE VOICE: You're in for a surprise because --

MS. MEYER: Excuse me.

MALE VOICE: -- it's not going to get built.

MR. FISHER: Sir, I appreciate -- now, let me finish. We have plenty of time here. We've tried is all my point is. I'm happy to continue this process by having a meeting at Connally coordinated with your folks. And, again, if you need additional information call us. We will provide it.

All we're asking is that you make a decision based upon information. And we'll be happy to provide anything that you need. Thank you.

FEMALE VOICE: I just want to ask one question. You said six weeks. Where were the signs prior -- you know, for six weeks? Because we've only seen it less than two weeks in our neighborhood.

MR. FISHER: Again, if you go out there there's two signs. There's a sign -- again, there's a large pole out there. There's a sign at the top --

FEMALE VOICE: Uh-huh.

MR. FISHER: -- that talks about apartments that would be coming on line --

FEMALE VOICE: Uh-huh.

MR. FISHER: -- in 2005. And that went up first.

FEMALE VOICE: Two weeks.

MR. FISHER: And then we were required to put, which we put at the bottom of it, the sign that you see now that says, Notice to the public, which was up --

FEMALE VOICE: Less than one week.

MR. FISHER: -- for two weeks.

FEMALE VOICE: It's only been two weeks -- less than two weeks.

MR. FISHER: For both signs. Is that what you're telling me?

MALE VOICE: [indiscernible].

FEMALE VOICE: One was less than one week and the other one was less than two weeks.

MR. FISHER: Ma'am, again, I have -- just for the record, I have evidence from a third party that the sign was installed on the 3rd -- the public notice sign. And I have a copy of it dated the 3rd, so --

MALE VOICE: It's been less than two weeks.

FEMALE VOICE: It's been less than two weeks.

MR. FISHER: Well, if it's been less than two weeks then that's --

MR. GIVENS: Let me go ahead and take charge of this meeting. I'm going to go ahead and take charge of this meeting because it's wasting my time and wasting your time.

MALE VOICE: I got to --

MR. GIVENS: First of all, for the record, let me say who I am. I'm Philip Givens. I'm president of the local utility district which has -- which covers Copper Creek subdivision and Greenfield Village subdivision -- has about 972 homes there -- a little under 3,000 residents -- of course, Connally Elementary.

There's a lot of things I can dispute that's been said. The bottom line, that's not going to do it; that's not going to take us forward.

What we're here for tonight -- let's go forward with this. I'm the person that called you and complained about the location of the meeting.

FEMALE VOICE: That's right.

MR. GIVENS: He's offered to have a meeting at Connally Elementary. As far as the P.R. side of this business goes it was very poorly done. I concur with you 100 percent. This community is used to getting a lot of information.

FEMALE VOICE: That's right.

MR. GIVENS: We give them a lot of newsletters. They get a lot of information. They like to be kept informed. Regardless of what the law says and what the legal requirements are on a federal and state level, as far as the community being involved -- you mentioned elected officials -- I never got a public notice on it.

The first I heard about it was from my engineer.

Frank, stand up a second and let me introduce you. Frank is the utility district engineer that works with PTI Engineering. He will be handling and overseeing any of the engineering projects as far as how it impacts the district.

And then I want to introduce Eric. Eric Goody is also on the board of directors of your utility district. We had a public meeting not too long ago at Connally Elementary about the increase in water rates you might recall. Ms. Crump -- Amelia you already know -- is the president of your Greenfield Village Association.

But the bottom line, we're going to get more information on this. It was very poorly done. If we even have to have another public hearing we'll do that. We'll call in whoever we need to call in -- the Governor, the State Rep, whatever. It will be done right. This is not the end of it. All they ask you do is keep an open mind. Wait for the facts before you make your decision.

The last comment I have before I leave -- because I've got another meeting to get to -- was on the flooding. The flooding issue is a result of about 50 years of development without proper retention -- or detention ponds. Greenfield Village was built without a detention pond. Most of Copper Creek, except for Section 4, was built without a detention pond.

Last month the Corps of Engineers had a public meeting at Klein High School right there on Bammel North Houston, along with the Harris County Flood Control, and detailed a huge detention pond that's going to be built at the corner of Greens Row and Antoine. That would be the southeast corner -- and back up -- that's going to help abate the flooding here, as well as increasing the capacity of Greens Bayou.

It used to flood a lot more over here until they built the Beltway. They dug out all the dirt out of Greens Bayou for foundation support for the Beltway, and that helped us out on the flooding.

But the actual -- if I go out and build a church, like the new one that's being built on Greens Row, it has to have a detention pond. If I go and build a restaurant it has to have a detention pond. The new development from five years forward -- or going forward is not causing flooding. It's the what we did previous to that that's causing all the flooding. Connally Elementary does not have a detention pond.

So every time you take some concrete and pour it on the ground where dirt used to be that used to soak up the water, now when the water hits that concrete it can't go in the dirt, that causes flooding. So that's just facts on the flooding, just so you have it straight on that.

Again, I'll be following up with you all. Eric has a -- the district has a newsletter coming out. We're going to have the information in that newsletter about the Corps and Harris County Flood Control's regional detention pond. It's going to be a huge detention pond right behind the U-Haul -- all the way back to Greens Bayou from there. That's how big it's going to be. So that's going to help us out in that area.

So let's kind of, you know, maintain our civility here, conduct ourselves the way we know we know how to conduct ourselves. There's proper ways to do everything. Let's do it that way and then we'll go ahead and we'll handle the problem in the right way. Thank you everybody for your time.

MR. BRATLEY: I'd like to thank Philip. My name is Ronald Bratley, and I stay in Copper Creek. And even though, you know, just like the gentleman said, most everybody's from Greenfield Village. It don't make any difference. We're in the neighborhood. Philip is a great

speaker. Mr. -- I didn't get your name.
MR. FISHER: Fisher.
MR. BRATLEY: Mr. Fisher is a great speaker. But I just want you -- I have one question and one comment. If it wasn't good enough before why is this property so good now? And you said it wasn't this company, but another company wanted this property. And it wasn't good then. I just want to know why is this property so good now.
And my comment -- and I'm going to get out of here because I've got to go. If you don't think you haven't been bamboozled we have been bamboozled. You can get all the documents you want, you can have all the meetings you want. This property is going up.
FEMALE VOICE: It is.
MR. BRATLEY: It's going up. So we can sit here all night long, two or three more meetings, two or three more meeting -- this property is going up because we have been bamboozled.
We need to get on the phone, we need to write -- we need to get -- if we have to get on the bus and go to Austin and make these meetings. This is the only way we're going to delay this property. We might be able to stop it, but we might be able to delay it. We

have been bamboozled. They're going to build the property.

MS. MEYER: In answer to your question on the last application, it was turned down by the Texas Department of Housing and Community Affairs because the feasibility for the development itself. And that's the reason why. It didn't have anything to do with this site, per se. It had to do with the actual feasibility of the bonds. And our Board decided not to allow the bonds to be issued. That's the answer to that question.

I'm going to open it up for public comment at this point. You will have three minutes to make your comment. Okay. We have one more question, then we'll go on.

MS. LORAN: My questions are -- first of all, you're Robbye Meyer?

MS. MEYER: That's correct.

MS. LORAN: Okay. And the other gentleman that was here -- what is his name? Fisher?

MS. MEYER: Bill Fisher.

MS. LORAN: Bill Fisher. Who was he with?

MS. MEYER: He's with Provident Realty. He's the developer.

MS. LORAN: Okay. And who is Celene Jofar?

MS. MEYER: He's also with the developer.
MS. LORAN: Okay.
MS. MEYER: He's a partner with Provident Realty.
MS. LORAN: All right. Okay. I overheard Mr. Fisher advise that this project would be a plus to the community. How is that?
MS. MEYER: Well, part of what -- and it goes back to -- there are incentives that the government gives to these developments. But there's also things that this development gives back to the --
FEMALE VOICE: We cannot hear you again.
MS. MEYER: The federal government gives incentives to these developments to be built. But these particular developments also give back to the communities that are there. And as he said, you know, he is a good neighbor.
One of the things, again, is the after-school care that is there at the complex for the children that live on that complex. That's a huge expense to -- I don't know how many of you have children or had children and had to put them in a daycare. You know how that it.
The daycare that they have there and the after-school programs are free to those tenants. I mean, that's

a huge incentive, I mean, as far as to be able to live there -- and it's a great opportunity.

So, I mean, there's little things like that. There's other community involvement things that they do within the complex itself. That information is also available as far as, you know, what they will offer to their tenants.

MS. LORAN: A plus to that community. Am I correct? But not a plus to our community.

FEMALE VOICE: That's what I want to say. It's not a plus for us. It's a plus for the tenants that's there. But if there's no tenants there then it's not a plus.

MS. MEYER: Well, I mean, you have to take into consideration --

FEMALE VOICE: What you're saying -- I heard you. What you said was it would be a plus for the tenants that would be living in the townhomes. And you said it would be a plus for us. Now how is that going to be a plus for Greenfield Village?

MS. MEYER: Well, again --

FEMALE VOICE: Copper Creek?

MS. MEYER: -- it has to do with where those tenants come from. And a lot of those tenants will be here in your area. I mean, and that would be a plus to your --

FEMALE VOICE: [indiscernible].

MS. MEYER: It's a plus to your community as far as those people are able to afford a better lifestyle. That is a plus.

MALE VOICE: If they want to better their lifestyle, they can rent my home. They can purchase my home. Okay? Matter of fact, my home is now for sale. It's now for sale.

MS. MEYER: Okay. Well --

What if we aren't --

MS. LORAN: Mr. Fisher also mentioned that the community that would be built will be --

MALE VOICE: [indiscernible]

MS. MEYER: Sir, would you please sit down.

MS. LORAN: -- will be appropriate. What makes it appropriate for this community? In addition to it being a plus to the community you said it would be appropriate for the community. How is that?

MS. MEYER: Mr. Fisher?

MR. FISHER: Two comments. I did say that it would be a benefit to the community because we do have a positive impact on the lives of our families that live there and educational focus for their children.

But appropriateness was the location of this site. What is realistically for land use going to be built up on -- up front near Veterans Memorial right behind the retail -- classic land planning in Houston, Dallas -- any of the major communities -- is for a transitional buffer between single family and retail and high commercial areas with denser housing -- apartments and townhomes.

What we've tried to propose here appropriateness for the appropriate land use in this area. And the townhouse design is the finest design that we build for a rental community, which is what a requirement is for these -- for this particular type of financing.

That doesn't preclude it from having high quality exterior finishes -- natural stone, stucco -- high quality appliance packages in the interior, ceiling fans, sprinklered units, high quality carpet, six-panel doors, refrigerators and freezers with ice makers. These are very high quality units that add to the tax base and bring working families who -- into your community that benefit from the same things that you do each time.

So the appropriateness answer was to the land use in this particular area -- what would realistically go in this location and to the benefit of the community. We do benefit the community. We are a full taxpaying member. And we are concerned about the same things that you're concerned about your community -- safety and quality education and people who develop in your neighborhood that pay their fair share. Thank you.

MS. LORAN: Okay. I don't have a question, but I'm opposed to this situation. And my comments are, This is not benefitting our community. This is benefitting the townhouse community. But we have been living in Greenfield Village -- some of us already own homes. So it will not benefit us in any type of fashion.

Now, I lived in a community years ago and they started bringing apartments. Now, this is not called apartments. It's called a townhouse. But it's the same principle because it's a rented situation. It's not an opportunity to buy. And when you're buying you have pride in what you have, and sometimes when you're renting you don't always have that pride.

I have a concern because we have a school right there. And you don't know what kind of influence people -- even though they're going to be screened people have ways of getting through and getting by the system. What are we putting with our children close right --

because the school has to go behind the townhouses -- when they have to go behind the school to get 33 acres.

And I'm concerned about that more so than anything -- the safety of the kids, the safety of the people -- the elderly people. Because Greenfield Village is consisting of mostly elderly people. And they're going to be at mercy of the people from the, quote, townhouses that's going to -- can leave and go around.

Because that's what happened in the community where I was. It destroyed the community because they put apartments up in the unit. And they were gated. They had guards. But the people were still getting in that were undesirable. And the people were still getting in -- getting out coming into the communities doing things that weren't beneficial to the community.

And I just want to say that I don't see how this can benefit our community in any shape, form, or fashion. And it's not helping us in any way.

MS. MEYER: Could you state your name for the record, please?

MS. LORAN: My name is Ellen Loran. I live on Grace Church in Greenfield Village.

MS. MEYER: And you have a question?

MS. ALLEREE: I have a question. My name is

Linda Alleree and I live in Greenfield Village. I have one question for everyone who's affected -- or who wants to participate in this project. Would you want this in your subdivision where your kids attend school? Would you want this, would you want this, would you want this? That's all I want to know.

MS. MEYER: Where I live in Austin there's three of these within a mile of my house. And I don't have a problem with any of the three developments.

MS. ALLEREE: A mile. We're talking blocks.

MS. MEYER: I'm saying within a mile. I mean, some of them are closer. I'm just saying within a mile there is a -- it's a one-mile radius. But there is so -- I mean, it's not a fair question to ask me because I've already got it and I don't have a problem with it.

Are there any other questions because I'm going to start the public comment. At that point there will not be any more questions. (Pause.) Okay. The first speaker that I have then is Eugene Thomas.

MR. THOMAS: Good evening. My name is Eugene Thomas. And I am an advocate for homes here in Texas. And I've heard the comments from this community, and I want to let you know that I am very pleased that you are out here speaking up for your communities because I, too, live in a residential area where a development like this was coming and our homeowners association opposed it until we understood the dynamics of what it was going to be.

And I was very adamantly against it. I'm a commercial real estate developer and broker there in the Dallas area. I'm advocating housing in Dallas and in the Galveston and Houston area.

And the reason why I'm doing that because I have a personal experience with these types of developments. I had the same concerns you had about the people who were living there. I had the same concerns about the quality of life that they were going to be given.

There are three projects in Dallas right now that I'm personally aware of. And I see them and I know what they're doing for that community.

Number one, I think the homeowners associations in this area should stick together and work with any developer who comes in your community and wants to build any type of housing.

MALE VOICE: Who invited you --

MR. THOMAS: This type of housing -- excuse me?

MALE VOICE: Who invited you to the meeting?

MS. MEYER: Sir --

MR. THOMAS: I invited myself to the meeting because -- like I say, I -- for the state of Texas I go around advocating these. Because I'm on my way to Galveston to do the same thing for them. And I'm from Galveston.

MALE VOICE: You work for the State?

MR. THOMAS: No, I do not work -- I'm a private individual. I'm doing this because education is really key here to understand what's really going on. And all I'm doing is just giving you some factual information.

Number one, I worked with the developer on one of these projects to make sure that, number one, they were screening these applicants. And they do screen them. They have to screen them.

Number two, there cannot be any felons living here. And they have to work. And you have to work closely with these developers if they're going to do anything in here with your projects. And they have after school programs. I'm just telling you what I personally know. I'm just telling you what I have.

FEMALE VOICE: Okay. Could you give me the name of those projects in Dallas?

MR. THOMAS: The projects in Dallas is Arlington Park --

FEMALE VOICE: Arlington?

MR. THOMAS: Arlington Park.

FEMALE VOICE: Park. Okay.

MR. THOMAS: And other one is Primitive Hill.

FEMALE VOICE: Primitive?

MR. THOMAS: Hill. Those are two --

FEMALE VOICE: The reason I'm asking you this -- my nephew is high in the Dallas Police Department. So I'm going to call him --

MR. THOMAS: Good.

FEMALE VOICE: -- and I'm going to ask him about these projects. That's why I'm asking you.

MR. THOMAS: That's good. And I wish you would.

FEMALE VOICE: And I"m going to ask him what's the --

MR. THOMAS: And I --

FEMALE VOICE: -- crime rate, what's everything -- what's going on up there in Dallas.

MR. THOMAS: I wish you would.

FEMALE VOICE: I'm going to call him tonight when I get home. I want to know what's going on up there in Dallas.

MR. THOMAS: That's fine. And I think you should do your homework. And I think that this meeting -- I think the notification needs to be improved. I really do. I think it was kind of -- I think it was handled kind of poorly.

But my point is this. The facts are is that these developments are what they say they are. And they can't be any more successful than the people who live around these developments to make it happen. And you have to make some things happen in your community if you want to make sure they do what they're supposed to do.

And I know it takes some time. And I know it takes some commitment on the people's part to this. But we had to do that in order to make sure that we were comfortable with the project and make sure they did what they were supposed to do. And they're still doing what they're supposed to do.

FEMALE VOICE: Sir, don't you think that we would have been a little bit more open to --

MR. THOMAS: Yes.

FEMALE VOICE: -- receiving the information as to the development or the project if we had been notified accurately --

MR. THOMAS: And I --

FEMALE VOICE: -- we would have no --

MR. THOMAS: I agree.

FEMALE VOICE: We would have [indiscernible].

MR. THOMAS: I agree. And I would be more than happy -- and I will even personally myself spend my own money to come back here and work with anybody to show them how to work with these projects if they want that -- if they're going to have these in our neighborhood. I will personally do that myself.

MS. MEYER: We are now in public comment. It's not an interaction session here. So we're in public comment. If you will hold -- set your comments down for just a second. Let him get through and I will allow you your time. Okay? It's not -- if you want to talk to him after the meeting that's fine. We are on public record here and I have to finish the hearing.

So if you will leave -- if you want to talk to him after the meeting that's fine. Otherwise, you can make your comments here in a minute. And you can make them on public record if you want to say that here in a minute.

MALE VOICE: I want to say them on record.

MR. THOMAS: That's fine. And I'll meet with anybody and talk with them about this. I have no agenda here. I have no hidden agenda here. I'm just here advocating these types of -- these are working people. These are legitimate working people who need somewhere to start out.

And they don't always get the best housing that's around to get that done. Everybody -- and the real estate is where they show it. Everybody doesn't want to buy a home just yet. Some people want to rent. But there are some who wants to buy homes, and they can do that in these projects because they are making it affordable for them to go in, say, and help to make the transition to a single family environment. That's all I want to say. Thank you.

MS. MEYER: Thank you. The next person that I've actually listed that had -- that wanted to speak is Philip Givens.

MR. GIVENS: Which one of these is hot mike? Is this the hot mike? Yes. I don't like leaning over. I like looking at people

I just want to recognize -- I want to say again I'm Philip Givens, Harris County Utility District Number 15. We are the elected officials for Greenfield and Copper Creek as far as the utility district goes -- the HOA.

We did not receive notification as well. How I found out about the project was driving the same street you drove, and I called Mr. Jaffrey [phonetic] from the actual sign site. So the notification I want to put on record was not done properly. I'm not saying legally because I don't know what the law is on it, but I am saying properly.

And what I am for at this point is getting more information to the public on exactly what the project is. A lot of comments have been made about various parts of the project. I want to see those in writing, such as the properties in Dallas, as the previous speaker just commented on. That could be put in writing and put into a handout form.

This document here talks about the resident selection criteria. That could be put in writing. Everything needs to be put in writing -- some sort of booklet format -- and another public meeting held. Thank you.

MS. MEYER: I have a question by Gwen Knight. Does Gwen want to speak?

MS. KNIGHT: I did not have a question. I put a question mark as to whether or not I wanted to make a comment. But my comment is to Mr. Fisher. Sir, you said that your sign had been up for six weeks. We live in the neighborhood. We did not see a sign for six weeks. We are there every day. You may have assigned someone to do the job, but they didn't do it. Okay? We've seen the sign for approximately two weeks. We would have been a lot more receptive to what you had to say had you come to us directly. Thank you.

MS. MEYER: Is there anybody else -- I know that -- ma'am, would you like to voice your comments? Okay. (Pause.) Did you sign in already? Okay. If you will state your name for the record.

MS. ALLEN: My name is Tina Allen. I live at 3447 Humbly. The first comment/question that I have is that you stated that you would like to build this development so that people can afford this. And I think we all are concerned that you are bringing lower income renters into our area.

One of the gentlemen stood up to you and said that the 59,000 income level was inaccurate. I believe that is also inaccurate. However, bringing these families into our area will also lower that income level. What does that say for our neighborhood? What does that say for Greenfield Village? It lowers the value of our homes, as well as bringing, like I said, lower income level people into our area so that there's high crime and other negative influences.

MS. MEYER: Thank you for your comments. (Pause.) Would you state your name?

MR. PIPPINS: My name is Jose Pippins, 11307 Millers [phonetic] Point, Greenfield Village subdivision. This railroad job here -- this is -- I don't know how this could be done to benefit anyone. When this development goes in, the water that's supposed to run off in that bayou is going to go somewhere else. It's going to go back on West Greens Road. It's going to come into Greenfield Village subdivision.

How you feel you're going to do someone a favor building them apartments in the middle of a floodplain is beyond me next to the bayou. There's no family value of life -- no life values there to be raised up next to a bunch of bayou full of snakes. That's flood -- that's going to flood each and every time. Why you going to put someone -- that's stupid.

This is not going to be built the way that this picture -- that's the first thing. Okay. And then the second thing is that that sign in that corner that was hid behind the trash that you -- if you so -- that you got full of trash have to be, our subdivision clean up one year -- it's not going to get any better. It's going to go back to the condition it was with trash all over with it, with the streets flooding, and with thieves running loose because thieves love places where cheap live, too. And they go there and they tear it down.

And that's what's going to happen to our subdivision. We're going to have thieves running loose. We're going to have kids with their pants down and riding around tearing up our stuff, stealing it, carrying it across the street.

This is not to make anything better in Greenfield Village. This is to get rich off of cheap property instead of going off of 1960 and giving these places a decent place to live if that's what is in your heart. I know it's wrong and you know it's wrong. But I care.

MS. MEYER: Ms. Morlen?

MS. MORLEN: My name is Shari Morlen and I live at 3303 Humbly Road. Excuse me if I stammer. I'm not a public speaker.

However, I do have concerns, as you all do, about this subdivision and the apartments being -- or the townhomes being built close to the subdivision. My neighbor informed me about the sign and the meeting date. She also asked me to build -- make signs for this meeting. We hung the signs out in the -- in our area. Those signs are not there today. They've been removed. And that's a sign of dishonesty, of disloyalty and distrust. If you are being honest it's not shown even at this moment. And I'm sorry to tell you that.

I have concern for a fellow person as anyone else. Everyone needs a beginning in life. Everyone needs a start in life. Low income housing does not bother me to have someone next to me in the area.

However, if it depreciates what I have built up because I've come from that area -- I'm no better than anyone else. Please, please make an advantage for me. If my home is worth 20,000 today and 10,000 tomorrow, it's not my fault. It's that company that built those townhomes. And they should be responsible for that mark. And if they're not -- if they're not able to give to us as well as they are willing to take it should not be there.

I don't care what statements you make of making someone else's life an advantage. You're giving to one and taking from another and advancing only yourself. And that is not what God is giving to you to give to others. That's all I have to say.

MS. MEYER: Is there anyone else that would like to --

MS. CAMACHO: Okay. I actually don't live in Greenfield Village.

MS. MEYER: Would you state your name for the record?

MS. CAMACHO: Oh, my name is Lourdes Camacho. I live at 12115 Emberlake, and that's in Chapman Point Village. But I drive through there every day to go to work. And I am trying to buy a house at Copper Creek in the neighborhood right there, and we're supposed to close in February. And I will not buy the house if this develops because I will not pay that much money to live by the projects basically.

On the website for the Texas Housing there are petitions for people who are trying to -- on the waiting list -- that are trying to get into this housing or whatever. Oh, my gosh, I'm shaky. One particular one that we read was this girl who was in something like this housing or whatever got kicked out because her brother moved in -- her brother and her mom moved in and he had warrants. They came and arrested him and did a whole little raid and she got kicked out.

Basically they're not going to control every day what kind of people are going to live there with the people that did apply. They're not going to know who's living there. You're going to know who applied but not who's staying with them. There's no way you can control that -- gates or no gate.

Now, we've all seen other projects run down. And if it's in years -- you know, this is going to be 15 years, 20 years from now -- it's not going to look like that.

Now, again, I'm not even in the school zone right now, but I am -- they're building new houses everywhere. And, basically, I lived in the city -- in the inner city by the projects and everything. And we moved out here -- because we got a better life we moved out, you know, further away from that. And all you guys are doing is developing the inner city and moving those people out. That's what you're doing.

Like in -- over there by the university district they're trying to move all those people that are in the low -- you know, the poor houses -- you know, their houses are run down. You all are trying to buy out their property and move them to developments like this.

And, basically, it's not 59,000. I think it's like 36,000. I cannot -- I don't qualify to live here. I alone working. I don't have a college education, but I don't qualify to live here because I don't make as little to live in this.

And you're not affecting -- you're not helping the people from the neighborhood because we are -- none us probably qualify to live in this. None of us that live in Greenfield Village -- all those neighborhoods -- most of those people own those houses. So you're not helping us because we don't qualify to live here. You're not taking care of our kids in that daycare.

FEMALE VOICE: That's right.

MS. CAMACHO: And all you're doing is bringing people who just -- bad people to run the streets by the elementary school and just endangering their children -- our children. Not mine particularly, but just children.

And you're also causing a lot of traffic in what is the school zone. Already, you know, there's a lot of traffic there because of the school zone. And you're going to have exits to apartments. And I don't even know how far back they're going to go. You're just running down that neighborhood. You're running it down.

And, basically, you're just trying to push these people out of the inner city so you all can raise the taxes over there. Lower property value over here, raise it up over there because that's where you all are taking these people from.

But I want you all to go to the website for Texas Housing. You all will see the petitions of these people. Some girl wanted -- she doesn't work, she has a kid. She doesn't work but she wants to live in this. That way she can go to school full-time. I want to go to school full time, too, but I can't live in this -- I can't live in low income because I make too much money. I can't afford to go to school because -- I mean, I can afford to go to school, but I can't go to school because I work.

These people -- they don't try hard enough. We all had to try hard enough to live where we are. They have to try harder. And if -- but if you're going to build this build this where -- rebuild what you already have -- what you already own -- the government property that you already have.

But you all are not doing that. You all are just bringing them out -- bringing them out just to -- you all are lowering our property value. And for one, I, for instance, I am not going to buy that house.

And another thing because I cut myself off. He said you all are going meet at -- you know, he's going to have a meeting at Connally. More than likely she's not going to be there. This is probably the only public hearing that you guys are going to have. And you have till January 8. I don't -- you know, we have to try to delay this, you know, as much as we can.

But public hearings, this is it. Just like the advertising -- that was it. I drive through there every day and I know what you all mean. It's been up there for two weeks. But this is -- for public hearing. This is what's recorded; this is what they are going to hear.

So if we don't get together this is all that they're going to hear because she will not be at our next.

MS. MEYER: Ronald Bratley?

FEMALE VOICE: He spoke. He's gone.

MS. MEYER: He's already gone? Okay. Is there anybody else who would like to speak? Please state your name for the record.

MR. BIEHLS: My name is Alfred J. Biehls. I live at 3530 Omelee [phonetic], Houston, Texas. I've been a resident of this community for 17 years. My home is paid for.

I've been back here a long time and we're -- lately it's been flooding quite a bit. And last year -- I think two years ago it flooded when Allison took place. Yesterday, which was November 17 -- this meeting is taking place November 18 -- many of you know that it flooded in the community pretty bad. I don't know if anybody's home got flooded, but we -- I know we came very -- yes, there are some people did get flooded. Okay.

This -- there is nothing -- and many of the people have made the same comment that nothing is going to come good of this project. And I agree with that. I'm totally, adamantly against it.

You are -- my home is worth more than what these people are going to be paying in rent. It's not going to benefit me. And if it's not benefitting me -- if your private entity is bringing in -- private -- and the developer is building homes and it was building townhomes for people to move in, I wouldn't have any problem with that. But this is subsidized no matter how you look at it. Okay?

I can get 1,100, $1,200, $1,300 a month -- anywhere above that for rent. You come in here talking about $700. And then -- and it's going to be subsidized at that.

These people that you're bringing in are not the same caliber of people that's in this room or in this community. These people work very hard for a living. And you may not realize this, but there are many people in this area that are six-figure-income families.

And I'm just not happy about the whole project. One of the things if this does come to pass -- and I hope it don't. I think each and every one I know personally I'm going to get a -- I'm going to knock on everybody's door in Greenfield Village and I'm going to try to get people in Copperfield. We're going to start knocking on these doors.

And we are going to talk to our legislative -- go through the legislative process. And I am going to become very involved politically in resolving this situation. And I do work for a media company and I want them -- I want to bring this forth. I want to put this in the news. I want it to be -- I want to make everybody aware of what's going on. Yes, sir.

MALE VOICE: I just want to note -- I want to say --

FEMALE VOICE: This is public comment.

MR. BIEHLS: And what I'm saying also is that if these -- if your legislative people -- if your legislative -- if the state legislators -- everyone's involved -- a lot of us -- this has come by shock to all of us. We just wasn't aware that this was coming. And we have been bamboozled.

I think that if it comes to pass we know what we have to do. We have to vote these people out of office. And we have to get all the communities in here involved.

And it means getting -- it means -- if it means getting more involved politically then I think we should. And that's the community of Rushwood, Greenfield Village, Copper Creek, Briar Creek -- we'll get involved. And I think we need to vote the people out of office that's putting this project -- or who will benefit from this project.

And it doesn't benefit us. It benefits the developer. It may be benefitting some people in the -- in politics. This is the wrong place to put it. And I concur. And every comment I've heard that has come up here and that has been honest -- everybody has been against this project. And that's all I have to say. I'm very upset.

MS. MEYER: Did you sign in, sir?

MR. KLUGE: Yes.

MS. MEYER: Could you state your name for the record?

MR. KLUGE: Yes. My name is Carl Kluge. I live at 3443 Hardington in Greenfield Village.

I am one of the original 60 people that bought in Greenfield in 1980. I actually am one of the 60 that owned the mineral rights to my house, which was the mistake of the developer when he built Greenfield Village. He didn't realize he was selling the oil and natural gas mineral interest to the property. And the first 60 people got it -- a land man's nightmare.

But my main concern is, as far as the Board in Austin, who is going to guarantee these tax-exempt bonds and guarantee the payment if the developer doesn't pay. The issue is -- I've been in this subdivision from the beginning. It's flooded twice. And I think -- but the federal flood insurance program, if there is three floods in a home they will drop your flood insurance and try to buy your home out.

My main concern is no elected official should think of approving tax-exempt bonds for a project being built on a bayou when they've had two major floods in 20 years. If the ground floor of that project ever floods and these poor residents will not have property insurance to cover their personal belongings in there, they're not going to be able to rent that project out after that occurs. And then it's going to go belly up and will be abandoned. And that's my comments.

That's why it should be voted or moved to a proper site that has better drainage and possibly the project would not flood for a 20-year period. Because if it ever does that's the end of that project as far as its value.

MS. MEYER: All right. Is there anybody else who would like to make comments?

(No response.)

MS. MEYER: Okay. Without anybody showing that I will now conclude the hearing. It is now 7:29 p.m.

(Whereupon, at 7:29 p.m., the hearing was concluded.)

C E R T I F I C A T E

MEETING OF: Texas Department of Housing and Community Affairs, Public Hearing

LOCATION: Houston, Texas

DATE: November 18, 2003

I do hereby certify that the foregoing pages, numbers 1 through 74, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Margo Luhrs before the Texas Department of Housing and Community Affairs.

12/09/03
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

ALDINE INDEPENDENT SCHOOL DISTRICT
14910 Aldine-Westfield Road • Houston, Texas 77032-3099 • (281) 449-1011

September 9, 2003

Texas Department of Housing and Community Affairs
1414 South Loop West
Houston, TX 77054

Subject: Proposed apartment complex at 11300 Veteran's Memorial (Veteran's and Gears)

To Whom It May Concern:

On September 2, 2003, we received a letter from Provident Odyssey Partners, L.P. regarding a proposed apartment complex at 11300 Veteran's Memorial, Houston 77067.

In light of the information received, we are currently not opposing the proposed apartment complex at 11300 Veteran's Memorial in Houston. Should we discover at a later date that there would be a loss of revenue to the district resulting from a property status change, we reserve the right to affirm our opposition.

Sincerely,

Nadine Kujawa

Nadine Kujawa
Superintendent of Schools
Aldine Independent School District

Cc: Commissioner El Franco Lee
1001 Preston
Houston, TX 77002

Provident Odyssey Partners, L.P.
One Lincoln Centre
5400 LBJ Freeway Ste. 975
Dallas, TX 75240

-----Original Message-----
From: John Williams Iii [mailto:john.rosa.amos@sbcglobal.net]
Sent: Saturday, December 20, 2003 11:12 AM
To: robbye.meyer@tdhca.state.tx.us
Cc: willirl1@chevrontexaco.com
Subject: Project for low-income families

This is the Williams Family and we are against the developing of a government housing Project within 2-mile radius of our neighborhood. The property will be located on Gears Rd adjacent to Conley Elementary. Our children need to fell safe at there school and in neighborhood. This will also effect our property value and increase flooding. If there is anything else the Williams Family need to help stop this project from moving forward, please let us know.

Thanks,
Williams Family

Rev. John L. Carpenter
4435 Grapevine
Houston, TX 77045

Ms. Edwina Carrington
Executive Director
TDHCA
507 Sabine
Austin, TX 78701

RE: Providence at Veterans Memorial; Trails of Sycamore Town Homes LP

Dear Ms. Carrington:

I am writing to express my support for the above referenced development to be built in our community of Harris County.

Although, there remains some limited opposition in the community against the development. It is all based upon concerns the developer has fully addressed.

Please make note my support for the approval of this development by your department.

Sincerely,

Rev. John L. Carpenter

Byron Phillips
10735 Kitty Brook
Houston, TX 77071

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Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Byron Phillips

Pidgie Abbott – Cooks
4411 Tiffany
Houston, TX 77045

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Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Pidgie Abbott - Cooks

Reginald Aitch
5702 Milart
Houston, TX 77021

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Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Reginald Aitch

Grace Phillips
10735 Kitty Brook
Houston, TX 77071

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507 Sabine
Austin, TX 78701

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Sincerely,

Grace Phillips

Grace Phillips

Ivory Cooks
4411 Tiffany
Houston, TX 77045

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Executive Director
TDHCA
507 Sabine
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Sincerely,

Ivory Cooks

Tasha Abbott
4411 Tiffany
Houston, TX 77045

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Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Tasha Abbott

Tasha Abbott

Candace Dismuke
12423 Seaswept
Houston, TX 77071

Ms. Edwina Carrington
Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Candace Dismuke

Dawnyell Barnes
2111 Holly Hall #3212
Houston, TX 77054

Ms. Edwina Carrington
Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Dawnyell Barnes

Dawnyell Barnes

Morven Dismuke
12423 Seaswept
Houston, TX 77071

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Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Morven Dismuke

Virginia Thomas
2121 Tannehill Dr. #1040
Houston, TX 77008

Ms. Edwina Carrington
Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Virginia Thomas

Kimberly Aitch
5702 Milart
Houston, TX 77021

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Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Kimberly Aitch

Kimberly Aitch

Hope Bowie
124 1/2 Carson Ct
Houston, TX 77004

Ms. Edwina Carrington
Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Hope Bowie

Hope Bowie

Larry Washington
3207 Prudence
Houston, TX 77045

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Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Larry Washington

Shawn Fontenot
4306 Worrell
Houston, TX 77045

Ms. Edwina Carrington
Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Shawn Fontenot

Shawn Fontenot

Larry Thomas
5702 Milart
Houston, TX 77021

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Sincerely,

Larry Thomas

Mildred Carpenter
4435 Grapevine
Houston TX, 77045

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Sincerely,

Mildred Carpenter

Mildred Carpenter

Tonya Fontenot
4306 Worrell Dr.
Houston, TX 77045

Ms. Edwina Carrington
Executive Director
TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,

Tonya Fontenot

Tonya Fontenot

Felicia Washington
3207 Prudence
Houston, TX 77045

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TDHCA
507 Sabine
Austin, TX 78701

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Sincerely,
Felicia Washington

Felicia Washington

Melvin Dismuke
3207 Prudence
Houston, TX 77045

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507 Sabine
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Sincerely,

Melvin Dismuke

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

REQUEST FOR BOARD APPROVAL
Multifamily Finance Production

2003 Private Activity Multifamily Revenue Bonds

Humble Parkway Townhomes
9440 FM 1960 Bypass Road West
Houston, Texas
Humble Parkway Apartments Limited Partnership
216 Units

$11,700,000 Tax Exempt – Series 2004

TABLE OF EXHIBITS

BOARD APPROVAL MEMORANDUM

January 13, 2004

DEVELOPMENT: Humble Parkway Townhomes, Houston, Harris County, Texas

PROGRAM: Texas Department of Housing and Community Affairs
2003 Multifamily Housing Mortgage Revenue Bonds
(Reservation received 10/8/2003)

ACTION REQUESTED: Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Humble Parkway Apartments, Limited Partnership, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 216-unit multifamily residential rental Development located at 9440 FM 1960 Bypass Road West, Houston, Harris County, Texas 77338. (the "Development"). The Bonds will be tax-exempt by virtue of the Development's qualifying as a residential rental Development.

BOND AMOUNT: $11,700,000 Series 2004 Tax Exempt bonds (*)

$11,700,000 Total bonds

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on October 8, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before February 5, 2004, the anticipated closing date is February 4, 2004.

BORROWER: Humble Parkway Apartments Limited Partnership, a Texas limited partnership, the general partner of which isTCR Humble Parkway Partners Limited Partnership, a Texas limited partnership, the general partner of which is TCR 2003 Housing, Inc, a Texas corporation, its general partner. The principals of TCR 2003 Housing, Inc. are Kenneth J. Valach, J. Ronald Terwilliger, Terwilliger Partners, L.L.L.P., Christopher J. Bergmann, Scott Wise, John A. Zeledon and R. Brent Stewart.

** Preliminary - Represents Maximum Amount*

COMPLIANCE HISTORY:

The Compliance Status Summary completed on October 9, 2003 reveals that the principals of the general partner above have a total of ten (10) properties being monitored by the Department. Four (4) of these properties have received a compliance score. All of the scores are below the material non-compliance threshold score of 30.

ISSUANCE TEAM & ADVISORS:

William R. Hough & Co., ("Bond Purchaser")
Wells Fargo Bank, National Association, ("Trustee")
Vinson & Elkins L.L.P. ("Bond Counsel")
RBC Dain Rauscher Inc. ("Financial Advisor")
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

BOND PURCHASER:

The Bonds will be publicly offered on a limited basis pursuant to a Limited Offering Memorandum on or about February 4, 2004. The initial purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

DEVELOPMENT DESCRIPTION:

Site: The proposed affordable housing community is a 216-unit multifamily residential rental development to be constructed on approximately 13.04 acres of land located at 9440 FM 1960 Bypass Road West, Houston, Harris County, Texas 77338. (the "Development"). The proposed density is 16.6 dwelling units per acre. Numerous single-tenant and small neighborhood retail centers are scattered throughout the neighborhood. Deerbrook Mall is located east of the subject near the intersection of Highway 59 and FM 1960. Schools, recreational Centers, libraries, public services, and Churches are all located within the neighborhood.

Buildings: The development will include a total of (18) one and two-story, wood-framed apartment buildings containing approximately 227,776 net rentable square feet and having an average unit size of 1055 square feet. Construction will consist of wood-famed buildings on post-tension slabs with approximately 35% masonry exterior. The balance of the exterior will be hardy-plank with wood trim. Common area amenities will include a large pool, controlled-access gates, a laundry facility and outdoor activity areas. Unit amenities will include a frost-free refrigerator, dishwasher, disposal, large storage areas, washer/dryer connections, ceiling fans, pre-wired for cable and high-speed Internet service and energy-efficient HVAC systems. The residential units will be sprinkled for fire protection.

Units	Unit Type	Square Feet	Proposed Net Rent
8	1-Bedroom/1-Bath	684	$626.00
24	1-Bedroom/1.5 Bath	824	$626.00
40	2-Bedrooms/1.5-Baths	1027	$747.00
72	2-bedrooms/2-Baths	1116	$747.00
24	3-Bedrooms/2.5-Baths	1149	$861.00
216	Total Units		

SET-ASIDE UNITS:	For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each Development will be set aside on a priority basis for persons with special needs. *(The Borrower has elected to set aside 100% of the units for tax credit purposes.)*
RENT CAPS:	For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income.
TENANT SERVICES:	Borrower will provide Tenant Services provided by Texas Inter-Faith Management Corporation Good Neighbor (TIMC). TIMC is a nonprofit organization chartered in 1997, expanding the work that Texas Inter-Faith Housing Corporation started in 1966, to help assure that all low to moderate-income individuals and families have access to quality, affordable housing.
DEPARTMENT ORIGINATION FEES:	$1,000 Pre-Application Fee (Paid). $10,000 Application Fee (Paid). $58,500 Issuance Fee (.50% of the bond amount paid at closing).
DEPARTMENT ANNUAL FEES:	$11,700 Bond Administration (0.10% of first year bond amount) $5,400 Compliance ($25/unit/year adjusted annually for CPI) *(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)*
ASSET OVERSIGHT FEE:	$5,400 to TDHCA or assigns ($25/unit/year adjusted annually for CPI)
TAX CREDITS:	The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately $556,530 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $4,503,485 of equity for the transaction.

BOND STRUCTURE: The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be sold pursuant to a limited public offering by the Bond Purchaser, and will mature over a term of approximately 37 years. The Bonds will pay as to interest only for approximately three (3) years following the closing date. The loan will be secured by a first lien on the Development.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the Development financed through the issuance of the Bonds.

BOND INTEREST RATES: The interest rate on the Tax Exempt Bonds will be 6.6%. The Department's Real Estate Analysis division underwrote the transaction using a 6.6% rate.

CREDIT ENHANCEMENT: The bonds will be unrated with no credit enhancement.

FORM OF BONDS: The Bonds will be issued in physical form and are not eligible to be held in a book-entry only system unless the Bonds receive a rating of "A" or better from a nationally recognized rating agency. The Bonds will be issued initially in denominations of $100,000 plus any integral multiple of $5,000 in excess thereof.

MATURITY/SOURCES & METHODS OF REPAYMENT: The Bonds will bear interest at a fixed rate until maturity and will be payable semi-annually. During approximately the first three (3) years following the closing date, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Account of the Construction Fund, earnings derived from amounts held on deposit in an investment agreement, if any, and other funds deposited to the Bond Fund specifically for capitalized interest during a portion of the construction phase. After completion of the Development, the Bonds will be paid from revenues earned from the Mortgage Loan.

TERMS OF THE MORTGAGE LOAN: The Mortgage Loan is a non-recourse obligation of the Borrower (which means, subject to certain exceptions, the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon following the completion date of the Development. A Deed of Trust and related documents convey the Borrower's interest in the Development to secure the payment of the Mortgage Loan.

REDEMPTION OF BONDS PRIOR TO MATURITY:

The Bonds may be subject to redemption under any of the following circumstances:

Mandatory Redemption:

(a) (i) n whole or in part, to the extent excess funds remain on deposit in the Mortgage Loan Account and Capitalized Interest Account in the Project Fund attributable to moneys not needed to complete the construction of the Project and pay for all Project Costs.

(b) The Bonds are subject to mandatory sinking fund redemption in part at a redemption price of 100% of the prinicipal amount thereof, without premium, plus accrued and unpaid interest, on specified dates of redemption, beginning January 1, 2007.

(c) in part, on the first day following January 1, 2007 for which thirty days notice can be given, form funds on deposit in the Operating Deficit Fund which are transferred to the Redemption Fund pursuant to the Indenture.

(d) in whole at the direction of the Trustee, pursuant to the exercise of remedies under the Loan Documents, at the earliest time for which notice can be give upon the occurrence of certain events of default under the Indenture and Loan Agreement at a redemption price of 100% of the amount of Bonds Outstanding plus accrued interest, or in the event of a Determination of Taxability (as such term is defined in the Indenture) at a redemption price of 105% of the amount of Bonds Outstanding plus accrued interest.

Extraordinary or Special Mandatory Redemption

(a) in whole or in part, if there is damage to or destruction or condemnation of the Development, to the extent that Insurance Proceeds or a Condemnation Award in connection with the Development are deposited in the Revenue Fund and are not to be used to repair or restore the Development; or

(b) in whole or in part, in the event of prepayment of the Loan at the direction of a trustee in Bankruptcy for the Borrower; and

(c) in whole, when any aounts in the Bond Fund not bing held therein to redeem Bonds is sufficient to pay any unpaid amount required to be paid by the Indenture and to redeem all Outstanding Bonds.

(d) in whole, upon direction to the Trustee from the Significant Bondholder to redeem all Outstanding Bonds on July 1, 2021, at a redemption price of 100% of the principal amount thereof, without premium, plus accrued and unpaid interest; provided, that such direction from the Significant Bondholder shall be given to the Trustee on or before January 1, 2021.

Optional Redemption:

The Bonds are subject to redemption, in whole, any time on or after July 1, 2021, from the proceeds of an optional prepayment of the Loan by the Borrower.

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture, the Trustee will serve as registrar and authenticating agent for the Bonds and as trustee of certain of the accounts created under the Trust Indenture (described below). The Trustee will also have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture accounts are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create the following Funds and Accounts:

1. Bond Fund – containing an Interest Account, Principal Account and Administrative Expense Account:

    (a) Administrative Expenses Account– all fees, indemnification amounts and other amounts payable to and for the account of the Trustee for extraordinary services of the Issuer, Bond Counsel, Trustee etc .

    (b) Interest Account – an amount which, together with amounts already on deposit therein, is sufficient to pay the interest on the Bonds coming due on such Bond Payment Date;

    (c) Principal Account – starting on the payment date when principal is due, an amount which, together with amounts already on deposit therein, is sufficient to pay the principal of any Bonds coming due on such payment date;

2. Replacement Reserve Fund – Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the Development.

3. Escrow Fund – The Borrower must deposit certain moneys in such Fund to be applied to the payment of real estate taxes and insurance premiums.

4. Redemption Fund – in the event of redemption of the bonds , any amounts remaining which are not needed for interest or principal due or past due;

5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

6. Cost of Issuance Fund – a temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee;

7. Operating Deficit Fund – a temporary fund into which deposits are made by the Borrower to transfer to the accounts of the Bond Fund to cover any Shortfall Amount (as such term is defined in the Indenture), and to be released to the Borrower once certain conditions are met under the Indenture.

8. Insurance and Condemnation Proceeds Fund – a fund to be created upon the receipt of insurance or condemnation proceeds and to be applied in accordance with the terms of the Indenture.

9. Project Fund (containing a Capitalized Interest Account and a Mortgage Loan Account (with a Bond Proceeds Account and the Borrower Contribution Account therein)) – the Trustee shall deposit net bond proceeds and moneys received from the Borrower and disburse such funds for the purpose of paying the costs of the development and paying interest on the Bonds during the construction period on the Development.

The majority of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase to finance the construction of the Development. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Tax-Exempt Bond proceeds. It is currently anticipated that costs of issuance will be paid by Taxable Bond proceeds.

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee - Wells Fargo Bank National Association (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.

3. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 04-02

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (HUMBLE PARKWAY TOWNHOMES) SERIES 2004; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development 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 mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Humble Parkway Townhomes) Series 2004 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Humble Parkway Apartments Limited Partnership, a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 10, 2002, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original aggregate principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount (together with other available funds) equal to the interest on the Bonds and to pay other costs described in the Loan Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement (the "Deed of Trust") from the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Harris County, Texas; and

WHEREAS, the Board has further determined that the Department will enter into a Purchase Contract (the "Purchase Agreement") with the Borrower, William R. Hough & Co., as underwriter (the "Underwriter"), and any other party to the Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Underwriter or another party; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the limited public offering of the Bonds of a Limited Offering Memorandum (the "Offering Statement") and to authorize the authorized representatives of the Department to deem the Offering Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Offering Statement as may be required to provide a final Offering Statement for use in the limited public offering and sale of the Bonds; and

WHEREAS, in connection with the preparation of the Offering Statement, the Department has furnished the information to the Underwriter set forth in the Offering Statement concerning the Department under the captions "The Issuer" and "Absence of Litigation – The Issuer" (as it relates to the Department), and the Board now desires to authorize the use of such information in the Offering Statement; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Asset Oversight Agreement, the Offering Statement and the Purchase Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.14, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchasers thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That (a) the interest rate on the Bonds shall be 6.60% per annum (subject to adjustment to a default rate as provided in the Indenture); provided that, in no event shall the interest rate (including any default interest rate) on the Bonds exceed the maximum interest rate permitted by applicable law; (b) the aggregate principal amount of the Bonds shall be $11,700,000; (c) the final maturity of the Bonds shall occur on January 1, 2041; and (d) the price at which the Bonds are sold to the Underwriter or another party to the Purchase Agreement shall be the principal amount thereof.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the

Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Approval, Execution, Use and Distribution of the Offering Statement. That the form and substance of the Offering Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are approved, ratified, confirmed and authorized hereby; that the Chair of the Governing Board and the Executive Director of the Department are hereby severally authorized to deem the Offering Statement "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Offering Statement as may be required to provide a final Offering Statement for the Bonds; and that the distribution and circulation of the Offering Statement by the Underwriter is hereby authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Purchase Agreement and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 1.8--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Borrower, the Underwriter and any additional party to the Purchase Agreement as appropriate.

Section 1.9--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.10--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.11--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B - Indenture
Exhibit C - Loan Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Assignments
Exhibit F - Offering Statement
Exhibit G - Purchase Agreement
Exhibit H - Asset Oversight Agreement

Section 1.12--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.13--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.14--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the delivery by the Borrower of evidence satisfactory to the Department staff that tenant service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Borrower and reviewed by the Department, as set forth in the Loan Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) That the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford;

(ii) That the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income;

(iii) That the Borrower is financially responsible;

(iv) That the financing of the Project is a public purpose and will provide a public benefit; and

(v) That the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) That the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income;

(ii) That the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms; and

(iii) That the Borrower is not, or will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) That the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income; and

(ii) That the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

<u>Section 3.2--Determination of Eligible Tenants</u>. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

<u>Section 3.3--Sufficiency of Mortgage Loan Interest Rate</u>. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's

costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds, and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 13th day of January, 2004.

By:___________________________________
Elizabeth Anderson, Chair

[SEAL]

Attest:______________________
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF
PROJECT AND OWNER

Owner: Humble Parkway Apartments Limited Partnership, a Texas limited partnership

Project: The Project is a 216-unit multifamily facility to be known as Humble Parkway Townhomes and to be located at 9440 FM 1960 Bypass Road West, Houston, Harris County, Texas 77338. It will consist of 18 two-story residential apartment buildings with approximately 227,776 net rentable square feet. The unit mix will consist of:

8	one-bedroom/one-bath units
24	one-bedroom/one and one-half bath units
40	two-bedroom/two-bath units
72	two-bedroom/two and one-half bath units
48	three-bedroom/two-bath units
24	three-bedroom/two and one-half bath units
216	Total Units

Unit sizes will range from approximately 684 square feet to approximately 1,196 square feet.

Common areas will include a swimming pool, community center, central laundry facilities, picnic area and a play area with playground equipment.

Development Name: **Humble Parkway Apartments** TDHCA#: 03465

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Houston	QCT: N	DDA: N	TTC: N
Development Owner:	Humble Parkway Apartments, LP			
General Partner(s):	TCR Humble Parkway Partners, LP, 100%, Contact: R. Brent Stewart			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: TDHCA		
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $556,530 Eligible Basis Amt: $556,530 Equity/Gap Amt.: $863,724

Annual Tax Credit Allocation Recommendation: $556,530

Total Tax Credit Allocation Over Ten Years: $ 5,565,300

PROPERTY INFORMATION

Unit and Building Information

Total Units: 216 LIHTC Units: 216 % of LIHTC Units: 100

Gross Square Footage: 223,356 Net Rentable Square Footage: 227,776

Average Square Footage/Unit: 1055

Number of Buildings: 18

Currently Occupied: N

Development Cost

Total Cost: $18,689,168 Total Cost/Net Rentable Sq. Ft.: $82.05

Income and Expenses

Effective Gross Income:[1] $1,874,746 Ttl. Expenses: $890,921 Net Operating Inc.: $983,825

Estimated 1st Year DCR: 1.12

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	South Central RS, Inc.
Attorney:	Jones, Day, Reavis & Pogue	Architect:	HLR Architects
Accountant:	Reznick, Fedder & Silverman	Engineer:	Bury + Partners
Market Analyst:	O'Connor & Associates	Lender:	William R. Hough & Co.
Contractor:	TCR Humble Construction LP	Syndicator:	Wachovia Securities

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 2	Sen. John Whitmire, District 15 - S
# in Opposition: 0	Rep. Senfronia Thompson, District - Neutral
Public Hearing:	Mayor Lee P. Brown - NC
# in Support: 6	Daisy A. Stiner, Director, City of Houston, Housing & Community Development
# in Opposition: 0	Department; Consistent with the City of Houston's Consolidated Plan.
# Neutral: 1	

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) 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 commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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).

______________________________ ________ ______________________________ ______

Robert Onion, Multifamily Finance Manager Date Brooke Boston, Director of Multifamily Finance Production Date

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 Date
Chairman of Executive Award and Review Advisory Committee

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

____

____

Chairperson Signature: ______________________________ ____________
Elizabeth Anderson, Board Chair Date

Humble Parkway Apartments

Estimated Sources & Uses of Funds

Sources of Funds	
Bond Proceeds, Series 2003A Bonds (Tax-Exempt)	$ 11,700,000
LIHTC Equity	4,326,782
GP Capitalization	100
GIC Earnings From Bond Proceeds	105,075
NOI Prior to Stabilization	523,855
Deferred Developer's Fee	2,033,358
Total Sources	$ 18,689,170

Uses of Funds	
Deposit to Mortgage Loan Fund (Construction funds)	$ 14,867,229
Capitalized Interest (Constr. Interest)	873,100
Marketing	50,000
Developer's Fee/Overhead	2,033,358
Costs of Issuance	
Direct Bond Related	477,775
Bond Purchaser Costs	117,000
Other Transaction Costs	60,708
Real Estate Closing Costs	210,000
Total Uses	$ 18,689,170

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 58,500
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee ($25 per unit)	5,400
TDHCA Bond Counsel and Direct Expenses (Note 1)	65,000
TDHCA Financial Advisor and Direct Expenses	35,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	80,000
Borrower's Financial Advisor	5,125
Underwriter (1%)	117,000
Underwriter's Counsel	30,000
Trustee's Fees (Note 1)	6,500
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee ($1,250 per series, max. of 2 series)	2,500
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
TEFRA Hearing Publication Expenses & Misc.	5,000
Miscellaneous/Contingency	45,000
Total Direct Bond Related	$ 477,775

Humble Parkway Apartments

Bond Purchase Costs		
William R. Hough Direct Placement Origination Fee (1%)		117,000
Total	$	117,000

Other Transaction Costs		
Tax Credit Syndicator Fees &Expenses		15,000
Tax Credit Determination Fee (4% annual tax cr.)		21,388
Tax Credit Applicantion Fee ($20/u)		4,320
Cost Certification/Tax Opinion		20,000
Total	$	60,708

Real Estate Closing Costs		
Title & Recording (Const.& Perm.)		90,000
Property Taxes		100,000
Borower's Real Estate Counsel		20,000
Total Real Estate Costs	$	210,000
Estimated Total Costs of Issuance	$	865,483

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	January 2, 2004	**PROGRAM:**	4% LIHTC MRB	**FILE NUMBER:**	03465 2003-089

DEVELOPMENT NAME

Humble Parkway Apartments

APPLICANT

Name:	Humble Parkway Apartments Limited Partnership	**Type:**	For-profit		
Address:	3101 Bee Caves Road, Suite 270	**City:**	Austin	**State:**	TX
Zip:	78746 **Contact:** Brent Stewart	**Phone:**	(512) 477-9900	**Fax:**	(512) 480-9424

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	TCR Humble Parkway Partners Limited	**(%):**	0.10	**Title:**	Managing General Partner
Name:	J. Ronald Terwilliger	**(%):**	N/A	**Title:**	40% Owner of G.P.
Name:	Kenneth J. Valach	**(%):**	N/A	**Title:**	40% Owner of G.P.
Name:	Christopher J. Bergmann	**(%):**	N/A	**Title:**	20% Owner of G.P.

PROPERTY LOCATION

Location:	9400 Block of FM 1960			☐ **QCT**	☐ **DDA**
City:	Houston	**County:**	Harris	**Zip:**	77338

REQUEST

Amount	Interest Rate	Amortization	Term
1) $556,530	N/A	N/A	N/A
2) $11,700,000	6.60%	35 yrs	37 yrs

Other Requested Terms: 1) Annual ten-year allocation of low-income housing tax credits
2) Tax-exempt private activity mortgage revenue bonds

Proposed Use of Funds: New construction **Property Type:** Multifamily

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A TAX CREDIT ALLOCATION NOT TO EXCEED $556,530 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A TAX-EXEMPT BOND AMOUNT OF NOT MORE THAN $11,700,000, AMORTIZING OVER 35 YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 216 **# Rental Buildings** 18 **# Common Area Bldngs** 3 **# of Floors** 2 **Age:** N/A yrs

Net Rentable SF: 227,776 **Av Un SF:** 1,055 **Common Area SF:** 5,580 **Gross Bldg SF:** 233,356

STRUCTURAL MATERIALS

A wood frame on a post-tensioned concrete slab on grade, 35% brick veneer/65% 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, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters and cable.

ON-SITE AMENITIES

A 4,710-SF community building with activity room, management offices, fitness, kitchen, restrooms, central mailroom, swimming pool, equipped children's play area is located near the entrance of the property. In addition perimeter fencing with limited access gates is also planned for the site along with two laundry facilities totaling 870-SF.

Uncovered Parking: 338 spaces **Carports:** 36 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Humble Parkway Apartments is a relatively dense (17 units per acre) new construction development of 216 units of affordable housing located in northeast Houston. The development is comprised of 18 sporadically distributed medium townhouse style low-rise residential buildings as follows:

- Four Building Type I with two one-bedroom/ one&½-bath units, ten two-bedroom/ two-bath units;
- Nine Building Type II with eight two-bedroom/two&½-bath units, four three-bedroom/ two&½-bath units;
- Two Building Type III with four one-bedroom/one-bath units, eight one-bedroom/ one&½-bath units; and
- Three Building Type IV with eight three- bedroom/two-bath units and four three-bedroom/ two-½-bath units;

Architectural Review: The building elevations and unit floor plans are attractive and functional. All of the units are two story floor plans except for the eight 684 SF floor plan. All of the two story floor plans meet the percentage required for at least one bedroom on the ground floor.

Supportive Services: Texas Inter-Faith Management Corporation will provide supportive services that will consist of: personal growth opportunities, family skills development, education services, fun & freedom activities and neighborhood advancement programs. The services will be optional and the cost of the services in included in the rent.

Schedule: The Applicant anticipates construction to begin in January of 2004 and to be completed in April of 2005. The development should be placed in service in April of 2006 and substantially leased-up in April of 2006.

SITE ISSUES

SITE DESCRIPTION

Size: 13.04 acres 568,022 square feet **Zoning/ Permitted Uses:** No zoning

Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Humble Parkway Apartments is located in northeastern portion of Houston, Harris County, approximately ten miles northeast of the Houston Central Business District. The site is an irregularly-shaped parcel located on the south side of FM 1960 East.

Adjacent Land Uses:

- **North:** FM 1960 with vacant land, private residences, and Deerbrook Mall
- **South:** scattered private residences, vacant land, and a church
- **East:** Garden Ridge Pottery and retail shopping
- **West:** undeveloped land

Site Access: Access to the property is from the east or west along FM 1960. The development is to have two entries, both from the north off of FM 1960. Access to Interstate Highway 59 is less than a mile east, which provides connections to all other major roads serving the Houston area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: "Numerous single-tenant and small neighborhood retail centers are scattered throughout the neighborhood. Deerbrook Mall is located east of the subject near the intersection of Highway 59 and FM 1960. Deauville Mall is located just north of the subject neighborhood near the intersection of Highway 59 and Bentford in Kingwood." (p. 25)

Site Inspection Findings: TDHCA staff performed a site inspection on December 12, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October, 2003 was prepared by Envirotest, Ltd. and contained the following findings and recommendations: **"**This assessment has revealed no evidence of recognized environmental conditions in connection with the property." (p.3)

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 project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated October 24, 2003 was prepared by Patrick O'Connor & Associates, L.P. and highlighted the following findings:

Definition of Primary Market Area : "The subject's primary market area includes the following zip codes: 77032, 77039, 77050, 77338, 77345, 77346, 77373, and 77396." (p. 18)

Population: The estimated 2003 population of the primary market area was 185,413 and is expected to increase by 11% to approximately 205,377 by 2008. Within the primary market area there were estimated to be 59,387 households in 2003.

Total Primary Market Demand for Rental Units:

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	61	6%	43	4%
Resident Turnover	938	85%	1,025	96%
Other	100	9%		
TOTAL ANNUAL DEMAND	**1,099**	**100%**	**1,068**	**100%**

Ref: p. 69-72

Inclusive Capture Rate: "Based on our research, there are one market rate and one affordable housing project, a seniors only project (other than the 216-unit subject property) currently proposed, under construction or approved for construction in the subject's primary market. The senior's project is not considered to be a like project, and was not considered in our capture rate. Therefore, a total of 205 units (421 units including the subject), or which 216 units (including the subject) will be rent-restricted. As indicated earlier, there are approximately 1,099 potential households based on income eligibility, housing preference, and taking into consideration the typical turnover rate in the subject's primary market thus the capture rate for 216 proposed affordable units would be 19.66%" (p. 71)

Local Housing Authority Waiting List Information: "There are thousands of families in the city of Houston currently on the growing waiting lists for low-rent public housing, apartment rental subsidies, or Section 8 vouchers administered by the Houston Housing Authority. The waiting list for Section 8 vouchers was closed in 1994, when the list had grown to more than 26,000 households. According to a September 2000 article in the Houston Chronicle, the waiting list for Section 8 Vouchers is approximately six years." (p. 45)

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,323 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%) 684 SF	$626	$625	+$1	$655	-$29
1-Bedroom (60%) 809 SF	$626	$625	+$1	$809	-$183
1-Bedroom (60%) 839SF	$626	$625	+$1	$839	-$213
2-Bedroom (60%) 1,027SF	$747	$747	$0	$875	-$128
2-Bedroom (60%) 1,116 SF	$747	$747	$0	$1,116	-$369
2-Bedroom (60%) 1,142 SF	$747	$747	$0	$1,142	-$395
3-Bedroom (60%) 1,149 SF	$861	$861	$0	$1,149	-$288
3-Bedroom (60%) 1,196 SF	$861	$861	$0	$1,196	-$335

(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)

Primary Market Occupancy Rates: "The occupancy of the comparable rentals included in this study range from 87% to 94%, with a median occupancy of 91.60%. The average occupancy for apartments in the subject's primary market area was reported at 94.02% in the most recent O'Connor & Associates Apartment Ownership guide survey (September 2003). Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 41)

Absorption Projections: "Absorption over the past two years has averaged ± 144 units per quarter, with the greatest amount of absorption taking place in the Class B properties. Overall absorption levels are relatively low, primarily due to the limited amount of new construction activity in this area." (p. 38) "Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 25-30 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within six to eight months following completion.” (p.77)

The Underwriter found the market study to be informative enough to complete this analysis.

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The Applicant's effective gross income is essentially the same as the underwriter's estimate of effective gross income.

Expenses: The Applicant's total expense estimate of $3,915 per unit is 5.1% less than a TDHCA database-derived estimate of $4,125 per unit for comparably-sized developments. The Applicant's budget shows one line item estimate, however, that deviate significantly when compared to the database averages, particularly general and administrative ($38.8K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: The Applicant's estimated 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 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 14.585 acres	$1,118,160	**Assessment for the Year of:**	2003
Prorated Land: 1.0 acre	$76,665	**Tax Rate:**	3.08377
Prorated Land: 13.04 acres	$999,712	**Valuation by:**	Harris County Appraisal District

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest money contract		
Contract Expiration Date:	2/ 10/ 2004	**Anticipated Closing Date:**	2/ 10/ 2004
Acquisition Cost:	$1,562,074	**Other Terms/Conditions:**	$5,000 earnest money
Seller:	14.39 1960, Ltd.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price at $120K per acre or just over $7.2K per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $7,500 per unit are at the maximum safe harbor limit allowed for sitework without requiring a more detailed substantiation.

Direct Construction Cost: The Applicant's direct construction cost estimate is $282K or 3% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $15,589,075 is used to determine a credit allocation of $556,530 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

INTERIM CONSTRUCTION FINANCING

Source: William R. Hough & Co. **Contact:** Helen Feinberg

Principal Amount: $11,700,000 **Interest Rate:** 6.6 %

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

BOND/PERMANENT FINANCING

Source: William R. Hough & Co. **Contact:** Helen Feinberg

Principal Amount: $11,700,000 **Interest Rate:** 6.6 %

Additional Information: Tax-exempt bonds

Amortization: 35 yrs **Term:** 37 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $860,801 **Lien Priority:** 1st **Commitment Date** 12/ 16/ 2003

TAX CREDIT SYNDICATION

Source: Wachovia Securities **Contact:** Timothy McCann

Address: 301 South College Street, NCO 173 **City:** Charlotte

State: NC **Zip:** 28288 **Phone:** (704) 374-3468 **Fax:** (704) 715-0046

Net Proceeds: $4,326,782 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 81¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 12/ 21/ 2003

Additional Information: This is based upon a 10-year stream of federal credits to be acquired by the limited partner totaling $5,347,050

APPLICANT EQUITY

Amount: $2,033,358 **Source:** Deferred developer fee

Amount: $452,327 **Source:** GIC earnings/interim NOI

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The issuer of the bonds will be TDHCA and will be a private placement through William R. Hough & Co.

LIHTC Syndication: Wachovia Securities has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $4,326,712 based on a syndication factor of 81%.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $2,485,683 amount to approximately 122% of the total developer fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the HTC allocation should be limited to $556,530. This results in syndication proceeds of $4,503,385 applying the syndicator's 81¢ syndication offer and the Applicant has included $380K in guaranteed investment contract (GIC) earnings as a source of funds for the development however this source of funds is generally evaluated by the Department as a risk of the developer and incorporated as additional deferred fee. As a result the Underwriter anticipates a total deferral of $2,485,783 in fees including the potential $452,425 deferral of related party contractor fees. Due to the low debt structure proposed, this total amount of deferral is projected to be repayable from cash flow in just over ten years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager firms are all related entities. These are common relationships for HTC-funded developments.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Terwilliger Partners, LLLP submitted an unaudited financial statement as of June 30, 2002 reporting total assets of $7.0M and no liabilities resulting in a net worth of $7.0M.
- J. Ronald Terwilliger, Christopher J. Bergmann and Kenneth J. Valach are anticipated to be guarantors of the development. They submitted unaudited financial statements as of June 30, 2002. The financial statements provided are significant in detail and only produced once per year and as such are the most current available at the time of application.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- TCR 2003 Housing, Inc. is a one percent owner of the G.P., but is wholly owned by Mr. Terwilliger and Mr. Valach.
- J. Ronald Terwilliger has completed 18 multi-family developments totaling 3,966 units since 1992.
- Kenneth J. Valach has completed 14 multi-family developments totaling 2,906 units since 1999.
- Christopher J. Bergmann, the Developer, has completed 14 multi-family developments totaling 2,906 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The 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.

Underwriter:	Carl Hoover	**Date:**	January 2, 2004
Director of Real Estate Analysis:	Tom Gouris	**Date:**	January 2, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Humble Parkway Apartments, Houston, MFB #2003-089/4% HTC #03465)

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%)	8	1	1	684	$670	$625	$5,000	$0.91	$45.00	$13.31
TC (60%)	16	1	1.5	809	670	625	10,000	0.77	45.00	13.31
TC (60%)	8	1	1.5	839	670	625	5,000	0.74	45.00	13.31
TC (60%)	72	2	1.5	1,027	804	747	53,784	0.73	57.00	13.31
TC (60%)	32	2	2	1,116	804	747	23,904	0.67	57.00	13.31
TC (60%)	8	2	2	1,142	804	747	5,976	0.65	57.00	13.31
TC (60%)	48	3	2.5	1,149	930	861	41,328	0.75	69.00	13.31
TC (60%)	24	3	2	1,196	930	861	20,664	0.72	69.00	13.31
TOTAL:	216		**AVERAGE:**	1,055	$826	$767	$165,656	$0.73	$59.22	$13.31

INCOME	Total Net Rentable Sq Ft:	227,776		TDHCA	APPLICANT		USS Region	6
POTENTIAL GROSS RENT				$1,987,872	$1,988,064		IREM Region	Houston
Secondary Income		Per Unit Per Month:	$15.00	38,880	38,880	$15.00	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$2,026,752	$2,026,944			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(152,006)	(152,016)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,874,746	$1,874,928			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.20%	$451	0.43	$97,454	$58,680	$0.26	$272	3.13%
Management		5.00%	434	0.41	93,737	$74,997	0.33	347	4.00%
Payroll & Payroll Tax		10.81%	938	0.89	202,660	$185,760	0.82	860	9.91%
Repairs & Maintenance		4.32%	375	0.36	80,921	$81,168	0.36	376	4.33%
Utilities		2.09%	181	0.17	39,144	$41,040	0.18	190	2.19%
Water, Sewer, & Trash		4.16%	361	0.34	77,945	$66,960	0.29	310	3.57%
Property Insurance		2.31%	200	0.19	43,277	$54,000	0.24	250	2.88%
Property Tax	3.09377	8.91%	773	0.73	167,064	$194,400	0.85	900	10.37%
Reserve for Replacements		2.30%	200	0.19	43,200	$43,200	0.19	200	2.30%
Other Expenses: Supp.Serv./Comp		2.43%	211	0.20	45,519	$45,519	0.20	211	2.43%
TOTAL EXPENSES		47.52%	$4,125	$3.91	$890,921	$845,724	$3.71	$3,915	45.11%
NET OPERATING INC		52.48%	$4,555	$4.32	$983,824	$1,029,204	$4.52	$4,765	54.89%
DEBT SERVICE									
First Lien Mortgage		45.76%	$3,972	$3.77	$857,897	$860,901	$3.78	$3,986	45.92%
Trustee Fee		0.19%	$16	$0.02	$3,500		$0.00	$0	0.00%
TDHCA Admin. Fees		0.62%	$54	$0.05	11,700		$0.00	$0	0.00%
Asset Oversight Fees		0.17%	$15	$0.01	3,240		$0.00	$0	0.00%
NET CASH FLOW		5.92%	$514	$0.49	$110,988	$168,303	$0.74	$779	8.98%
INITIAL AGGREGATE DEBT COVERAGE RATIO					1.13	1.20			
INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.13				
RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO					1.15				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		8.17%	$7,232	$6.86	$1,562,074	$1,562,074	$6.86	$7,232	8.36%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.47%	7,500	7.11	1,620,001	1,620,001	7.11	7,500	8.67%
Direct Construction		47.22%	41,787	39.63	9,025,974	8,743,807	38.39	40,481	46.79%
Contingency	3.10%	1.72%	1,526	1.45	329,569	329,569	1.45	1,526	1.76%
General Req'ts	5.84%	3.25%	2,879	2.73	621,828	621,828	2.73	2,879	3.33%
Contractor's G & A	1.95%	1.08%	960	0.91	207,276	207,276	0.91	960	1.11%
Contractor's Profit	5.84%	3.25%	2,879	2.73	621,828	621,828	2.73	2,879	3.33%
Indirect Construction		4.30%	3,803	3.61	821,400	821,400	3.61	3,803	4.40%
Ineligible Costs		6.74%	5,963	5.65	1,288,019	1,288,019	5.65	5,963	6.89%
Developer's G & A	1.69%	1.23%	1,085	1.03	234,433	0	0.00	0	0.00%
Developer's Profit	13.00%	9.41%	8,328	7.90	1,798,925	2,033,358	8.93	9,414	10.88%
Interim Financing		3.09%	2,732	2.59	590,008	590,008	2.59	2,732	3.16%
Reserves		2.07%	1,830	1.74	395,325	250,000	1.10	1,157	1.34%
TOTAL COST		100.00%	$88,503	$83.93	$19,116,661	$18,689,168	$82.05	$86,524	100.00%
Recap-Hard Construction Costs		*65.00%*	***$57,530***	***$54.56***	***$12,426,476***	***$12,144,309***	***$53.32***	***$56,224***	*64.98%*

SOURCES OF FUNDS						RECOMMENDED	
Tax-Exempt Bonds	61.20%	$54,167	$51.37	$11,700,000	$11,700,000	$11,700,000	Developer Fee Available
Taxable Bonds/ Additional Financing	0.00%	$0	$0.00	0		0	$2,033,358
HTC Syndication Proceeds	23.56%	$20,849	$19.77	4,503,485	4,503,485	4,503,385	% of Dev. Fee Deferred
Deferred Developer Fees	13.00%	$11,508	$10.91	2,485,683	2,485,683	2,485,783	122%
Additional (Excess) Funds Required	2.24%	$1,979	$1.88	427,493	0	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$19,116,661	$18,689,168	$18,689,168	$3,914,241

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Humble Parkway Apartments, Houston, MFB #2003-089/4% HTC #03465)

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$43.50	$9,908,256
Adjustments				
Exterior Wall Finish	3.45%		$1.50	$341,835
9' Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.02)	(231,193)
Floor Cover			2.00	455,552
Porches/Balconies	$17.59	6904	0.53	121,441
Plumbing	$605	388	1.03	234,740
Built-In Appliances	$1,650	216	1.56	356,400
Stairs/Fireplaces	$900	208	0.82	187,200
Floor Insulation			0.00	0
Heating/Cooling			1.53	348,497
Garages/Carports	$8.18	5,508	0.20	45,055
Comm &/or Aux Bldgs	$55.70	5,580	1.36	310,814
Other:			0.00	0
SUBTOTAL			53.03	12,078,599
Current Cost Multiplier	1.03		1.59	362,358
Local Multiplier	0.89		(5.83)	(1,328,646)
TOTAL DIRECT CONSTRUCTION COSTS			$48.79	$11,112,311
Plans, specs, survy, bld prm	3.90%		($1.90)	($433,380)
Interim Construction Interes	3.38%		(1.65)	(375,040)
Contractor's OH & Profit	11.50%		(5.61)	(1,277,916)
NET DIRECT CONSTRUCTION COSTS			$39.63	$9,025,974

PAYMENT COMPUTATION

Primary	$11,700,000	Term	420
Int Rate	6.60%	DCR	1.15

Secondary		Term	
Int Rate		Subtotal DCR	1.13

All-In		Term	
Rate		Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$857,897
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversigh	14,940
NET CASH FLOW	$107,488

Primary	$11,700,000	Term	420
Int Rate	6.60%	DCR	1.15

Secondary		Term	
Int Rate		Subtotal DCR	1.14

All-In		Term	
Rate		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	$1,987,872	$2,047,508	$2,108,933	$2,172,201	$2,237,367	$2,593,722	$3,006,835	$3,485,746	$4,684,551
Secondary Income	38,880	40,046	41,248	42,485	43,760	50,730	58,809	68,176	91,623
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,026,752	2,087,555	2,150,181	2,214,687	2,281,127	2,644,452	3,065,644	3,553,922	4,776,174
Vacancy & Collection Loss	(152,006)	(156,567)	(161,264)	(166,101)	(171,085)	(198,334)	(229,923)	(266,544)	(358,213)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,874,746	$1,930,988	$1,988,918	$2,048,585	$2,110,043	$2,446,118	$2,835,721	$3,287,378	$4,417,961
EXPENSES at 4.00%									
General & Administrative	$97,454	$101,352	$105,406	$109,623	$114,007	$138,707	$168,759	$205,321	$303,925
Management	93,737	96,549	99,446	102,429	105,502	122,306	141,786	164,369	220,898
Payroll & Payroll Tax	202,660	210,766	219,197	227,965	237,083	288,448	350,941	426,973	632,025
Repairs & Maintenance	80,921	84,158	87,524	91,025	94,666	115,176	140,129	170,489	252,365
Utilities	39,144	40,709	42,338	44,031	45,792	55,713	67,784	82,469	122,075
Water, Sewer & Trash	77,945	81,063	84,306	87,678	91,185	110,941	134,976	164,219	243,085
Insurance	43,277	45,009	46,809	48,681	50,628	61,597	74,943	91,179	134,967
Property Tax	167,064	173,746	180,696	187,924	195,441	237,784	289,300	351,978	521,013
Reserve for Replacements	43,200	44,928	46,725	48,594	50,538	61,487	74,808	91,016	134,726
Other	45,519	47,340	49,233	51,203	53,251	64,788	78,824	95,902	141,958
TOTAL EXPENSES	$890,921	$925,621	$961,680	$999,153	$1,038,095	$1,256,947	$1,522,251	$1,843,915	$2,707,037
NET OPERATING INCOME	$983,824	$1,005,367	$1,027,238	$1,049,432	$1,071,948	$1,189,171	$1,313,470	$1,443,462	$1,710,924
DEBT SERVICE									
First Lien Mortgage	$857,897	$857,897	$857,897	$857,897	$857,897	$857,897	$857,897	$857,897	$857,897
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Ov	14,940	14,852	14,757	14,657	14,549	13,891	12,976	3,240	3,240
NET CASH FLOW	$107,488	$129,119	$151,084	$173,379	$196,003	$313,883	$439,098	$578,826	$846,287
AGGREGATE DCR	1.12	1.15	1.17	1.20	1.22	1.36	1.50	1.67	1.98

LIHTC Allocation Calculation - Humble Parkway Apartments, Houston, MFB #2003-089/4% HTC

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,562,074	$1,562,074		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,620,001	$1,620,001	$1,620,001	$1,620,001
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$8,743,807	$9,025,974	$8,743,807	$9,025,974
(4) Contractor Fees & General Requirements				
Contractor overhead	$207,276	$207,276	$207,276	$207,276
Contractor profit	$621,828	$621,828	$621,828	$621,828
General requirements	$621,828	$621,828	$621,828	$621,828
(5) Contingencies	$329,569	$329,569	$329,569	$329,569
(6) Eligible Indirect Fees	$821,400	$821,400	$821,400	$821,400
(7) Eligible Financing Fees	$590,008	$590,008	$590,008	$590,008
(8) All Ineligible Costs	$1,288,019	$1,288,019		
(9) Developer Fees			$2,033,358	
Developer overhead		$234,433		$234,433
Developer fee	$2,033,358	$1,798,925		$1,798,925
(10) Development Reserves	$250,000	$395,325		
TOTAL DEVELOPMENT COSTS	$18,689,168	$19,116,661	$15,589,075	$15,871,242

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$15,589,075	$15,871,242
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$15,589,075	$15,871,242
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$15,589,075	$15,871,242
Applicable Percentage		3.57%	3.57%
TOTAL AMOUNT OF TAX CREDITS		$556,530	$566,603
Syndication Proceeds	**0.8092**	**$4,503,385**	**$4,584,898**
Total Credits (Eligible Basis Method)		**$556,530**	**$566,603**
Syndication Proceeds		**$4,503,385**	**$4,584,898**
Requested Credits		**$556,530**	
Syndication Proceeds		**$4,503,385**	
Gap of Syndication Proceeds Needed		**$6,989,168**	
Credit Amount		**$863,724**	

DELORME

Zoom Level: 10-0 Datum: WGS84

Scale 1 : 200 000

1" = 3.16 mi

0 1 2 3 4 5 mi

0 1 2 3 4 5 km

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RENT CAP EXPLANATION
Houston MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is **"affordable"** if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2003

MSA/County: Houston **Area Median Family Income (Annual):** $59,100

ANNUALLY — Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules

# of Persons	At or Below 50%	60%	80%
1	$ 20,850	$ 25,020	33,400
2	23,850	28,620	38,150
3	**26,800**	**32,160**	**42,900**
4	29,800	35,760	47,700
5	32,200	38,640	51,500
6	34,550	41,460	55,300
7	36,950	44,340	59,100
8	39,350	47,220	62,950

FIGURE 1

MONTHLY

Unit Type	Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities) — At or Below 50%	60%	80%	Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap) — At or Below 50%	60%	80%
Efficiency	$ 521	$ 625	$ 835		$ 521	$ 625	$ 835
1-Bedroom	558	670	894	44	514	626	850
2-Bedroom	**670**	**804**	**1,072**	**57**	**613**	**747**	**1,015**
3-Bedroom	775	930	1,240	69	706	861	1,171
4-Bedroom	863	1,036	1,382		863	1,036	1,382
5-Bedroom	953	1,144	1,525		953	1,144	1,525

FIGURE 2 | FIGURE 3 | FIGURE 4

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning $30,000 per year would fall in the 60% set-aside group. A family of three earning $25,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning $32,160 could not pay more than $804 for rent and utilities under the affordable definition.

1) $32,160 divided by 12 = **$2,680** monthly income; then,

2) **$2,680** monthly income times 30% = **$804** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in ***Figure 3*** from the maximum total housing expense for each unit type found in ***Figure 2***.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

Humble Parkway Townhomes

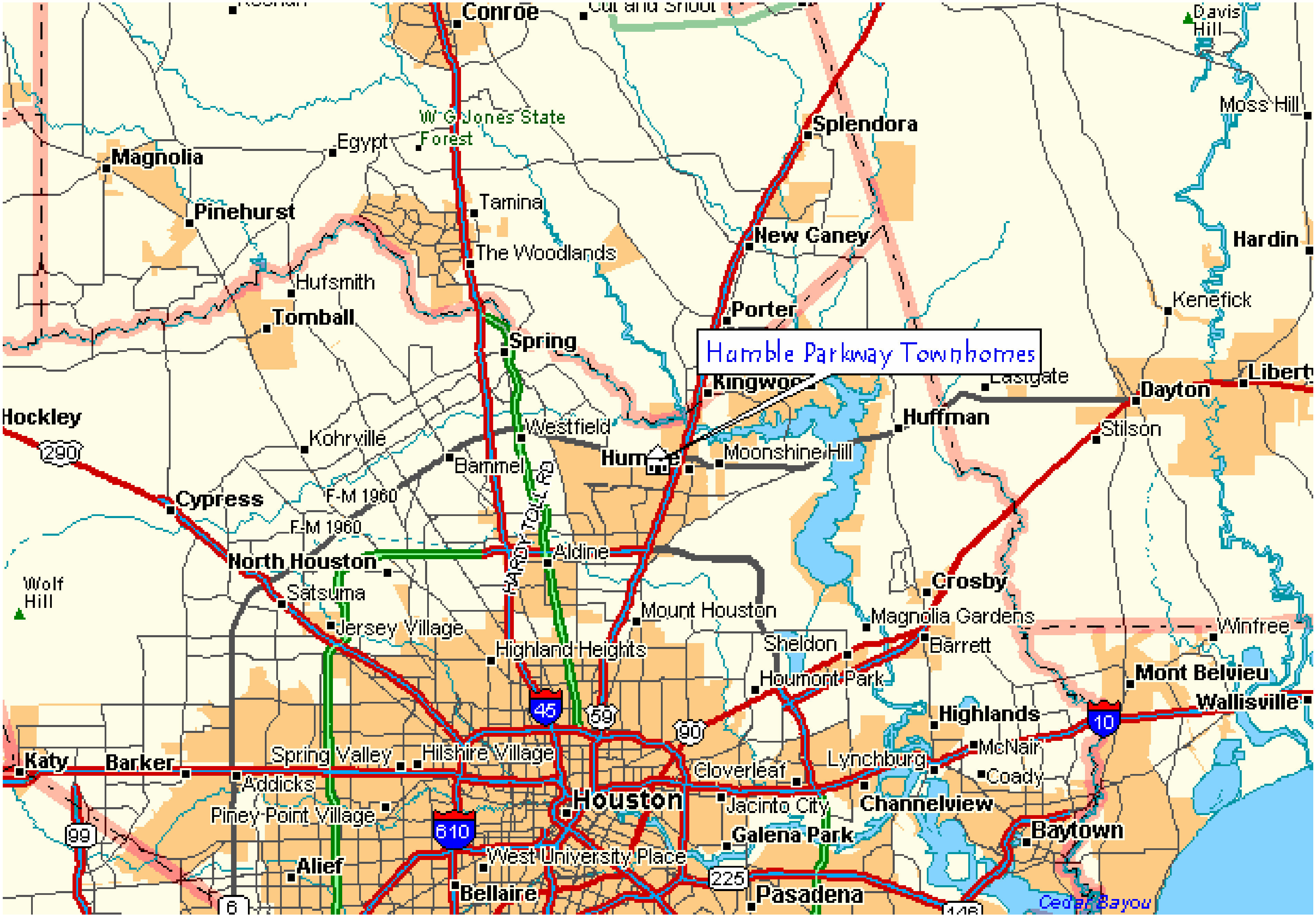
RESULTS & ANALYSIS:

Tenants in the 60% AMFI bracket will **save $105 to $251** per month (leaving 4.4% to 8.1% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **14.4% to 22.6%**.

PROJECT INFORMATION				
	Unit Mix			
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom	
Square Footage	785	1,060	1,165	
Rents if Offered at Market Rates	$731	$890	$1,112	
Rent per Square Foot	$0.93	$0.84	$0.95	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 60% AMFI Set-Aside	$626	$747	$861	
Monthly Savings for Tenant	**$105**	**$143**	**$251**	
Rent per square foot	$0.80	$0.70	$0.74	
Maximum Monthly Income - 60% AMFI	$2,385	$2,680	$3,100	
Monthly Savings as % of Monthly Income	**4.4%**	**5.3%**	**8.1%**	
% DISCOUNT OFF MONTHLY RENT	**14.4%**	**16.1%**	**22.6%**	

Appraisal information provided by: Patrick O'Connor & Associates, L.P., 2000 North Loop West, Suite 110, Houston, Texas 77018. Report dated October 24, 2003.


Humble Parkway Townhomes
Conroe
W G Jones State Forest
Egypt
Magnolia
Pinehurst
Tamina
The Woodlands
Hufsmith
Tomball
Spring
Splendora
New Caney
Porter
Kingwood
Eastgate
Dayton
Liberty
Huffman
Stilson
Hardin
Moss Hill
Davis Hill
Kenefick
Hockley
Kohrville
Westfield
Bammel
Humble
Moonshine Hill
Cypress
F-M 1960
North Houston
Aldine
Satsuma
Jersey Village
Highland Heights
Mount Houston
Sheldon
Houmont Park
Crosby
Magnolia Gardens
Barrett
Winfree
Mont Belvieu
Wallisville
Highlands
McNair
Coady
Lynchburg
Channelview
Wolf Hill
Katy
Barker
Addicks
Spring Valley
Hilshire Village
Piney Point Village
Houston
Cloverleaf
Jacinto City
Galena Park
Baytown
Alief
Bellaire
West University Place
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Cedar Bayou
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610
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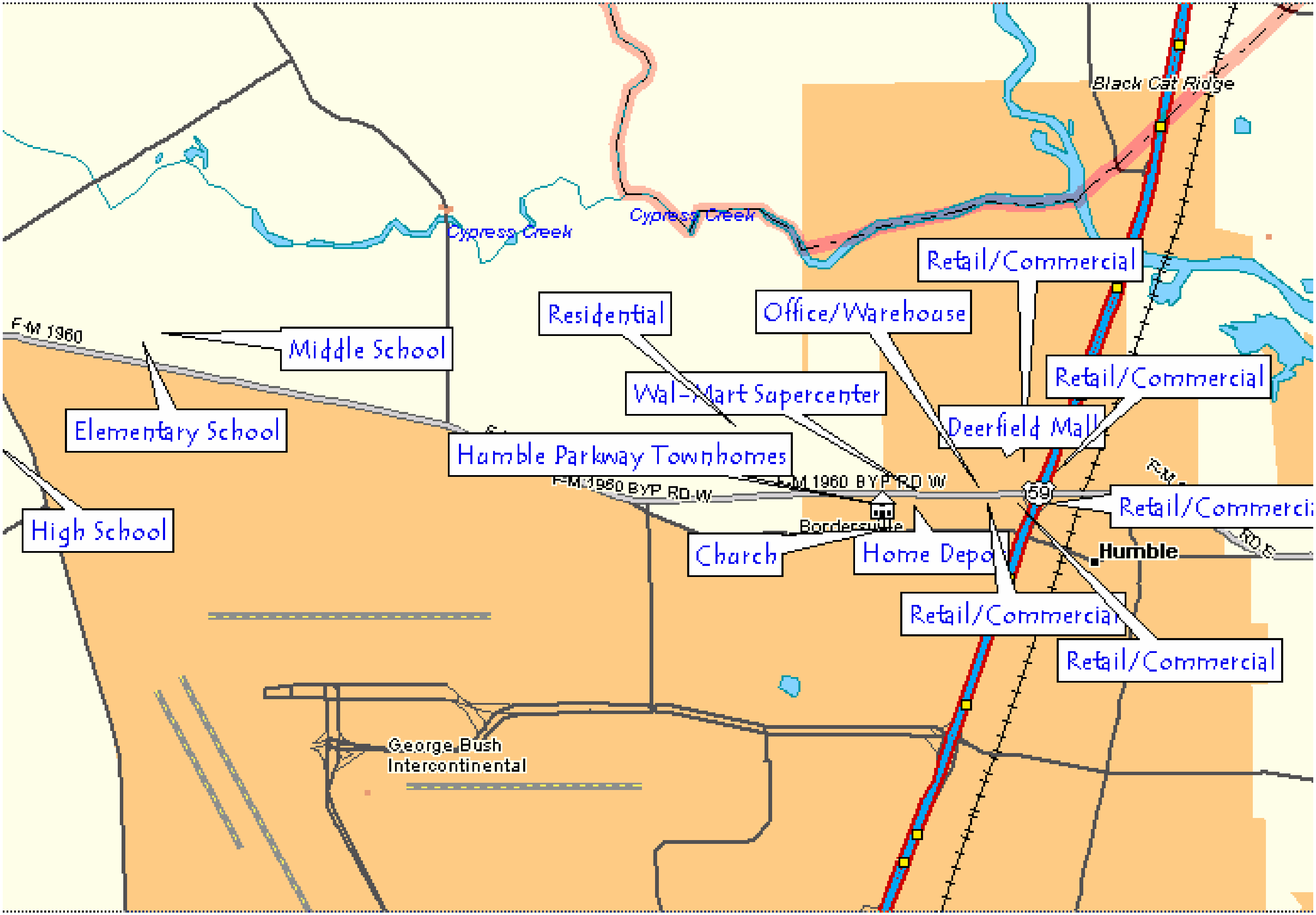
6
225
146


Black Cat Ridge
Cypress Creek
Cypress Creek
F-M 1960
Middle School
Residential
Office/Warehouse
Retail/Commercial
Retail/Commercial
Wal-Mart Supercenter
Deerfield Mall
Elementary School
Humble Parkway Townhomes
F-M 1960 BYP RD W
F-M 1960 BYP RD W
59
Retail/Commerci
High School
Bordersville
Church
Home Depo
Humble
Retail/Commercial
Retail/Commercial
George Bush
Intercontinental

Developer Evaluation

Project ID # **03465** Name: **Humble Parkway Apartments** City:

LIHTC 9% ☐ LIHTC 4% ☑ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☐ N/A ☑ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☑ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 4 Projects grouped by score 0-9 4 10-19 0 20-29 0

Total # monitored with a score less than 30: 4 # not yet monitored or pending review: 6

Program Monitoring/Draws

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara Carr Newsom Date November 25, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by S Roth Date 11/14/2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ________ Date ________

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by EEF Date 11/18/2003

Office of Colonia Initiatives

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Date

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 12/1 /2003

Executive Director: Edwina Carrington **Executed:** Friday, January 02, 2004

Status Summary

Project ID# 03465

Name: Humble Parkway Apartments

City

- [ ] LIHTC 9
- [x] LIHTC 4
- [ ] HOME
- [ ] HTF
- [ ] Bond
- [ ] SEC
- [ ] ESGP
- [ ] Other

Developer	Role	Disbarr
Humble Parkway Apartments L.P.	Owner/Applicant Name	☐
TCR Humble Partners L.P.	General Partner (.01%)	☐
TCR 2003 Housing, Inc.	Corporate General Partner	☐
J. Ronald Terwilliger	Director/Vice President	☐
Kenneth J. Valach	Director/President	☐
Christopher J. Bergmann	Vice President	☐
Scott C. Wise	Vice President	☐
John Zeledon	Vice President	☐
R. Brent Stewart	Vice President	☐

Projects/Contracts Monitored by the Department

Program	Project ID	Project Name	Score
LIHTC/BO	99003T/MF024	Mayfield Park	N/A
LIHTC	99017T	Park @ Fort Bend	04
LIHTC	99018T	Collinwood Village Apartments	01
LIHTC	99161	Parkview Gardens	0
LIHTC/BO	00037T/MF037	Collingham Park	N/A
LIHTC/BO	00036T/MF033	Highland Meadow Village	01
LIHTC/BO	02463/MF065	North Vista Apartments	N/A
LIHTC/BO	03401/20031	West Virginia Apartments	N/A

Status Summary

LIHTC/BO	01452/MF047	Parks @ Fallbrook	N/A
LIHTC	00058	Parks @ Windwood Lakes (Windf	N/A

Out of State Response Received: Yes

Non-Compliance Reported No

Completed By: Jo En Taylor **Date:** 11/18/2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

Public Comment Summary

Humble Parkway Townhomes

Public Hearing

Total Number Attended	7
Total Number Opposed	0
Total Number Supported	6
Total Number Neutral	1
Total Number that Spoke	2

Letters Received

Opposition	0
Support	2

Summary of Opposition

Response to Summary of Opposition

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS
HUMBLE PARKWAY APARTMENTS LIMITED PARTNERSHIP

PUBLIC HEARING

Cafetorium-Teague Middle School
21700 Rayford Road
Humble, Texas

December 8, 2003
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

P R O C E E D I N G S

MS. MEYER: Good evening. My name is Robbye Meyer and I am -- let's try this again. My name is Robbye Meyer and I'm with the Texas Department of Housing and I'm the Multifamily Bond Administrator. I will like to proceed with the public hearing. Let the record --

VOICE: Excuse me.

MS. MEYER: -- show that it is --

VOICE: A little more volume, please. Thank you.

MS. MEYER: -- that it is 6:17 on Monday, December 8, 2003 and we are at the Teague Middle School located at 21700 Rayford Road in Humble, Texas. I am here the conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issuance of tax exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issuance.

No decisions regarding the development will be made at this hearing. The Department's board is scheduled to meet to consider this transaction on January 13, 2004. In addition to providing your comments at this hearing, you're also invited to provide comment directly to the board at their meeting. Or you can send written comments via facsimile at 512-475-0764 up until 5:00 on January 2. I have cards, so I can give you that information after the hearing.

The bonds will be issued as tax exempt multifamily revenue bonds in the aggregate principle amount not to exceed 15 million, and taxable bonds, if necessary, in an amount to be determined and issued by one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to Humble Parkway Apartments Limited Partnership or a related person or affiliate entity thereof to finance a portion of the cost of acquiring, constructing and equipping a multifamily rental housing community described as follows: 216 unit multifamily residential rental housing community development to be constructed on approximately 13 acres of land located at 9440 FM 1960 Bypass Road West, Houston-Harris County.

The proposed multifamily rental housing community will be initially owned and operated by the borrower or a related person or affiliate entity thereof.

There's two different types of financing that's used here. One is a tax exempt bond and then one is also housing tax credits. The tax exempt bond is a tax exemption to the bond purchaser. It's not an exemption for property tax, this development will be paying full property taxes and school district taxes. I guess that it is a tax exemption to the bond purchaser.

The bond purchaser is -- takes a lower rate of return because he doesn't have to pay income tax on their investment, therefore, the lender can charge a lower interest rate to the developer, which allows the developer to build a high quality market rate property and still have affordable rents for affordable families.

The tax -- housing tax credit that's attached to it is an equity injection into the property and that allows to actually charge the lower rents for the particular development. That tax -- the housing tax credit is for ten years. It is an IRS tax credit. Again, it doesn't have anything to do with property taxes. It is a tax credit to the development through the IRS.

Both of these programs were developed by the federal government, in essence, to get out of the housing business and privatize that. And they came up with both of these programs in conjunction with each other in order to build affordable housing for affordable families.

Not only do we have these two types of financing, but we also have a compliance period for at least 30 years, or as long as the bonds are outstanding. If the bonds are outstanding for longer than 30 years, then the compliance period will be longer than that.

The compliance period -- actually, our compliance department, with the state, goes through and checks and audits for the income restrictions to make sure the people that are living do meet the qualified income restrictions, the tenant occupancy, the physical appearance of the property and also just financial bookkeeping in general.

Currently, the developments are chosen strictly by lottery. And this year we had quite a few in this particular division, and this is at 60 percent of the area median income for the Houston area. The Humble Parkway Apartments development received what we call a reservation of allocation on October 8. And once a reservation is received, the developer has 120 days to close the bond transaction. This particular reservation is set to expire on February 5.

Just to clarify, this isn't a section 8 project based housing development. They do allow section 8 voucher holders to live in the complex, however, it's not -- again, it's not a HUD sponsored project. It is privatized, it is private owned and privately managed.

It is located at 9440 FM 1960 on Bypass Road West in Houston. The development will consist of 18 two story residential buildings and two non-residential buildings. A total of 216 units.

You have eight one bedroom, one and a half bath units for an average square footage of 783; 24 one bedroom, one and a half bath units with an average square footage of 819; 72 two bedroom, one and a half with an average square footage of 1,027; 32 two bedroom, two bath with an average square footage of 1,121; and 72 three bedroom, two and a half baths with an average square footage of 1,166.

Again, the developer does have some additional information now, if you would like to get one of those packets.

This particular development will service families at 60 percent of the area median income. For Houston that is -- the area median income is 59,100. To give you an example, a family of four could not earn more than 35,760.

A one bedroom will rent for 626 approximately. A two bedroom will rent for 747 and a three bedroom will rent for 861.

At this time, I'd like to open it up for a question. There is a representative from the developer. If you have any questions of the Texas Department of Housing, I'll be glad to answer those questions.

Are there any questions concerning financing the development itself?

VOICE: That was one of my question as relates to the national incomes, on your chart, table two, you have the utility adjustment --

THE REPORTER: Sir, sir --

MS. MEYER: Sir, can you come right here to the microphone right there and ask your question.

THE REPORTER: And state your name and tell me how to spell it.

MR. VICARIO: My name is Leonard Vicario. What else did you want in the way of information?

THE REPORTER: Your spelling.

MR. VICARIO: V, as in Victor, I-C-A-R-I-O.

MS. MEYER: You can go ahead, sir.

MR. VICARIO: As relates to the utility adjustment, I assume that you -- when you have it in brackets here, you're including -- you're excluding that as relates to the maximum gross rent?

MS. MEYER: For what I stated?

MR. VICARIO: Yes.

MS. MEYER: That is correct.

MR. VICARIO: I was just wondering how you arrived at that particular figure, utility adjustment 40 --

MS. MEYER: For utility? That is -- we actually get that from HUD and the local housing authority utilities. And that's their averages that they have. And that's what we use.

MR. VICARIO: And as relates to the utility, you're talking about electric, gas and water?

MS. MEYER: It's whatever the utilities that the development would be using. If they have gas appliances, I --

MR. VICARIO: Yes.

MS. MEYER: -- understand we'd use gas, if it's electric --

MR. VICARIO: I see. I thought it seemed somewhat understated, if you'll pardon the expression. The other question I had is relating to the employment profile there. The question I'm going to -- I have is generically speaking.

If someone's not employed at all, but does receive benefits from the state, the county or the federal government which arrive at the income level to qualify, would they be excluded?

MS. MEYER: Mr. Stewart?

MR. STEWART: We're going to have to share microphones.

MR. VICARIO: Oh, surely. Sorry.

MR. STEWART: My name is Brent Stewart. Last name is S-T-E-W-A-R-T. And I'm a representative of the project developer. To qualify to live in this property, a tenant has to show a source of income at certain levels based on bedroom type.

The only exception to that is it somebody has a section 8 voucher which they've received from the housing authority. They can use that voucher to pay rent. They still must show that they earn two and a half times their portion of the rent.

The section 8 voucher program is typically not a voucher that's 100 percent of the rent. It may pay half of the rent, it may pay three quarters of their rent, but the resident would have to still show sources of income that covered their portion of the rent at a factor of two and a half times.

MR. VICARIO: The question I'm asking is, does the income have to relate to direct employment of the person who's going to occupy the premises?

MR. STEWART: It can be social security income, it can be any source of recurring, verifiable income.

MR. VICARIO: Regardless where the origin of the income, whether it's social security, section 8, county, whatever assistance may be?

MR. STEWART: Correct.

MR. VICARIO: Okay. Thank you.

MS. MEYER: Are there any other questions? Okay. I only have one that had a question as far as making comment. Mr. Vicario, would you like to make a public comment, a statement? Besides your questions.

MR. VICARIO: No. Actually that, if you'll pardon me, that was not a request for a comment. That was a question mark.

MS. MEYER: Okay.

MR. VICARIO: I have -- I didn't know whether or not I would ask to speak. I don't believe I have anything to deliver at this particular time that would be of any interest to anyone here other than myself.

MS. MEYER: Okay.

MR. VICARIO: So, on that basis, I will keep my own counsel. Thank you.

MS. MEYER: Okay. Is there anybody else that would like to speak as far as making a public comment or statement? Okay.

Let me give you a couple of more dates. Again, our board is scheduled to meet on January 13, 2004. Even you get home and you decide you want to make an additional comment, I'll -- I have some cards. I'll be glad to give you my business cards and you can send that information to me, and I will make sure that my board gets a copy of any information that is sent to me.

I need to receive that by January 2 at 5:00 in order for me to make sure that it does get in the board presentation.

If there's anyone that needs information to get in touch with the developer, I'm sure you've got -- do you have cards, Mr. Stewart?

MR. STEWART: Yes.

MS. MEYER: Okay. He does have some information. Also, he does have some information packets that you can take home with you. If there's no other questions or no other comments, then I am going to adjourn the meeting at this point. And it is now 6:29.

(Whereupon, at 6:29 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE:Humble Parkway Apartments Limited Partnership

LOCATION:Humble, Texas

DATE:December 8, 2003

I do hereby certify that the foregoing pages, numbers 1 through 14, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Ben Bynum before the Texas Department of Housing and Community Affairs.

12/19/2003

(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

The Senate of The State of Texas

SENATE COMMITTEES:
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Finance
Government Organization
Administration
Legislative Budget Board

Senator John Whitmire
Dean of the Texas Senate

DISTRICT OFFICE:
803 Yale Street
Houston, Texas 77007
(713) 864-8701
FAX: (713) 864-5287

CAPITOL OFFICE:
P.O. Box 12068
Austin, Texas 78711
(512) 463-0115
FAX: (512) 475-3737
Dial 711 for Relay Calls

October 23, 2003

Mr. Michael Jones
Texas Department of Housing and Community Affairs
507 Sabine, Suite 900
Austin, TX 78701

RE: The Humble Parkway Townhomes/ Trammell Crow Residential
Tax-Exempt Bond Financing with 4% Tax Credits

Dear Mr. Jones:

Please accept this letter as my full endorsement of the Humble Parkway Townhomes development in Harris County, Texas. This proposed sight will consist of a 204-unit complex for low income families in my district.

There is a serious need for high quality, safe, clean, and affordable multifamily rental housing in the Baytown community. This development will be an asset to the community and families that reside there.

Thank you for your time and consideration. If I can be of any assistance to you on this matter, please do not hesitate to call on me.

Sincerely,

JOHN WHITMIRE

Cc: Ms. Edwina Carrington
Executive Director
Texas Department of Housing and Community Affairs
507 Sabine, Suite 800
Austin, Texas 78701

Mr. Robert Onion
Director of Multifamily Finance
Texas Department of Housing and Community Affairs
507 Sabine, Suite 800
Austin, Texas 78701

DEC 17 AM 9:06

P.O. Box 2910
Austin, Texas 78768-2910
(512) 463-0720
Fax (512) 463-6306

10527 Homestead
Houston, Texas 77016
(713) 633-3390
Fax (713) 633-7830

TEXAS HOUSE OF REPRESENTATIVES
Senfronia Thompson

December 10, 2003

Ms. Brooke L. Boston
Director of Multifamily
Finance Production
Texas Department of Housing
And Community Affairs
507 Sabine, Suite 400
Austin, Texas 78711-3941

RE: **Humble Parkway Apartment** **TDHCA#: 03465**
9400 Blk of FM 1960
Harris County, TX 77338
Humble Parkway Apartment, LP
R. Brent Stewart

Dear Ms. Boston:

I have not received but one complaint from my constituents. However, the **Aldine ISD** has not complained about this new proposed multifamily housing project. Therefore, I am not in opposition to this project.

If you have any questions, please contact my office.

Very truly yours,

Senfronia Thompson

Senfronia Thompson

☆ E-mail: senfronia.thompson@house.state.tx.us ☆

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 13, 2004

Action Item

Presentation, Discussion and Possible Approval of Senior Managing and Co-Managing Underwriting Firms for the Multifamily Mortgage Revenue Bond Transactions.

Requested Action

Approve the Recommended List Below.

Background

At the April 10, 2003 TDHCA Board meeting, the Board approved the Request for Qualifications (RFQ) for Investment Banking Firms. Department staff published the RFQ in the *Texas Register*, the Bond Buyer and the Texas Market Place to solicit the expertise of Investment Banking Firms to facilitate the underwriting needs for the multifamily bond transactions. The Department received information from two (2) investment banking firms. Both are being recommended for Senior Managers.

The Department staff recommends the following Investment Banking Firms remain or be added to the Multifamily Bond Approved Underwriters List:

First Albany Corporation	Senior Manager	Add to approved list
Bank or America	Senior Manager	Add to approved list

Recommendation

The Board approve the recommended Investment Banking be added to the Multifamily Bond Approved Underwriters list.

Senior Managing Underwriters for Multifamily Transactions

Red Capital Markets, Inc.
Contact: James F. Croft
150 East Gay St., 22nd Floor
Columbus, OH 43215
Phone: (614) 857-1652
Fax: (614) 857-1660

M.R. Beal & Company
Contact: Bernard B. Beal
67 Wall Street, Suite 1701
New York, NY 10005
Phone: (212) 983-3930
Fax: (212) 983-4539

Bear Stearns
Contact: Peter Weiss
383 Madison Avenue, 11th Floor
New York, NY 10179
Phone: (212) 272-2222
Fax: (212) 272-2705

Ferris Baker Watts
Contact: Edwin S. Crawford
100 Light Street
Baltimore, MD 21202
Phone: (410) 659-4652
Fax: (410) 528-1257

Goldman Sachs & Co.
Contact: Vincent A. Matrone
100 Cresent Court, Suite. 1000
Dallas, TX 75201
Phone: (214) 855-1124
Fax: (214) 855-1005

William R. Hough
Contact: Janna Cormier
3101 Bee caves Road #314
Austin, Texas 78746
Phone: (512) 328-7100
Fax: (512) 328-7103

Legg Mason Wood & Walker
Contact: Michael R. Baird
100 Light Street
Baltimore, MD 21203-1476
Phone: (410) 454-4304
Fax: (410) 454-4010

Berean Capital, Inc
Contact: Riley Simmons, II
14001 Dallas Parkway, Suite 1200
Dallas, Texas 75240
Phone: (972) 934-6512
Fax: (972) 934-6513

National Alliance Capital, L.L.C.
Contact: Stephen Lipkin
1800 Valley view Lane, Suite 300
Dallas, Texas 75234
Phone: (469) 522-4443
Fax:

Lehman Brothers
Contact: Henry D. Lanier
American Express Tower 20th Fl
New York, NY 10285-2000
Phone: (212) 526-5703
Fax: (212) 526-3738

McDonald Investments
Contact: Jonathan M. Roberts
127 Public Square OH-01-27-0432
Cleveland, OH 44114-2603
Phone: (216) 443-2300
Fax: (216) 443-2895

Merrill Lynch
Contact: Ian Parker
350 S. Grand Avenue, Suite 2830
Los Angeles, CA 90071-2821
Phone: (213) 217-4503
Fax: (213) 217-4530

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

Nations Bank
Contact: Joseph A. Cavato
800 Market Street, 8th Floor
St. Louis, MO 63101-2607
Phone: (314) 466-8384
Fax: (314) 466-8390

Newman & Associates
Contact: John M. Kuykendall
1801 California, Suite 3700
Denver, CO 80202
Phone: (303) 293-8500
Fax: (303) 296-6804

Pain Weber
Contact: Michael Baumrin
1285 Avenue of the Americas
New York, NY 10019-6028
Phone: (212) 713-7868
Fax: (212) 713-1020

JP Morgan Securities, Inc.
Contact: Anthony Snell
2200 Ross Avenue, 8th Floor
Dallas, TX 75201
Phone: (21) 496-5722
Fax: (214) 965-3577

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

Piper Jaffrey
Contact: Terrance McNellis
222 S. 9th Street
Minneapolis, MN 55402
Phone: (612) 342-6683
Fax: (612) 342-6965

Raymond James & Associates
Contact: Craig Ferguson
880 Carillon Parkway
St. Petersburg, FL 33716
Phone: (727) 573-8488
Fax: (727) 573-8315

Salomon Smith Barney
Contact: Michael E. Toth
390 Greenwich St., 2nd Floor
New York, NY 10013
Phone: (212) 723-5697
Fax: (212) 723-8939

Siebert Bradford Shank & Co.
Contact: Anderson Bynam
440 Louisiana, Suite 1520
Houston, TX 77002
Phone: (713) 222-1585
Fax: (713) 222-1584

Stern Brothers & Co.
Contact: Terrance M. Finn
8000 Maryland Avenue, Suite 1020
St Louis, MO 63105-3752
Phone: (314) 727-5519
Fax: (314) 727-7313

B.C. Ziegler & Co.
Contact: Richard K. Price
8100 Professional Place, Ste.312
Lanham, MD 20785
Phone: (301) 918-4400
Fax: (301) 918-4900

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

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

Co-managing Underwriters for Multifamily Transactions

Advest, Inc.
Contact: Cathy Bell
One Rockefeller Plaza, 20th Floor
New York, NY 10020
Phone: (212) 484-3825
Fax: (212) 484-3813

Caprock Securities
Contact: Chris T. Mayes
101 W. 6th Street, Suite 614
Austin, TX 78701
Phone: (512) 322-0133
Fax: (512) 322-0135

The Chapman Company
Contact: Riley Simmons, II
3102 Oak Lawn Avenue, Suite 700
Dallas, TX 75219
Phone: (214) 520-3110
Fax: (214) 520-9701

Southwestern Capital Markets
Contact: Robert Rodriguez
140 E. Houston, Suite 201
San Antonio, TX 78205
Phone: (210) 344-9101
Fax: (210) 344-6527

Crews & Associates
Contact: J. Chris Melton
100 Congress Avenue, Suite 2100
Austin, TX 78701
Phone: (512) 370-5299
Fax: (512) 795-9809

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

First Southwest Company
Contact: Robin M. Miller
1700 Pacific Avenue, Suite 500
Dallas, TX 75201
Phone: (214) 953-4055
Fax: (214) 953-4050

Jackson Securities
Contact: Suzanne Hickey
900 Jackson Street, Suite 600
Dallas, Texas 75202
Phone: (214) 712-9232
Fax: (214) 712-5668

Walton Johnson & Co.
Contact: Barry Bowens
2711 N. Haskell Avenue, Suite 2070
Dallas, TX 75204
Phone: (214) 821-3119
Fax: (214) 821-3630

Edward Jones
Contact: Julie M. Huss
12555 Manchester Road
St. Louis, MO 63131-3729
Phone: (314) 515-2686
Fax: (314) 515-2674

Melvin Securities
Contact: Michael Gagnon
111 West Jackson Blvd., Suite 2110
Chicago, IL 60604
Phone: (312) 941-0050
Fax: (312) 341-5168

Miller & Schroeder Financial
Contact: Laura C. Ekholm
220 S. Sixth Street, Suite 300
Minneapolis, MN 55402
Phone: (612) 376-1544
Fax: (612) 376-1548

Ramirez & Co.
Contact: J. Art Morales
2323 South Shepherd, Suite 930
Houston, TX 77019
Phone: (713) 526-0050
Fax: (713) 526-1503

SBK-Brooks
Contact: Robbi J. Jones
440 Louisiana, Suite 900
Houston, TX 77002
Phone: (713) 272-6950
Fax: (713) 272-6903

BOND FINANCE DIVISION

BOARD ACTION REQUEST
January 13, 2004

Action Items

Taxable mortgage loan program.

Required Action

Approve continued review and analysis of a taxable mortgage loan program.

Background

The Bond Finance Division, the Single Family Production Division and one of TDHCA's approved investment banks, Citigroup Global Markets (Citigroup's), are exploring the development of a taxable mortgage loan program offering products that may serve segments of the Texas homebuyer market currently not served by TDHCA's present tax-exempt program.

The Bond Finance Division and the Single Family Production Division met with representatives from Citigroup Global Markets to discuss the applicability of a taxable product for TDHCA. Based on that meeting, Staff wishes to continue development and customization of this product for TDHCA. The Department will not incur any investment banking fees in conjunction with this preliminary review and analysis.

New TDHCA mortgage products offered under Citigroup's program may include:

Product	Target Market
Conforming Purchase Mortgage Loans with downpayment assistance	Homebuyers who may or may not have previously owned a home, who require downpayment assistance and seek minimal paperwork
Conforming Refinance Mortgage Loans	Homeowners with good credit seeking to refinance out of higher interest rate loans or "predatory" loans
Subprime Purchase Mortgage Loans with downpayment assistance	Homebuyers with A- or B credit who may or may not have previously owned a home, who require downpayment assistance and seek minimal paperwork
Subprime Refinance Mortgage Loans	Homeowners with A- or B credit seeking to refinance out of higher interest rate loans or "predatory" loans
Home Equity Mortgage Loans	Homeowners with A, A- or B credit

Under Citigroup's proposal, these products would: not require the issuance of bonds, make available mortgage loans from a reputable source, offer mortgage loans with standardized terms, provide another source of revenue for TDHCA, and diversify TDHCA's single family mortgage product offerings. TDHCA will not be required to fund these mortgages, therefore eliminating negative arbitrage, interest rate risk and origination risk. Citigroup will offer these products through its network of correspondent lenders.

Recommendation

Approve further review and analysis of Citigroup's taxable mortgage program.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
January 13, 2004

Action Items

Resolution authorizing the extension of the certificate purchase period for Residential Mortgage Revenue Bonds, Series 2002A (Program 59).

Required Action

Approve the attached resolution authorizing the extension of the certificate purchase period for Residential Mortgage Revenue Bonds, Series 2002A (Program 59).

Background

The mortgage loan origination period related to TDHCA's Residential Mortgage Revenue Bonds, Series 2002A (Program 59) will terminate on April 1, 2004. Unspent proceeds bond redemptions must be made if the origination period is not extended. Staff recommends extending the certificate purchase date for Program 59 to April 1, 2005. The table below reflects Program 59's balances as of January 5, 2004.

Original Amount of Lendable Proceeds	$40.0 million
Assisted Funds Unreserved Balance	$ 5.2 million
+ Unassisted Funds Unreserved Balance	$ .1 million
+ Loans in Mortgage Pipeline	$ 8.8 million
= Total Unspent Proceeds Balance	$14.1 million
Mortgages Closed and Funded	$25.9 million

Funds set-aside for targeted areas per the tax code comprise over 96% of the assisted funds unreserved balance. The one-year targeted area set-aside expires on January 27, 2004. Thereafter, these monies will be available on a statewide basis. The mortgage rate for these assisted funds equals 5.99%. A downpayment assistance grant of up to 4% of the mortgage amount will be available for all assisted loans. Downpayment assistance was funded by premium bonds for Program 57A.

Staff believes that with an extended origination period, all funds will be converted into mortgage loans.

Recommendation

Approve the attached resolution authorizing the extension of the certificate purchase period for Residential Mortgage Revenue Bonds, Series 2002A (Program 59).

Resolution No. 04-007

RESOLUTION AUTHORIZING THE EXTENSION OF THE CERTIFICATE PURCHASE PERIOD FOR RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2002A; AUTHORIZING ARRANGEMENTS RELATING TO AN INVESTMENT AGREEMENT; 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 2002A in the aggregate principal amount of $42,310,000 (the "Series 2002A Bonds"), pursuant to the Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1987 between the Department, as successor to the Texas Housing Agency, and JPMorgan Chase Bank, as successor trustee (the "Trustee"), as supplemented and amended (collectively, the "Residential Mortgage Indenture"), and the Twenty-Fifth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Twenty-Fifth Supplement") dated as of December 1, 2002, with respect to the Series 2002A Bonds, 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 Twenty-Fifth Supplement) for the Department's Bond Program No. 59 (the "Program"); and

WHEREAS, the Certificate Purchase Period ends on April 1, 2004, unless extended; and

WHEREAS, the investment agreement pursuant to which certain proceeds of the Series 2002A Bonds are invested during the Certificate Purchase Period expires with respect to such proceeds on August 1, 2004; and

WHEREAS, the Department desires to approve and authorize (i) the extension of the Certificate Purchase Period to April 1, 2005 in accordance with the terms of the Twenty-Fifth Supplement, (ii) arrangements to obtain a new investment agreement to provide for the investment of proceeds of the Series 2002A Bonds during the Certificate Purchase Period, as so extended, (iii) all actions to be taken with respect thereto, and (iv) the execution and delivery of all documents and instruments in connection therewith; and

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

ARTICLE I

EXTENSION OF PROGRAM; APPROVAL OF DOCUMENTS

Section 1.1--Approval of Extension of the Certificate Purchase Period. The extension of the Certificate Purchase Period to April 1, 2005, 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 Residential Mortgage Indenture and the Twenty-Fifth 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 Twenty-Fifth Supplement in connection therewith.

Section 1.2--Investment Agreement and Investment Agreement Broker. The investment of funds held under the Twenty-Fifth Supplement is hereby approved and the Executive Director and the Director of Bond Finance each are authorized hereby to complete arrangements for investment in an investment agreement, including, without limitation, selection of the investment agreement broker, if any.

Section 1.3--Authorization of Investment Agreement. The execution and delivery of an investment agreement is hereby authorized and approved and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver such investment agreement and all documents and instruments in connection therewith.

Section 1.4--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 1.5--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chair and 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 providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 13th day of January, 2004.

____

Elizabeth Anderson Chair

ATTEST:

____

Delores Groneck, Secretary

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
January 13, 2004

Action Items

Preliminary approval of Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61).

Required Action

Approve the preliminary structuring of Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61).

Background

TDHCA issued over $100 million of its Single Family Tax-Exempt Commercial Paper, Series C in December 2003 for purposes of managing its 2003 volume cap. *The guaranteed investment contract associated with the Series commercial paper issuance expires in May 2004.* The Bond Finance Division recommends immediately initiating structuring of TDHCA's next single family mortgage revenue bond issue due to market conditions, scheduling and timing matters. Program 61 must close in April 2004.

In order to comply with certain 2003 and 2004 legislative set-aside (reservation) requirements for very low income borrowers, Bond Finance recommends that 100% of Program 61's proceeds provide downpayment assistance. Bond Finance desires to fund downpayment assistance through tax-exempt or taxable bonds issued under TDHCA's Junior Lien Single Family Mortgage Revenue Bond indenture, if economically feasible. Bond Finance anticipates that a second transaction in 2004 will not encompass downpayment assistance.

Through bifurcation of assisted funds and unassisted funds into separate transactions, unassisted funds will not have to incur cashflow-related stresses associated with financing assisted mortgage funds. In addition, the demand for assisted funds remains relatively inelastic when assisted mortgage rates exist within a certain relevant range indexed to market mortgage rates. Bond Finance anticipates that the second transaction in 2004 will not encompass downpayment assistance and will not be affected by costs associated with funding downpayment assistance.

Also, in conjunction with the April 2004 transaction, Bond Finance anticipates creating "recapture-able" 4% downpayment assistance grants, making assistance available for low income borrowers (up to 80% AMFI), decreasing the mortgage reservation period, and charging a fee for mortgage rate locks beyond the allotted "free" rate lock period.

This plan of finance, in conjunction with the restructuring of older programs, allows TDHCA to obtain historically low interest rates and take advantage of a possible increase in long-term interest rates in 2004 and/or 2005. Simultaneously, TDHCA can hedge against level or declining interest rates by converting unassisted funds to assisted funds and strategically issuing assisted funds. Also, TDHCA will have available a continuous source of competitively-priced mortgage funds offering assisted and unassisted interest rates consistent across all programs. This plan also permits TDHCA to issue all of its 2003 and 2004 volume in 2004.

Continuing with the previously approved senior manager rotation plan, Bond Finance will recommend one of two firms in the senior pool who have not executed a single family transaction for TDHCA (either Piper Jaffray or UBS Securities) to structure and manage the issuance of Program 61 bonds. Bond Finance will recommend the firm not selected for the April transaction for TDHCA's following single family bond transaction, currently scheduled to close in August 2004. This will end the rotation in the senior manager pool. In late 2004, Bond Finance will then recommend three of the six firms to serve as rotating senior managers for future bond issuances.

The following table provides certain details related to this plan of finance.

Program Designation	Program 61
Down Payment Assistance (%)	4.00%
Down Payment Assistance (% of Loans)	100%
2003 Volume Cap	$161,171,208
2004 Volume Cap	$165,151,534
2003 Very Low Income Reservation *	$48,351,362 ($50 million rounded)
2004 Very Low Income Reservation *	$49,545,460 ($50 million rounded)
Funds Available for 80% AMFI or less	$75,000,000
Bond Review Board Planning Session	**March 9, 2004**
TDHCA Approval Date	**March 11, 2004**
Bond Review Board Approval Date	**March 18, 2004**
Pricing Window	**March 22, 2004 – April 2, 2004**
Pre-Closing/Closing Date	**April 27/28, 2004**
Redeem Commercial Paper, Series C	**May 3, 2004**

* 30% of volume cap reserved for up to 60% AMFI for one year, thereafter up to 80% AMFI.

Recommendation

Approve the preliminary structuring of Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61).

Texas Department of Housing and Community Affairs
Bond Finance Division
2004 Prospective Bond Issues *

	January 1, 2004 Balance	Volume Cap Issued	Volume Cap Balance	Volume Cap Issued	Volume Cap Balance	Volume Cap Issued	Volume Cap Balance	Volume Cap Issued	Volume Cap Balance
2003 Volume Cap (1)	$ 101,171,208	$ 101,170,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2004 Volume Cap	$ 165,151,534	$ -	$ 165,151,534	$ 165,150,000	$ 1,534	$ -	$ 1,534	$ -	$ 1,534
CP Series A	$ 75,000,000	$ 55,000,000	$ 20,000,000	$ 20,000,000	$ -	$ -	$ -	$ -	$ -
CP Series C	$ 22,920,000	$ 22,920,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	**$ 364,242,742**	**$ 179,090,000**	**$ 185,151,534**	**$ 185,150,000**	**$ 1,534**	**$ -**	**$ 1,534**	**$ -**	**$ 1,534**

Series	**2004A**			**2004B**			**To Be Determined**			**To Be Determined**		
Par Amount of Bonds Issued	**$179,090,000**			**$185,150,000**			**To Be Determined**			**To Be Determined**		
Month	Jan-04	Mar-04	Apr-04	May-04	Jul-04	Aug-04	To Be Determined			To Be Determined		
Activities	Cashflows Documents	Authorization Pricing	Closing (2)	Cashflows Documents	Authorization Pricing	Closing (3)	Cashflows Documents	Authorization Pricing	Closing	Cashflows Documents	Authorization Pricing	Closing

(1) Commercial Paper Series C
(2) All assisted loans; downpayment assistance funded by junior lien proceeds
(3) All unassisted loans

Texas Department of Housing and Community Affairs
Single Family Mortgage Revenue Bond Proceeds Strategies

Release Date	Program	Pre - Program 57A Restructuring Assisted		Pre - Program 57A Restructuring Unassisted		Post - Program 57A Restructuring Assisted		Post - Program 57A Restructuring Unassisted		Comments
Pending	56	$14,505,581		$0		$14,505,581		$0		Tax-exempt unexpended proceeds call due April 1, 2004; Conducting research and analysis to ascertain whether a portion of proceeds may not be subject to redemption.
In-progress	57	$390,170		$0		$390,170		$0		Balance as of January 5, 2004; Waiting for pipeline to clear before ending program.
In-progress	EA	$9,776,560		$0		$9,776,560		$0		Reviewing PMI and lender compensation options
Monday, November 03, 2003	59A	$0		$25,598,147		$0		$25,598,147		Balance as of January 5, 2004; $45 million originally available.
Tuesday, January 27, 2004	59	$5,122,412		$0		$5,122,412		$0		Balance as of January 5, 2004; 5.99% assisted funds; target area reservation expires January 27
Monday, March 01, 2004	57A	$14,836,535		$53,147,411		$67,983,946		$0		Balance as of January 5, 2003; Restructuring finalized in January/February 2004.
Monday, May 03, 2004	59A	$25,572,238		$0		$25,572,238		$0		
Monday, May 03, 2004	61	$177,920,000		$0		$177,920,000		$0		New issue, all assisted.
Wednesday, August 25, 2004	62	$0		$175,500,000		$0		$175,500,000		New issue, all unassisted.
	Total	**$248,123,496**	**49%**	**$254,245,558**	**51%**	**$301,270,907**	**60%**	**$201,098,147**	**40%**	
	Aggregate Total			**$502,369,054**				**$502,369,054**		

Housing Tax Credit Program
Board Action Request
January 13, 2004

Action Item

Request review and board determination of two (2) four percent (4%) tax credit applications with other issuers for tax exempt bond transactions.

Recommendation

Staff is recommending board approval of staff recommendations for the issuance of one (1) four percent (4%) Tax Credit Determination Notices with **other issuers** for tax exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
03464	Blue Lake Marine Creek Apartments	Fort Worth	Tarrant County HFC	186	186	$16,369,601	$11,470,000	$0
03466	Wellington Park Apartments	Houston	Harris County HFC	244	244	$20,284,009	$13,500,000	$640,989

Development Name: **Wellington Park Apartments** TDHCA#: 03466

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: N DDA: N TTC: N
Development Owner: Wellington Park Apartments, LP
General Partner(s): Wellington Park Development, LLC, 100%, Contact: Dwayne Henson
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $646,574 Eligible Basis Amt: $640,989 Equity/Gap Amt.: $848,086
Annual Tax Credit Allocation Recommendation: $640,989
Total Tax Credit Allocation Over Ten Years: $ 6,409,890

PROPERTY INFORMATION

Unit and Building Information
Total Units: 244 LIHTC Units: 244 % of LIHTC Units: 100
Gross Square Footage: 245,528 Net Rentable Square Footage: 240,499
Average Square Footage/Unit: 986
Number of Buildings: 22
Currently Occupied: N
Development Cost
Total Cost: $20,284,009 Total Cost/Net Rentable Sq. Ft.: $84.34
Income and Expenses
Effective Gross Income:[1] $2,014,068 Ttl. Expenses: $902,800 Net Operating Inc.: $1,111,268
Estimated 1st Year DCR: 1.12

DEVELOPMENT TEAM

Consultant:	LBK, Ltd.	Manager:	Orion Real Estate Services
Attorney:	Coats, Rose, Yale, Ryman & Lee	Architect:	Mucasey & Associates
Accountant:	Reznick, Fedder & Silverman	Engineer:	Lott & Brown Engineering Services
Market Analyst:	O'Connor & Associates	Lender:	GMAC Commercial Mortgage
Contractor:	Dwayne Henson Investments, Inc.	Syndicator:	Boston Capital Partners, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Jon Lindsay, District 7 - NC Rep. Peggy Hamric, District 126 - NC Judge Robert Eckels - NC David Turkel, Director, Office of Housing & Economic Development, Harris County; Consistent with the Consolidated Plan of Harris County.

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) 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. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted..

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).

Robert Onion, Multifamily Finance Manager Date Brooke Boston, Director of Multifamily Finance Production Date

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 Date
Chairman of Executive Award and Review Advisory Committee

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Chairperson Signature:
Elizabeth Anderson, Board Chair Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: January 5, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 03466

DEVELOPMENT NAME

Wellington Park Apartments

APPLICANT

Name:	Wellington Park Apartments, L.P.		**Type:**	For Profit			
Address:	5405 John Dreaper		**City:**	Houston		**State:**	TX
Zip:	77056	**Contact:** Dwayne Henson	**Phone:**	(713)	334-5808	**Fax:**	(713) 334-5614

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Wellington Park Development, L.L.C.	**(%):**	0.01	**Title:**	Managing General Partner & Developer
Name:	Dwayne Henson Investments, Inc. (DHI)	**(%):**	N/A	**Title:**	50% owner of G.P.
Name:	Resolution Real Estate Services, LLC (RRES)	**(%):**	N/A	**Title:**	50% owner of G.P.
Name:	William Dwayne Henson	**(%):**	N/A	**Title:**	35% owner of DHI
Name:	Pamela Henson	**(%):**	N/A	**Title:**	15% owner of DHI
Name:	Laura Henson	**(%):**	N/A	**Title:**	15% owner of DHI
Name:	Cheryl Henson	**(%):**	N/A	**Title:**	15% owner of DHI
Name:	J. Steve Ford	**(%):**	N/A	**Title:**	50% owner of RRES
Name:	Cynthia Ford	**(%):**	N/A	**Title:**	50% owner of DHI

PROPERTY LOCATION

Location:	9100 block of Mills Road		☐ **QCT**		☐ **DDA**
City:	Houston ETJ	**County:**	Harris	**Zip:**	77070

REQUEST

Amount	Interest Rate	Amortization	Term
$646,574	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New construction **Property Type:** Multifamily

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $640,989 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	244	**# Rental Buildings**	22	**# Common Area Bldngs**	1	**# of Floors**	3	**Age:**	0 yrs	**Vacant:**	N/A at / /

Net Rentable SF: 240,499 **Av Un SF:** 986 **Common Area SF:** 5,029 **Gross Bldg SF:** 245,528

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 40% brick veneer/60% cement fiber 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, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

A 5,029-SF community building with activity rooms, management offices, fitness, maintenance, & laundry facilities, kitchen, restrooms, computer classroom, business center, & central mailroom & a swimming pool are to be located at the entrance to the property. In addition, perimeter fencing with limited access gates is also planned for the site

Uncovered Parking: 231 spaces **Carports:** 0 spaces **Garages:** 244 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Wellington Park Apartments is a relatively dense (18.6 units per acre) new construction development of 244 units of affordable housing located in Harris County approximately five miles northwest of the Houston city limits. The development is comprised of 22 evenly distributed large, two- and three-story, garden style, walk-up residential buildings as follows:

- Two three-story Building Type 1 with 12 one-bedroom/one-bath units and ten two-bedroom/two-bath units;
- Three two-story Building Type 2 with two one-bedroom/one-bath units and eight two-bedroom/two-bath units;
- Seven two-story Building Type 3 with ten two-bedroom/two-bath units;
- Five two-story Building Type 4a with two one-bedroom/one-bath units and eight three-bedroom/two-bath units; and
- Five two-story Building Type 4b with two one-bedroom/one-bath units and eight three-bedroom/two-bath units.

Architectural Review: The residential buildings are attractive and functional, with mixed brick veneer and cement fiber siding exterior wall finish and, pitched roofs, and architectural ornamentation such as window shutters and arch keystones. The units are well laid out and all feature utility closets, built-in desks, and built-in garages. Each bedroom has a walk-in closet.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services programs to tenants: personal growth opportunities, family skills development, education, fun and freedom activities, neighborhood activities, and information and referral services for other local service providers. 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, to pay a one-time startup fee of $1,000, plus $1,706 per month for these support services.

Schedule: The Applicant anticipates construction to begin in March of 2004 and to be completed in

February of 2005. The development should be placed in service and substantially leased-up in October of 2005.

SITE ISSUES

SITE DESCRIPTION

Size:	13.09	acres	570,200	square feet	**Zoning/ Permitted Uses:** No zoning (in county)
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in unincorporated Harris County, approximately 18 miles from the Houston central business district. The site is situated on the north side of Mills Road.

Adjacent Land Uses:

- **North:** a Harris County Flood Control District drainage ditch, followed by multifamily residential, commercial, and vacant land
- **South:** Mills Road with vacant land and FM 1960 beyond
- **East:** a hotel and vacant land followed by FM 1960 and commercial
- **West:** vacant land, residential, and commercial

Site Access: Access to the property is from the east or west along Mills Road. The development is to have two main and one service entries from Mills Road. Access to Interstate Highway 45 is four miles east, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the city's METRO bus service, with a stop approximately 1.5 miles away at the intersection of State Highway 249 and FM 1960.

Shopping & Services: Numerous neighborhood retail centers are located throughout the area, and a regional shopping mall is located one mile east. Schools, churches, and 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 October 22, 2003 and found the location to be acceptable for the proposed development. The inspector noted the nearby location of many restaurants and retail outlets along FM 1960.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 23, 2003 was prepared by The Murillo Company and contained the following findings: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property." (p. 12)

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 project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated October 24, 2003 was prepared by Patrick O'Connor & Associates, L.P. and highlighted the following findings:

Definition of Primary Market Area (PMA): "The subject's primary market is defined as that area within zip codes 77040, 77041, 77064, 77065, 77070, and 77095." (p. 10) The Analyst's market area map, however, included a portion of zip code 77429 and excluded a portion of zip code 77095.

Population: The estimated 2003 population of the PMA was 248,541 and is expected to increase by 13.8% to approximately 248,541 by 2008. Within the primary market area there were estimated to be 76,064 households in 2003.

Total Primary Market Demand for Rental Units: "Given the characteristics of the subject's neighborhood (including its development composition, adequate recreational, educational, and cultural facilities, and access to major transportation routes), the outlook for the area is stable." (p. 29)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Original Study's Units of Demand	Revised Units of Demand	Units of Demand	% of Total Demand
Household Growth	71*	123*	74	5%
Resident Turnover	1,342	2,327	2,650	95%
Other Sources	141	251	0	0%
TOTAL ANNUAL DEMAND	**1,554**	**2,701**	**2,724**	**100%**

*Annualized

Ref: p. 71

Inclusive Capture Rate: The Analyst initially calculated an inclusive capture rate of 15.32% based on estimated demand of 1,593 units (18 months of growth demand (106 units), one year of turnover demand (1,448 units), and a 10% "other" demand factor (145 units)) and no unstabilized comparable units. (p. 72) The Analyst, however, interpreted "unstabilized units" as only those units proposed, under construction, or approved for construction, while the 2003 TDHCA Underwriting Guidelines (Section 1.32(g)(2)) define a stabilized property as follows: "…one that has maintained a 90% occupancy level for at least 12 consecutive months." On page 40 of the report the Analyst identifies the following unstabilized comparable property within the PMA: "The most recent construction completed in the subject's primary market includes the Sugar Creek [Apartments], a 240-unit tax credit project located in the subject's area. This project began leasing in December 2002 and reached stabilized occupancy in September 2003, which equates to an average of 22 units per month. Current occupancy is 99%." Under the TDHCA underwriting guidelines all of this property's units would have to be included in the inclusive capture rate calculation, which would increase the Analyst's capture rate to 30%. The Underwriter calculated an inclusive capture rate of 32% based upon a slightly lower demand estimate of 1,490 units. As these rates both exceed the TDHCA maximum acceptable rate of 25% for urban family developments, an affirmative recommendation could not be made and the Underwriter so advised the Applicant.

REVISED REPORT: In response to the Underwriter's concerns regarding the original report's excessive inclusive capture rate the Analyst submitted an addendum to the report dated 12/31/2003 which incorporated the following revisions:

- The 244 units in the Sugar Creek Apartments development were included as unstabilized units in the inclusive capture rate calculation.
- The Analyst increased the renter percentage from the 30.96% figure used in the original report, which was based on the total number of PMA households (all income levels), to 53.24% which is based on 1998 American Housing Survey (AHS) data and which represents the average renter percentage for the relevant income band for the entire city of Houston. In the original report the percentage of renters used was much lower at 30.96% as it encompasses the percentage of renters at all income levels in the PMA. Although the survey information is somewhat dated and is not PMA-specific, the Underwriter concurs with the Analyst's contention that the AHS data indicate that lower-income households are more likely to rent than the total population. Moreover, the census data from the PMA is not inconsistent with the

use of the AHS data. Consequently the number of income-qualified renter households and estimated demand, were significantly understated. The effect of this change is to increase annual growth demand from 71 to 123 units, turnover demand from 1,342 to 2,327 units, "other" demand from 145 to 251 units, and therefore reduce the concluded inclusive capture rate to an acceptable 17.52%. The Underwriter calculated an inclusive capture rate of 17.77% based on a slightly lower estimated total demand of 2,724 units.

- The Analyst also added 33 units of annual growth demand, 634 units of turnover demand, and 69 units of "other" demand by including a portion of the households with incomes below the stated minimum income ($20,606). The Analyst reasoned that households with tenant-based Section 8 vouchers would be eligible for occupancy in the subject and therefore some portion of these households should be included in the demand calculation. The Analyst used an annual minimum income threshold of $5,150 based upon roughly 20 hours of employment per week at the minimum wage to conclude the additional demand. The effect of this additional demand is to further reduce the inclusive capture rate to 13.77%.

Local Housing Authority Waiting List Information: "The waiting list for Section 8 vouchers was closed in 1994, when the list had grown to more than 26,000 households. According to a September 2000 article in the Houston Chronicle, the waiting list for Section 8 vouchers is approximately six years." (p. 46)

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,688 units in the market area. "The majority of the apartment facilities in the subject's primary market are older, less appealing projects. It is our opinion that rental rates will show moderate increases over the next few years. With continued demand and negligible new construction, the supply of available apartment product is declining. This trend is expected to continue, which will likely result in occupancies remaining high in the area." (p. 47)

RENT ANALYSIS (net tenant-paid rents)

Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market*	Differential*
1-Bedroom (60%)	$601	$601	$0	$745-$770	-$144-$169
2-Bedroom (60%)	$717	$717	$0	$910-$940	-$193-$227
3-Bedroom (60%)	$825	$825	$0	$1,175-$1,185	-$350-$360

*Dependent on varying unit sizes

(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)

Primary Market Occupancy Rates: "The average occupancy in the subject's primary market area was reported at 91.57%. Occupancy rates and rental rates in this market area have remained strong over the past few years, with gradual increases in rental rates. Occupancies and rents in the area have bee stable despite new construction over the past several years." (p. 10)

Absorption Projections: "Considering the strong absorption histories of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 25-30 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within eight to twelve months following completion." (p. 78)

Known Planned Development: "We are aware of five [conventional] apartment developments [totaling 1,846 units] in the subject's primary market under construction. There are no LIHTC projects currently proposed, other than the subject property." (p. 35)

Effect on Existing Housing Stock: "Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 78)

Underwriter's Analysis: The Underwriter found the market study and addendum thereto provided sufficient information on which to base a funding recommendation. Although the Analyst erred in omitting the unstabilized Sugar Creek development from the inclusive capture rate calculation in the original report, the Analyst subsequently provided sufficient well-documented additional demand to reduce the inclusive capture rate to within TDHCA guidelines. Although the Underwriter regards the likely demand from Section 8 voucherholders to be difficult to estimate with accuracy, the inclusive capture rate is acceptable without including any of this demand source and therefore the Analyst's demand estimate is regarded as reasonable.

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 stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant's effective gross income estimate is identical to the Underwriter's.

Expenses: The Applicant's total expense estimate of $3,700 per unit is 4% lower than the Underwriter's database-derived estimate of $3,851 per unit for comparably-sized developments, 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 ($26K lower), payroll ($34K lower), and water, sewer, and trash ($17K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses and net operating income (NOI) are within 5% of the Underwriter's estimates. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. The Applicant's income and expense estimates provide sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 13.09 acres	$1,071,140	**Assessment for the Year of:**	2003
Building:	N/A	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$1,067,660	**Tax Rate:**	2.60077

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest money contract – commercial unimproved property		
Contract Expiration Date:	2/ 10/ 2003	**Anticipated Closing Date:**	2/ 7/ **2004**
Acquisition Cost:	$1,796,131	**Other Terms/Conditions:**	$12,500 earnest money
Seller:	Jo Ann Klores Fuller & Raymond D. Klores	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $1,796,131 ($3.15/SF, $137,214/acre, or $7,361/unit) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,856 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs as submitted are more approximately 12% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. Although this would initially suggest that the Applicant's direct construction costs are understated, the Underwriter requested and the Applicant provided preliminary construction cost information for a recently completed similar development in Houston also built by the principals of the Applicant, Millstone Apartments (MFB #2001-037/4% HTC #01455). This data indicated that the actual direct construction costs were approximately 6.66% lower than the Underwriter's estimate

Marshall & Swift-based estimates. Therefore, the Underwriter has used this differential as typical of the Applicant's direct construction costs and has reduced the original Marshall & Swift cost estimate by 6.66%. This adjustment results in the Applicant's direct construction cost estimate exceeding the Underwriter's estimate by a significantly smaller margin of 5.9%.

Ineligible Costs: The Applicant incorrectly included $5,500 in marketing as an eligible cost; the Underwriter moved this fee to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

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. The Underwriter included $5,500 in housing consultant fees in developer fees.

Conclusion: Although the Underwriter's direct construction cost estimate is still 5.9% greater than the Applicant's estimate, this adjustment has resulted in the Applicant's total development cost now being within 5% of the Underwriter's estimate, and therefore the Applicant's total development cost estimate is used to determine the total sources of funds requirement. 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 by the Underwriter, can now be used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of $17,954,878 is used to determine a credit allocation of $640,989 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM to PERMANENT FINANCING

Source: GMAC Commercial Mortgage **Contact:** Lloyd Griffin

Principal Amount: $13,500,000 **Interest Rate:** Estimated & underwritten at 6.19%

Additional Information: Tax-exempt bond proceeds

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $1,000,782 **Lien Priority:** 1st **Commitment Date** 11/ 19/ 2003

TAX CREDIT SYNDICATION

Source: Boston Capital Partners, Inc. **Contact:** Tom Dixon

Address: One Boston Place **City:** Boston

State: MA **Zip:** 02108 **Phone:** (617) 624-8673 **Fax:** (617) 624-8999

Net Proceeds: $5,172,075 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 80¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 11/ 5/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $1,611,937 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The bonds will be issued by the Harris County Housing Finance Corporation and credit enhanced by GMAC Commercial Mortgage - Affordable Housing Division.

Tax Credit Syndication: The HTC syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Deferred Developer's Fees: The proposed deferred developer's fees of $1,611,937 amount to approximately 72% of the total eligible fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $640,989 annually for ten years, resulting in syndication proceeds of approximately

$5,127,401. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $1,656,608, which represents approximately 74% of the eligible fee and which should be repayable from cash flow within ten years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and General Contractor are all related entities. These are common relationships for HTC-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.
- The 50% co-owner of the General Partner, Dwayne Henson Investments, Inc., submitted an unaudited financial statement as of November 7, 2003 reporting total assets of $8.4M and consisting of $261K in cash, $5.5M in receivables, $110K in real property, $12 in machinery, equipment, and fixtures, and $2.5M in partnership interests. Liabilities totaled $213K, resulting in a net worth of $8.2M.
- Resolution Real Estate Services, LLC, the other 50% co-owner of the General Partner, submitted an unaudited financial statement as of November 7, 2003 reporting total assets of $898K and consisting of $140K in cash, $700K in receivables, $30K in securities, and $28K in machinery, equipment, and fixtures. Liabilities totaled $95K, resulting in a net worth of $803K.
- The principals of the General Partner, Dwayne, Laura, Cheryl, and Pamela Henson and Steve and Cynthia Ford, submitted unaudited financial statements as of November, 2003 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The principals of Dwayne Henson Investments, Inc., Dwayne, Pamela, Laura, and Cheryl Henson, listed participation in 16 previous affordable housing developments totaling 2,723 units since 1995.
- The principals of Resolution Real Estate Services, LLC, Steve and Cynthia Ford, listed participation in nine previous affordable housing developments totaling 1,940 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.

Underwriter:	*Jim Anderson*	**Date:**	January 5, 2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	January 5, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Wellington Park Apartments, Houston ETJ, 4% HTC #03466

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 (60%)	24	1	1	709	$670	$601	$14,424	$0.85	$69.00	$13.31
TC (60%)	26	1	1	765	670	601	15,626	0.79	69.00	13.31
TC (60%)	18	2	2	940	804	717	12,906	0.76	87.00	13.31
TC (60%)	12	2	2	947	804	717	8,604	0.76	87.00	13.31
TC (60%)	12	2	2	953	804	717	8,604	0.75	87.00	13.31
TC (60%)	32	2	2	959	804	717	22,944	0.75	87.00	13.31
TC (60%)	4	2	2	987	804	717	2,868	0.73	87.00	13.31
TC (60%)	32	2	2	989	804	717	22,944	0.72	87.00	13.31
TC (60%)	4	2	2	991	804	717	2,868	0.72	87.00	13.31
TC (60%)	40	3	2	1,163	930	825	33,000	0.71	105.00	13.31
TC (60%)	35	3	2	1,177	930	825	28,875	0.70	105.00	13.31
TC (60%)	5	3	2	1,182	930	825	4,125	0.70	105.00	13.31
TOTAL:	244		**AVERAGE:**	986	$818	$729	$177,788	$0.74	$89.21	$13.31

INCOME	Total Net Rentable Sq Ft:	240,499			**TDHCA**	**APPLICANT**		USS Region	6
POTENTIAL GROSS RENT					$2,133,456	$2,133,456		IREM Region	Houston
Secondary Income		Per Unit Per Month:	$15.00		43,920	43,920	$15.00	Per Unit Per Month	
Other Support Income:					0	0			
POTENTIAL GROSS INCOME					$2,177,376	$2,177,376			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(163,303)	(163,308)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$2,014,073	$2,014,068			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.75%	$392	0.40	$95,587	$69,200	$0.29	$284	3.44%
Management		5.00%	413	0.42	100,704	108,869	0.45	446	5.41%
Payroll & Payroll Tax		11.66%	962	0.98	234,807	200,375	0.83	821	9.95%
Repairs & Maintenance		4.37%	361	0.37	88,083	88,000	0.37	361	4.37%
Utilities		2.18%	180	0.18	43,844	52,000	0.22	213	2.58%
Water, Sewer, & Trash		3.07%	253	0.26	61,738	78,500	0.33	322	3.90%
Property Insurance		3.48%	287	0.29	70,000	70,000	0.29	287	3.48%
Property Tax	2.60077	8.29%	684	0.69	166,939	157,990	0.66	648	7.84%
Reserve for Replacements		2.42%	200	0.20	48,800	48,800	0.20	200	2.42%
Other: spt svcs, compl fees, sec		1.44%	119	0.12	29,066	29,066	0.12	119	1.44%
TOTAL EXPENSES		46.65%	$3,851	$3.91	$939,567	$902,800	$3.75	$3,700	44.82%
NET OPERATING INC		53.35%	$4,404	$4.47	$1,074,505	$1,111,268	$4.62	$4,554	55.18%
DEBT SERVICE									
First Lien Mortgage		49.21%	$4,062	$4.12	$991,149	$1,000,782	$4.16	$4,102	49.69%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		4.14%	$342	$0.35	$83,357	$110,486	$0.46	$453	5.49%
AGGREGATE DEBT COVERAGE RATIO					1.08	1.11			
RECOMMENDED DEBT COVERAGE RATIO						1.12			

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)		8.51%	$7,361	$7.47	$1,796,131	$1,796,131	$7.47	$7,361	8.85%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.92%	6,856	6.96	1,672,985	1,672,985	6.96	6,856	8.25%
Direct Construction		47.99%	41,528	42.13	10,132,832	9,538,882	39.66	39,094	47.03%
Contingency	2.71%	1.52%	1,311	1.33	320,000	320,000	1.33	1,311	1.58%
General Req'ts	5.69%	3.18%	2,754	2.79	672,000	672,000	2.79	2,754	3.31%
Contractor's G & A	1.90%	1.06%	918	0.93	224,000	224,000	0.93	918	1.10%
Contractor's Profit	5.69%	3.18%	2,754	2.79	672,000	672,000	2.79	2,754	3.31%
Indirect Construction		3.74%	3,238	3.28	790,000	790,000	3.28	3,238	3.89%
Ineligible Costs		1.58%	1,365	1.38	333,000	333,000	1.38	1,365	1.64%
Developer's G & A	1.84%	1.42%	1,230	1.25	300,000	300,000	1.25	1,230	1.48%
Developer's Profit	11.88%	9.18%	7,941	8.06	1,937,500	1,937,500	8.06	7,941	9.55%
Interim Financing		8.65%	7,490	7.60	1,827,511	1,827,511	7.60	7,490	9.01%
Reserves		2.07%	1,795	1.82	438,037	200,000	0.83	820	0.99%
TOTAL COST		100.00%	$86,541	$87.80	$21,115,996	$20,284,009	$84.34	$83,131	100.00%
Recap-Hard Construction Costs		*64.85%*	***$56,122***	***$56.94***	***$13,693,817***	***$13,099,867***	***$54.47***	***$53,688***	*64.58%*

SOURCES OF FUNDS						RECOMMENDED	
First Lien Mortgage	63.93%	$55,328	$56.13	$13,500,000	$13,500,000	$13,500,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$2,237,500
HTC Syndication Proceeds	24.49%	$21,197	$21.51	5,172,072	5,172,072	5,127,401	% of Dev. Fee Deferred
Deferred Developer Fees	7.63%	$6,606	$6.70	1,611,937	1,611,937	1,656,608	74%
Additional (excess) Funds Required	3.94%	$3,410	$3.46	831,987	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$21,115,996	$20,284,009	$20,284,009	$4,533,038

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Wellington Park Apartments, Houston ETJ, 4% HTC #03466

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$43.87	$10,551,455
Adjustments				
Exterior Wall Finish	3.80%		$1.67	$400,955
9-Ft. Ceilings	3.00%		1.32	316,544
Roofing			0.00	0
Subfloor			(0.92)	(221,915)
Floor Cover			2.00	480,998
Porches/Balconies	$23.06	28,626	2.74	660,084
Plumbing	$605	662	1.67	400,510
Built-In Appliances	$1,650	244	1.67	402,600
Stairs	$1,475	140	0.86	206,500
Floor Insulation			0.00	0
Heating/Cooling			1.53	367,963
Garages	$13.38	48,400	2.69	647,350
Comm &/or Aux Bldgs	$56.25	5,029	1.18	282,896
Other: Breezeways	$16.91	1,872	0.13	31,656
SUBTOTAL			60.41	14,527,596
Current Cost Multiplier	1.03		1.81	435,828
Local Multiplier	0.89		(6.64)	(1,598,036)
TOTAL DIRECT CONSTRUCTION COSTS			$55.57	$13,365,388
Plans, specs, survy, bld prm	3.90%		($2.17)	($521,250)
Interim Construction Interes	3.38%		(1.88)	(451,082)
Contractor's OH & Profit	11.50%		(6.39)	(1,537,020)
NET DIRECT CONSTRUCTION COSTS			$45.14	$10,856,036
NET DIR CONSTR COSTS MINUS 6.66% COST CERT FACTOR				$10,132,832

PAYMENT COMPUTATION

Primary	$13,500,000	Amort	360
Int Rate	6.19%	DCR	1.08
Secondary	$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.08
Additional	$5,172,072	Amort	
Int Rate		Aggregate DCR	1.08

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$991,149
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$120,119

Primary	$13,500,000	Amort	360
Int Rate	6.19%	DCR	1.12
Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.12
Additional	$5,172,072	Amort	0
Int Rate	0.00%	Aggregate DCR	1.12

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

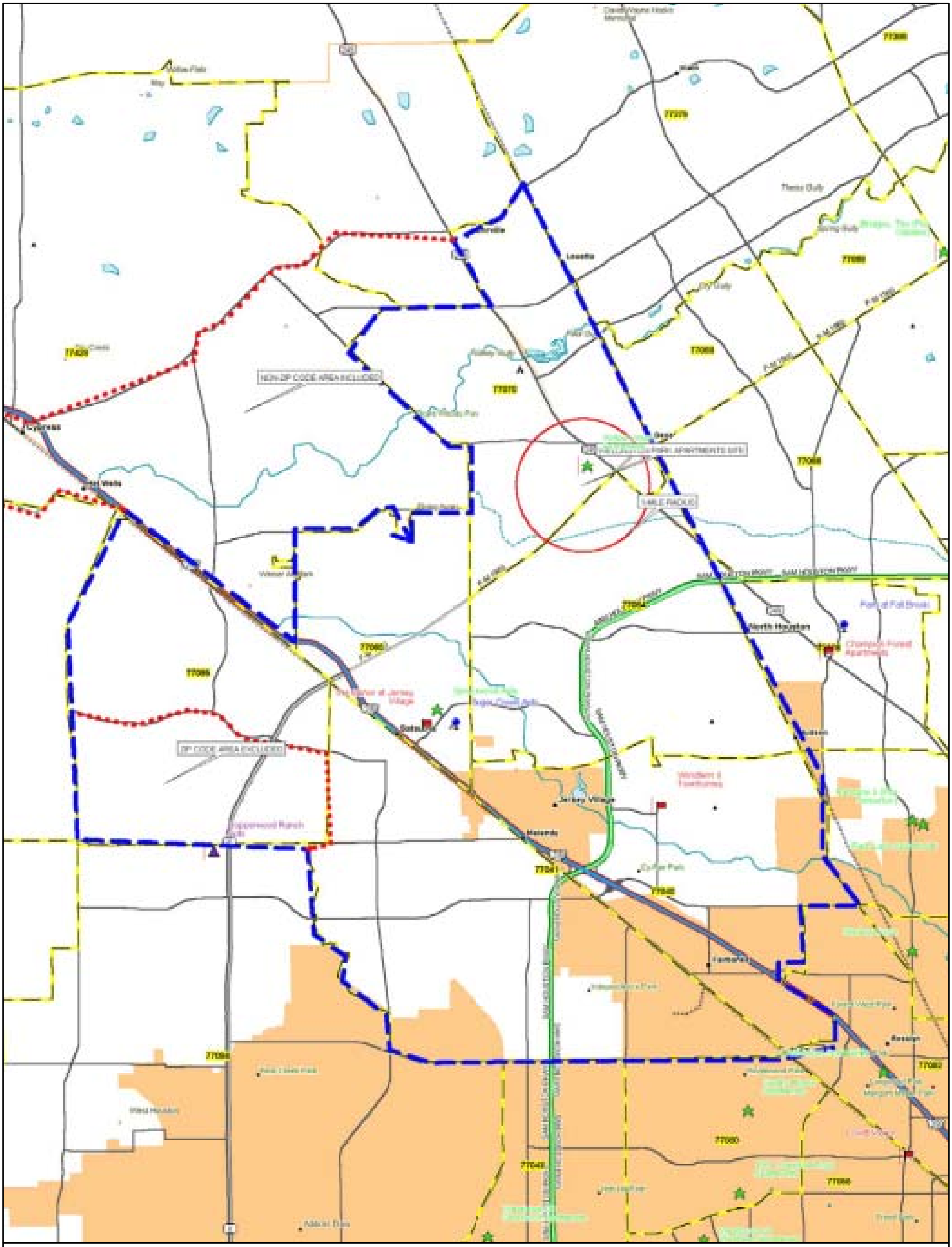
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,133,456	$2,197,460	$2,263,383	$2,331,285	$2,401,224	$2,783,676	$3,227,044	$3,741,028	$5,027,629
Secondary Income	43,920	45,238	46,595	47,993	49,432	57,306	66,433	77,014	103,500
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,177,376	2,242,697	2,309,978	2,379,278	2,450,656	2,840,982	3,293,477	3,818,042	5,131,129
Vacancy & Collection Loss	(163,308)	(168,202)	(173,248)	(178,446)	(183,799)	(213,074)	(247,011)	(286,353)	(384,835)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,014,068	$2,074,495	$2,136,730	$2,200,832	$2,266,857	$2,627,908	$3,046,466	$3,531,689	$4,746,294
EXPENSES at 4.00%									
General & Administrative	$69,200	$71,968	$74,847	$77,841	$80,954	$98,493	$119,832	$145,794	$215,811
Management	108,869	112135.34	115499.3974	118964.3793	122533.3107	142049.6903	164674.5232	190902.9055	256557.5415
Payroll & Payroll Tax	200,375	208,390	216,726	225,395	234,410	285,196	346,985	422,160	624,900
Repairs & Maintenance	88,000	91,520	95,181	98,988	102,948	125,251	152,388	185,403	274,441
Utilities	52,000	54,080	56,243	58,493	60,833	74,012	90,047	109,556	162,170
Water, Sewer & Trash	78,500	81,640	84,906	88,302	91,834	111,730	135,937	165,388	244,814
Insurance	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Property Tax	157,990	164,310	170,882	177,717	184,826	224,869	273,588	332,861	492,716
Reserve for Replacements	48,800	50,752	52,782	54,893	57,089	69,458	84,506	102,814	152,190
Other	29,066	30,229	31,438	32,695	34,003	41,370	50,333	61,238	90,647
TOTAL EXPENSES	$902,800	$937,824	$974,215	$1,012,029	$1,051,320	$1,272,061	$1,539,506	$1,863,596	$2,732,552
NET OPERATING INCOME	$1,111,268	$1,136,671	$1,162,515	$1,188,803	$1,215,536	$1,355,847	$1,506,960	$1,668,093	$2,013,743
DEBT SERVICE									
First Lien Financing	$991,149	$991,149	$991,149	$991,149	$991,149	$991,149	$991,149	$991,149	$991,149
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$120,119	$145,523	$171,366	$197,654	$224,388	$364,698	$515,811	$676,944	$1,022,594
DEBT COVERAGE RATIO	1.12	1.15	1.17	1.20	1.23	1.37	1.52	1.68	2.03
						294,543	440,255	596,378	849,769

LIHTC Allocation Calculation - Wellington Park Apartments, Houston ETJ, 4% HTC #03466

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,796,131	$1,796,131		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,672,985	$1,672,985	$1,672,985	$1,672,985
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,538,882	$10,132,832	$9,538,882	$10,132,832
(4) Contractor Fees & General Requirements				
Contractor overhead	$224,000	$224,000	$224,000	$224,000
Contractor profit	$672,000	$672,000	$672,000	$672,000
General requirements	$672,000	$672,000	$672,000	$672,000
(5) Contingencies	$320,000	$320,000	$320,000	$320,000
(6) Eligible Indirect Fees	$790,000	$790,000	$790,000	$790,000
(7) Eligible Financing Fees	$1,827,511	$1,827,511	$1,827,511	$1,827,511
(8) All Ineligible Costs	$333,000	$333,000		
(9) Developer Fees				
Developer overhead	$300,000	$300,000	$300,000	$300,000
Developer fee	$1,937,500	$1,937,500	$1,937,500	$1,937,500
(10) Development Reserves	$200,000	$438,037		
TOTAL DEVELOPMENT COSTS	$20,284,009	$21,115,996	$17,954,878	$18,548,828

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$17,954,878	$18,548,828
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$17,954,878	$18,548,828
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$17,954,878	$18,548,828
Applicable Percentage		3.57%	3.57%
TOTAL AMOUNT OF TAX CREDITS		$640,989	$662,193
Syndication Proceeds	**0.7999**	**$5,127,401**	**$5,297,016**

Total Credits (Eligible Basis Method)	**$640,989**	**$662,193**
Syndication Proceeds	**$5,127,401**	**$5,297,016**
Requested Credits	**$646,574**	
Syndication Proceeds	**$5,172,075**	
Gap of Syndication Proceeds Needed	**$6,784,009**	
Credit Amount	**$848,086**	



Zoom Level: 10-6 Datum: WGS84

Scale 1 : 125 000
1" = 1.97 mi

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HOUSING TAX CREDIT PROGRAM

2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Blue Lake Marine Creek Apartments** TDHCA#: 03464

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Fort Worth	QCT: N	DDA: N	TTC: N
Development Owner:	Blue Lake at Marine Creek, LP			
General Partner(s):	Unified Housing of Marine Creek, LLC, 100%, Contact: Clifton Phillips			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Tarrant County HFC			
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $474,683 Eligible Basis Amt: $464,937 Equity/Gap Amt.: $597,632

Annual Tax Credit Allocation Recommendation: $0

Total Tax Credit Allocation Over Ten Years: $

PROPERTY INFORMATION

Unit and Building Information

Total Units: 186 LIHTC Units: 186 % of LIHTC Units: 100

Gross Square Footage: 167,090 Net Rentable Square Footage: 163,884

Average Square Footage/Unit: 881

Number of Buildings: 9

Currently Occupied: N

Development Cost

Total Cost: $16,369,601 Total Cost/Net Rentable Sq. Ft.: $99.89

Income and Expenses

Effective Gross Income:[1] $1,471,308 Ttl. Expenses: $528,027 Net Operating Inc.: $943,281

Estimated 1st Year DCR: 1.15

DEVELOPMENT TEAM

Consultant:	KLT Associates, LP	Manager:	Pacific West Management
Attorney:	Eaton, Deaguero & Bishop	Architect:	Womack & Hampton Architects, LLC
Accountant:	Thomas Stephen & Company, LLC	Engineer:	To Be Determined
Market Analyst:	Isper & Associates, Inc.	Lender:	Charter MAC
Contractor:	NE Construction	Syndicator:	Related Capital Company

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Jane Nelson, District 12 - NC Rep. Charlie Geren, District 99 - NC Judge Tom Vandergriff - NC Reid Rector, Assistant City Manager, City of Fort Worth; Consistent with the City of Fort Worth's Consolidated Plan.

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT IF APPROVED BY THE BOARD:

1. If the Board approves funding, the housing tax credit allocation should not exceed $464,937 annually for ten years.
2. Per §49.12(c) 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")."
3. Receipt, review, and acceptance of a payment in lieu of taxes (PILOT) agreement evidencing property tax payments not to exceed $30K annually by cost certification.
4. Receipt, review, and acceptance of a current boundary survey by a licensed surveyor which delineates both the property boundaries and the boundaries of proximate, defined flood plains and which also states the flood zone classifications within the subject property boundaries, by closing of the bonds.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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).

Robert Onion, Multifamily Finance Manager Date Brooke Boston, Director of Multifamily Finance Production Date

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 Date
Chairman of Executive Award and Review Advisory Committee

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Chairperson Signature:
Elizabeth Anderson, Board Chair Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: January 5, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 03464

DEVELOPMENT NAME

Blue Lake at Marine Creek Apartments

APPLICANT

Name:	Blue Lake at Marine Creek, L.P.			**Type:**	For Profit		
Address:	1750 Valley View Lane, Suite 135			**City:**	Dallas	**State:**	TX
Zip:	75234	**Contact:**	Clifton Phillips	**Phone:**	(214) 750-8845	**Fax:**	(972) 488-9999

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Unified Housing of Marine Creek, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Unified Housing Foundation, Inc.	**(%):**	N/A	**Title:**	Non-profit CHDO Co-Developer & 100% owner of MGP
Name:	Portfolio Development, LLC	**(%):**	N/A	**Title:**	For-profit Co-Developer
Name:	Richard Humphrey	**(%):**	N/A	**Title:**	President of Applicant & United Housing Foundation, Inc.
Name:	Kennis Ketchum	**(%):**	N/A	**Title:**	100% owner of Portfolio Development, LLC
Name:	KLT Associates, L.P. (Leslie Holleman)	**(%):**	N/A	**Title:**	Consultant

PROPERTY LOCATION

Location:	East side of Huffines Boulevard NE of intersection with Shadydell Drive			☐ **QCT**	☐ **DDA**
City:	Fort Worth	**County:**	Tarrant	**Zip:**	76135

REQUEST

Amount	Interest Rate	Amortization	Term
$474,683	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New construction **Property Type:** Multifamily

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE FOLLOWING: THE PROPOSED DEVELOPMENT'S ESTIMATED INCLUSIVE CAPTURE RATE OF 33% EXCEEDS THE MAXIMUM TDHCA GUIDELINE OF 25% FOR URBAN FAMILY DEVELOPMENTS.

CONDITIONS

1. If the Board approves funding, the housing tax credit allocation should not exceed $464,937 annually for ten years;
2. Receipt, review, and acceptance of a payment in lieu of taxes (PILOT) agreement evidencing property tax payments not to exceed $30K annually, by cost certification;
3. Receipt, review, and acceptance of a current boundary survey by a licensed surveyor which delineates

both the property boundaries and the boundaries of proximate, defined flood plains and which also states the flood zone classification(s) within the subject property boundaries, by closing of the bonds;

4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	186	**# Rental Buildings**	9	**# Common Area Bldngs**	1	**# of Floors**	3	**Age:**	0 yrs	**Vacant:**	N/A	at / /

Net Rentable SF:	163,884	**Av Un SF:**	881	**Common Area SF:**	3,206	**Gross Bldg SF:**	167,090

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 73% brick veneer/27% cement fiber 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, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

A 3,206-SF community building with activity room, management offices, fitness, laundry, & maintenance facilities, kitchen, restrooms, & computer/business center & a swimming pool are to be located at the entrance to the property. In addition an equipped children's sports courts and perimeter fencing with limited access gate(s) is also planned for the site

Uncovered Parking:	245	spaces	**Carports:**	75	spaces	**Garages:**	37 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Blue Lake at Marine Creek Apartments is a relatively dense (17.3 units per acre) new construction development of 186 units of affordable housing located in northwest Fort Worth. The development is comprised of nine evenly/sporadically distributed large garden style, walk-up residential buildings as follows:

- One Building Type I with 12 one-bedroom/one-bath units, 12 two- bedroom/two-bath units, and two three-bedroom/two-bath units;
- Six Building Type II/IIA with 12 each one-bedroom/one-bath units and two-bedroom/two-bath units; and
- Two Building Type III with eight three-bedroom/two-bath units.

Architectural Review: The building elevations are attractive and functional, with hipped and gabled roofs, mixed brick veneer and cement fiber exterior wall coverings, and large windows. The units have exterior storage closets and semi-private entries off of interior breezeways, and all bedrooms feature walk-in closets.

Supportive Services: Supportive tenant services will be provided by United Housing Foundation, Inc., the owner of the General Partner, at no cost to tenants. The Applicant has budgeted $2,400 per year for these services, although no fee was specified in the supportive services agreement.

Schedule: The Applicant anticipates construction to begin in March of 2004 and to be completed and placed in service in May of 2005. The development should be substantially leased-up in March of 2006.

SITE ISSUES

SITE DESCRIPTION

Size:	10.73	acres	467,398	square feet	**Zoning/ Permitted Uses:**	C, Medium Density Multifamily District

Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the northwest area of Fort Worth, approximately eight miles from the central business district. The site is situated on the east side of Huffines Boulevard.

Adjacent Land Uses:

- **North:** vacant land with single-family residential beyond
- **South:** vacant land
- **East:** vacant land with Marine Creek Lake beyond
- **West:** Huffines Boulevard with single-family residential beyond

Site Access: Access to the property is from the northwest or southeast from Huffines Boulevard. The development is to have two entries from Huffines Boulevard. Access to Interstate Highway (Loop) 820 is one-quarter mile south, which provides connections to all other major roads serving the Metroplex area.

Public Transportation: Public transportation to the area is provided by city busses, with the nearest stop approximately one mile south.

Shopping & Services: The site is within 1.5 miles of a major grocery/pharmacy as well as neighborhood 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: TDHCA staff performed a site inspection on November 4, 2003 and found the location to be acceptable for the proposed development. The inspectors noted a creek with running water within 200 feet of the site and recommended review of the FEMA floodplain map for potential flooding risk.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 30,, 2003 was prepared by Preservation Assessment Services LLC dba Aqua Terra Assessments and contained the following findings and recommendations: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property. Aquaterra Assessments recommends no further investigations be conducted to determine the presence of hazardous substances or petroleum products on the subject property." (p. 2)

Floodplain: The Analyst initially stated that the subject property is located in unshaded Flood Zone X, "areas outside the 500-year Flood Zone." (p. 8), but in a subsequent letter dated 12/29/2003 stated the following: "Based on our visual observation of the most recent FEMA FIRM (Panel 4805960020D), the subject property appears to be included in Flood Zone C. Both flood zone classifications contain areas of minimum flooding and do not contain areas in any defined flood plain. Since the subject property is located proximate to a constant level lake, the level of the lake is relatively independent of flood conditions and well defined. Our opinion, based exclusively on our review of the referenced FEMA FIRM panel and our on-site inspection, is that the property is not in any defined flood plain. However, the unequivocal determination of the flood zone status of the subject property must consider a current boundary survey by a licensed surveyor. The survey must delineate both the property boundaries and the boundaries of proximate, defined flood plains. The survey field notes must also state the flood zone classification(s) within the subject property boundaries." This report is conditioned on receipt, review, and acceptance of a copy of such a survey which confirms the site to be outside of the 100-year floodplain.

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 project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,740	$29,400	$33,120	$36,780	$39,720	$42660

MARKET HIGHLIGHTS

A market feasibility study dated October 24, 2003 was prepared by Ipser & Associates, Inc. and highlighted the following findings:

Definition of Primary Market Area (PMA): Forty-nine census tracts in northwest Tarrant County. (Ex. N-1)

Population: The estimated 2000 population of the PMA was 220,397 and is expected to increase by 9.7% to approximately 241,732 by 2005. Within the primary market area there were estimated to be 75,743 households in 2000.

Total Primary Market Demand for Rental Units: "The housing demand analysis (based on projected growth, existing and estimated households, income limits, and turnover) indicates a figure of 5,594 income-qualified renter households over the next year in northwest Tarrant County (17,211 qualified households x 32.5% estimated renter percentage)." (p. 3-4)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Original Study's Units of Demand	3rd Version's Units of Demand	Units of Demand	% of Total Demand
Household Growth	94	108	98	5%
Resident Turnover	1,958	3,095	3,929	25%
Other Sources:	0	309	0	0%
TOTAL ANNUAL DEMAND	**2,052**	**3,512**	**4,027**	**100%**

Ref: Exhibit N-1

Inclusive Capture Rate:

- **ORIGINAL REPORT:** The Analyst calculated an inclusive capture rate of 23.3% (p. 3-4) based on estimated demand of 2,052 units and 293 unstabilized comparable units in the following two other new private activity bond/4% HTC-financed developments in the PMA: "Two other HTC properties are either under construction or renting units in its lease-up stage. Wildwood Branch Apartment Homes, a 280-unit HTC multifamily property that officially opened one 20-unit building in February 2003, is the newest HTC complex in the area (rated in excellent condition). However, only one other building has opened since February, partially due to construction delays and property management changes. According to the apartment manager, all complex buildings should be completed in three to five months (this project is 1.7 miles southwest of the subject)…The Meridian, a 280-unit tax-exempt bond project rated as good, opened in August 2002 and was 81.1% occupied in September 2003." (p. 2-17) The 2003 TDHCA Underwriting Guidelines (Section 1.32(g)(2)) define a stabilized property as follows: "…one that has maintained a 90% occupancy level for at least 12 consecutive months." Under the TDHCA underwriting guidelines all 560 of these two properties' units would have to be included in the inclusive capture rate calculation, which would increase the Analyst's capture rate to 36.4%. Furthermore, the Analyst failed to include the Residences at Diamond Hill property with 122 affordable units which is currently at 50% occupancy, and the 280-unit Ironwood Crossing (formerly Mark IV Apartments) development, which has been awarded and closed on TDHCA-issued tax-exempt bonds but has not yet started construction. The inclusion of these 402 units would increase the Analyst's inclusive capture rate to 55.9%. The Underwriter calculated an inclusive capture rate of 55.8% based upon a slightly higher demand estimate of 2,058 units. As these rates exceed the TDHCA maximum acceptable rate of 25% for urban family developments, an affirmative recommendation could not be made and the Applicant was so advised.
- **SECOND STUDY:** In response to the Underwriter's query regarding why only 293 unstabilized

comparable units were included in the original study's inclusive capture rate calculation, the Analyst submitted a revised inclusive capture rate calculation dated December 12, 2003 which revised the PMA to include all of the city of Fort Worth and added an "other" category of demand to account for demand from outside the PMA which amounted to 10% of the turnover demand (1,087 units). This revised PMA's estimated 2003 population of 567,700, however, is clearly in excess of the TDHCA maximum population guideline of 250,000 persons, and the Analyst was so advised.

- **THIRD STUDY:** To comply with the TDHCA population guideline the Analyst submitted a second inclusive capture rate revision dated December 16, 2003 which used the same PMA and population as the original study but used income distribution and tenant turnover data for the City of Fort Worth rather than Tarrant County (which includes the higher income areas of the city of Arlington and northeast Tarrant County). The Analyst concluded a total demand estimate of 3,512 units, and again included an "other" category of demand which amounted to 10% of the turnover demand (309 units). All 560 units in the Meridian and Wildwood Branch properties were included in the inclusive capture rate calculation, which resulted in an inclusive capture rate of 21.2%. Again, however, the 402 unstabilized comparable units in the Residences at Diamond Hill and Ironwood Crossing were not included, which would increase the Analyst's inclusive capture rate to 32.7%. Using the Analyst's data the Underwriter derived an estimated total demand of 3,212 units which yielded an inclusive capture rate of 35.7%. The Analyst used a census-derived annual turnover rate of 48.2% which includes homeowners as well as renters; this yielded a turnover demand estimate of 2,694 units. to more accurately estimate renter turnover the Underwriter used the most recent IREM turnover rate of 70.3%

Local Housing Authority Waiting List Information: "According to the Fort Worth Housing Authority's website, the Section 8 voucher waiting list has 'over 7,000 families' and has been closed since April 26, 2003." (p. 2-20)

Market Rent Comparables: The Market Analyst surveyed 14 comparable apartment projects totaling 1,896 units in the market area. "The overall average rent per square foot at the subject [$0.778] is above the area's average among conventional units ($0.732). Bear in mind that these averages include several older projects that are 20 to 30 years old where rents are low reflecting the complex's condition." (p. 3-3)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (60%)	$595	$617	-$22	$595	-$0
2-Bedroom (60%)	$740	$740	$0	$740	$0
3-Bedroom (60%)	$855	$855	$0	$875	-$20

(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)

Primary Market Occupancy Rates: "According to I&A's apartment survey of 14 multifamily properties in the subject's area, including three elderly locations, physical occupancy among a total of 1,896 units was 93% with five off-line units. Among as total of 1,534 private market units, occupancy was 92.5% and 95.2% leased (with no off-line units). The 408 units in two HTC locations (Lake View for families and Villas of Marine Creek for elderly) were 92% occupied and 96% leased. Another two complexes in lease-up were also contacted, both are rent-restricted, and each has 280 units. Overall occupancy in these two newest complexes is 48%." (p. 3-2)."

Absorption Projections: "Average absorption for the subject is estimated at 16 to 18 units per month. It is expected that about ten months will be required to achieve 92.5% occupancy of the 186 units. Absorption could be accelerated by the acceptance of Section 8 vouchers." (p. 2-22)

Known Planned Development: "I&A is aware of two possible multifamily projects to be built in the northwest quadrant of Fort Worth. On September 12, 2003, a preliminary study was conducted for a 248-unit bond application with Tarrant County on a site on Azle Avenue, southeast of Loop 820 (about 1.5 miles southwest of the subject. Also, an announcement by the Texas A&M Real Estate Center indicates that a 300-

unit apartment community is planned as part of a $100 million retail and office complex at State Highway 183 and Roaring Springs Road in Westworth Village adjoining the Naval Air Station Joint Reserve Base (about eight miles south of the subject).” (p. 3-3)

Effect on Existing Housing Stock: “The addition of 186 multifamily housing units to the northwest Tarrant County market is not expected to have long-term impact on any existing multifamily units, private market or rental-assisted.” (p. 3-3)

Underwriter’s Analysis: The three inclusive capture rate analyses discussed above appear to raise serious concerns regarding the concentration of unstabilized affordable housing units within the northwest Fort Worth market area. Although the designated PMA appears reasonable, the Analyst’s failure to include 855 comparable unstabilized affordable units as required by the TDHCA market analysis guidelines is at best a serious oversight and certainly reflects an inability to generate an acceptable inclusive capture rate given the amount of unstabilized affordable product in the PMA. Accordingly, based upon the Underwriter’s excessive estimated inclusive capture rate, an affirmative funding recommendation cannot be made.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under HTC guidelines for the two- and three-bedroom units, and are achievable according to the Market Analyst. The projected rents for the one-bedroom units are $22 less than the maximum program rent and are based on the Market Analyst’s estimated market rent. There is the potential for additional income (approximately $22K) if the Applicant is able to increase the one-bedroom rents to the maximum allowed. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. The Applicant used a secondary income estimate of $27/unit/month based on the rental income from 37 garages, 75 carports, and 74 storage units; the Underwriter used an estimate of $20.39 based on the TDHCA database for Fort Worth. The Applicant’s estimate of vacancy and collection losses is in line with TDHCA underwriting guidelines. As a result of the difference in secondary income estimates the Applicant’s effective gross income estimate exceeds the Underwriter’s by $13,628.

Expenses: The Applicant’s total expense estimate of $2,839 per unit is 3% lower than the Underwriter’s database-derived estimate of $2,936 per unit for comparably-sized developments, 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 ($11K lower) and utilities ($14K lower). The Applicant provided an executed supportive services agreement (with the related services provider) to substantiate the fee of 4% of effective gross income. The Applicant’s property tax estimate of $25K is based on a payment in lieu of taxes (PILOT) offer to the school district, which has not been responded to as of the time of this report. As the Applicant is a CHDO and has acquired the land, the Underwriter has used the Applicant’s tax estimate but this report is conditioned on receipt, review, and acceptance of a confirmed PILOT agreement evidencing property tax payments not to exceed $30K annually.

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 net operating income (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 the TDHCA underwriting guidelines of 1.10 to 1.30. If a property tax abatement is not received limiting tax payments to no more than $30K annually, however, the development’s NOI would likely be insufficient to meet the minimum DCR requirement and would therefore be characterized as infeasible.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 32.31 acres	$484,650	**Assessment for the Year of:**	2003

Land, per acre:	$15,000	**Valuation by:**	Tarrant County Appraisal District
10.73 acres, prorated:	$160,950	**Tax Rate:**	3.216077

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Contract of sale (Applicant verbally confirmed acquisition on 12/16/2003 but provided no substantiation)		
Contract Expiration Date:	3/ 31/ 2004	**Anticipated Closing Date:**	12/ 15/ 2003
Acquisition Cost:	$1,488,000	**Other Terms/Conditions:**	$5,000 earnest money
Seller:	American Realty Trust, Inc.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $1,488,000 ($3.18/SF, $138,676/acre, or $8,000/unit), although over nine times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Costs: The Applicant claimed off-site costs of $175K for an access road, storm drains and devices, water and fire hydrants, and sewer laterals and provided sufficient third party engineer certification to justify these costs.

Sitework Cost: The Applicant's claimed sitework costs of $7,473 per unit are within Department guidelines for sitework costs for multifamily developments.

Direct Construction Cost: The Applicant's direct construction cost estimate is $219K or 3.1% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Applicant excluded the estimated cost ($140K) of the rental garages, carports, and storage units from eligible basis and the Underwriter did likewise.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $177,550 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

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 HTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by $44,099 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 $35,610.

Other Costs: The Applicant's contingency allowance exceeds the maximum TDHCA new construction guideline of 5% by $15,750, resulting in an equivalent reduction in eligible basis.

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 by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of $13,023,435 is used to determine a credit allocation of $464,937 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs and the Applicant's request to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM to PERMANENT FINANCING

Source: Charter Municipal Mortgage Acceptance Company **Contact:** Marnie Miller

Principal Amount: $11,000,000 **Interest Rate:** 5.75% during 24-month construction phase (interest-only payments), 6.6% thereafter

Additional Information: Tax-exempt bond proceeds

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $726,000 through year 7, then $820,022 **Lien Priority:** 1st **Commitment Date** 11/ 19/ 2003

INTERIM to PERMANENT FINANCING

Source: Charter Municipal Mortgage Acceptance Company **Contact:** Marnie Miller

Principal Amount: $470,000 **Interest Rate:** 8.5%

Additional Information: Taxable bond proceeds, paid with priority

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $94,022 (through year 7) **Lien Priority:** 1st **Commitment Date** 11/ 19/ 2003

TAX CREDIT SYNDICATION

Source: Related Capital Company **Contact:** Justin Ginsberg

Address: 625 Madison Avenue **City:** New York

State: NY **Zip:** 10022 **Phone:** (212) 521-6369 **Fax:** (212) 751-3543

Net Proceeds: $3,892,000 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 82¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 11/ 21/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $1,007,601 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Bonds & Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The bonds are to be issued by the Tarrant County Housing Finance Corporation.

Tax Credit Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application

Deferred Developer's Fees: The proposed deferred developer's fees of $1,007,601 amount to approximately 59% of the total eligible fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $464,937 annually for ten years, resulting in syndication proceeds of approximately $3,811,718. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $1,087,883, which represents approximately 64% of the eligible fee and which should be repayable from cash flow within ten 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.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Co-Developer, and supportive services firm are all related entities. These are common relationships for HTC-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.
- United Housing Foundation, Inc., the Co-Developer and sole member of the General Partner, submitted an unaudited financial statement as of September 30, 2003 reporting total assets of $105M and consisting of $1.6M in cash and deposits, $2.4M in receivables, $88K in investments, and $98K in other unspecified assets. Liabilities totaled $89M, resulting in a net worth of $16M.
- Portfolio Development, LLC, the other Co-Developer, submitted an unaudited financial statement as of November 10, 2003 reporting total assets of $12K and consisting of $2K in cash, $1K in receivables, $7K in furniture and fixtures, and $2K in other unspecified assets. Liabilities totaled $4K, resulting in net equity of $8K.
- Kennis Ketchum, the owner of the Co-Developer, Portfolio Development, LLC, submitted unaudited financial statements as of November 17, 2003 and is anticipated to be a guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The principals of the Co-Developers provided no evidence of experience in developing affordable housing, although United Housing Foundation, Inc., through its subsidiaries, owns and/or operates over 2,100 units of affordable housing in Texas.

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant inconsistencies in the application could affect the financial feasibility of the project, in that the Applicant has not provided evidence of a confirmed property tax abatement/PILOT in an amount sufficient to ensure a debt coverage ratio above 1.10.
- A significant locational risk exists regarding the uncertainty of the location of the floodplain boundary.
- The development's estimated inclusive capture rate exceeds the TDHCA maximum of 25% for urban family developments.
- The principals of the Applicant do not appear to have the development experience to support the project if needed. A TDHCA certificate of experience was submitted for Mr. Ketchum, but the threshold for award of this certificate is low and no other evidence of his affordable or conventional experience was provided.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Jim Anderson*	**Date:**	January 5, 2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	January 5, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Blue Lake at Marine Creek Apartments, Fort Worth, 4% HTC #03464

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 (60%)	84	1	1	680	$689	$595	$49,980	$0.88	$72.00	$2.00
TC (60%)	84	2	2	992	828	740	62,160	0.75	88.00	2.00
TC (60%)	18	3	2	1,302	956	855	15,390	0.66	101.00	2.00
TOTAL:	186		**AVERAGE:**	881	$778	$686	$127,530	$0.78	$82.03	$2.00

INCOME	Total Net Rentable Sq Ft:	163,884		**TDHCA**	**APPLICANT**		USS Region	3
POTENTIAL GROSS RENT				$1,530,360	$1,530,360		IREM Region	Fort Worth
Secondary Income	Per Unit Per Month:	$20.39		45,510	60,240	$26.99	Per Unit Per Month	
Other Support Income:				0	0			
POTENTIAL GROSS INCOME				$1,575,870	$1,590,600			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(118,190)	(119,292)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,457,680	$1,471,308			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.26%	$334	0.38	$62,168	$50,800	$0.31	$273	3.45%
Management		4.00%	313	0.36	58,307	58,852	0.36	316	4.00%
Payroll & Payroll Tax		12.05%	944	1.07	175,643	179,019	1.09	962	12.17%
Repairs & Maintenance		4.77%	374	0.42	69,488	75,796	0.46	408	5.15%
Utilities		2.76%	216	0.25	40,208	26,000	0.16	140	1.77%
Water, Sewer, & Trash		1.98%	155	0.18	28,801	23,400	0.14	126	1.59%
Property Insurance		2.81%	220	0.25	40,971	43,710	0.27	235	2.97%
Property Tax	3.216077	1.72%	134	0.15	25,000	25,000	0.15	134	1.70%
Reserve for Replacements		2.55%	200	0.23	37,200	37,200	0.23	200	2.53%
Other: spt svcs, compl fees, sec		0.57%	44	0.05	8,250	8,250	0.05	44	0.56%
TOTAL EXPENSES		37.46%	$2,936	$3.33	$546,037	$528,027	$3.22	$2,839	35.89%
NET OPERATING INC		62.54%	$4,901	$5.56	$911,643	$943,281	$5.76	$5,071	64.11%
DEBT SERVICE									
Bond Proceeds		56.26%	$4,409	$5.00	$820,022	$823,573	$5.03	$4,428	55.98%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		6.29%	$493	$0.56	$91,622	$119,708	$0.73	$644	8.14%
AGGREGATE DEBT COVERAGE RATIO					1.11	1.15			
RECOMMENDED DEBT COVERAGE RATIO						1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	**TDHCA**	**APPLICANT**	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		8.96%	$8,000	$9.08	$1,488,000	$1,488,000	$9.08	$8,000	9.09%
Off-Sites		1.05%	941	1.07	175,000	175,000	1.07	941	1.07%
Sitework		8.37%	7,473	8.48	1,390,000	1,390,000	8.48	7,473	8.49%
Direct Construction		42.05%	37,558	42.63	6,985,764	6,766,718	41.29	36,380	41.34%
Contingency	5.00%	2.52%	2,252	2.56	418,788	423,586	2.58	2,277	2.59%
General Req'ts	6.00%	3.02%	2,702	3.07	502,546	508,303	3.10	2,733	3.11%
Contractor's G & A	2.00%	1.01%	901	1.02	167,515	169,434	1.03	911	1.04%
Contractor's Profit	6.00%	3.02%	2,702	3.07	502,546	508,303	3.10	2,733	3.11%
Indirect Construction		3.60%	3,214	3.65	597,720	597,720	3.65	3,214	3.65%
Ineligible Costs		6.02%	5,376	6.10	999,917	897,706	5.48	4,826	5.48%
Developer's G & A	2.00%	1.39%	1,243	1.41	231,243	231,243	1.41	1,243	1.41%
Developer's Profit	12.97%	9.05%	8,081	9.17	1,503,076	1,503,076	9.17	8,081	9.18%
Interim Financing		6.14%	5,487	6.23	1,020,512	1,020,512	6.23	5,487	6.23%
Reserves		3.80%	3,393	3.85	631,151	690,000	4.21	3,710	4.22%
TOTAL COST		100.00%	$89,321	$101.38	$16,613,777	$16,369,601	$99.89	$88,009	100.00%
Recap-Hard Construction Costs		*59.99%*	***$53,587***	***$60.82***	***$9,967,159***	***$9,766,344***	***$59.59***	***$52,507***	*59.66%*

SOURCES OF FUNDS						RECOMMENDED	
Tax-Exempt Bond Proceeds	66.21%	$59,140	$67.12	$11,000,000	$11,000,000	$11,000,000	Developer Fee Available
Taxable Bond Proceeds	2.83%	$2,527	$2.87	470,000	470,000	470,000	$1,698,709
HTC Syndication Proceeds	23.43%	$20,925	$23.75	3,892,000	3,892,000	3,811,718	% of Dev. Fee Deferred
Deferred Developer Fees	6.06%	$5,417	$6.15	1,007,601	1,007,601	1,087,883	64%
Additional (excess) Funds Required	1.47%	$1,313	$1.49	244,176	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$16,613,777	$16,369,601	$16,369,601	$4,479,509

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Blue Lake at Marine Creek Apartments, Fort Worth, 4% HTC #03464

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$44.38	$7,273,228
Adjustments				
Exterior Wall Finish	6.11%		$2.71	$444,394
9-Ft. Ceilings	3.73%		1.66	271,291
Roofing			0.00	0
Subfloor			(0.68)	(110,895)
Floor Cover			2.00	327,768
Porches/Balconies	$14.74	14,528	1.31	214,145
Plumbing	$605	324	1.20	196,020
Built-In Appliances	$1,650	186	1.87	306,900
Stairs	$1,475	59	0.53	87,025
Floor Insulation			0.00	0
Heating/Cooling			1.53	250,743
Garages/Storage Units	$13.85	14,900	1.26	206,291
Comm &/or Aux Bldgs	$59.01	3,206	1.15	189,188
Other: Carports	$8.18	15,000	0.75	122,700
SUBTOTAL			59.67	9,778,798
Current Cost Multiplier	1.03		1.79	293,364
Local Multiplier	0.88		(7.16)	(1,173,456)
TOTAL DIRECT CONSTRUCTION COSTS			$54.30	$8,898,706
Plans, specs, survy, bld prm	3.90%		($2.12)	($347,050)
Interim Construction Interes	3.38%		(1.83)	(300,331)
Contractor's OH & Profit	11.50%		(6.24)	(1,023,351)
NET DIRECT CONSTRUCTION COSTS			$44.10	$7,227,974

PAYMENT COMPUTATION

Primary	$11,000,000	Amort	480
Int Rate	6.60%	DCR	1.11

Secondary	$470,000	Amort	480
Int Rate	8.50%	Subtotal DCR	1.11

Additional	$3,892,000	Amort	
Int Rate		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$784,232
Secondary Debt Service	33,508
Additional Debt Service	0
NET CASH FLOW	$125,541

Primary	$11,000,000	Amort	480
Int Rate	6.62%	DCR	1.20

Secondary	$470,000	Amort	480
Int Rate	6.62%	Subtotal DCR	1.15

Additional	$3,892,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

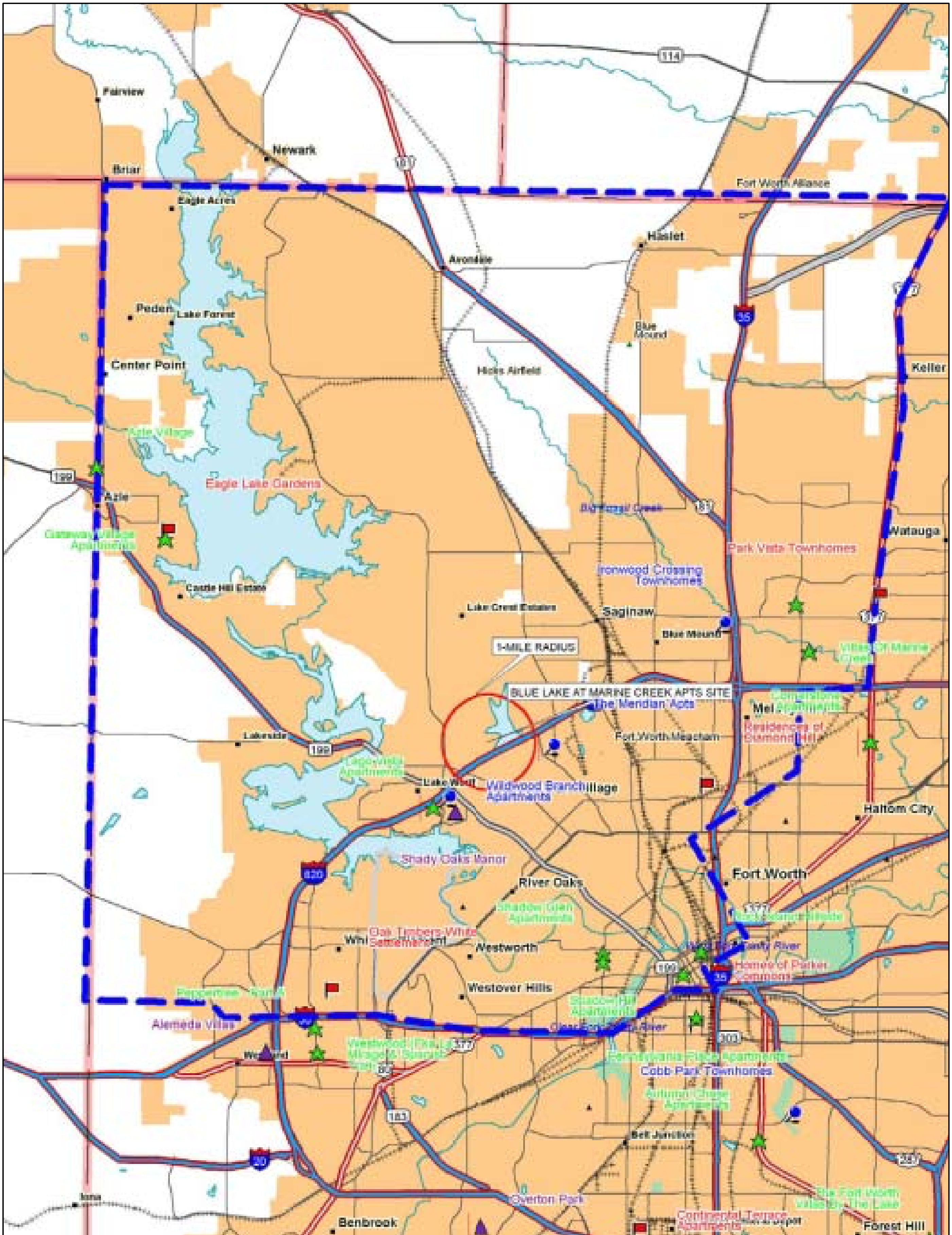
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,530,360	$1,576,271	$1,623,559	$1,672,266	$1,722,434	$1,996,773	$2,314,807	$2,683,496	$3,606,394
Secondary Income	60,240	62,047	63,909	65,826	67,801	78,600	91,118	105,631	141,960
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,590,600	1,638,318	1,687,468	1,738,092	1,790,234	2,075,372	2,405,925	2,789,127	3,748,353
Vacancy & Collection Loss	(119,292)	(122,874)	(126,560)	(130,357)	(134,268)	(155,653)	(180,444)	(209,185)	(281,126)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,471,308	$1,515,444	$1,560,907	$1,607,735	$1,655,967	$1,919,719	$2,225,481	$2,579,942	$3,467,227
EXPENSES at 4.00%									
General & Administrative	$50,800	$52,832	$54,945	$57,143	$59,429	$72,304	$87,969	$107,028	$158,427
Management	58,852	60617.4364	62435.95949	64309.03828	66238.30943	76788.35484	89018.74898	103197.1278	138688.3104
Payroll & Payroll Tax	179,019	186,180	193,627	201,372	209,427	254,800	310,003	377,166	558,298
Repairs & Maintenance	75,796	78,828	81,981	85,260	88,671	107,881	131,254	159,691	236,381
Utilities	26,000	27,040	28,122	29,246	30,416	37,006	45,024	54,778	81,085
Water, Sewer & Trash	23,400	24,336	25,309	26,322	27,375	33,305	40,521	49,300	72,976
Insurance	43,710	45,458	47,277	49,168	51,135	62,213	75,692	92,090	136,316
Property Tax	25,000	26,000	27,040	28,122	29,246	35,583	43,292	52,671	77,966
Reserve for Replacements	37,200	38,688	40,236	41,845	43,519	52,947	64,418	78,375	116,014
Other	8,250	8,580	8,923	9,280	9,651	11,742	14,286	17,382	25,729
TOTAL EXPENSES	$528,027	$548,559	$569,896	$592,067	$615,107	$744,571	$901,478	$1,091,678	$1,601,882
NET OPERATING INCOME	$943,281	$966,885	$991,012	$1,015,668	$1,040,860	$1,175,149	$1,324,003	$1,488,264	$1,865,345
DEBT SERVICE									
First Lien Financing	$784,232	$784,232	$784,232	$784,232	$784,232	$784,232	$784,232	$784,232	$784,232
Second Lien	33,508	33,508	33,508	33,508	33,508	33,508	33,508	33,508	33,508
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$125,541	$149,145	$173,272	$197,928	$223,120	$357,409	$506,263	$670,524	$1,047,605
DEBT COVERAGE RATIO	1.15	1.18	1.21	1.24	1.27	1.44	1.62	1.82	2.28
						290,265	431,836	588,394	859,065

LIHTC Allocation Calculation - Blue Lake at Marine Creek Apartments, Fort Worth, 4% HTC #0346

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,488,000	$1,488,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,390,000	$1,390,000	$1,390,000	$1,390,000
Off-site improvements	$175,000	$175,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$6,766,718	$6,985,764	$6,766,718	$6,985,764
(4) Contractor Fees & General Requirements				
Contractor overhead	$169,434	$167,515	$163,134	$167,515
Contractor profit	$508,303	$502,546	$489,403	$502,546
General requirements	$508,303	$502,546	$489,403	$502,546
(5) Contingencies	$423,586	$418,788	$407,836	$418,788
(6) Eligible Indirect Fees	$597,720	$597,720	$597,720	$597,720
(7) Eligible Financing Fees	$1,020,512	$1,020,512	$1,020,512	$1,020,512
(8) All Ineligible Costs	$897,706	$999,917		
(9) Developer Fees			$1,698,709	
Developer overhead	$231,243	$231,243		$231,243
Developer fee	$1,503,076	$1,503,076		$1,503,076
(10) Development Reserves	$690,000	$631,151		
TOTAL DEVELOPMENT COSTS	$16,369,601	$16,613,777	$13,023,435	$13,319,710

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$13,023,435	$13,319,710
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$13,023,435	$13,319,710
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$13,023,435	$13,319,710
Applicable Percentage		3.57%	3.57%
TOTAL AMOUNT OF TAX CREDITS		$464,937	$475,514
Syndication Proceeds	**0.8198**	**$3,811,718**	**$3,898,432**

Total Credits (Eligible Basis Method)	**$464,937**	**$475,514**
Syndication Proceeds	**$3,811,718**	**$3,898,432**
Requested Credits	**$474,683**	
Syndication Proceeds	**$3,891,622**	
Gap of Syndication Proceeds Needed	**$4,899,601**	
Credit Amount	**$597,632**	



DeLorme

Zoom Level: 10-2 Datum: WGS84

Scale 1 : 175 000

1" = 2.76 mi

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TN

MN

5.6°E

Developer Evaluation

Project ID # **03464** Name: **Blue Lake @ Marine Creek** City: **Fort Worth**

LIHTC 9% ☐ LIHTC 4% ☑ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☑ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 0

Program Monitoring/Draws

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara CarrNewsom Date December 22, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by S. Roth Date 12/22/2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ________ Date ________

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by EEF Date 12/29/2003

Office of Colonia Initiatives

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ________ Date ________

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ________ Date ________

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 12/29/2003

Executive Director: Edwina Carrington **Executed:** Friday, January 02, 2004

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
January 13, 2004

Action Item

Requests for waiver of 2003 QAP requirement for three 2003 Forward Commitments.

Requested Action

Consider and approve waiver.

Background and Recommendations

In July 2002, seven developments that had applied for 2002 Housing Tax Credits under the 2002 QAP were granted forward commitments of 2003 credits; three of those developments had 4-bedroom units in their design. Those developments are Bexar Creek (#03007), Mission del Valle Townhomes (#03003) and Arbor Woods (#03004).

The 2002 QAP, under which those applicants had applied, permitted 4-bedroom units. Subsequently, after the determination of the Board to grant the Forward Commitments, a 2003 QAP was approved by the Board which precluded new construction developments from having any 4-bedroom units. All applications receiving credits from 2003 are required to be held to the 2003 QAP which includes those developments having received their commitment of funds in 2002 as forward commitments. However, consistent with §49.23 of the 2003 QAP, "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." Staff recommends that because the 2003 QAP was not in existence at the time the application was designed and submitted, and because staff did not require changes to the development upon approval of the 2003 QAP, a waiver of the 4-bedroom restriction be made for these three developments.

It should be noted that each of the 2004 Forward Commitments approved by the Board in 2003 is currently being reviewed for consistency with the 2004 QAP and each applicant will be required to bring their development into consistency with the 2004 QAP.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
January 13, 2004

Action Item

Requests for amendments to Housing Tax Credit (HTC) applications involving material changes.

Requested Action

Consider and approve or deny requests for amendments.

Background and Recommendations

Pertinent facts about the developments requesting amendments are summarized below.

Development No. 02022, Castle Gardens Apartments

Background: In settlement of litigation, the Department allowed an affiliate of The Michaels Development Co. (Michaels) to purchase four properties formerly owned by Century Pacific (CP), which had been awarded tax credits for each of the four properties in 2002. Carryover, construction loan closing and commencement of construction extensions were a part of the settlement. The development financing for the properties is complex, requiring several separate HUD approvals for decoupling interest reduction payments from three of the existing mortgages, assignments of Section 8 contracts to Michaels, applications for Section 221(d)(4) mortgages, and other time consuming activities.

Summary of Request:

Michaels requests permission to rent 40% of the HTC units at rents that are 60% of Area Median Income (AMI). Michaels would maintain the remaining 60% of the units at rents that are 50% of AMI for tenants qualifying at the 50% income level. Although the applicant (CP) elected to set aside 40% of the units at 60% of AMI, which is consistent with their request, the application scored 20 points for committing to make 100% of the units available to tenants earning 50% or less of AMI. However, the applicant would have scored the same number of points if 50% of the units had been proposed for tenants at the 60% level and only 50% of the units had been reserved for tenants at the 50% level. Michaels has observed that the existing tenant profile does not conform to the representations of the application, which was submitted prior to their acquisition of the property. Furthermore, Michaels has determined that having no rents higher than the 50% level jeopardizes the financial strength of the operation, and Michaels expects the construction lender to require the requested change in rents as a condition of closing. *At a future TDHCA Board meeting, the applicant will request that the 50% requirement also be rescinded for the other three developments acquired from CP. The request was not made for the current meeting because of time constraints for collecting and delivering the documentation necessary to satisfy TDHCA underwriting requirements.*

Governing QAP	2002 QAP, Section 49.15(c)
Applicant:	CP Castle LP
General Partner:	Castle Gardens-Michaels, L.L.C.
Principals/Contacts	Michael J. Levitt (The Michaels Development Company)
Syndicator:	Related Capital Company
Construction Lender:	GMAC Commercial Mortgage
Permanent Lender:	GMAC Commercial Mortgage
City/County:	Lubbock/Lubbock
Set-Aside:	At-Risk/Family
Type of Development:	Acquisition/Rehab
Units:	151 LIHTC units (and 1 employee unit)
2002 Allocation:	$333,177
Allocation per HTC Unit:	$2,206

Other Funding:	NA
Prior Board & Department Actions:	Carryover extended from 10/11/02 to 12/16/02 Construction loan closing extended from 6/13/02 to 10/31/03 Construction loan closing extended from 10/31/03 to 1/30/04 Commencement of construction extended from 11/14/03 to 12/31/03 Commencement of construction extended from 12/31/03 to 3/31/04
Underwriting Reevaluation:	Analysis of the request by the Real Estate Analysis Division (REA) is ongoing.
Staff Recommendation:	**This development involves the rehabilitation of an existing property in which some of the current tenants exceed the 50% income qualification level represented in the application. Because of the HUD funds in this development, those tenants will not be removed from the units and therefore the development would be ineligible without the approval of this amendment. It should be noted that this application would have still obtained an allocation of credits regardless of points associated with the low income targeting selection because of its inclusion in the At-Risk Set-Aside, which was undersubscribed. Therefore, staff recommends that the units that were designated as 50% of AMI be restructured so that the rents on the units remain at 50% of AMI, but the income qualification on those units be increased to 60% of AMI.**

<u>Development No. 03007, Bexar Creek Apartments</u>

<u>Summary of Request</u>: Award of tax credits was conditioned on applicant procuring an additional development partner. The new partner conditioned its entry on a change in the development design to include building plans that the partner has built in the past. Applicant requests permission to change the site plan and building plans. The number of residential buildings would increase from 10 to 18, net rentable area would increase from 85,752 to 85,840 and common area would decrease from 3,200 to 2,642. All units except the four bedroom units would be as large, or larger, than originally proposed. The four bedroom units would decrease from 1,383 to 1,302 square feet. The two bedroom units would have 2 full baths instead of 1.5 baths.

Governing QAP	2003 QAP, Section 49.18(c)
Applicant:	Bexar Creek Group, Ltd.
General Partner:	YBOR VI Group, Inc.
Principals/Contacts	Tom McMullen; Larry, Charles and Jim Washburn
Syndicator:	MMA Financial
Construction Lender:	MMA Financial
Permanent Lender:	MMA Financial
City/County:	San Antonio/Bexar
Set-Aside:	General/Family
Type of Development:	New construction
Units:	61 LIHTC units and 11 market rate units
2003 Allocation:	$614,528 (forward commitment from 2002)
Allocation per HTC Unit:	$10,074
Other Funding:	NA
Prior Board Actions:	None
Underwriting Reevaluation:	Analysis of the request by the Real Estate Analysis Division (REA) is ongoing.
Staff Recommendation:	**Approve the request as stated by the applicant.**

<u>Development No. 03236, Little York Villas Apartments</u>

<u>Summary of Request</u>: The Applicant elected to set aside 40% of the units at 60% of AMI, but stated that all rents in the rent schedule would be at or below the 50% of AMI level and would be required to rent to tenants qualifying at the 50% level. Applicant requests permission to rent to tenants qualifying at the 60% of AMI level while keeping the rents at the 50% level.

Governing QAP	2003 QAP, Section 49.18(c)
Applicant:	Little York Villas, L.P.
General Partner:	Songhai Little York, LLC
Principals/Contacts	Cherno Njie (Joseph Kemp and Richard Simmons – co-developers)
Syndicator:	Paramount Financial Group, Inc.
Construction Lender:	Bank One, N.A.
Permanent Lender:	Bank One, N.A.
City/County:	Houston/Harris
Set-Aside:	General/Family
Type of Development:	New construction
Units:	103 LIHTC units and 25 market rate units
2003 Allocation:	$816,242
Allocation per HTC Unit:	$7,925
Other Funding:	HOME (City of Houston)
Prior Board Actions:	None
Underwriting Reevaluation:	Analysis of the request by the Real Estate Analysis Division (REA) is ongoing.
Staff Recommendation:	**The applicant did not document that there was insufficient demand at the 50% AMI level. Because the application is feasible as proposed and the Applicant represented in their application that they would serve families at 50% of AMI, staff does not recommend expanding the eligible tenancy to 60% of AMI.**

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
January 13, 2004

Action Items

Requests for extension regarding commencement of substantial construction.

Required Action

Approve or deny the requests for extension associated with a 2002 commitment.

Background

Pertinent facts about the developments requesting extensions are given below. The requests were accompanied by a mandatory $2,500 extension request fee.

HTC Development No. 02135, Lakeridge Apartments

Summary of Request: The Applicant submitted the progress report for commencement of substantial construction before the November 14 deadline, but the report did not show compliance with the requirement of "construction beyond the foundation stage." The Applicant explanation of the delay is that the submission only included draw reports through October which did not reflect construction completed as of November 14. Applicant was awarded tax credits from the waiting list. The amount of the award, and thus the size of the development, was not finalized until late in December. Initially downsized from the original proposal anticipating insufficient availability of credits, the development finally received an award commensurate with the original size proposed in December, thereby delaying their commencement.

Applicant:	Lakeridge Apartments, Ltd.
General Partner:	Shannock Two, L.L.C. (GP) & PHTX, L.L.C. (Co-GP)
Principals/Interested Parties:	Jerry and Carol Moore (GP), Doug Dowler (Co-GP)
Syndicator:	SunAmerica Affordable Housing Partners, Inc.
Construction Lender:	Pineywoods Community Development Financial Institution
Permanent Lender:	SunAmerica Affordable Housing Partners, Inc.
City/County:	Texarkana/Bowie
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	112 HTC units
2002 Allocation:	$978,189
Allocation per HTC Unit:	$8,734
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Commencement of substantial construction
Note on Time of Request:	Extension requested late on December 23, 2003
Current Deadline:	November 14, 2003
New Deadline Requested:	January 13, 2004
New Deadline Recommended:	**January 13, 2004**
Prior Extensions:	None
Reason for Extension Request:	See summary above
Staff Recommendation:	**Section 49.13(j) of the 2002 QAP requires that applicants submit extension requests at least 10 business days prior to the deadline for which the extension is being requested. Although the applicant's request was filed late, the Board granted extensions at the December 11, 2003 meeting to Holly Park Apartments (HTC No. 02107) and Heatherwilde Estates Apartments (HTC No. 02075) which were also filed late. Based on the December action, the Department recommends approval of the current request despite the late filing.**

<u>HTC Development No. 02138, Valley View Apartments</u>

<u>Summary of Request:</u> As of December 30, 2003, the development had poured 14 slabs of the 20 proposed residential buildings. The office/clubhouse slab had also been poured. Fifteen buildings have already begun framing.

Applicant:	Valley View, Ltd.
General Partner:	South Texas Economic Development Corporation, Inc.
Principals/Interested Parties:	Mike Lopez, Executive Director
Syndicator:	SunAmerica Affordable Housing Partners, Inc.
Construction Lender:	SunAmerica Affordable Housing Partners, Inc.
Permanent Lender:	SunAmerica Affordable Housing Partners, Inc.
City/County:	Pharr/Hidalgo
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	121 HTC units and 7 market rate units
2002 Allocation:	$899,933
Allocation per HTC Unit:	$7,437
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Commencement of substantial construction
Note on Time of Request:	Extension requested within the deadline for requests
Current Deadline:	January 14, 2003
New Deadline Requested:	March 14, 2004
New Deadline Recommended:	**March 14, 2004**
Prior Extensions:	Carryover extended from 10/11/02 to 11/30/02 Commencement extended from 11/14/03 to 1/14/04
Reason for Extension Request:	See summary above
Staff Recommendation:	**Approve as requested.**

REPORT ITEMS

Executive Directors Report — Edwina Carrington

Developments From the Housing Tax Credit Waiting List for 2003

Update on Response to Public Comment from Ability Resources, Inc. at the December Board Meeting

EXECUTIVE SESSION — Elizabeth Anderson

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION — Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

ADJOURN — Elizabeth Anderson

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

PROGRAMS COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine Street, Room 437, Austin, Texas
January 13, 2004 9:00 a.m.

A G E N D A

CALL TO ORDER, ROLL CALL **CERTIFICATION OF QUORUM**	C. Kent Conine Committee Chair

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

ACTION ITEMS

Item 1	Presentation and Discussion of Role of Programs Committee, Items for Committee Discussions in FY 2004 Including Prioritizing of Items for the Programs Committee	C. Kent Conine

EXECUTIVE SESSION — C. Kent Conine

Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code –

If permitted by law, the Committee may discuss any item listed on this agenda in Executive Session

OPEN SESSION — C. Kent Conine

Action in Open Session on Items Discussed in Executive Session

ADJOURN — C. Kent Conine

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PROGRAMS COMMITTEE MEETING

JANUARY 13, 2004

ROLL CALL

	Present	Absent
Conine, C. Kent, Chair	__________	__________
Anderson, Beth, Member	__________	__________
Gonzalez, Vidal, Member	__________	__________
Number Present	__________	
Number Absent		__________

______________________, Presiding Officer

PROGRAMS COMMITTEE STRUCTURE

Three board members appointed by board chairman.

Duties

Evaluate program structures.

Approve marketing plans for programs.

Approve evaluation methods for lender fund allocations.

Review and evaluate program compliance.

Reviews and approve housing programs.

Evaluate new products for housing programs.

Legal Basis For Committee

§2306.056, Government Code.

Board Calendar for 2003-2004

OCTOBER 9, 2003

1. Inducement resolutions for multi family bonds declaring intent to issue multi family housing mortgage revenue bonds
2. 4th Quarter investment report
3. Annual Internal Audit Report

NOVEMBER 14, 2003

1. Final LIHTC Qualified Allocation Plan for 2004
2. Final Housing Trust Fund Rules
3. Final Real Estate Analysis Rules
4. Final HOME Program Rules
5. Final Integrated Housing Rule
6. Final Portfolio Management and Compliance Rules
7. 2004 Regional Allocation Plan
8. 2004 Affordable Housing Needs Score
9. Final Multi Family Bond Rules
10. Possible Approval of Bond Trustees
11. Interagency contract with TDHCA/ORCA LIHTC Set Aside
12. Update on SF Changes to Down Payment Assistance (Request from June Board Meeting)
13. Investment Policy
14. Payment Standards for Section 8 Program for FY 2004

DECEMBER 11, 2003

1. 2004 State Low Income Housing Plan
2. 2004 Consolidated Plan – One Year Action Plan
3. Sales Performance Assessment for all Co-Managers for 2003 (request from board at April Board Meeting)

JANUARY, 2004

1. SF Mortgage Revenue Bond Lender List
2. 1st Quarter Inv. Report
3. External Audit Reports

FEBRUARY, 2004

1. SF Mortgage Revenue Bond Lender List
2. 1st Quarter Inv. Report
3. External Audit Reports

MARCH, 2004

1. Section 8 Program Public Housing Authority Plan for the Year 2005
2. 2004 Proposed Bond Eligible Tenant Limits

APRIL, 2004

1. 2nd Quarter Investment Report

MAY, 2004

1. Strategic Plan
2. Possible Review of Multi Family Bond Rules

JUNE, 2004

1. Joint meeting with ORCA/TDHCA on Qualified Allocation Plan Rural Set-Aside
2. Board Review of Recommendations of Department Staff and Issuance of the List of Approved Applications for the LIHTC
3. Staffs Recommendations of Developments for the 2004 MF HOME Awards
4. Staffs Recommendations of Developments for the 2004 SF HOME Awards
5. Staffs Recommendations of Housing Trust Fund Rental Development Awards

JULY, 2004

1. Staff Recommendations of Developments for 2004 LIHTC Program Allocation Round, Issuance of Forward Commitments for 2005 Allocation Round and Issuance of Waiting List for 2004
2. Bootstrap Awards
3. 3rd Quarter Investment Report

AUGUST, 2004

1. Budget for TDHCA
2. Budget for Housing Finance
3. Proposed Methodology for 2005 Regional Allocation Formula
4. Proposed Methodology for 2005 Housing Needs Score
5. Review of Draft Qualified Allocation Plan
6. Possible Review of Real Estate Analysis Rules
7. Possible Review of Portfolio Management & Compliance Rules
8. Proposed LAR
9. Possible Review of Multi Family Rules for HOME Program
10. Possible Review of Multi Family Rules for Housing Trust Fund
11. Contract for Tax Credit Counsel

Monthly

1. Minutes
2. Possible Issuance of mortgage revenue bonds for multi-family projects and issuance of determination notices with TDHCA as the issuer
3. Issuance of determination notices for multi-family projects with other issuers
4. Possible Appeals
5. Possible Extensions
6. Possible Amendments
7. Possible Preservation Transactions

Quarterly

1. Community Affairs Update