

BOARD MEETING OF MARCH 20, 2007

Beth Anderson, Chair

C. Kent Conine, Vice-Chair



Shadrick Bogany, Member

Sonny Flores, Member

Norberto Salinas, Member

Gloria Ray, Member

MISSION

***TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS***

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

March 20, 2007

ROLL CALL

	Present	Absent
Anderson, Beth, Chair	_____	_____
Conine, C. Kent, Vice-Chair	_____	_____
Bogany, Shadrick, Member	_____	_____
Ray, Gloria, Member	_____	_____
Flores, Sonny, Member	_____	_____
Salinas, Norberto, Member	_____	_____
Number Present	_____	
Number Absent		_____

_____, Presiding Officer

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

March 20, 2007

8:30 AM

Clements Building, 300 W. 15th Street, Room 103

A G E N D A

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

Elizabeth Anderson
Chair of Board

PUBLIC COMMENT

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

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

CONSENT AGENDA

Items on the Consent Agenda may be removed at the request of any Board member and considered at another appropriate time on this agenda. Placement on the Consent Agenda does not limit the possibility of any presentation, discussion or approval at this meeting. Under no circumstances does the consent agenda alter any requirements provided under Texas Government Code Chapter 551, the Texas Open Meetings Act.

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

General Administration Items:

- a) Minutes of the Board Meeting of February 1, 2007
- b) Presentation, Discussion and Possible Approval of the Department's Investment Policy, Resolution No 07-006

Community Development Block Grant Items Administered by the Office of Rural Community Affairs:

- c) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG contracts administered by ORCA:

Contract #: DRS060019	Contractor	Crockett
Contract #: DRS060047	Contractor	Kountze
Contract #: DRS060051	Contractor	Lovelady
Contract #: DRS060059	Contractor	New Waverly
Contract #: DRS060091	Contractor	Walker County

- d) Presentation, Discussion, and Possible Approval of a Notice of Funding Availability (NOFA) with priorities for applicants for the Unreserved Funds for Restoration of Critical Infrastructure as provided for in the Partial Texas Action Plan Related to the Second Supplemental of Funding for Disaster Recovery to Assist with the Recovery of Distressed Areas Related to the Consequences of Hurricanes Katrina, Rita, and Wilma in the Gulf of Mexico in 2005

Community Development Block Grant (CDBG) Items:

- e) Presentation, Discussion and Possible Approval of a Notice of Funding Availability (NOFA) from the Community Development Block Grant (CDBG) Disaster Recovery Fund for the Rental Housing Stock Restoration Program

Community Affairs Division Items

- f) Presentation, Discussion and Possible Approval of revision of the Emergency Shelter Grants Program (ESGP) rules 10 Texas Administrative Code, Chapter 5, Subchapter C, §5.204 (a)(1); cancellation of the FY 2007 ESGP Application Cycle released in November 2006 in order to incorporate the aforementioned revision of ESGP 10 TAC Rules; and the re-issuance of the FY 2007 ESGP Application Cycle

Portfolio Management & Compliance Division Items:

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

1000223 ARCIL, Inc
 1000596 Jefferson County

ACTION ITEMS

Item 2: Nomination and election of Board officers as required by Texas Government Code §2306.030

Item 3: Presentation, Discussion and Possible approval of Community Development Block Grant Items:

- a) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG contracts administered by ORCA for Contract #DRSCOG06001, Contract Deep East Texas Council of Governments
- b) Update on Community Development Block Grant related to disaster relief

Item 4: Presentation, Discussion and Approval of Real Estate Analysis Items:

Presentation, discussion and possible action on a timely filed appeal regarding the underwriting of a development under the HOME program, development Floresville Senior Housing in Floresville, TX

Item 5: Presentation, Discussion and Approval of Housing Trust Fund Items:

Presentation, discussion and possible Approval of the 2007 Housing Trust Fund Funding Plan

Item 6: Presentation, Discussion and Possible Approval of Department Rules

Presentation, Discussion, and Possible Approval for publication in the Texas Register of final Amendments to Title 10, Part 1, Chapter 60, Subchapter A, Compliance Monitoring

Item 7: Presentation, Discussion and Possible Approval of Multifamily Division Items – Specifically Housing Tax Credit Items:

- a) Presentation, Discussion and Possible Ratification of an Interpretation on the Application of §49.9(c) of the 2007 Qualified Allocation Plan and Rules (QAP) regarding Adherence to Obligations and the handling of Penalty Points for Amendments
- b) Presentation, Discussion and Possible Action for Housing Tax Credit Amendments:

060080	Spanish Creek Apartments	El Paso
070001	Fairway Crossing	Dallas
02135	Lakeridge Apartments	Texarkana
05238	Hamilton Manor Apartments	Hamilton
05044	Copperwood	The Woodlands
060056	Langwick Senior Residences	Houston
03184	Pegasus	Dallas

- c) Discussion regarding process for reallocation of Tax Credits and extensions of commencement of substantial construction period because of inability to meet deadlines to use credits
- d) Presentation, Discussion and Possible Action of Request for Reallocation of Housing Tax Credits

05225	Normangee Apartments	Normangee
05226	Lytle Apartments	Lytle
05228	City Oaks Apartments	Johnson City
05231	Kerrville Housing	Kerrville

- e) Presentation, Discussion and Possible Action on Housing Tax Credit Determination Notices for Mortgage Revenue Bond Transactions with Other Issuers:

060420 Gardens of DeCordova \$660,812

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

07403 Amelia Parc, Fort Worth, Texas
Tarrant County HFC is the Issuer
Recommended Credit Amount of \$738,472

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

- a) Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds and Housing Tax Credits with TDHCA as the Issuer:

07602 Villas of Mesquite Creek, Mesquite, Texas for a bond Amount Not to Exceed \$17,210,000 and the Issuance of a Determination Notice Recommended Credit Amount of \$715,386. Resolution No. 07-008

- b) Presentation, Discussion, and Possible Action for the Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2007, Resolution No. 07-003:

07621 The Residences at Onion Creek Austin
07622 The Residences on Old Denton Road Fort Worth
07623 Lakeside Apartments Texas City

Item 9: Presentation, Discussion and Possible Approval of Bond Finance Items

Presentation, Discussion and Possible Approval of Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A, Program 69, Resolution No. 07-005

EXECUTIVE SESSION

Elizabeth Anderson

- a) The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
- b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee
- c) Consultation with Attorney Pursuant to §551.071(a), Texas Government Code:
1. With Respect to pending litigation styled *TP Seniors II, Ltd. v. TDHCA*, filed in State Court in Travis County, Texas
 2. With Respect to pending litigation styled *Dever v. TDHCA* Filed in Federal Court
 3. With Respect to pending litigation styled *Ballard v. TDHCA* Filed in Federal Court
 4. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting
- d) Consultation with Attorney Pursuant to §551.071(b), Texas Government Code:
5. With Respect to attorney client communications regarding pending legal issues on potential contract ramifications related to mortgage lending contracts with national mortgage corporations

OPEN SESSION

Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

Executive Director's Report

1. TDHCA Outreach Activities, February 2007
2. Staff Recommendation relating to RFP for Owned Real Estate Management Companies

ADJOURN

Elizabeth Anderson

To access this agenda & details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Nidia Hiroms, 512-475-3934; TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information. Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Nidia Hiroms, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made. Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

EXECUTIVE OFFICE – BOARD

BOARD ACTION REQUEST

March 20, 2007

Action Item

Minutes of the Board Meeting of February 1, 2007:

Required Action

Review minutes of the February 1, 2007 Board Meeting and make any necessary corrections.

Background

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

Recommendation

Staff recommends approval of minutes with any requested corrections.

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

February 1 2007; 9:30 AM

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Capitol Extension Auditorium
Austin, TX**

SUMMARY OF MINUTES

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

The Board Meeting of the Texas Department of Housing and Community Affairs of February 1, 2007 was called to order by the Chair, Elizabeth Anderson at 9:40 a.m. It was held at 1100 Congress Ave, Capitol Extension Auditorium, Austin, Texas 78701. Roll call certified a quorum was present.

Members Present:

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

Member Absent:

Sonny Flores – Member

The Board recognized Patricia Randow on her retirement after 11 years with the Department for her outstanding service. The Board also recognized Steve Schottman for his outstanding service to the Department.

PUBLIC COMMENT

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

The Honorable Representative Joseph Deshotel provided testimony concerning the Partial Texas Action Plan for Disaster Recovery to use CDBG funding as well as the HOME OCC contract amendment requests. Granger McDonald, President of TAAHP, provided testimony regarding penalties assessed on developers who request amendments.

Emily Heller, with Freddie Mac, provided testimony.

Sophia Guerra, with Freddie Mac, provided testimony.

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

CONSENT AGENDA

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AGENDA ITEM 1:

Approval of the following items presented in the Board materials:

General Administration Items:

- a) Minutes of the Board Meeting of December 14, 2006

Community Affairs Division Items:

- b) Presentation, Discussion and Possible Approval of Section 8 2007 Annual Public Housing Agency (PHA) Plan
c) Presentation, Discussion and Possible Approval of Energy Assistance Department of Energy Weatherization Assistance Program Annual Plan

Financial Division Items:

- d) 1st Quarter Investment Report

Community Development Block Grant Items Administered by the Office of Rural Community Affairs:

- e) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG contracts administered by ORCA:

Contract #: DRS060023	Contractor	Gallatin
Contract #: DRS060054	Contractor	Montgomery County
Contract #: DRS060024	Contractor	Galveston County
Contract #: DRSCOG06004	Contractor	South East Texas Regional Planning Commission

- f) Presentation, Discussion and Possible Approval to modify the CDBG Disaster Recovery Action Plan to allow non-housing activities to be funded in communities and Indian Tribes that do not levy a local property tax or sales tax option

HOME Program Division Items:

- g) Presentation, Discussion and Possible Approval of Single Family HOME Disaster Relief Award recommendations:

2006-0219 DR	Uvalde County	\$520,000
2006-0220 DR	Grayson County	\$114,400

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

ACTION ITEMS

AGENDA ITEM 2:

Presentation, Discussion and Possible Approval of Items from Audit Committee: Shadrick Bogany

- a) **Presentation, Discussion and Acceptance of Audit Report from Deloitte and Touche, LLP (Fiscal Year 2006):**

1. Communications with Audit Committee Letter
2. Opinion Audit on FY 2006 Basic Financial Statements
3. Opinion Audit on FY 2006 Revenue Bond Program Financial Statements
4. Opinion Audit on FY 2006 Computation of Unencumbered Fund Balances
5. Report to Management (Management Letter)

William Dally, Deputy Executive Director of Administration, provided report.

Motion made by Mr. Bogany to accept audit report; seconded by Mr. Conine; passed unanimously.

- b) **Presentation, Discussion and Possible Approval of 2007 TDHCA Internal Audit Plan**

David Gaines, Internal Auditor, provided report.

Motion made by Mr. Conine for acceptance of the Plan with the two additions put forth by the Executive Director; seconded by Mr. Bogany; passed unanimously.

- c) **Presentation of Report Items from Audit Committee**

1. External Quality Assurance Review Report of the TDHCA Internal Audit Division
2. Internal Audit of the Energy Assistance Weatherization Assistance Program-Subrecipient Monitoring
3. Status of Prior Audit Issues
4. Status of Internal/External Audits

David Gaines, Internal Auditor, provided report.

No action taken.

AGENDA ITEM 3:

Approval of the Partial Texas Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding to Assist with the Recovery of Distressed Areas Related to the Consequences of Hurricanes Katrina, Rita, and Wilma in the Gulf of Mexico in 2005

Motion made by Mr. Bogany to amend the plan on page 15, striking the language "administer these funds in the most appropriate manner", clarifying that should HUD choose not to designate either the City of Houston or Harris County to administer the 60 million authorization should the region that TDHCA will work with the region to determine the appropriate and an affordable process for administering the 60 million allocation in the Houston region; seconded by Mayor Salinas; amendment passed unanimously. Chair Anderson made a motion to amend the Restoration of Critical Infrastructure Program language to make the awards competitive for an application period not to exceed 120 days; seconded by Mr. Bogany; passed unanimously.

The Honorable John DuBose, County Commissioner of Orange County and president of the Southeast Texas Regional Planning, provided testimony.

The Honorable Suzanne Simmons, Councilwoman, City of Sour Lake, First Vice-President Southeast Texas Regional Planning Commission, provided testimony.

Malcolm Nash, Superintendent of Schools for Sabine Pass ISD, provided testimony.

The Honorable Steve Fitzgibbons, City Manager in Port Arthur, provided testimony.

Pete de la Cruz, acting Executive Director for the Southeast Texas Regional Planning Commission, provided testimony.

Motion by Mr. Conine to approve the amended plan; seconded by Mr. Bogany; passed unanimously.

Mr. Gerber introduced Candye Anderson to the Board. Ms. Anderson will serve as Field Director in Beaumont. She is tasked with working with each of the Councils of Government and our subrecipients in the City of Beaumont and Port Arthur.

AGENDA ITEM 4:

Presentation, Discussion and Possible Approval of Portfolio Management & Compliance Division Items:

- a) **Presentation, Discussion and Possible Approval of Requests for Amendments for Program Year 2005 and 2006 HOME OCC Contracts (including Rita) to Increase the maximum amount of assistance per home**

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

- b) **Presentation, Discussion and Possible Approval of Requests for Amendments to HOME Investment Partnerships Program contracts:
1000596 Jefferson County**

The Honorable Everette Bo Alfred, County Commissioner Precinct Four, Jefferson County, representing the Court, provided testimony and provided written information.

Bruce Spitzengel, President of Grantworks, provided testimony.

Motion made by Mr. Bogany to approve staff recommendation; seconded by Mayor Salinas.

Motion made by Chair Anderson to table until March; seconded by Mr. Conine; passed unanimously.

AGENDA ITEM 5:

Presentation, Discussion and Approval of Real Estate Analysis Items:

- a) **Presentation, discussion and possible action on a timely filed appeal regarding the termination of a development under the HOME/HTC/Tax Exempt Bond program, development Ennis Senior Estates in Ennis, TX**

Tom Gouris, Director of Real Estate Analysis, provided report.

Barry Halla, with Life Rebuilders, provided testimony.

Bruce Woodward, President of Mayan Management, provided testimony.

Steven Lipkin, Managing Director of Fixed Income at National Alliance Securities, provided testimony.

Motion made by Mr. Conine to table until March; seconded by Mr. Bogany; passed unanimously.

AGENDA ITEM 6:

Presentation, Discussion and Possible Approval of Department Rules

- a) **Presentation, Discussion, and Possible Approval for publication in the Texas Register of a Draft Deobligation Policy to be codified at 10 Texas Administrative Code §1.19 for public comment and public comment on the deletion of 10 Texas Administrative Code §53.62(c)**
- b) **Presentation, Discussion and Possible Approval of the Draft Asset Resolution and Enforcement Rule for publication in the Texas Register to receive public comment**
- c) **Presentation, Discussion and Possible Approval for publication in the Texas Register of the Final Texas Bootstrap Loan Program Rules, to be codified at 10 Texas Administrative Code, Chapter 2, Part 1**
- d) **Presentation, Discussion and Possible Approval for publication in the Texas Register of the Final Colonia Self-Help Centers Rules, to be codified at 10 Texas Administrative Code, Chapter 3**
- e) **Presentation, Discussion and Possible Approval for publication in the Texas Register of the Final Colonia Housing Standards Rules, to be codified at 10 Texas Administrative Code, Section 1.18**

Motion made by Mr. Conine to approve items a-e; seconded by Mr. Bogany; passed unanimously.

AGENDA ITEM 7:

Presentation, Discussion and Possible Approval of Multifamily Division Items – Specifically Housing Tax Credit Items:

- a) **Presentation, Discussion and Possible Action for Housing Tax Credit Amendments Not Recommended by Staff:**
070001 Fairway Crossing Dallas
Withdrawn from consideration.
- b) **Presentation, Discussion and Possible Action for Housing Tax Credit Extensions Not Recommended by Staff:**
04200 Alvin Manor Estates Alvin
Withdrawn from consideration.
- c) **Presentation, Discussion and Possible Action of Request for Reallocation of Housing Tax Credits and Extension of the Commencement of Substantial Construction to Wesleyan Retirement Homes, TDHCA #05142**
Diana Mclver, President of Diana Mclver and Associates, provided testimony.
Chris Spence, President of Wesleyan Homes, provided testimony.
Fran Hamermesh, attorney at Davis and Wilkerson, representing Wesleyan Homes, provided testimony.
Motion to approve extension made by Mayor Salinas; seconded by Ms. Ray; Mr. Bogany voted in favor of motion; Mr. Conine and Chair Anderson vote against motion. Motion passes.
- d) **Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers:**
060440 Town Square Apartments, Converse, Texas; Converse HFC is the Issuer; Recommended Credit Amount of \$730,219
07401 Gulfway Manor, Corpus Christi, Texas; Nueces County HFC is the Issuer; Recommended Credit Amount of \$481,841
07402 Rockwell Manor, Brownsville, Texas; Cameron County HFC is the Issuer; Recommended Credit Amount of \$364,165
07403 Amelia Parc, Fort Worth, Texas; Tarrant County HFC is the Issuer; Recommended Credit Amount of \$738,472

Motion made by Mr. Conine to approve staff recommendation on all four projects; seconded by Mr. Bogany; passed unanimously.

e) **Presentation, Discussion and Possible Action on Waivers of a portion of §49.12(f) of 2007 Qualified Allocation Plan and Rules for:**

060420	Gardens of DeCordova	DeCordova
060419	Gardens of Weatherford	Weatherford
060421	Woodside Manor Senior Community	Conroe
060429	Lakes of Goldshire	Rosenberg

Dr. Dan Ives, retired Superintendent of La Marque Consolidated ISD, provided testimony opposing Lakes of Goldshire.

Motion made by Mr. Conine to approve staff recommendation on all four projects; seconded by Mr. Bogany; passed unanimously.

f) **Presentation, Discussion and Possible Action on Extension of the Application Deadline for HTC Applications Associated with Mortgage Revenue Bond Transactions with Other Issuers that Participated in the Bond Review Board Lottery:**

07411	Spencer Manor Senior	Denton County HFC
07410	Cantrell Manor Senior	Tarrant County HFC
07409	HomeTowne at Matador Ranch	Tarrant County HFC
07407	Lakeside Apartments	Southeast Texas HFC
07406	The Villas at Shaver	Southeast Texas HFC
07408	The Villas at Tomball	Southeast Texas HFC

Robbye Meyer, Director of Multifamily Finance, provided report.

Richard Shaw, representing both Spencer Manor property and Cantrell Manor, provided testimony.

Kenneth Fambro provided testimony.

Dick Janson, representing LBG development, provided testimony.

Motion made by Mr. Bogany to approve staff recommendation on all six projects; seconded by Mr. Conine; passed unanimously.

AGENDA ITEM 8:

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

a) **Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds and Housing Tax Credits with TDHCA as the Issuer:**

07601 Park Place at Loyola, Travis County Texas for a bond Amount Not to Exceed \$15,000,000 and the Issuance of a Determination Notice Recommended Credit Amount of \$1,225,615. Resolution No. 07-002

Motion made by Mr. Conine to approve recommendation; seconded by Mr. Bogany; passed unanimously.

b) **Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds, Housing Tax Credits and HOME funds with TDHCA as the Issuer:**

060612 Ennis Senior Community, Ennis, Ellis County Texas for a bond Amount Not to Exceed \$0, the Issuance of a Determination Notice Recommended Credit Amount of \$0 and an award of HOME funds in the Amount of \$0. Resolution No. 07-004

Withdrawn from consideration until March.

c) **Presentation, Discussion, and Possible Action for the Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2007, Resolution No. 07-003:**

07618	Chaparral Apartments	Odessa
07608	Cove Village	Copperas Cove
07615	El Nido Apartments	El Paso
07611	Garden Apartments	Lubbock
07616	High Plains Apartments	Lubbock
07610	Jose Antonio Escajeda Apartments	El Paso
07617	Los Ebanos Apartments	Brownsville
07612	Peppertree Acres	Fort Worth

07613	River Park Village East	Lampasas
07607	Sierra Vista Apartments	El Paso
07614	Spring Terrace	Amarillo
07609	Win-Lin Village	Amarillo
07619	Costa Rialto	Houston
07620	Windshire Apartments	Houston

Hans Juhle, representing the development team for the first twelve properties under Item 8C; provided testimony.

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

AGENDA ITEM 9:

Presentation, Discussion and Possible Approval of HOME Division Items:

- a) **Presentation, Discussion and Possible Approval of a 2007 HOME Notice of Funding Availability for Tenant Based Rental Assistance serving Persons with Disabilities**

Sarah Mills, housing policy specialist with Advocacy, Inc., provided testimony.

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

- b) **Presentation, Discussion and Possible Approval of a 2007 HOME Notice of Funding Availability for the HOME Homebuyer Assistance Program Directed to Assist Persons with Disabilities**

Jean Langendorf, UCP of Texas, provided testimony.

Sarah Mills, housing policy specialist with Advocacy, Inc., provided testimony.

Motion made by Mr. Bogany to accept the 2007 NOFA homebuyers assistance go directly to assist persons with disabilities; seconded by Conine; passed unanimously.

- c) **Presentation, Discussion and Possible Action for an Amendment of the HOME Commitment for:**

1000383 Star Village Apartments San Benito

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

- d) **Presentation, Discussion and Possible Approval of Single Family Colonia Model Subdivision Program Awards from the following list of Applications:**

		<u>Recommended</u>	
2006-0216	Pharr Housing Development Corporation	\$1,415,449	City of Pharr
2006-0215	Community Development Corporation of Brownsville	\$1,500,000	Cameron/Willacy
2006-0212	Alianza Para El Desarrollo Comunitario, Inc.	\$0	San Elizario
2006-0213	Neighborhood Housing Services of Dimmitt County	\$0	Carrizo Springs
2006-0214	Centro De Salud Familiar La Fe, Inc.	\$0	San Elizario

Eric Pike, Director of Texas Home Ownership Programs, provided report.

Motion made by Mr. Bogany to approve staff recommendation; seconded by Mayor Salinas; passed unanimously.

- e) **Presentation, Discussion and Action regarding use of the Housing Trust Fund as leverage for the FEMA Alternative Housing Pilot Program in the amount of \$1 million**

Motion made by Mr. Bogany to approve staff recommendation of an amount up to \$250,000 that may be leveraged at the Executive Director's discretion; seconded by Mr. Conine; passed unanimously.

AGENDA ITEM 10:

Presentation, Discussion and Possible Approval of Bond Finance Items

- a) **Resolution authorizing application to the Texas Bond Review Board for reservation of Single Family Private Activity Bond Authority and Presentation, Discussion and Possible Preliminary Approval of Single Family Mortgage Revenue Bonds, 2007 Series A, Single Family Mortgage Revenue Bonds, 2007 Series B (Variable Rate Demand Bonds), Single Family Mortgage Revenue Refunding Bonds, 2007 Series C and Approval of Underwriting Team for Program 69, Resolution No. 07-001**

Matt Pogor, Director of Bond Finance, provided report.

Motion made by Mr. Conine to approve Resolution #07-001; seconded by Mr. Bogany; passed unanimously.

EXECUTIVE SESSION

The Executive Session was not held.

- a) The Board may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.
- b) Consultation pursuant to §551.072, Texas Government Code with respect to an offer regarding a land transaction related to 6.5 acres of undeveloped land in Tyler, Texas.
- c) The Board may go into executive session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee.
 1. Consultation with Attorney Pursuant to §551.071, Texas Government Code: With Respect to pending litigation styled *TP Seniors II, Ltd. v. TDHCA*, filed in State Court in Travis County, Texas
 2. With Respect to pending litigation styled *Gary Traylor, et. al v. TDHCA*, filed in State Court in Travis County, Texas
 3. With Respect to pending litigation styled *Dever v. TDHCA* Filed in Federal Court
 4. With Respect to pending litigation styled *Ballard v. TDHCA* Filed in Federal Court
 5. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

REPORT ITEMS

Executive Director's Report

1. Quarterly Report on Housing Tax Credit Ownership Transfers
2. TDHCA Outreach Activities, November 2006

ADJOURN

Since there was no other business to come before the Board, the meeting was adjourned at 2:45 p.m.

Mr. Kevin Hamby
Board Secretary

NOTE:

For a full transcript of this meeting, please see the TDHCA website at: www.TDHCA.state.tx.us

BOND FINANCE DIVISION

BOARD ACTION REQUEST

March 20, 2007

Action Item

Presentation, discussion and possible approval of the Department's Investment Policy, Resolution No. 07-006.

Required Action

Approval of Investment Policy.

Background

The Public Funds Investment Act (PFIA) requires annually State Agency Boards, with investments, to develop and maintain an Investment Policy that outlines the purpose of investments, the types of permissible investments, designation of an Investment Officer, selection of a reporting format and frequency, and required training for both Investment Officers and Board Members. TDHCA Staff has reviewed the current investment policy that was approved March 20, 2006. At this time, no changes or amendments to this policy are recommended.

Recommendation

Approval of Resolution 07-006 authorizing Investment Policy.

RESOLUTION NO. 07-006

RESOLUTION OF THE GOVERNING BOARD REVIEWING THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS' INVESTMENT POLICY

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official governmental agency of the State of Texas (the "Department"), was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, collectively, the "Act"); and

WHEREAS, the Governing Board of the Department (the "Board") desires to review the Department's Investment Policy, and the Board has found the Investment Policy in the form presented to the Board to be satisfactory and in proper form and in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Public Funds Investment Act"), and the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section 1 -- Review of the Department's Investment Policy. The Governing Board has found the Investment Policy in the form presented to the Board to be satisfactory and in proper form and in compliance the Public Funds Investment Act and the Act.

Section 2 -- Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 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 20th day of March, 2007.

Chair, Governing Board

ATTEST:

Secretary to the Board

(SEAL)

**TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS**

INVESTMENT POLICY

As approved by the Board on March 20, 2007

2007

March 20, 2007

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INVESTMENT POLICY

I. POLICY

It is the policy of the Texas Department of Housing and Community Affairs (the “Department”) to invest public funds in a manner which will provide by priority the following objectives:

1. safety of principal;
2. sufficient liquidity to meet Department cash flow needs;
3. a market rate of return for the risk assumed; and
4. conformation to all applicable state statutes governing the investment of public funds including the Department’s enabling legislation, Texas Government Code, Section 2306, Texas Government Code, Section 2263, Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers, and specifically Texas Government Code, Section 2256, the Public Funds Investment Act (the “Act”).

II. SCOPE

This investment policy applies to all investment assets of the Department. These funds are accounted for in the Department’s Comprehensive Annual Financial Report and include the General Fund, Special Revenue Fund, Trust and Agency Fund, and Enterprise Fund.

This investment policy does not apply to hedges, which include but are not limited to, interest rate swaps, caps, floors, futures contracts, forward contracts, etc., that satisfy the eligibility requirements of a “qualified hedge” as defined by Section 1.148-4(h)(2) of the Internal Revenue Code.

The Department has created and adopted a separate Interest Rate Swap Policy for guidance regarding the use and management of interest rate swaps and similar derivative transactions.

III. PRUDENCE

Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence would exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety and liquidity of their capital as well as the probable income to be derived.

The standard of prudence to be used by the investment officer named herein shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. An investment officer acting in accordance with the investment policy and written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVES

The following are the primary objectives of investment activities in order of priority:

1. Safety. Preservation and safety of principal is the foremost objective of the investment program. Investments of the Department shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. In accordance with Section 2256.005(d) of the Act, the first priority is the suitability of the investment. The objective will be to mitigate credit risk and interest rate risk. To achieve this objective, diversification is required so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
 - A. Credit risk is the risk of loss due to the failure of the security issuer or backer, and may be mitigated by:
 - limiting investments to the safest types of securities;
 - pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Department will do business; and
 - diversifying the investment portfolio so that potential losses on individual securities will be minimized.
 - B. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, and may be mitigated by:
 - structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
 - investing operating funds primarily in shorter-term securities.
2. Liquidity. The Department's investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow needs. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.
3. Yield. The Department's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs of the Department. Return on investment for short-term operating funds is of less importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
 - A declining credit security could be sold early to minimize loss of principal;
 - A security swap would improve the quality, yield, or target duration in the portfolio; or
 - Liquidity needs of the portfolio require that the security be sold.

V. DELEGATION OF AUTHORITY

The Board establishes investment policy and objectives, obtains expert advice and assistance with respect to its actions as is necessary to exercise its responsibilities prudently, and monitors the actions of staff and advisors to ensure compliance with its policy. It is the Board's intention that this policy be carried out by those persons who are qualified and competent in their area of expertise.

Authority to manage the Department's investment program is granted under the provisions of Texas Government Code, Section 2306.052(b) (4) and (5) to the Director of the Department, ("Executive Director"). Responsibility for the operation of the investment program is hereby delegated by the Executive Director to the Director of Bond Finance and the Director of Financial Administration acting in those capacities (collectively the "Investment Officer") who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures may include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

VI. ETHICS AND CONFLICTS OF INTEREST

1. Department employees and Board members must comply with all applicable laws, and should specifically be aware of the following statutes:
 - Texas Government Code, Section 825.211, *Certain Interests in Loans, Investments or Contracts Prohibited*
 - Texas Government Code, Section 572.051, *Standards of Conduct for Public Servants*
 - Texas Government Code, Sections 553.001-003, *Disclosure by Public Servants of Interest in Property Being Acquired by Government*
 - Texas Government Code, Section 552.352, *Distribution of Confidential Information*
 - Texas Government Code, Section 572.054, *Representation by Former Officer or Employee of Regulatory Agency Restricted*
 - Texas Penal Code, Chapter 36, *Bribery, Corrupt Influence and Gifts to Public Servants*
 - Texas Penal Code, Chapter 39, *Abuse of Office, Official Misconduct*.

The omission of any applicable statute from this list does not excuse violation of its provisions.

2. Department employees and Board members must be honest in the exercise of their duties and must not take actions which will discredit the Department.
3. Department employees and Board members should be loyal to the interest of the Department to the extent that such loyalty is not in conflict with other duties which legally have priority, and should avoid personal, employment or business relationships that create conflicts of interest.
 - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

- Officers and employees shall disclose to the Executive Director any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the Department's investment portfolio.
- Officers and employees shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the Department. Specifically, no employee of the Department is to:
 - * Accept or solicit any gift, favor, or service that might reasonably tend to influence the employee in the discharge of the employee's official duties or that the employee knows or should know is being offered him/her with the intent to influence the employee's official conduct;
 - * Accept other employment or engage in any business or professional activity in which the employee might reasonably expect would require or induce him/her to disclose confidential information acquired by reason of his/her official position;
 - * Accept other employment or compensation which could reasonably be expected to impair the officer's or employee's judgment in the performance of his/her official duties;

(An employee whose employment is involved in a competitive program of the Department must immediately disclose the acceptance of another job in the same field. The disclosure must be made to either the employee's immediate supervisor or to the Executive Director. The Executive Director must be notified in all cases. Failure to make the required disclosure may result in the employee's immediate termination from the Department.)

- * Make personal investments which could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; and

(A Department employee may not purchase Department bonds in the open secondary market for municipal securities.)

- * Intentionally or knowingly solicit, accept or agree to accept any benefit for having exercised the employee's official powers or performed his/her official duties in favor of another.

4. Department employees and Board members may not use their relationship with the Department to seek or obtain personal gain beyond agreed compensation and/or any properly authorized expense reimbursement. This should not be interpreted to forbid the use of the Department as a reference or the communication to others of the fact that a relationship with the Department exists, provided that no misrepresentation is involved.
5. Department employees and Board members who have a personal business relationship with a business organization offering to engage in an investment transaction with the Department shall file a statement disclosing that personal business interest. An individual who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department shall file a statement disclosing that relationship. A statement required under this section must be

filed with the Texas Ethics Commission and the Department's Board. For purposes of this policy, an individual has a personal business relationship with a business organization if:

- the individual owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- funds received by the Investment Officer from the business organization exceed 10 percent of the individual's gross income from the previous year; or
- the individual has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the individual.

VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Department (in conjunction with the State Comptroller) will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by creditworthiness (\$10,000,000 minimum capital requirement and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state law.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following, as appropriate:

- audited financial statements;
- proof of National Association of Securities Dealers (NASD) certification;
- proof of state registration;
- completed broker/dealer questionnaire; and
- certification of having read the Department's investment policy and depository contracts.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Investment Officer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Department invests.

With respect to investments provided in connection with the issuance of bonds, the above requirements will be deemed met if the investment provider is acceptable to minimum credit ratings by rating agencies and/or by the bond insurer/credit enhancer, if applicable, and if the investment meets the requirements of the applicable bond trust indenture. A broker, engaged solely to secure a qualified investment referred to in this paragraph on behalf of the Department, which will not be providing an investment instrument shall not be subject to the above requirements, and may only be engaged if approved by the Board.

VIII. ETHICS AND DISCLOSURE REQUIREMENTS FOR OUTSIDE FINANCIAL ADVISORS AND SERVICE PROVIDERS

During the 78th Legislature, Regular Session, the Texas Legislature passed *Chapter 2263., Ethics And Disclosure Requirements For Outside Financial Advisors And Service Providers* ("Chapter 2263"). Chapter 2263, under Senate Bill 1059, requires certain actions by governing boards of state entities involved in the management and investment of state funds and adds disclosure requirements for outside financial advisors and service providers. Chapter 2263 became effective September 1, 2003. Each state

governmental entity required to adopt rules under Chapter 2263, Government Code, as added by this Act, must have adopted its initial rules in time for the rules to take effect not later than January 1, 2004.

Applicability. Chapter 2263 applies in connection with the management or investment of any state funds managed or invested:

- (1) under the Texas Constitution or other law, including Chapter 404, State Treasury Operations of Comptroller, and Chapter 2256, Public Funds Investment; and
- (2) by or for:
 - (A) a public retirement system as defined by Section 802.001 that provides service retirement, disability retirement, or death benefits for officers or employees of the state;
 - (B) an institution of higher education as defined by Section 61.003, Education Code; or
 - (C) another entity that is part of state government and that manages or invests state funds or for which state funds are managed or invested.

Chapter 2263 applies in connection with the management or investment of state funds without regard to whether the funds are held in the state treasury.

Chapter 2263 does not apply to or in connection with a state governmental entity that does not manage or invest state funds and for which state funds are managed or invested only by the comptroller.

Definition. With respect to this Chapter 2263, "financial advisor or service provider" includes a person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker.

Construction With Other Law. To the extent of a conflict between Chapter 2263 and another law, the law that imposes a stricter ethics or disclosure requirement controls.

Ethics Requirements For Outside Financial Advisors Or Service Providers. The governing body of a state governmental entity by rule shall adopt standards of conduct applicable to financial advisors or service providers who are not employees of the state governmental entity, who provide financial services to the state governmental entity or advise the state governmental entity or a member of the governing body of the state governmental entity in connection with the management or investment of state funds, and who:

- (1) may reasonably be expected to receive, directly or indirectly, more than \$10,000 in compensation from the entity during a fiscal year; or
- (2) render important investment or funds management advice to the entity or a member of the governing body of the entity, as determined by the governing body.

A contract under which a financial advisor or service provider renders financial services or advice to a state governmental entity or other person as described immediately above, in regard to compensation or duties, is voidable by the state governmental entity if the financial advisor or service provider violates a standard of conduct adopted under this section.

In addition to the disclosures required by Chapter 2263 and described below, the Department will rely upon financial advisors and service providers' submission of an Acknowledgement of Receipt of Investment Policy and Certificate of Compliance with the Public Funds Investment Act forms to evidence compliance with the Department's code of conduct and procedures as related to investments.

Disclosure Requirements For Outside Financial Advisor Or Service Provider. A financial advisor or service provider described by Section 2263.004 shall disclose in writing to the administrative head of the applicable state governmental entity and to the state auditor:

- (1) any relationship the financial advisor or service provider has with any party to a transaction with the state governmental entity, other than a relationship necessary to the investment or funds management services that the financial advisor or service provider performs for the state governmental entity, if a reasonable person could expect the relationship to diminish the financial advisor's or service provider's independence of judgment in the performance of the person's responsibilities to the state governmental entity; and
- (2) all direct or indirect pecuniary interests the financial advisor or service provider has in any party to a transaction with the state governmental entity, if the transaction is connected with any financial advice or service the financial advisor or service provider provides to the state governmental entity or to a member of the governing body in connection with the management or investment of state funds.

The financial advisor or service provider shall disclose a relationship described by the immediately preceding subsections (1) or (2) without regard to whether the relationship is a direct, indirect, personal, private, commercial, or business relationship.

A financial advisor or service provider described by Section 2263.004 shall file annually a statement with the administrative head of the applicable state governmental entity and with the state auditor. The statement must disclose each relationship and pecuniary interest described by Subsection (a) or, if no relationship or pecuniary interest described by that subsection existed during the disclosure period, the statement must affirmatively state that fact.

The annual statement must be filed not later than April 15 on a form prescribed by the governmental entity, other than the state auditor, receiving the form. The statement must cover the reporting period of the previous calendar year. The state auditor shall develop and recommend a uniform form that other governmental entities receiving the form may prescribe. The Department's disclosure form is provided as Attachment E.

The financial advisor or service provider shall promptly file a new or amended statement with the administrative head of the applicable state governmental entity and with the state auditor whenever there is new information to report related to the immediately preceding subsections (1) or (2).

Public Information. Chapter 552, Government Code, controls the extent to which information contained in a statement filed under this chapter is subject to required public disclosure or excepted from required public disclosure.

IX. AUTHORIZED AND SUITABLE INVESTMENTS

General, Special Revenue and Trust and Agency Funds, all of which are on deposit with the State Treasury (specifically excluding Enterprise Funds), are invested by the Treasury pursuant to Texas Government Code, Section 404.024 and Article 5221(f), Subsection 13A(d) as amended relating to Manufactured Housing.

Enterprise Fund

1. Subject to a resolution authorizing issuance of its bonds, the Department is empowered by Texas Government Code, Section 2306.173 to invest its money in bonds, obligations or other securities: or place its money in demand or time deposits, whether or not evidenced by certificates of deposit. A guaranteed investment contract is an authorized investment for bond proceeds. All bond proceeds and revenues subject to the pledge of an Indenture shall be invested in accordance with the applicable law and the provisions of the applicable indenture including “Investment Securities” as listed in such Indenture and so defined.
2. All other enterprise funds (non-bond proceeds) shall be invested pursuant to state law. The following are permitted investments for those funds pursuant to the Act:

A. Obligations of, or guaranteed by governmental entities:

- Obligations of the United States or its agencies and instrumentalities.
- Direct obligations of this state or its agencies and instrumentalities.
- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, that have a market value of not less than the principal amount of the certificates.
- Other obligations the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities.
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

B. A Certificate of Deposit is an authorized investment under this policy if the certificate of deposit is issued by a depository institution that has its main office or a branch office in this state and is:

- guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor;
- secured by obligations that are described in subsection 2A above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates and secured by collateral as described in Section XII of this policy; and
- secured in any other manner and amount provided by law for deposits of the Department.

In addition to the authority to invest funds in certificates of deposit noted above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this policy:

- the funds are invested by an investing entity through a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;
- the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;
- the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States;
- the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity acts as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity; and
- at the same time that the funds are deposited and the certificates of deposit are issued for the account of the investing entity, the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by the investing entity through the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor.

C. A “repurchase agreement” is a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations of the United States or its agencies and instrumentalities at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement. A fully collateralized repurchase agreement is an authorized investment under this policy if the repurchase agreement:

- has a defined termination date;
- is secured by collateral described in Section XII of this policy;
- requires the securities being purchased by the Department to be pledged to the Department, held in the Department’s name, and deposited at the time the investment is made with the Department or with a third party selected and approved by the Department;
- is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state; and
- in the case of a reverse repurchase agreement, notwithstanding any other law other than the Act, the term of any such reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. In addition, money received by the Department under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

D. Commercial Paper is an authorized investment under this policy if the commercial paper:

- has a stated maturity of 270 days or fewer from the date of its issuance; and

- is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally-recognized credit rating agencies, or one nationally-recognized credit rating agency and is fully secured, and by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

3. The following are not authorized investments pursuant to the Act:

- Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

X. DIVERSIFICATION

The Department will diversify its investments by security type and institution. With the exception of U. S. Treasury securities, mortgage-backed certificates created as a result of the Department's bond programs, and authorized pools, no more than 50% of the Department's total investment portfolio will be invested in a single security type or with a single financial institution. For purposes of this section, a banking institution and its related investment broker-dealer shall be considered separate financial institutions.

XI. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and the cash flow needs. The basis used to determine whether market yields are being achieved shall be the three-month U.S. Treasury bill or other appropriate benchmark.

XII. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not meet or exceed the minimum rating. The Department shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not meet or exceed the minimum rating.

XIII. MAXIMUM MATURITIES

The Department shall limit its maximum final stated maturities to, in the case of bond proceeds, the maturity of the bonds, or for non-bond funds five (5) years unless specific authority is given to exceed that maturity by the Board. To the extent possible, the Department will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Department will not directly invest in securities maturing more than five years from the date of purchase. The Department

will periodically determine what the appropriate average weighted maturity of the portfolio should be based on anticipated cash flow requirements.

Reserve funds may be invested in securities exceeding five years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds.

XIV. COLLATERALIZATION

Collateralization will be required on certificates of deposit, repurchase and reverse repurchase agreements, and savings and demand deposits if not insured by FDIC. In order to anticipate market changes and provide a level of security for all funds, the collateralization level should be at least 101% of the market value of principal and accrued interest for repurchase and reverse repurchase agreements. Collateralization of 100% will be required for overnight repurchase agreements and bank deposits in excess of FDIC insurance.

The following obligations may be used as collateral under this policy:

1. obligations of the United States or its agencies and instrumentalities;
2. direct obligations of this state or its agencies and instrumentalities;
3. collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities; and
5. obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally-recognized investment rating firm not less than A or its equivalent.

Collateral will always be held by an independent third party with whom the Department has a current custodial agreement. A clearly marked evidence of ownership or a safekeeping receipt must be supplied to the Department and retained. The right of collateral substitution is granted subject to prior approval by the Investment Officer.

XV. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Department will be executed by Delivery vs. Payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

XVI. INTERNAL CONTROL

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:

1. the cost of a control should not exceed the benefits likely to be derived; and

2. the valuation of costs and benefits requires estimates and judgments by management.

Once every two years, the Department, in conjunction with its annual financial audit, shall have external/internal auditors perform a compliance audit of management controls on investments and adherence to the Department's established investment policies. The internal controls shall address the following points:

1. *Control of collusion.* Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. *Separation of transaction authority from accounting and record keeping.* By separating the person who authorizes or performs the transaction from the person who records or otherwise accounts for the transaction, a separation of duties is achieved.
3. *Custodial safekeeping.* Securities purchased from any bank or dealer including appropriate collateral as defined by state law shall be placed with an independent third party for custodial safekeeping.
4. *Avoidance of physical delivery securities.* Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. *Clear delegation of authority to subordinate staff members.* Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. *Written confirmation or telephone transactions for investments and wire transfers.* Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions must be supported by written communications and approved by the appropriate person, as defined by investment internal control procedures. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.
7. *Development of a wire transfer agreement with the lead bank or third party custodian.* This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.

The Department's external/internal auditors shall report the results of the audit performed under this section to the Office of the State Auditor not later than January 1 of each even-numbered year. The Office of the State Auditor compiles the results of reports received under this subsection and reports those results to the legislative audit committee once every two years.

XVII. REPORTING

1. Methods

Not less than quarterly, the Investment Officer shall prepare and submit to the Director and the Board of the Department a written report of investment transactions for all funds covered by this policy for the preceding reporting period, including a summary that provides a clear picture of

the status of the current investment portfolio and transactions made over the previous reporting period. This report will be prepared in a manner which will allow the Department and the Board to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report must:

- A. describe in detail the investment position of the Department on the date of the report;
- B. be prepared jointly by each Investment Officer of the Department;
- C. be signed by each Investment Officer of the Department;
- D. contain a summary statement, prepared in compliance with generally accepted accounting principles for each fund that states the:
 - book value and market value of each separately invested asset at the beginning and end of the reporting period;
 - additions and changes to the market value during the period; and
 - fully accrued interest for the reporting period;
- E. state the maturity date of each separately invested asset that has a maturity date;
- F. state the fund in the Department for which each individual investment was acquired; and
- G. state the compliance of the investment portfolio of the Department as it relates to the investment strategy expressed in the Department's investment policy and relevant provisions of the policy.

The reports prepared by the Investment Officer under this policy shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Board by that auditor.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Portfolio performance will be compared to appropriate benchmarks on a regular basis.

3. Marking to Market

A statement of the market value of the portfolio shall be issued at least quarterly. The Investment Officer will obtain market values from recognized published sources or from other qualified professionals as necessary. This will ensure that a review has been performed on the investment portfolio in terms of value and subsequent price volatility.

VIII. INVESTMENT POLICY ADOPTION

The Department's investment policy shall be adopted by resolution of the Board.

1. Exemptions

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendment

The policy shall be reviewed at least annually by the Board and any amendments made thereto must be approved by the Board. The Board shall adopt by written resolution a statement that it has reviewed the investment policies and strategies.

XIX. ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction related to Department funds. The qualified representative of the business organization shall execute a written instrument in a form acceptable to the Department and the business organization, substantially to the effect that the offering business organization has:

1. received and reviewed the investment policy of the Department; and
2. acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the business organization that are not authorized by the Department's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio or requires an interpretation of subjective investment standards.

The Investment Officer of the Department may not buy any securities from a person who has not delivered to the Department an instrument complying with this investment policy. (See sample documents at Attachments C and D.)

XX. TRAINING

Each member of the Department's Board and the Investment Officer who are in office on September 1, 1996 or who assume such duties after September 1, 1996, shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties. Training under this section is provided by the Texas Higher Education Coordinating Board and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this policy. The Investment Officer shall attend a training session not less than once in a two-year period and may receive training from any independent source approved by the Department's Board. The Investment Officer shall prepare a report on the training and deliver the report to the Board not later than the 180th day after the last day of each regular session of the legislature.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment A

STRATEGY

SECTION 1

All of the Department's funds as listed below are program / operational in nature, excluding the bond funds which are listed separately in Section 2 below. The following funds are held in the State Treasury and the Department earns interest on those balances at the then applicable rate.

- General Fund
- Trust Funds
- Agency Funds
- Proprietary Funds (excluding Revenue Bond Funds)

SECTION 2

The Department's Revenue Bond Funds, including proceeds, are invested in various investments as stipulated by the controlling bond indenture. Certain investments, controlled by indentures prior to the latest revised Public Funds Investment Act, are properly grandfathered from its provisions. Typical investments include: guaranteed investment contracts; agency mortgage-backed securities resulting from the program's loan origination; in some cases, long-term Treasury notes; and bonds used as reserves with maturities that coincide with certain long-term bond maturities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment B

POLICY STATEMENTS AND RECOMMENDED PRACTICE

Repurchase Agreements

1. Repurchase agreements (“repos”) are the sale by a bank or dealer of government securities with the simultaneous agreement to repurchase the securities on a later date. Repos are commonly used by public entities to secure money market rates of interest.
2. The Department affirms that repurchase agreements are an integral part of its investment program.
3. The Department and its designated Investment Officer should exercise special caution in selecting parties with whom they will conduct repurchase transactions, and be able to identify the parties acting as principals to the transaction.
4. Proper collateralization practices are necessary to protect the public funds invested in repurchase agreements. Risk is significantly reduced by delivery of underlying securities through physical delivery or safekeeping with the purchaser’s custodian. Over-collateralization, commonly called haircut, or marking-to-market practices should be mandatory procedures.
5. To protect public funds the Department should work with securities dealers, banks, and their respective associations to promote improved repurchase agreement procedures through master repurchase agreements that protect purchasers’ interests, universal standards for delivery procedures, and written risk disclosures.
6. Master repurchase agreements should generally be used subject to appropriate legal and technical review. If the prototype agreement developed by the Public Securities Association is used, appropriate supplemental provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations and governing law should be included.
7. Despite contractual agreements to the contrary, receivers, bankruptcy courts and federal agencies have interfered with the liquidation of repurchase agreement collateral. Therefore, the Department should encourage Congress to eliminate statutory and regulatory obstacles to perfected security interests and liquidation of repurchase collateral in the event of default.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment C

ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

1. I am a qualified representative of _____ (the “Business Organization”).
2. The Business Organization proposes to engage in an investment transaction (the “Investments”) with the Texas Department of Housing and Community Affairs (the “Department”).
3. I acknowledge that I have received and reviewed the Department’s investment policy.
4. I acknowledge that the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the business organization and the Department that are not authorized by the Department’s investment policy.
5. The Business Organization makes no representation regarding authorization of the Investments to the extent such authorization is dependent on an analysis of the Department’s entire portfolio and which requires an interpretation of subjective investment standards.

Dated this _____ day of _____, _____.

Name: _____

Title: _____

Business Organization: _____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment D

CERTIFICATE OF COMPLIANCE WITH PUBLIC FUNDS INVESTMENT ACT

I, _____, a qualified representative
of _____

_____ (the “Business
Organization”)

hereby execute and deliver this certificate in conjunction with the proposed sale of investments to the Texas Department of Housing and Community Affairs (the “Department”). I hereby certify that:

1. I have received and thoroughly reviewed the Investment Policy of the Department, as established by the Department pursuant to Texas Government Code, Chapter 2256;
2. The Business Organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of or in any way relating to the sale of the investments to the Department by the Business Organization;
3. The Business Organization has reviewed the terms, conditions and characteristics of the investments and applicable law, and represents that the investments are authorized to be purchased with public funds under the terms of Texas Government Code, Chapter 2256; and
4. The investments comply, in all respects, with the investment policy of the Department.

Business Organization: _____

By: _____

Title: _____

Date: _____

OFFICE OF RURAL COMMUNITY AFFAIRS

BOARD ACTION REQUEST

March 20, 2007

Action Item

The following action is recommended related to non-housing activities under the State of Texas Action Plan (Action Plan) for *Community Development Block Grant (CDBG) Disaster Recovery Funds to Areas Most Impacted and Distressed by Hurricane Rita*:

Presentation, Discussion, and Possible Approval of Requests for Amendments to Community Development Block Grant (CDBG) contracts administered by the Office of Rural Community Affairs (ORCA).

Requested Action

Approve or deny the request for amendments related to the use of non-housing funds under the CDBG Disaster Recovery Program.

Background

The U. S. Department of Housing and Urban Development approved the State of Texas Action Plan (Action Plan) related to the CDBG Disaster Recovery Funds to Areas Most Impacted & Distressed by Hurricane Rita on June 16, 2006. On August 30, 2006 the TDHCA Governing Board approved the non-housing project recommendations of the Office of Rural Community Affairs (ORCA) and the four COGs in the affected area.

The Action Plan approved by HUD specifically states “contract amendments that vary more than 5% must be approved by the TDHCA Board.”

City of Crockett Contract Number DRS060019

Summary of Request

The City of Crockett is requesting approval of a transfer in funding categories to move twenty-five thousand five hundred dollars (\$25,500) from the clearance and demolition line item to four thousand two hundred fifty dollars (\$4,250) to the water facilities line item, four thousand two hundred fifty dollars (\$4,250) to the fire protection and equipment line item, four thousand two hundred fifty dollars (\$4,250) to the specially authorized public facility, and twelve thousand seven hundred fifty dollars (\$12,750) to the sewer facilities line item for upgrades associated with the generators already approved for under these line items. The city is also requesting to move eighteen thousand three hundred one dollars (\$18,301) from specially authorized public facilities and equipment to the sewer line item. There will be no change in the number of beneficiaries associated with this amendment.

After execution of the contract with the City of Crockett it was determined that the \$25,500 wood chipper originally approved under the contract would be considered to be “equipment” by the U. S. Department of Housing and Urban Development (HUD) and the city was notified it would need to identify other eligible activities for the funds. The city requests that these funds be used to upgrade the six (6) generators originally provided for in the contract. In addition to acquiring the generators, each generator will be constructed on a concrete slab, outfitted with manual switching from commercial electricity to generator power, connected to natural gas lines, and construction of awning / protective covers from the additional funds. The city is also requesting an amendment to allow it to buy a generator to operate a computer system that controls all water distribution and lift station activities.

Activity	Current Budget	Change (+/-)		Revised Budget
1a Water Facilities	\$ 57,807.00	+	\$ 4,250.00	\$ 62,057.00
		+	\$ 18,301.00	
1b Sewer Facilities	\$ 37,451.00	+	\$ 12,750.00	\$ 68,502.00
6 Neighborhood Facilities / Community Centers	\$ 18,703.00		\$ -	\$ 18,703.00
10 Fire Protection / Community Centers	\$ 16,407.00	+	\$ 4,250.00	\$ 20,657.00
		-	\$ 18,301.00	
14 Specially Authorized Public Facilities and Equipment	\$ 34,708.00	+	\$ 4,250.00	\$ 20,657.00
20 Clearance and Demolition	\$ 25,500.00	-	\$ 25,500.00	\$ -
	\$ 190,576.00			\$ 190,576.00

Requested Action

ORCA recommends approval of a transfer in funding categories to move twenty-five thousand five hundred dollars (\$25,500) from the clearance and demolition line item to four thousand two hundred fifty dollars (\$4,250) to the water facilities line item, four thousand two hundred fifty dollars (\$4,250) to the fire protection and equipment line item, four thousand two hundred fifty dollars (\$4,250) to the specially authorized public facility, and twelve thousand seven hundred fifty dollars (\$12,750) to the sewer facilities line item for upgrades for the generators already approved for under these line items and move eighteen thousand three hundred one dollars (\$18,301) from specially authorized public facilities and equipment to the sewer line item.

City of Kountz Contract Number DRS060047

Summary of Request

The City of Kountz is requesting approval of a transfer in funding categories to move one hundred twenty thousand dollars (\$120,000) from the neighborhood facilities / community centers line item to the sewer facilities line item. There will be no change in the number of beneficiaries associated with this amendment.

On August 30, 2006 the TDHCA Governing Board approved one hundred twenty thousand dollars (\$120,000) for acquisition of a 100 kW generator and improvements to the community shelter in Kountz to ensure adequacy of the facility for shelter use. Under the city’s original application the city had planned to acquire one portable generator to be used at its four lift stations. (Portable generators are considered to be equipment and equipment that is not permanently affixed is not generally eligible.) Based on this interpretation the city would rather use its funding to acquire generators for each lift station instead of making improvements to its shelter.

Activity	Current Budget		Change (+/-)	Revised Budget
1a Water Facilities	\$ 34,000.00		\$ -	\$ 34,000.00
1b Sewer Facilities	\$ 46,000.00	+	\$ 120,000.00	\$ 166,000.00
6 Neighborhood Facilities / Community Centers	\$ 120,000.00	-	\$ 120,000.00	\$ -
33 Planning and Project Delivery	\$ 10,000.00		\$ -	\$ 10,000.00
	\$ 210,000.00			\$ 210,000.00

Requested Action

ORCA recommends approval of a transfer in funding categories to move one hundred twenty thousand dollars (\$120,000) from the neighborhood facilities / community centers line item to the sewer facilities line item.

City of Lovelady Contract Number DRS060051

Summary of Request

The City of Lovelady is requesting approval of a transfer in funding categories to move twenty five thousand dollars (\$25,000) from the sewer line item to the water line item. There will be no change in the number of beneficiaries associated with this amendment.

On August 30, 2006 the TDHCA Governing Board approved twenty five thousand dollars (\$25,000) for acquisition of a 25 kW generator to supply power for a sewer lift station. The city has since determined a better use of these funds would be acquisition and permanent installation of a generator at the city water plant. Under the city’s original application the city had planned to acquire one portable generator to be used at multiple lift stations. (Portable generators are considered to be equipment and equipment that is not permanently affixed is not generally eligible.) Based on this interpretation the city would rather use its limited funding to acquire a generator for its water plant where it will have more of an impact.

Activity	Current Budget		Change (+/-)	Revised Budget
1a Water Facilities	\$ -	+	\$ 25,000.00	\$ 25,000.00
1b Sewer Facilities	\$ 25,000.00	-	\$ 25,000.00	\$ -
33 Planning and Project Delivery	\$ 2,500.00		\$ -	\$ 2,500.00
	\$ 27,500.00			\$ 27,500.00

Requested Action

ORCA recommends approval of a transfer in funding categories to move twenty five thousand dollars (\$25,000) from the sewer line item to the water line item.

City of New Waverly Contract Number DRS060059

Summary of Request

The City of New Waverly is requesting approval of a transfer in funding categories to move four thousand five hundred dollars (\$4,500) from the water facilities line item in to the planning / project delivery line item. There will be no change in the number of beneficiaries or scope of the project associated with this amendment and this request has been approved by the Houston Galveston Area Council (H-GAC).

On August 30, 2006 the TDHCA Governing Board approved one hundred thousand dollars (\$100,000) for acquisition and installation of a 175 kW generator at the city’s water plant #2. The city has since determined that it “does not have the manpower or financial resources to complete all the preliminary work required” by the contract and wishes to procure the services of a consultant for this purpose. The consultant will complete the required environmental process, all performance reporting, and draw requests according to the federal regulations governing this

award under his agreement with the City of New Waverly. The request to establish a line item for planning / project delivery for further payment of a consultant providing support services directly related to administering a CDBG funded grant is a normal and reasonable expense related to the construction of a shelter.

Activity	Current Budget		Change (+/-)	Revised Budget
1a Water Facilities	\$ 100,000.00	-	\$ 4,500.00	\$ 95,500.00
33 Planning and Project Delivery	\$ -	+	\$ 4,500.00	\$ 4,500.00
	\$ 100,000.00			\$ 100,000.00

Requested Action

ORCA recommends approval of a transfer in funding categories to move four thousand five hundred dollars (\$4,500) from the water facilities line item into the planning / project delivery line item.

Walker County Contract Number DRS060091

Summary of Request

Walker County is requesting approval of a transfer in funding categories to move twenty four thousand four hundred eighteen dollars and forty two cents (\$24,418.42) from the neighborhood facilities / community centers line item and into the engineering / architectural service line item. There will be no change in the number of beneficiaries or scope of the project associated with this amendment and this request has been approved by the Houston-Galveston Area Council (H-GAC).

On August 30, 2006 the TDHCA Governing Board approved three hundred fifty thousand dollars (\$350,000) for construction of a shelter in Walker County for construction costs only. As a part of the construction costs associated with this project the county will incur twenty four thousand four hundred eighteen dollars and forty two cents (\$24,418.42) in engineering / architectural expenses for development of plans and specifications and construction oversight associated with the construction of the shelter. The request to establish a line item for engineering / architecture is a normal and reasonable expense related to the construction of a shelter.

Activity	Current Budget		Change (+/-)	Revised Budget
1a Water Facilities	\$ 46,930.00		\$ -	\$ 46,930.00
6 Neighborhood Facilities / Community Centers	\$ 350,000.00	-	\$ 24,418.42	\$ 325,581.58
30 Engineering and Architectural Services	\$ -	+	\$ 24,418.42	\$ 24,418.42
	\$ 396,930.00			\$ 396,930.00

Requested Action

ORCA recommends approval of a transfer in funding categories to move twenty four thousand four hundred eighteen dollars and forty two cents (\$24,418.42) from the neighborhood facilities / community centers line item and into the engineering / architectural service line item.

City of Port Neches Contract Number DRS060073

Summary of Request

The City of Port Neches is requesting approval of a transfer in funding categories to move thirty thousand dollars (\$30,000) from the water facilities line item, seventy one thousand forty one dollars (\$71,041) from the flood and drainage debris line item, fifteen thousand (\$15,000) from the fire protection facilities line item, thirteen thousand six hundred forty five dollars (\$13,645) from the public service line item, and fifty dollars (\$50) from the engineering and architectural services line item. As a result of these deductions the city is requesting the sewer line item be increased by seven thousand ninety nine dollars (\$7,099) to address damage at an existing sewer treatment plant, senior center line item be increased by forty five thousand (\$45,000) to rehabilitate the existing center and purchase a generator, and the specially authorized public facilities line item be increased by seventy seven thousand six hundred thirty seven dollars (\$77,637) to rehabilitate the existing community center, public library and police station. There will be no change in the number of beneficiaries with this project.

On August 30, 2006 the TDHCA Governing Board approved a total of five hundred thousand dollars (\$500,000) for the City of Port Neches for various activities as detailed below. After a review of the actual activities the city will be performing and the original application submitted for this community the requested changes better reflect the actual work the city needs to complete.

Activity	Current Budget	Change (+/-)		Revised Budget
1a Water Facilities	\$ 171,615.00	-	\$ 30,000.00	\$ 141,615.00
1b Sewer Facilities	\$ 110,352.00	+	\$ 7,099.00	\$ 117,451.00
4 Street Improvements	\$ 1,853.00		\$ -	\$ 1,853.00
5a Flood and Drainage Debris Removal	\$ 101,041.00	-	\$ 71,041.00	\$ 30,000.00
6 Neighborhood Facilities / Community Centers	\$ 2,508.00		\$ -	\$ 2,508.00
7 Senior Center	\$ 746.00	+	\$ 45,000.00	\$ 45,746.00
10 Fire Protection Facilities and Equipment	\$ 15,443.00	-	\$ 15,000.00	\$ 443.00
14 Specially Authorized Public Facilities and Improvements	\$ -	+	\$ 77,637.00	\$ 77,637.00
15 Public Services	\$ 13,645.00	-	\$ 13,645.00	\$ -
30 Engineering and Architectural Services	\$ 57,797.00	-	\$ 50.00	\$ 57,747.00
33 Planning and Project Delivery	\$ 25,000.00		\$ -	\$ 25,000.00
	\$ 500,000.00			\$ 500,000.00

Requested Action

ORCA recommends approval of a transfer in funding categories to move thirty thousand dollars (\$30,000) from the water facilities line item, seventy one thousand forty one dollars (\$71,041) from the flood and drainage debris line item, fifteen thousand (\$15,000) from the fire protection facilities line item, thirteen thousand six hundred forty five dollars (\$13,645) from the public service line item, and fifty dollars (\$50) from the engineering and architectural services line item. As a result of these deductions the city is requesting the sewer line item be increased by seven thousand ninety nine dollars (\$7,099), senior center line item be increased by forty five thousand (\$45,000), and the specially authorized public facilities line item be increased by seventy seven thousand six hundred thirty seven dollars (\$77,637).

Jasper County Contract Number DRS060040

Summary of Request

Jasper County is requesting approval of a transfer in funding categories to move one million two hundred fifty two thousand nine hundred thirty five dollars (\$1,252,935) from the flood and drainage debris removal line item to sixty two thousand three hundred seventeen (\$62,317) to the street improvements line item and one million one hundred ninety one thousand one hundred eighteen dollars (\$1,191,118) to the public service line item. There will be no change in the number of beneficiaries associated with this project.

On August 30, 2006 the TDHCA Governing Board approved a total of two million two hundred seventy thousand one hundred eighteen dollars (\$2,270,118) for Jasper County for various activities as detailed below. After a review of the actual activities the County will be performing and the corresponding FEMA project worksheets submitted for this community the requested changes better reflect the actual work the County needs to complete. Under its initial application the county requested activities such as triage centers and provision of ice and food shortly after the storm under the debris line item because these activities were in support of the debris removal activities. After receiving the details of these activities it is ORCA’s determination that these activities are eligible activities under public services.

Activity	Current Budget		Change (+/-)	Revised Budget
4 Street Improvements	\$ 38,183.00	+	\$ 62,317.00	\$ 100,500.00
5 Flood and Drainage	\$ 285,500.00		\$ -	\$ 285,000.00
5a Flood and Drainage Debris Removal	\$1,832,935.00	-	\$1,252,935.00	\$ 580,000.00
15 Public Service	\$ -	+	\$1,191,118.00	\$ 1,191,118.00
33 Planning and Project Delivery	\$ 113,500.00		\$ -	\$ 113,500.00
	\$2,270,118.00			\$ 2,270,118.00

Requested Action

ORCA recommends approval of a transfer in funding categories to move one million two hundred fifty two thousand nine hundred thirty five dollars (\$1,252,935) from the flood and

drainage debris removal line item to sixty two thousand three hundred seventeen (\$62,317) to the street improvements line item and one million one hundred ninety one thousand one hundred eighteen dollars (\$1,191,118) to the public service line item.

OFFICE OF RURAL COMMUNITY AFFAIRS

BOARD ACTION REQUEST

March 20, 2007

Action Item

The following action is recommended related to non-housing activities under the State of Texas Partial Texas Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding to Assist with the Recovery of Distressed Areas Related to the Consequences of Hurricanes Katrina, Rita, and Wilma in the Gulf of Mexico in 2005.

Presentation, Discussion, and Possible Approval of a Draft Notice of Funding Availability (NOFA) with priorities for applicants for the Unreserved Funds for Restoration of Critical Infrastructure as provided for in the Partial Texas Action Plan Related to the Second Supplemental of Funding for Disaster Recovery to Assist with the Recovery of Distressed Areas Related to the Consequences of Hurricanes Katrina, Rita, and Wilma in the Gulf of Mexico in 2005.

Requested Action

Approval of the Draft NOFA established by the Office of Rural Community Affairs (ORCA) for the Unreserved Funds for Restoration of Critical Infrastructure Activities.

Background

On October 30, 2006 the State of Texas received formal notification that the State would be receiving an additional \$428,671,849 in supplemental disaster funding from the CDBG Program for consequences of Hurricanes Katrina, Rita, and Wilma in the Gulf of Mexico in 2005. Shortly thereafter, TDHCA, as the lead funding agency, developed a Partial Action Plan (Plan) that allocated forty two million dollars (\$42,000,000) for the restoration of critical infrastructure within the twenty nine affected counties. The Plan was approved by the Governing Board on February 1, 2007 and was submitted to the U.S. Department of Housing and Urban Development (HUD) for approval February 6, 2007. In the same, ORCA was directed to prepare a NOFA during the February 1, 2007 board meeting that established priorities for the unreserved funds totaling twenty-two million two hundred dollars (\$22,000,000) and to be prepared to take applications for the competitive award of these funds within 120 days of HUD approval of the Plan.

The NOFA provides for the following scoring: project type (200 points), the total amount of damage sustained by the applicant (100 points), and amount of damages per capita (100 points) for a maximum total score of 400 points. The NOFA provides prioritization detail.

Recommendation

ORCA recommends approval of the attached Draft NOFA conditioned on HUD approval of the Plan with permission to alter dates as needed to react Plan approval.

Office of Rural Community Affairs
CDBG Disaster Recovery Program
Notice of Funding Availability (NOFA)

1) Summary

- a) Office of Rural Community Affairs (“ORCA”) announces the availability of \$22,200,000 in federal funding from the Community Development Block Grant (CDBG) Disaster Recovery Program to be used for the restoration of critical infrastructure damaged by Hurricane Rita in the 29 counties directly affected by Hurricane Rita and designated in the *State of Texas Action Plan for CDBG Disaster Recovery* (Action Plan). The availability and use of these funds is subject to the Action Plan, Title I of the Housing and Community Development Act (Act), State CDBG Program rules at 24 CFR 570, and Chapter 2306, Texas Government Code unless specifically waived in the Federal Register dated February 13, 2006 or October 30, 2006.
- b) Applicants will be scored based on Section 5 of this NOFA.
- c) Applications will be due no later than 120 days after the U.S. Department of Housing and Urban Development approves the *State of Texas Action Plan for CDBG Disaster Recovery*.
- d) Complete details and all application forms will be available in the Hurricane Rita Restoration of Critical Infrastructure Application Guide (application guide).
- e) All information related to this program will be available on the ORCA website at www.orca.state.tx.us.
- f) ORCA will hold at least 2 application workshops in the affected area to cover the requirements of this program.

2) Allocation of CDBG Funds

- a) These funds are made available through a supplemental allocation of CDBG funds to the State of Texas and will be administered by the Office of Rural Community Affairs in partnership with the Texas Department of Housing and Community Affairs. All funds released under this NOFA are to be used to meet one of the three federal national objectives (24 CFR 570.482) and be for CDBG eligible activities for damages directly related to Hurricane Rita.
- b) ORCA will, with the approval of the TDHCA Governing Board, award contracts in the form of a grant to cities and counties for critical infrastructure projects within the affected area. The minimum award per contract will not be less than \$50,000 and will not exceed \$5,000,000.
- c) Applicants must demonstrate that the activities relate to infrastructure projects where there is outstanding damage that is a direct result of Hurricane Rita and that all other options of financing have been explored and no other options are available.
- d) Funds may not be used as the matching requirement, share, or contribution for any other Federal program, for reimbursement of activities already completed, or for projects where any other source of funds can be obtained.
- e) Projects must be identified, approved, and underway within 12 months of approval of the Action Plan by HUD. Work must be substantially underway and drawing funds within 18 months. Funds that have not been committed within 12 months may be reallocated to the Housing Assistance Program or may be deobligated if substantial progress has not been achieved within 18 months.
- f) **Unless specifically waived all awards from the CDBG Disaster Recovery Program will be subject to all federal and state regulations including but not limited to environmental review, labor standards (Davis Bacon), and procurement.**

3) Eligible and Ineligible Activities

a) Eligible activities include:

1. flood and drainage projects (including flood buyouts in which the property is converted into open, undeveloped land);
2. repair of roads and bridges, utilities, water control facilities, water supply facilities, waste water facilities, buildings and permanently affixed equipment, hospitals and other medical facilities;
3. debris removal.

Eligible activities will include those activities permissible under Section 105(a) of the Act

b) Ineligible activities include:

1. reimbursement of entities for disaster related funding that has been previously expended;
2. portable equipment; and
3. assistance for storm shelters that were not damaged by Hurricane Rita.

The general rule in the State CDBG program is that any activity that is not stated in HCDA 105(a) as eligible should be considered to be ineligible. Further direction can be found in the entitlement regulations at 24 CFR 570.207 and the applicable OMB circulars.

4) Eligible and Ineligible Applicants

a) Eligible applicants include:

All Cities and Counties located within the 29 affected counties are eligible to apply under the CDBG Disaster Recovery Program (Affected counties include: Angelina, Brazoria, Chambers, Fort Bend, Galveston, Hardin, Harris, Jasper, Jefferson, Liberty, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler, Walker, Cherokee, Gregg, Harrison, Houston, Marion, Panola, and Rusk Counties.)

b) Ineligible applicants include:

Bridge City, Hardin County, Memorial Hermann Baptist Orange Hospital, Houston, and Harris County are ineligible to apply for the competitive funding because of direct reserved funds made available under the CDBG Disaster Recovery Program for these entities.

c) Requests regarding utility reconstruction are limited to municipally owned entities

d) Applicants may be ineligible for funding if they meet any of the criteria detailing ineligibility with any requirements under 10 TAC 49.5(a) excluding subsections (5) thru (8) or 10 TAC 255.1(h)(6).

5) Selection Process

Applicants may receive up to 400 points based on set scoring criteria. Evidence of these criteria must be submitted in accordance with the application guide on the application forms provided. Applicants will be competitively scored against one another based on a project prioritization and scoring model as detailed below:

PROJECT TYPE (200 Points):

Drainage and Debris Projects:

The following scoring ranges are expressed as ratios of households to businesses (HH:B) for the area being served.

- 9:1 and above 200 Points
- 8:1 – 6:1 150 Points
- 5:1 – 3:1 100 Points
- 2:1 and below 50 Points

Project Eligibility Requirements:

Projects addressing drainage and debris issues directly related to Hurricane Rita will be prioritized based on residential benefit. Residential Benefit will be established by the number of homes benefiting compared to the number of businesses benefiting from the project.

Primarily, drainage projects are those that relieve imminent hazards to life and property created by a natural disaster that causes a sudden impairment of a watershed. However, due to the nature of this disaster, drainage projects located outside of a watershed, Special Flood Hazard Area, or Non-Special Flood Hazard Area will also be considered. A watershed is a region or area drained by a river, stream, or other body of water. Special Flood Hazard Areas are land areas at high risk for flooding, while Non-Special Flood Hazard Areas are those located within low-to-moderate risk flood zones. Applications for projects to be conducted within a watershed or flood hazard area must be accompanied by maps and any other pertinent documentation to be provided by a licensed engineer.

Common drainage projects include removing debris from stream channels, reshaping and protecting eroded banks, correcting damaged drainage facilities, construction of water detention ponds, and repairing levees and structures. However, the purchasing of floodplain easements will be categorized under the Property Buyout Projects category for this application. Furthermore, it is important to note that curb and gutter projects being conducted within a watershed or flood hazard area in conjunction with street repair or improvements will be scored on a percentage basis based on the actual dollars spent for curb and gutter activities. The curb and gutter portion of the project will be scored by multiplying its percentage of costs of the overall project by 200. The remaining percentage of the project will be scored by multiplying the non drainage related street activities percentage of costs by the maximum allowable points of 150 for road repair.

High wind events and flooding generally produce large amounts of debris. This debris may consist primarily of vegetation, construction and demolition materials from damaged or destroyed structures, and personal property. Under this category, only debris identified as the responsibility of the local jurisdiction will be eligible. Debris located on private property is ineligible unless the local jurisdiction has determined that the existing material poses an immediate threat to public health and safety. Furthermore, removal of debris from private property must be determined by the local jurisdiction to be beyond the capability of the property owner.

The methods by which applicants may choose to collect and store debris prior to proper disposal depends greatly on the type of debris, as well as the capabilities of the jurisdiction. Prior to collecting debris all pertinent environmental concerns must be taken into consideration. For example, the removal of debris from natural streams will often require a Clean Water Act Section 404 permit from the United States Army Corp of Engineers (USACE). Additional environmental

guidelines may be reviewed by obtaining the 2006 Implementation Manual located on the ORCA website at www.orca.state.tx.us.

While construction and demolition debris may be collected and disposed of at an appropriately rated landfill, woody and/or vegetative debris must be stored prior to disposal. This will require the use of a temporary debris storage and reduction sites (TDSR). The preparation and operation of a TDSR site is typically left to the contractor. However, local jurisdictions choosing to conduct their own debris operations may review Chapter 7 of the FEMA Debris Management Guide regarding the use of TDSR sites. This document may be obtained at <http://www.fema.gov/pdf/government/grant/pa/demagde.pdf>.

Maintaining the life expectancy of landfills in and around the state is of great concern. Therefore applicants proposing to dispose of woody and/or vegetative debris must choose burning, chipping, or grinding as the method of disposal. If the project proposes to dispose of woody and/or vegetative debris by sending it to a landfill the applicant must provide adequate justification for their decision. These applications will be reviewed on a case-by-case basis. Applicants choosing other forms of disposal for woody and/or vegetative debris may contact the Office of Rural Community Affairs prior to submitting their applications for additional direction.

Determining Beneficiaries:

Acceptable methods by which to identify the number of homes and businesses benefiting from this project type include the 2000 Census, an independent count of occupied structures that will benefit from the proposed project (Household / Business Count Data Sheet is required for this method), and city or county tax data.

Once the number of households has been identified, the number of beneficiaries may be calculated. The proper method for calculating the total beneficiary count for each project is to multiply the total number of households benefiting by the average household size for that census geographic area.

Municipally Owned Public Utilities / Public Facilities Projects:

- Public Water and Wastewater Projects 200 Points
- Other Public Facilities 100 Points
- Generators for public water and wastewater facilities only 50 Points

The repair of existing water and wastewater facilities will receive the highest priority under this project type.

Other public facilities are eligible under this project type as well. However, requests related to utility reconstruction are limited to municipally owned entities.

Applications for the purchase of new generators will be limited in scope to public water and wastewater facilities only.

Road and Bridge Projects:

- Repair, replacement, or mitigation of an existing bridge 200 Points
- Replacement and/or repair of culverts or other drainage not located within a watershed or flood hazard area. 150 Points
- Road repairs 150 Points

The repair, replacement, or mitigation of an existing bridge damaged in relation to Hurricane Rita will receive the highest priority under this project type. Per the Action Plan, “none of the funds made available under this heading may be used by a State or locality as a matching requirement, share, or contribution for any other Federal program”. Therefore, the applicant must be the sole entity responsible for the maintenance and up-keep of the structure.

The replacement and/or repair of culverts or other drainage structures not located within a watershed or flood hazard area will be included within this project type. However, culverts and other drainage structures located within a watershed or flood hazard area will be categorized as drainage projects. Please refer to the section regarding drainage projects for further guidance regarding scoring criteria and methodology.

The repair of roads under this project type must be directly related to damages sustained as a result of the event and not a lack of maintenance.

Property Buyout Projects:

The following scoring ranges are expressed as ratios of households to businesses (HH:B).

- Projects located within a flood hazard area
 - 9:1 and above 200 Points
 - 8:1 – 6:1 150 Points
 - 5:1 – 3:1 100 Points
 - 2:1 and below 50 Points

- Projects not located within a flood hazard area
 - 9:1 and above 100 Points
 - 8:1 – 6:1 75 Points
 - 5:1 – 3:1 50 Points
 - 2:1 and below 25 Points

A count of occupied structures that will benefit from the proposed project (Buyout Household/Business Count Data Sheet is required) is the only acceptable method by which to identify the number of homes and businesses benefiting from this project type.

Once the number of households has been identified, the number of beneficiaries may be calculated. The proper method for calculating beneficiaries under this project type is to multiply the average household size for that particular census geographic area as noted in the census by the number of occupied household units to benefit.

AMOUNT OF DAMAGES SUSTAINED (100 Points):

The purpose of this scoring criterion is to give weight to those applicants that sustained large amounts of damages as documented by FEMA.

dollar amount of damages reported for applicant on FEMA document	= overall damages * 100 = total points
dollar amount of total damages reported for infrastructure (all applicants)	

AMOUNT OF DAMAGES - PER CAPITA BASIS (100 Points):

The purpose of this scoring criterion is to provide a more accurate depiction of the overall impact sustained by an applicant as a result of Hurricane Rita. It is important to note that municipalities must include all damages sustained within their jurisdiction.

dollar amount of damages reported for applicant (FEMA documentation)	= damages per capita
total population (citywide and / or countywide)	

Then:

$$\text{average damages per capita} * 1.25 = \text{Base}$$

Then:

applicant's damages per capita	= Score
Base	

6) Submission and Review Process

a) All applications submitted under this NOFA must be received on or before 5:00 p.m. on (DATE 120 days after HUD approval of Action Plan) at the ORCA Headquarters:

**Office of Rural Community Affairs
1700 N Congress Avenue, Suite 220
Austin, TX 78711.**

Applications will be reviewed for applicant and activity eligibility and scoring as detailed in section 6 of this NOFA and all applicable federal and state regulations.

b) All applications must be submitted, and provide all documentation, as described in this NOFA and the application guide available on the ORCA and TDHCA web sites.

c) ORCA may decline to consider any application if the proposed activities do not, in the ORCA's sole determination, represent a prudent use of the CDBG Disaster Recovery Program funds. ORCA reserves the right to negotiate individual elements of any application.

d) After eligible applications have been evaluated and ranked in accordance with this NOFA and the application guide, ORCA staff shall make its recommendations to the TDHCA Governing Board for award approval.

7) Application Submission

a) Application materials must be organized and submitted in the manner detailed in the application guide. Each applicant must submit one complete "original" version of the application and one "copy" of all application materials.

b) The application guide and all application materials including the Action Plan, NOFA, program guidelines, and all applicable CDBG rules, will be available on the ORCA and TDHCA web sites. Applicants will be required to adhere to the CDBG program applicable federal regulations and / or state regulations. Applications must be on forms provided by ORCA in the application guide and cannot be altered or modified.

c) If an application contains deficiencies which, in the determination of ORCA staff, requires clarification or correction of information submitted at the time of application, ORCA staff may request clarification or correction of such administrative deficiencies including scoring documentation. ORCA staff may request clarification or correction in a deficiency notice in the form of a facsimile or a telephone call to the applicant advising that such a request has been

transmitted. All deficiency responses should be received within 5 days of request. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. An applicant may not change or supplement an application in any manner after the filing deadline, except in response to a direct request from ORCA.

For complete information regarding the requirements of this NOFA and the appropriate application forms please see the application guide for the CDBG Disaster Recovery Program.

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

HOME DIVISION

BOARD ACTION REQUEST

March 20, 2007

Action Item

Presentation, discussion and possible approval of a Draft Notice of Funding Availability (NOFA) for \$82,866,984 in federal funding from the Community Development Block Grant (CDBG) Disaster Recovery Fund for the Rental Housing Stock Restoration Program.

Required Action

Approval of the Draft CDBG Disaster Recovery NOFA for public input.

Background

The Partial Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding, was approved by the board February 1, 2007 and was forwarded to the Department of Housing and Urban Development (HUD), for approval. The total funding allocation is \$428,671,849. Under the General Use of Funds and Funding Allocation is a line item activity for Rental Housing Stock Restoration Program. The available funding for this activity is \$82,866,984. These funds are proposed to be made available in the form of grant or loan to the owners of affordable rental properties that were damaged by Hurricane Rita for repair, rehabilitation and reconstruction (including demolition, site clearance, and remediation). The affected housing must be in one of the 22 counties directly affected by Hurricane Rita and designated in the State CDBG Action Plan. A minimum of 51% of the funds to each property are to be used for affordable rental housing for low/moderate-income Texans earning 80 percent or less of the Area Median Family Income (AMFI). The NOFA complies with the requirements as stated in the Action Plan for the Rental Housing Stock restoration Program.

To reflect the Department's commitment to input on CDBG activities as identified in the Action Plan, this draft NOFA will be used at a roundtable meeting in east Texas and then subsequently brought before the Board for final approval in April. Additionally, Department staff will submit this draft NOFA to HUD's regional office for input before final Board approval in April. This draft NOFA will not be released until HUD approval of the Action Plan is received. It is anticipated that funds will be awarded in September, 2007; however all dates in the NOFA are subject to change depending on when the Department obtains final HUD approval of the Partial Action Plan in its current form.

Recommendation

Staff recommends approval of the Draft Notice of Funding Availability with permission to revise the NOFA as necessary to reflect any changes indicated by HUD as part of their approval of the plan or to revise dates based on the date of HUD approval.

**Texas Department of
Housing and Community Affairs
CDBG Disaster Recovery Program
Notice of Funding Availability (NOFA)**

1) Summary

a) The Texas Department of Housing and Community Affairs (“the Department”) announces the availability of \$82,866,984 in federal funding from the Community Development Block Grant (CDBG) Disaster Recovery Fund to be used for repair, rehabilitation and reconstruction (including demolition, site clearance, and remediation) of existing affordable rental housing physically damaged by Hurricane Rita. The affected housing must be in one of the 22 counties directly affected by Hurricane Rita and designated in the State CDBG Action Plan. The 22 counties are Angelina, Brazoria, Chambers, Fort Bend, Galveston, Hardin, Harris, Jasper, Jefferson, Liberty, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler, Walker. This includes, but is not limited to, public and other HUD-assisted housing damaged by Hurricane Rita. All assisted developments must designate at least 51% of all assisted units to serve low-moderate income individuals and families earning 80% or less of the Area Median Family Income (AMFI) as defined by HUD with priority given to those applications which benefit extremely low income tenants. Priority will also be given to areas which experienced the greatest degradation of their existing affordable housing stock. The availability and use of these funds is subject to the §24 CFR 570, and Chapter 2306, Texas Government Code.

2) Allocation of CDBG Funds

a) These funds are made available through a supplemental allocation of CDBG funds to the State of Texas and will be administered by the Department. At least 51% of the units assisted with the funds released under this NOFA are to be used for affordable rental housing for low-moderate income Texans earning 80 percent or less of the Area Median Family Income (AMFI) as defined by HUD.

b) The Department awards rental funds, as a loan or grant, to eligible recipients for the provision of housing for low/moderate, very low and extremely low-income individuals and families. The maximum award may not exceed 90% of the total development costs. The per-unit subsidy may not exceed the per-unit dollar limits established by United States Department of Housing and Urban Development (HUD) under §221(d)(3) of the National Housing Act which are applicable to the area in which the development is located, and as published by HUD.

c) Developments involving rehabilitation must establish that the rehabilitation will substantially improve the condition of the housing and will involve at least \$12,000 per unit in direct hard costs. When CDBG funds are used for a rehabilitation development the entire unit must be brought up to the applicable property standards, such as local codes. In the event no codes exist the Department will

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require that all units meet Uniform Physical Condition Standards (UPCS), TMCS and, if reconstruction or rehabilitation, the International Building Code (IBC).

d) Funds will be awarded in accordance with the rules and procedures as set forth by the Department. The Department may, at its discretion and based upon review of the financial feasibility of the development, determine to award CDBG funds as either a loan or as a grant. Loans cannot exceed amortization of more than 40 years.

3) Eligible and Ineligible Activities

a) Eligible activities will include those permissible under the Housing and Community Development Act (HCDA) Section 105(4) a and the federal CDBG Rules at §24 CFR570, which involve the rehabilitation and reconstruction (including demolition, site clearance, and remediation) of existing affordable rental housing physically damaged by Hurricane Rita of affordable rental developments.

b) Funds will be available for developments of sixteen (16) or more units for 180 days from the date the NOFA is published in the *Texas Register*. For the first 90 days of this period, applicants will apply on a competitive basis with applications required to be submitted by July 2, 2007. For the remaining 90 days, and if funds are available, applicants may apply on a first come first serve basis until the 180-day deadline which is estimated to be October 1, 2007. All applicants must meet the Department's threshold criteria and must meet financial feasibility criteria. After October 1, 2007 any funds not requested and awarded may be made available under a subsequent NOFA which would include properties with less than 16 units.

c) Prohibited activities include those under federal CDBG rules at §24 CFR 570, OMB Circular A-87 and other applicable state and federal requirements.

d) Existing affordable housing is defined as the development offering units that were either subsidized or while unrestricted, 51% of the units served tenants qualified as a low-moderate income person earning 80 percent or less of the AMFI as defined by HUD prior to September 24, 2005.

4) Eligible and Ineligible Applicants

a) The Department provides CDBG funding from the federal government to qualified nonprofit organizations, for-profit entities, sole proprietors, public housing authorities and units of local government.

b) Applicant properties must be located within the 22 county area directly affected by Hurricane Rita.

c) Applicants may be ineligible for funding if they meet any of the criteria detailing ineligibility with any requirements under 10 TAC 49.5(a). Applicants are encouraged to familiarize themselves with the Department's certification and debarment policies prior to application submission.

5) Affordability Requirements

a) Each development will require a minimum affordability period of 30 years for developments assisted with loans or grants in an amount greater than 33% of the market value of the development on the date the recipient completed construction of the development in accordance with the provisions of §2306.185, Texas Government Code. If the length and term of affordability is not defined by §2306.185 it will be determined to maximize a reasonable benefit to the affordable housing stock but at a minimum term of 15 years. In determining the length of affordability, the Department will consider owner needs, other funding requirements and financial feasibility.

b) At a minimum, 51% of the assisted units must benefit low-moderate income persons earning 80 percent or less of the AMFI as defined by HUD and detailed in the Housing and Community Development Act of 1974 (HCDA) Title I, 105(a).

c) Properties will be restricted under a Land Use Restriction Agreement (“LURA”), or other such instrument as determined by the Department for these terms. Among other restrictions, the LURA may require the owner of the property to continue to accept subsidies which may be offered by the federal government, prohibit the owner from exercising an option to prepay a federally insured loan, impose tenant income-based occupancy and rental restrictions, or impose any of these and other restrictions as deemed necessary at the sole discretion of the Department in order to preserve the property as affordable housing on a case-by-case basis.

d) The maximum monthly rent charged by the development owner for units benefiting low-moderate income persons earning 80 percent or less of the AMFI as defined by HUD shall not exceed the limits determined by the Department and published on an annual basis. Such rent shall not be greater than thirty percent (30%) of the income of a family whose income equals eighty percent (80%) of AMFI as defined by HUD with adjustments for family size.

6) Site and Development Restrictions:

a) Pursuant to §24 CFR 570, housing that is constructed or rehabilitated with CDBG funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code for new construction or rehabilitation, reconstruction or rehabilitation must meet the International Building Code (IBC).

Reconstructed housing must meet the current edition of the Model Energy Code. Energy conservation and efficiency upgrades will be encouraged through scoring.

b) All CDBG-assisted housing must meet all applicable state and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401. When CDBG funds are used for a rehabilitation of a development the entire unit must be brought up to the applicable property condition standards.

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c) Housing must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR 100.201 and must also meet the design and construction requirements at 24 CFR 100.205, which implement the Fair Housing Act (42 U.S.C. 3601–3619). A certification will be required after the Development is completed from an inspector, architect, or accessibility specialist. Any Developments designed as single family structures must also satisfy the requirements of §2306.514, Texas Government Code.

d) All developments are subject to Department restrictions on sites located in a flood plain in accordance with 10 TAC §1.35. Units that are being demolished and rebuilt shall be elevated in accordance with FEMA advisory flood elevations.

8) Threshold Criteria

The following Threshold Criteria listed in this subsection are mandatory requirements at the time of Application submission unless specifically indicated otherwise:

a) At a minimum, 51% of the assisted units must be made affordable to low-moderate income persons. Mixed income rental developments may only receive funds for units that meet the CDBG program affordability standards.

b) Developments must have existed in the affordable housing stock of the 22-county area prior to September 24th, 2005 and continue to be affordable after construction. Applicants must certify that at least 51% of the units had rental subsidies or served tenants qualified as a low-moderate income person earning 80 percent or less of the Area Median Family Income (AMFI) as defined by HUD prior to September 24th, 2005.

c) The development will be evaluated for financial feasibility using the Department's "Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, And Reserve For Replacement Rules And Guidelines", located at 10 TAC §1.35. However, a Market Analysis will not be required. A Property Condition Assessment is only required for properties doing rehabilitation but is not required for demolition/reconstruction.

d) Developments cannot exceed the Departments requirements for "integrated housing" regarding serving persons with disabilities 10 TAC §1.15.

e) Developments to be assisted with CDBG Disaster Recovery Funds must prove ownership on or before the date of impact by Hurricane Rita, September 24th, 2005 by the current owner (with continual ownership), and must prove that the subject development incurred damage in that same storm. The applicant must establish that this property was physically damaged by Hurricane Rita through the provision of evidence that an insurance claim related to Hurricane Rita was filed and subsequently reviewed by the insurance provider. In addition, at least the same number of affordable units must be made available after construction as those units available

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before September 24th, 2005 unless funded by HOPE VI with approved deconcentration plan from HUD. Owners must prove that they are not duplicating previous (or pending) assistance, either public or private. However, leveraging of additional funds with CDBG funds is encouraged.

f) Recipients must establish a reserve account consistent with §2306.186, Texas Government Code, and as further described in 10 TAC §1.37 of this title.

g) All applications will be required to meet Section 8 Housing Quality Standards detailed under 24 CFR §982.401, Texas Minimum Construction Standards (TMCS), as well as the Fair Housing Accessibility Standards and Section 504 of the Rehabilitation Act of 1973. Developments must also meet all local building codes or standards that may apply. If the development is located within a jurisdiction that does not have building codes, developments must meet the most current International Building Code (IBC).

h) All contractors, consulting firms, and Administrators must sign an affidavit to attest that each request for payment of CDBG funds is for the actual cost of providing a service and that the service does not violate any conflict of interest provisions.

All of 2007 Qualified Allocation Plan and Rules at 10 TAC §49.9(h), excluding:

- (3) regarding set-asides;
- (4)(E), (4)(F), (4)(G), (4)(I), (4)(K), (4)(L), and (4)(M) regarding certifications;
- (6)(C) and (D) which relate to tax credit syndication;
- (8) regarding notifications;
- (11) regarding non-profit set-aside for tax credits;
- (14)(A) and (B) regarding environmental site assessment and market study;
- (14) (D) regarding appraisal;
- As noted (14)(C) for the Property Condition Assessment applies only in cases of rehabilitation, but not demolition/reconstruction.

9) Selection Process

a) Scoring Criteria. Applicants may receive up to 115 points based on the scoring criteria listed below, and must obtain a minimum score of 60 points to be considered for award. Evidence of these items must be submitted in accordance with the 2007 Final Application Submission Procedures Manual (ASPM), effective as of the date of issuance of this NOFA. The scoring criteria to are:

i) Extremely Low-Income Targeting: To encourage the inclusion of families and individuals with the highest need for affordable housing, applicants will receive 20 points for proposed developments that provide at least 5% of units to

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families or individuals earning 30% or less of the area medium income for the development site. **Maximum for this item 20 points.**

ii) Exceeding the LMI requirement: All assisted developments must designate at least 51% of all assisted units to serve low-moderate income families earning 80% or less of AMFI as defined by HUD for the applicable affordability period. Developments that exceed this minimum figure for the affordability period will receive the following points:

- a.) For developments that designate at least 61% but less than 71% of the units to serve low-moderate income families: **5 points**
- b.) For developments that designate at least 71% but less than 81% of the units to serve low-moderate income families: **10 points**
- c.) For developments that designate at least 81% but less than 91% of the units to serve low-moderate income families: **15 points**
- d.) For developments that designate at least 91% of the units to serve low-moderate income families: **20 points**

Maximum for this item 20 points

iii) Cost-Effectiveness of a Proposed Development: For units designated for elderly individuals if cost per square foot do not exceed \$87.00 the applicant will receive **10 points**. For units designated for families if the costs per square foot does not exceed \$77.00 per square foot the applicant will receive **10 points**.

Maximum for this item 10 points

iv) Increasing the affordable housing stock- In order to target units that will have the most impact on increasing the affordable housing stock points will be awarded based on the habitability of the development.

- a.) Developments that will make at least three (3) uninhabitable affordable unit habitable will receive: **5 points**
- b.) Developments that will make at least six (6) uninhabitable affordable units habitable will receive: **10 points**

In addition to the units scored above:

- d.) Developments that will make at least five (5) substandard affordable units meet habitability standards will receive: **5 points**
- e.) Developments that will make at least sixteen (16) substandard affordable units meet habitability standards will receive: **10 points**

Maximum for this item 20 points

v) Serving persons with disabilities- Developments that increase the number of accessible units beyond the minimum required by Section 504, the Fair Housing Accessibility Guidelines or other mandated minimums. To earn points units must meet the full mobility requirements of Section 504 to receive points.

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Developments that increase the required accessible units by an additional 5% (rounded to the next whole unit) will receive: **5 points**

Developments that increase the required accessible units by an additional 10% (rounded to the next whole unit) will receive: **10 points**
Maximum for this item 10 points

vi) Units that meet or exceed low maintenance and energy efficiency, any combination of the following items may be used; however, a maximum of 10 points will be awarded—

a) Install water-conserving fixtures with the following specifications for toilets and shower heads and follow requirements for other fixtures wherever and whenever they are replaced: toilets – 1.6 gallons per flush; showerheads – 2.0 gallons per minute; kitchen faucets – 2.0 GPM; bathroom faucets – 2.0 GPM. (in all units) -

2 points

b) Install Energy Star labeled refrigerators in all units.

2 points

c) Install Energy Star-labeled lighting fixtures in all interior units and use Energy Star or high-efficiency commercial grade fixtures in all common areas. -

2 points

d) Use tankless hot water heaters or install conventional hot water heaters in rooms with drains or catch pans piped to the exterior of the dwelling and with non-water sensitive floor coverings (for all units).

2 points

e) Install Energy Star-labeled power vented fans or range hoods that exhaust to the exterior (in all units).

2 points

f) Install Energy Star-labeled bathroom fans in all units that exhaust to the outdoors which has a humidistat sensor or timer, or operates continuously in all units.

2 points

g) Install correctly sized HVAC units (according to Manual J) of at least 14 SEER or better in all units.

3 points

h) Perform an energy analysis of existing building condition, estimate costs of improvements, make those with a 10 year or shorter payback.

4 points

Maximum for this item 10 points

vii) Units that help people avoid or transition from homelessness. Developments that dedicate at least 51% of their units towards serving person who have previously been homeless or at risk of being homeless will receive **10 points**.

Maximum for this item 10 points

viii) Greatest Financial Need- Developments will receive points for the percentage of remaining need represented in their sources and uses documentation. This will be calculated as a percentage of total benefits received from private insurers and public benefits compared to the CDBG funds required for necessary repairs and reconstruction. Applicants will be required to document how these benefits were expended on the subject property or make the funds available for the CDBG funded project. This calculation will be CDBG funds requested divided by total funds needed including funds previously used.

a) Applicants that require at least 10% but less than 25% of their total budget from CDBG funds will receive **5 points**

b) Applicants that require at least 25% but less than 50% of their total budget from CDBG funds will receive **10 points**

c) Applicants that require at least 75% of their total budget from CDBG funds will receive **15 points**

Maximum for this item 15 points

10) Tie Breakers

a) The Department will utilize the factors in this paragraph, in the order they are presented, to determine which Development will receive a preference in consideration for an award. The Department may also recommend a partial funding recommendation.

i) Greatest increase to the affordable housing stock- developments that put the most unoccupied units into service or upgrade the most substandard units will be funded.

ii) Long-term Feasibility. The second tie breaker criteria will be average debt coverage ratio calculated on the Applicant's originally submitted pro-forma. The Applicant with the highest average debt coverage ratio over the period of time represented in the pro-forma will win the tie breaker.

11) Submission and Review Process

a) All Applications submitted under this NOFA must be received on or before 5:00 p.m. on July 2, 2007. The Department will accept applications from 8 a.m. to 5 p.m. each business day, excluding federal and state holidays from the date this NOFA is published on the Department's web site until the deadline. The Department will publish a list of all Applications received, on or before July 15, 2007. Applications

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will be reviewed for Applicant and Activity Eligibility, Threshold Criteria, Scoring and Financial Feasibility, in accordance with this NOFA.

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

c) If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of Application, the Department staff may request clarification or correction of such Administrative Deficiencies including threshold and/or scoring documentation.

d) A site visit will be conducted as part of the CDBG Program development feasibility review. Applicants must receive recommendation for approval from the Department to be considered for CDBG funding by the Board.

e) The Department may decline to consider any Application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department strives, through its loan terms, to securitize its funding while ensuring the financial feasibility of a Development. The Department reserves the right to negotiate individual elements of any Application.

f) A minimum award amount may be established to ensure feasibility. Subsequently, recommendations for funding will be made available on the Department's website at least seven calendar days prior to the Board meeting at which the awards may be awarded.

g) The Department will evaluate the net operating income of the Development and the existing debt service capacity to determine if the award will be made in the form of a loan or grant or a combination thereof. The Department's underwriting guidelines in 10 TAC §1.32 will be used which set as a minimum feasibility a 1.15 debt coverage ratio. Where the anticipated debt coverage ratio in the year after completion exceeds 1.35, a loan or partial loan will be recommended.

h) The Department will provide a written agreement after an award is made which will detail grant or loan terms and include benchmarks for closing, project development and expenditure of funds awarded. At a minimum, the funds will expire 36 months from the effective date of the agreement.

i) In accordance with §2306.082 Texas Government Code, the Department has established an ADR Policy at 10 Texas Administrative Code §1.17. In addition, the Department rules to appeal Department decisions at 10 TAC §1.7 and §1.8.

12) Application Submission

a) Application materials must be organized and submitted in the manner detailed in the 2007 application materials for rental developments. Applicants must submit one complete printed copy of all application materials. All scanned copies must be scanned in accordance with the guidance provided in the 2007 application materials.

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

c) Applicants are required to remit a non-refundable Application fee payable to the Texas Department of Housing and Community Affairs in the amount of \$250 per Application. Payment must be in the form of a check, cashier's check or money order. Do not send cash. §2306.147(b) of the Texas Government Code requires the Department to waive Application fees for nonprofit organizations that offer expanded services such as child care, nutrition programs, job training assistance, health services, or human services. These organizations must include proof of their exempt status and a description of their supportive services in lieu of the Application fee. The Application fee is not an allowable or reimbursable cost under the CDBG Program.

d) Applications must be sent via overnight delivery to:

**Texas Department of Housing and Community Affairs
HOME Division
221 East 11th Street
Austin, TX 78701**

or via the U.S. Postal Service to:

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

Please contact Skip Beaird at (512)475-0908 or skip.beaird@tdhca.state.tx.us for any questions regarding this NOFA.

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

**COMMUNITY AFFAIRS DIVISION
EMERGENCY SHELTER GRANTS PROGRAM**

**BOARD ACTION REQUEST
March 20, 2007**

Action Item

Presentation, Discussion and Possible Approval of: (1) revision of the Emergency Shelter Grants Program (ESGP) rules 10 Texas Administrative Code, Chapter 5, Subchapter C, §5.204(a)(1), §5.208(c), and §5.211(4); (2) cancellation of the FY 2007 ESGP Application Cycle released in November 2006 in order to incorporate the aforementioned revision of ESGP 10 TAC Rules; and (3) the re-issuance of the FY 2007 ESGP Application Cycle.

Required Action

Department staff recommends that the Board review and approve the: (1) the revision of Emergency Shelter Grants Program (ESGP) rules 10 Texas Administrative Code, Chapter 5, Subchapter C, §5.204 (a)(1), §5.208(c), and §5.211(4); (2) make no awards of the 2007 ESGP funds at this time; (3) that the Department repost the ESGP rules; (4) that the Department repost the previously released NOFA with changes reflecting appropriate dates and any rule changes; and (5) approve acceptance of applications previously filed under the prior NOFA released in November 2006, in addition to any new applications.

Background

At the November 9, 2006 TDHCA Board meeting, the Board approved the final TAC rules for the ESGP Program. §5.204(a)(1), states that an eligibility criteria required in the submission of an Application for Fiscal Year (FY) 2007 ESGP funds is documentation of active participation of a homeless or formerly homeless person on the board of directors or other equivalent policymaking entity. The recently approved TAC rule defines active participation as attendance at 75% of the board or policymaking entity meetings during a 12 month period.

The Department has pre-screened the ESGP applications received by the January 8, 2007 deadline and has determined that 47 (40%) out of 118 applications received did not meet the 75% attendance requirement for the homeless representative. In part this occurred because the rules were only in effect since November; however, the last 12 month period is evaluated and applicants did not have sufficient notice to assure compliance.

42 U.S.C. Chapter 119, Subchapter IV, Part B, Section 11375(d) governing the ESGP program only requires “each recipient ... provide for the participation of not less than 1 homeless individual or former homeless individual on the board of directors or other equivalent policymaking entity of such recipient...”. The federal statute does not require active participation or attendance at 75% of the board or policymaking entity meetings. For several years, the Department had simply required documentation of active participation of the homeless representative. However, with the codifying of the requirements governing the ESGP program into the Texas Administrative Code, the Department defined active participation as 75% attendance at board meetings. As stated previously, this requirement has put the Department in an impracticable situation where 40% of the applications received may be ineligible. Furthermore, funding the remaining applications would not provide for a sufficient qualified pool base from which to award funds and would not allow the Department to award funds on an equitable basis across the 13 Uniform State Service Regions.

To provide a broad reach for this program, staff recommends that the Board consider approval of the revision to the Emergency Shelter Grants Program (ESGP) rules 10 Texas Administrative Code, Chapter 5, Subchapter C, as follows: (1) §5.204 (a)(1) to delete the word “active” and to delete the 75% attendance requirement for the homeless representative; in §5.208(c) add language that the Department will award bonus points for documentation of a minimum of 75% participation by the homeless representative on the board of directors or other equivalent policy making entity; and §5.211(4) add language which provides the Board with discretion to waive one or more of the rules if the Board finds that a waiver is appropriate.

The Department has 65 days from the receipt of the ESGP award letter from the U.S. Department of Housing and Urban Development to obligate the funds. It is anticipated that the Department will have to obligate funds no later than the 4th week of May 2007.

Recommendation

Staff recommends that the Board approve the following:

- (1) the revision of Emergency Shelter Grants Program (ESGP) rules 10 Texas Administrative Code, Chapter 5, Subchapter C, §5.204 (a)(1), §5.208(c), and §5.211(4);
- (2) make no awards of the 2007 ESGP funds at this time;
- (3) that the Department repost the ESGP rules;
- (4) that the Department repost the previously released NOFA with the applicable changes reflecting appropriate dates and rule changes; and
- (5) approve acceptance of applications previously filed under the prior NOFA released in November 2006, in addition to any new applications.

Attachment: Proposed revisions to Emergency Shelter Grants Program (ESGP) rules 10 Texas Administrative Code, Chapter 5, Subchapter C, §5.204 (a)(1), §5.208(c), and §5.211(4).

TITLE 10. COMMUNITY DEVELOPMENT
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5. COMMUNITY SERVICES PROGRAM
SUBCHAPTER C. EMERGENCY SHELTER GRANTS PROGRAM
10TAC Sections 5.204

§5.204. Application Requirements

(a) Eligibility Documentation: The following information must be included in each ESGP application. Failure to provide this documentation will deem the application ineligible for funding:

(1) Documentation of the ~~active~~ participation of a homeless or formerly homeless individual on the board of directors or other equivalent policymaking entity of such recipient, to the extent that such entity considers and makes policies and decisions regarding any facility, services, or other assistance of the recipient. ~~Active participation is defined as attendance at a minimum of 75% of the Board or policy making entity meetings during a 12-month period.~~ A copy of the section in the bylaws which authorizes the governing board or equivalent policymaking entity to make policies for the organization must also be included. Applicants who have not previously received ESGP funds from the Department are exempt from the requirement, but must comply with the requirement prior to the execution of a contract with the Department.

§5.208. Process for Review of Applications

(c) The Department will award bonus points for applicants from non-entitlement areas, for organizations requesting homelessness prevention funds, for single applicant organizations that previously have not received ESGP funds from the Department, and for documentation of a minimum of 75% participation by the homeless representative on the board of directors or other equivalent policymaking entity.

§5.211. Program Administration

Upon approval by the Board, Applicants receiving ESGP funds shall enter into and execute an agreement for the receipt of ESGP funds.

(1) Amendments. The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to the ESGP contract.

(2) The Department reserves the right to deobligate funds.

(3) Faith-based subrecipients, as with all subrecipients funded under HUD-funded programs, must serve all eligible beneficiaries without regard to religion.

(4) Accounting Requirements. Within 90 days following the conclusion of a contract issued by the Department, the recipient shall provide a full accounting of funds expended under the terms of the contract. Failure of a recipient to provide a full accounting of funds expended under the terms of the contract shall be sufficient reason to terminate the contract and for the Department to deny any future contract to the recipient.

(5) Waiver. The Board, in its discretion and within the limits of federal and state law, may waive one or more of these Rules if the Board finds that waiver is appropriate to fulfill the purposes or policies of Chapter 2306, Texas Government Code, or for good cause, as determined by the Board.

PORTFOLIO MANAGEMENT AND COMPLIANCE DIVISION

BOARD ACTION REQUEST

March 20, 2007

Action Item

Presentation, discussion and possible approval of requests for amendments to HOME Investment Partnerships Program (HOME) contracts involving modifications that significantly decrease the benefits to be received by the Department.

Requested Action

Approve or deny the requests for amendments.

Background

The 2006 HOME Rules in the Texas Administrative Code, Title 10, Part 1, Chapter 53, Rule §53.62(b)(3) state that modifications and/or amendments that increase the dollar amount by more than 25% of the original award or \$50,000, whichever is greater, or significantly decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval.

Department policy requires that the commitment rate and expenditure rate of each contract be analyzed when processing extension requests. Extension requests will only be considered by the Department to complete activities that are in process and that have been committed in the TDHCA Contract System. Commitment is defined as contract funds that have been pledged to an eligible household. These funds must be entered electronically into the TDHCA Contract System by the Administrator, and the funds must be approved electronically by the Department in the TDHCA Contract System. Before commitments are entered in the TDHCA Contract System all household and budget information must be verified by the Administrator. Documentation must be submitted to the Department to substantiate the commitment of funds.

ARCIL, Inc. Contract Number 1000223

Summary of Request

ARCIL, Inc (Administrator) is requesting a second amendment to further extend the end date of their development period for twelve (12) months from October 31, 2007 to October 31, 2008. The Administrator states that a twelve (12) month extension is necessary to allow them to continue rental assistance to three (3) households for the complete 24 month term of eligibility. No additional contract funds will be necessary. Without an extension of the rental subsidy, these three (3) individuals are at risk of return to institutional placement.

Activity Type:	Tenant-Based Rental Assistance (TBRA)
Contract Executor:	Ronald Rocha, Executive Director
Contract Start Date:	February 1, 2004
Contract End Date:	October 31, 2007
Requested End Date:	October 31, 2008
Total Budget Amount:	\$225,986
Project Amount:	\$213,194
Administration Amount:	\$12,792
Amount Committed:	\$169,161
Amount Drawn:	\$131,546
Households Required:	20
Households Committed:	22

Staff Recommendation

The Department recommends the extension because without an extension of the rental subsidy, the three (3) affected households are at risk of return to institutional placement. If the board chooses to approve the amendment, the contract period would be extended from October 31, 2007 to October 31, 2008. The approval of this amendment would require the Administrator to meet the following requirements:

- Inclusion of language in any subcontract that provides the Department the ability to directly review, monitor, and/or audit the operational and financial performance and/or records of work performed under this contract.
- Inclusion of language in any subcontract that failure of subcontractor/consultant to adequately perform under this contract may result in penalties up to and including Debarment from performing additional work for the Department.
- Authority of the Department to directly review, monitor, and/or audit the operational and financial performance and/or records of work performed under this Contract.
- Submission of a Monthly Contract Progress Report in a form prescribed by the Department.

Jefferson County Contract Number 1000596

Summary of Request

Jefferson County (County) is requesting a waiver of the \$55,000 cap per unit and a nine (9) month extension in order to complete construction. A previous amendment request was tabled at the February 1, 2007 board meeting. At the February board meeting, board members requested additional information to substantiate the estimated construction costs, including soft costs in the area. In their prior request, the County had estimated that construction costs would be higher than \$60,000 per unit. Since the last board meeting, the County has negotiated their construction costs. Revised budgets for all thirty-six (36) households are now within the \$60,000 cap per unit that was approved at the February 1, 2007 board meeting.

Amendment Number:	1
Activity Type:	Owner Occupied Assistance (OCC) Contract (Reconstruction)
Contract Executor:	Judge Carl Griffith
Contract Start Date:	April 17, 2006
Contract End Date:	April 17, 2007
Requested End Date:	January 31, 2008
Service Area:	Jefferson County
Total Budget Amount:	\$2,080,000
Project Amount:	\$2,000,000
Administration Amount:	\$80,000
Amount Committed:	\$0
Amount Drawn:	\$0
Households Required:	36
Households Committed:	0 (36 proposed)

Requested Action

Staff recommends the approval of the waiver of the \$55,000 cap up to \$60,000 per unit and the extension of the contract end date for nine (9) months from April 17, 2007 to January 31, 2008 to ensure sufficient time to complete construction. The approval of this amendment would require the County to meet the following requirements:

- Inclusion of language in any subcontract that provides the Department the ability to directly review, monitor, and/or audit the operational and financial performance and/or records of work performed under this contract.
- Inclusion of language in any subcontract that failure of subcontractor/consultant to adequately perform under this contract may result in penalties up to and including Debarment from performing additional work for the Department.
- Authority of the Department to directly review, monitor, and/or audit the operational and financial performance and/or records of work performed under this Contract.
- Submission of a Monthly Contract Progress Report in a form prescribed by the Department.

Austin office
825 E. Rundberg Lane, Suite A-1
Austin, Texas 78753
voice/tdd: 512-832-6349
fax: 512-832-1869
email: arcil@arcil.com
website: www.arcil.com
ARCIL Graphics: 512-832-6349



San Marcos office
voice/tdd: 512-396-5790
fax: 512-396-5794
email: sanmarcos@arcil.com
Round Rock office
voice/tdd: 512-828-4624
fax: 512-828-4625
email: roundrock@arcil.com

1000223

February 15, 2007

Lucy Trevino, Manager PMC
Texas Department of Housing & Community Affairs
PO Box 13941
Austin TX 78711-3941

Dear Ms. Trevino,

ARCIL requests a no-cost extension to continue rental assistance payments, for up to 12 months, for three currently-eligible TBRA recipients who will complete 24 months of eligibility in 2007. No additional funds will be necessary. We further request extension of the contract period until October 31, 2008.

ARCIL provides HOME Tenant Based Rental Assistance to the *Olmstead* population under 2004 contract #1000223. We project expenditure of \$204,325 for currently-eligible TBRA participants. The contract is approved in the amount of \$225,986. A list of participants and projected expenditures is attached.

The request for extension applies to the following individuals:

NAME	ACTIVITY #	DATE OF SERVICE	AMOUNT
John Perry	21610	4/1/07 – 3/31/08	\$7,800
Jill Redl	22491	8/1/07 – 7/31/08	\$5,400
Thelma Watson	22190	8/1/07 – 7/31/08	\$7,800

In keeping with the requirements of a Self-Sufficiency Plan, each TBRA participant is actively pursuing affordable housing options pending the conclusion of the TBRA eligibility period. However, long waiting lists exist for each affordable housing opportunity. Without an extension of the TBRA subsidy, these individuals are at risk of return to institutional placement.

Sincerely,

A handwritten signature in black ink that reads 'Ronald Rocha'.

Ronald Rocha, Executive Director

Cc: Michael Gerber

RECEIVED

FEB 27 2007

COMPLIANCE



RONALD L. WALKER
County Judge

Jefferson County Courthouse
P.O. Box 4025
Beaumont, Texas 77704

Beaumont (409) 835-8466
Pt. Arthur (409) 727-2191 Ext. 8466
Facsimile (409) 839-2311

February 15, 2007

Mr. Mike Gerber
TDHCA Executive Director
221 East 11th Street
Austin, Texas 78701-2410

Re: Jefferson County HOME Contract#1000596

Dear Mr. Gerber:

We recently solicited and received bids from multiple contractors for the homes to be assisted in Jefferson County using HOME Disaster Relief funds. As a result of Hurricanes Katrina and Rita the cost of construction in this area has risen dramatically. The low bid for each house brought the cost in over the new \$80,000 cap.

We have negotiated with the contractors and our consultant and, due to their willingness to cut their prices in order to help those in our community who were affected by this devastating storm, Jefferson County can complete thirty-six (36) homes for \$80,000.00 each.

As our original contract was for thirty-six (36) units, we no longer need an amendment reducing the number of units. We are requesting a nine (9) month extension from our original end date and that the \$5,000 additional per-unit be included in this same amendment.

The two homes in Sabine Pass cannot be assisted under this program's current guidelines. Therefore we agree with your recommendation that the CDBG supplemental fund be used for the reconstruction of these homes. We do request that the progress be monitored to ensure these homeowners are assisted in a timely manner.

As time is of the essence, we respectfully request that our amendment be processed as quickly as possible so that we can get the beneficiaries into safe and sanitary housing in a timely manner.

Sincerely,


Judge Ron Walker

Jefferson County HOME Contract #1000596

Negotiated Construction Costs--Hard and Soft Costs

Address	City	Base Bid	<Hardi>	Elevate	Demo	Low Step	Disposal	Sub Total	Soft Cost	Total
1 1797 Cartwright	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
2 4255 Ironton Ave	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
3 6191 Fannett Rd	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
4 1772 Grand	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00	Donated	\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
5 3195 Elinor St	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
6 1384 Euclid	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
7 1555 Louisiana	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
8 927 Waco	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
9 523 S 35th St	Nederland	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
10 1701 E 19th St	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
11 3541 27th St	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00	Donated	\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
12 2440 Neches Ave	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
13 2148 Thomas Blvd	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00	Donated	\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
14 934 Russell Ave	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
15 5213 10th St	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
16 3280 Westmore	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
17 2048 Thomas	Port Arthur	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00	Donated	\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
18 3865 Irving	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
19 2795 Pine	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00	Donated	\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
20 10525 Vinson	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
21 530 Shamrock	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00	Donated	\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
22 1141 James	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
23 549 E 12th	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00	Donated	\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
24 3144 E 8th	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
25 2980 Roberts	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
26 4090 Howard	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
27 2949 9th	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
28 4839 13th	Port Arthur	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
29 425 E LaSalle	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
30 565 Zavalla Dr	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
31 10515 Vinson	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
32 3355 Rosyln	Beaumont	\$ 50,600.00	\$ (2,000.00)		\$ 2,508.00		\$ 3,000.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
33 3128 Ozark	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
34 2400 9th St	Port Arthur	\$ 50,350.00	\$ (2,000.00)		\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
35 447 Drummond St	Port Arthur	\$ 50,350.00	\$ (2,000.00)	Donated	\$ 2,258.00		\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
36 519 San Jacinto	Port Arthur	\$ 50,350.00	\$ (2,000.00)	Donated	\$ 2,258.00	Donated	\$ 3,500.00	\$ 54,108.00	\$ 5,892.00	\$ 60,000.00
								\$ 1,947,888.00	\$ 212,112.00	\$ 2,160,000.00

LEGAL DIVISION

BOARD ACTION REQUEST

March 20, 2007

Action Item

Nomination and election of Board officers as required by Texas Government Code §2306.030.

Required Action

Nominate and elect persons to fill statutorily required positions to serve until either the first meeting after January 31, 2009 or a vacancy occurs.

Background

The Texas Government Code §2306.030 requires the nomination and election of officers at the first meeting scheduled after January 31 of each odd numbered year. Due to the February meeting being posted prior to the deadline, the March meeting is the proper meeting to nominate and elect the designated positions. The presiding officer (Chair) is designated by the Governor. The statute calls for three positions to be elected by the Board. They are 1) an assistant presiding officer (Vice-Chair) to perform the duties of the Chair when the Chair is absent, 2) a secretary to be the official custodian of the minutes, books, records and seal of the Board along with other duties as assigned by the Board, and 3) a treasurer to perform duties as assigned by the Board.

The Vice Chair must be a member of the Board. Kent Conine is currently the Vice Chair. The secretary and treasurer need not be members of the Board, but may be members of the Board. The same person may be, but is not required to be, elected as both Secretary and Treasurer. The current secretary to the Board is Kevin Hamby, appointed as of September 1, 2005 at the August 2005 board meeting to fill a vacancy when Delores Groneck retired. Currently, the treasurer position is vacant.

The Board may also appoint one or more people who are not members to be assistant secretaries to perform any duty of the Secretary.

Recommendation

Staff recommends nominating and electing the positions of Vice Chair, Secretary, and Treasurer to comply with state law.

OFFICE OF RURAL COMMUNITY AFFAIRS

BOARD ACTION REQUEST

March 20, 2007

Action Item

The following action is recommended related to non-housing activities under the State of Texas Action Plan (Action Plan) for *Community Development Block Grant (CDBG) Disaster Recovery Funds to Areas Most Impacted and Distressed by Hurricane Rita*:

Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG contracts administered by ORCA for Contract #DRSCOG06001, Contract Deep East Texas Council of Governments.

Requested Action

Approve or deny the request for an amendment related to DETCOG's use of non-housing administrative funds under the CDBG Disaster Recovery Program.

Background

The U.S. Department of Housing and Urban Development approved the State of Texas Action Plan (Action Plan) related to the CDBG Disaster Recovery Funds to Areas Most Impacted & Distressed by Hurricane Rita on June 16, 2006. On August 30, 2006 the TDHCA Governing Board approved the non-housing project recommendations of the Office of Rural Community Affairs (ORCA) and the four COGs in the affected area.

The Action Plan approved by HUD specifically states "contract amendments that vary more than 5% must be approved by the TDHCA Board."

Deep East Texas Council of Governments (DETCOG) Contract Number DRSCOG06001

ORCA recommends approval of a transfer in funding categories to move fifty two thousand five hundred twelve dollars (\$52,512) from the planning / project delivery line item to the general administration line item to cover general administrative expenses as defined by the U.S. Department of Housing and Urban Development (HUD). With this amendment, the new budget will provide sixty four thousand two hundred fifty three dollars (\$64,253) in general administration and thirty five thousand seven hundred forty seven dollars (\$35,747) in planning / project delivery, for a total of one hundred thousand dollars (\$100,000) in administration and planning / project delivery.) This amendment is needed to accurately reflect the actual expenditures of DETCOG for non-housing administrative activities within the administrative budget categories of general administration, planning, and project delivery. Overall administrative expenses for DETCOG will not increase and there will be no change in the number of beneficiaries associated with this amendment.

On August 30, 2006 the TDHCA Governing Board approved eleven thousand seven hundred forty one dollars (\$11,741) for DETCOG for general administration expenses and eighty eight thousand two hundred fifty nine dollars (\$88,259) for planning / project delivery activities related to the non-housing activities. After completion of the non-housing work, DETCOG has determined that the original amount approved for general administrative activities is not sufficient to cover the actual costs incurred by DETCOG in support of the non-housing activities. Based on a review of the actual costs detailed by DETCOG, ORCA staff agrees with this determination.

Requested Action

ORCA recommends approval of a transfer in funding categories to move fifty two thousand five hundred twelve dollars (\$52,512) from the planning / project delivery line item to the general administration line item to cover general administrative expenses as defined by HUD.

**UPDATE ON COMMUNITY DEVELOPMENT
BLOCK GRANT RELATED TO DISASTER
RELIEF**

VERBAL PRESENTATION

Real Estate Analysis Division

BOARD ACTION ITEM

March 20, 2007

Action Item

Presentation, discussion and possible action on a timely filed appeal regarding the underwriting recommendation of a development under the HOME program, Floresville Senior Housing in Floresville, TX.

Required Action

Approve, deny or approve with amendments a determination on the appeal.

Background

060247 Floresville Senior Housing

The Center for Housing and Economic Opportunities Corporation, the Managing General Partner of the Applicant, submitted an application for funding under the HOME CHDO program to develop 24 multifamily rental units targeting the elderly. The Applicant has requested \$50,000 in CHDO Operating Expense funds, and development funds of \$1,947,989 to include a deferred forgivable loan of \$1,677,989 and a \$270,000 repayable loan with an amortization period of 30 years at 0% interest.

The application failed to satisfy the Notice Of Funds Availability (NOFA) requirement that 10% of the total development cost be financed by leveraging additional public or private financing sources but was not terminated due to the applicant's desire to seek a waiver of this requirement from the Board. The development was underwritten but not recommended for funding because of the failure to meet the 10% leveraging requirement and because the proposed community building did not meet the requirements of § 92.206 of the HOME regulations which requires non-residential community facilities to be a part of a residential building.

The Executive Director of the Center for Housing and Economic Opportunities Corp, Mike Harms, submitted a staff appeal on January 23, 2007. The Executive Director of TDHCA denied the appeal on the basis that the application did not satisfy the 10% leveraging requirement but also addressed the Applicant's challenges to the underwriting conclusions and found that the underwriting conclusions were supported by the Department's guidelines and the best information available at the time the report was completed and posted.

The Applicant submitted an appeal to the TDHCA Board of Directors on February 13, 2007. The Board appeal generally addresses the same issues addressed in the appeal to the Executive Director, namely: 1) the waiver of the leveraging requirement; 2) the rents used by underwriting and the underwriting conditions on the financing structure of the loan; 3) the connection of the community

building to the residential buildings; and 4) the finding of technical delinquency of the related transaction.

1) The waiver of the 10% leveraging requirement is not recommended as it has been a policy of the Board to leverage HOME funds in situations like this and was reflected in the NOFA approved by the Board.

2) The appeal of the REA recommendations and conditions is not recommended. The Underwriter's use of the maximum HOME rents was supported by the 2006 Real Estate Analysis Rules and Guidelines §1.32(d)(1)(A), which states, "Rental Income. The Program Rent less Utility Allowances or Market Rent or Contract Rent is utilized by the Underwriter in calculating the rental income for comparison to the Applicant's estimate in the Application." The Applicant recognizes this concern in their appeal by indicating that they would agree to "self-restrict" at a rent level below those for which were originally indicated in the application. This new proposal could be addressed in a future application by using the 30% of AMI target for some of units. Moreover, this issue may not even provide sufficient grounds for appeal because it was only provided after the underwriting report was completed. This proposal has not been fully evaluated by staff as it is one of many that could justify an alternative award structure. It is likely however, that granting the appeal on this issue would result in the necessity to structure an award primarily in the form of a grant and would call into serious question the long term viability of the development.

3) The appeal of the determination that the community building does not meet the requirements of an eligible cost is not recommended. The Applicant submitted a revised site plan after the underwriting report was completed and delivered to the Applicant which reflects the community building connected to residential buildings by way of a breezeway. HOME § 92.206(a)(4) indicates that HOME funding can be provided for community areas only when costs to construct or rehabilitate laundry and community facilities are located within the same building as the housing and which are for the use of the residents and their guests. Recent discussions with HUD and HOME administrators from other states suggest that a breezeway connection is not sufficient to meet this requirement.

4) The appeal of the determination that the related development, Kenedy Senior Housing was delinquent at the time the underwriting report was completed is not recommended. This issue was resolved subsequent to the completion and posting of the underwriting report. Therefore, the underwriting conclusion of technical delinquency was current and accurate at the time of the report.

The Department's rules and guidelines were applied evenly, fairly and as originally intended during the underwriting analysis.

Recommendation

Staff recommends the Board deny the appeal and deny the requested waiver.

Tom
Lucy

Center for Housing and
Economic Opportunities Corporation
504 River Oaks Drive, San Leanna, Texas 78748
512-292-3919 Fax 512-292-0134 Cell Phone 512-796-0746
E-Mail - MikeSHarms@aol.com

February 13, 2007

Texas Department of Housing and Community Affairs
c/o Michael Gerber - Executive Director
221 E. 11th Street
Austin, Texas 78711-3941

RECEIVED
FEB 13 2007
DEPUTY ED.

Re: Appeal of Texas Department of Housing and Community Affairs Appeal Review
by Michael Gerber, Executive Director dated February 7, 2007.
Floresville Senior Housing TDHCA HOME CHDO File # 060247

Dear Mr. Gerber,

Pursuant to Title 10 TAC Section 1.7, we respectfully appeal to the TDHCA Board of Directors,
your February 7, 2007 denial of our appeal to staff which was dated January 23, 2007.

Specifically we appeal the following:

1. NOFA Requirement that 10% of total development cost be leveraged with additional Public or Private financing sources:

We officially reiterate our request in our application for a waiver of the NOFA requirement that the applicant demonstrate that at least 10% of the total development costs be leveraged by additional private or public financing resources. However, in order to meet the spirit and intent of the 10% requirement, our development partner, Floresville Economic Development Corporation (FEDC), has committed to donating the land to the project. The land has an appraised value of \$ 69,000. In good faith FEDC has already expended \$10,000 for the Phase I Environmental Study, land surveys, the Professional Market Study, and the land appraisal. Also we have also committed to making a request to the City of Floresville to waive building permit and tap fees.

2. REA Recommendations and Conditions:

The REA analysis division has proposed a condition that if a loan was approved by the TDHCA Board, the term would be 0% for 40 years. In order to support a 0% - 40 year loan, the REA analysis established the net rent collected would be \$462 & \$490 for a One (1) bedroom unit and \$600 for a Two (2) BR unit. This is due to the fact that Wilson County utilizes the San Antonio MSA HOME Income and Rent charts. However we respectfully disagree that we can achieve the TDHCA REA proposed rents for low income seniors and persons with disabilities in Floresville, Wilson County.

In response to the Appeal Review of February 7, 2007, we will agree to a rent restriction that 100% of the units will be reserved for senior households with incomes 50% or less of the median income for the area. We would agree to legally "self-restrict" rents based on 50% of median income or less, and agree to place those conditions in our LURA. We respectfully request that TDHCA recommend a loan structure consistent with the following proposed rents.

Number of Units	Bedroom Size	Income Limit	Gross Rent	Utility Allowance	Net Collectable Rent
16	1 Bedroom	50%	367	67	300
8	2 Bedroom	50%	487	87	400

Future increases above the baseline rents as identified in the above chart, could be capped using a formula of a 3% increase, or the percentage increase in annual HOME Published Rents, whichever is greater, as long as rents remained affordable to household incomes of 50% of median or below.

3. The REA Division rejected our site plan to connect the community building with two adjacent apartment buildings with a covered "breezeway". In order to adhere to Section 92.206 of the HOME Regulations as delineated in the February 7, 2007 letter from Mr. Gerber, we have revised the site plan to have the community space and two apartments in one building. This revised site plan will be provided under separate cover in sufficient time to attach it to the March Board Packet.

4. The Board of Directors had approved a six (6) month extension for initiation of payments to TDHCA by Kenedy Senior Housing. Occupancy improved substantially by December 31, 2006. Prior to January 10, 2007, we verbally informed Mr. Bert Murray of the REA staff, that in lieu of requesting the final two (2) months extension, we would begin making our loan payments to TDHCA in January 2007. We made our first payment in January. We respectfully disagree that we were delinquent at any time on any of the conditions of the loan.

We respectfully request that this appeal, based on these issues, be placed on the March TDHCA Board Agenda.

If you have any questions, please feel free to call at your convenience.

Respectfully,



Mike S. Harms
Executive Director

Cc: Jesse M. Perez – Executive Director Floresville Economic Development Corporation
Tom Gouris – Director REA Division, TDHCA

Center For Housing and Economic Opportunities Corporation
504 River Oaks Drive
San Leanna, Texas 78748
512-292-3919 Fax 512-292-0134
Cell Phone 512-796-0746
E-Mail - MikeSHarms@aol.com

March 9, 2007

Texas Department of Housing and Community Affairs
c/o Tom Gouris - Director - Real Estate Analysis Division
P.O. Box 13941
221 E. 11th Street
Austin, Texas 78711-3941

Re: Re: Appeal of Texas Department of Housing and Community Affairs Appeal
Review by Michael Gerber, Executive Director dated February 7, 2007.
Floresville Senior Housing TDHCA HOME CHDO File # 060247

Dear Mr. Gouris,

In response to the letter by Mr. Michael Gerber, as noted above, please find the following additions to our appeal letter of February 13, 2007:

A revised site plan and elevations by Michael Wills, Architect, demonstrating that the community building is located within the same building as tenant units per HOME regulations 92.206.

In response to your request we have provided an expanded market penetration analysis by our Market Study firm delineating the demand summary by income brackets of 50%, 60% and 80% for the Primary Market Area. This analysis is for our designated target market which is elderly renter households (62+).

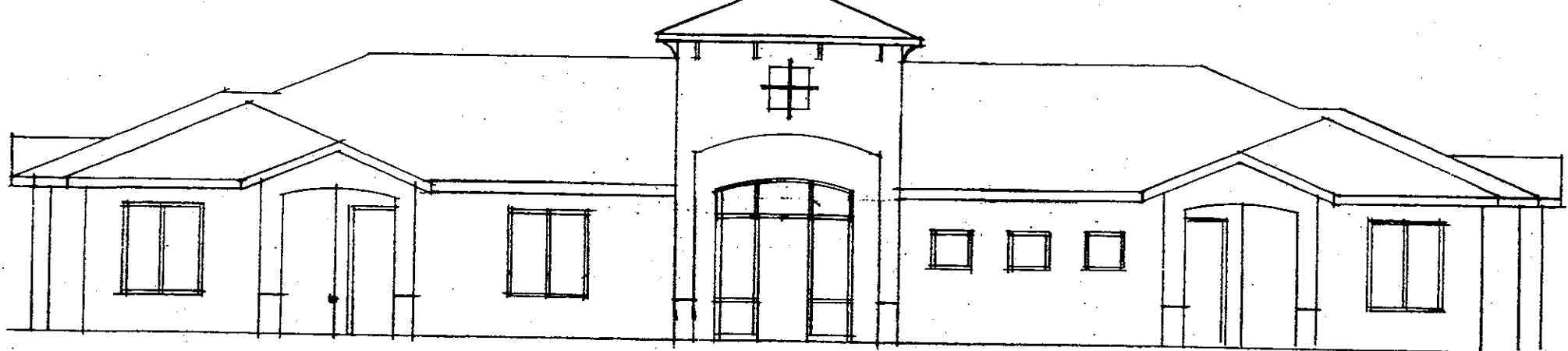
Please attach these documents to our February 13, 2007 appeal letter to the Board of Directors

If you have any questions, please feel free to call at your convenience.

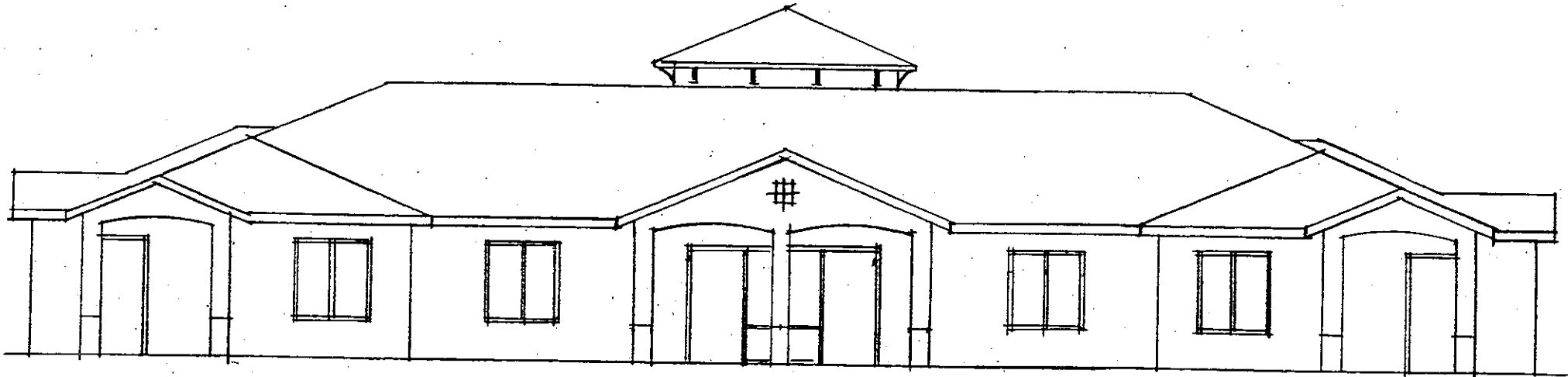
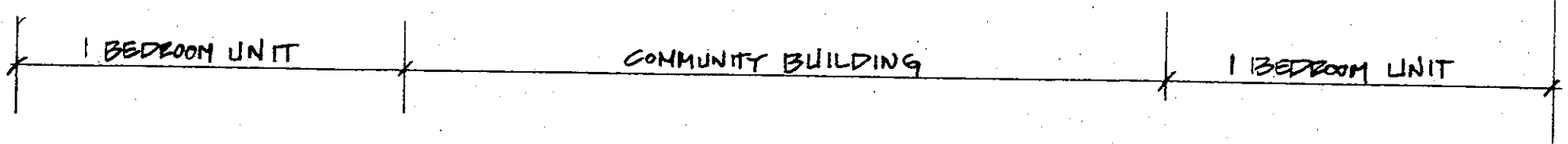
Respectfully,



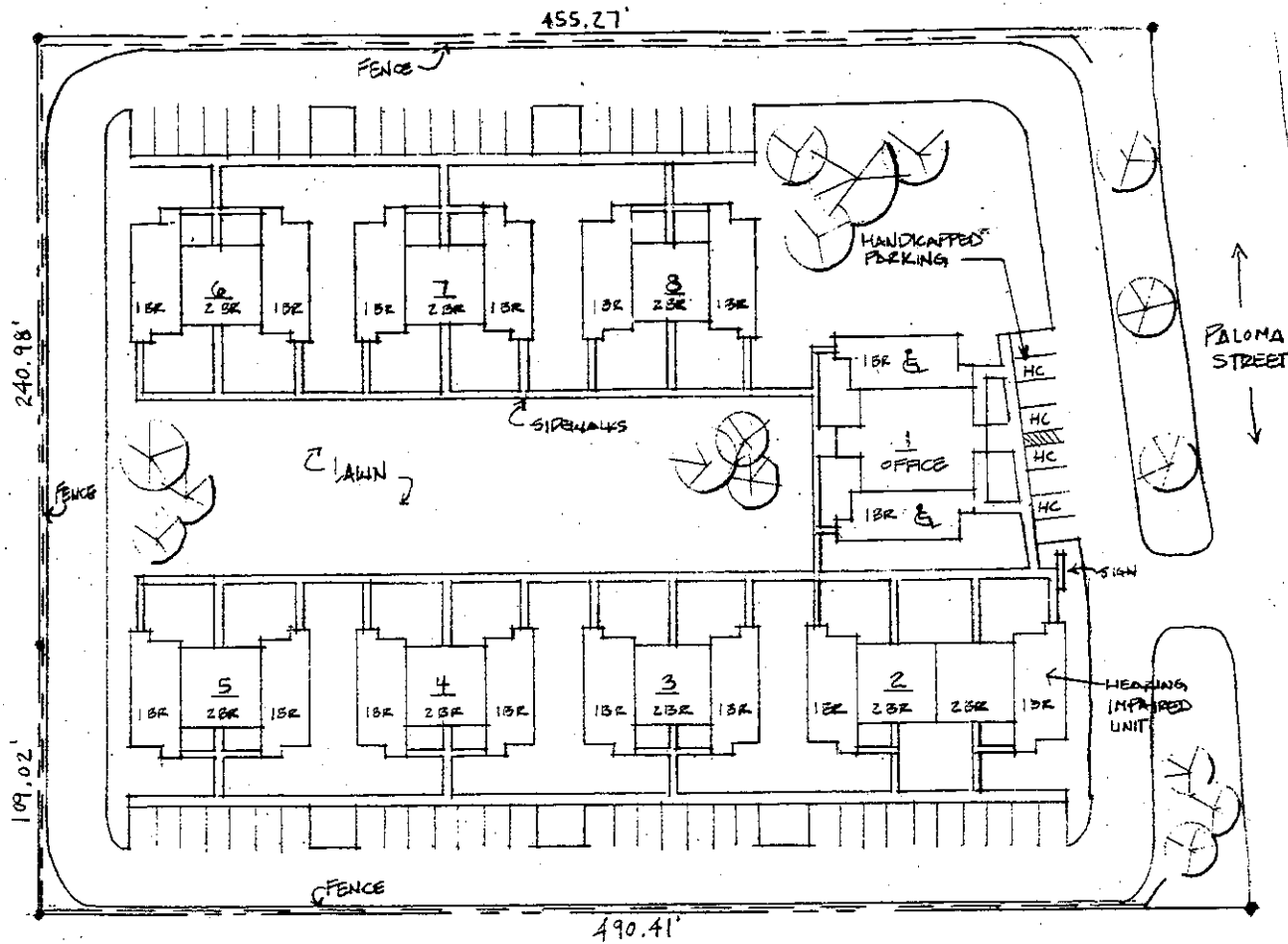
Mike S. Harms
Executive Director



BUILDING #1 FRONT

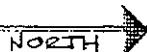


BUILDING #1 BACK



SITE PLAN

1" = 50'-0"



Notes:

The subject property is in Zone C,
 Area outside of 500 year Flood Plain

There are no encroachments or easements
 per the survey dated July 17, 2006 by Pollock Surveyors.

The subject property is 3.83 acres.

Development Includes:

- 80 parking spaces
- 1 - community building with office
- 8 - 2 bedroom units
- 16 - 1 bedroom units
 (2 units for handicapped attached to community building)

Floresville Housing Opportunities
 Paloma Street, Floresville, Texas
 Michael Wills - Architect

Revised February 15, 2007

Vogt Williams Bowen
RESEARCH

February 28, 2007

Mr. Mike Harms
 Center for Housing and Economic Opportunities
 504 River Oaks Drive
 Austin, TX 78748

Dear Mr. Harms:

Per your request, I have formulated a market absorption analysis based on the proposed rents recommended by the Texas Department of Housing and Community Affairs (TDHCA) for the proposed Floresville Senior Apartments project in Floresville, Wilson County, Texas.

The original rents submitted by the applicant in April 2006 are as follows:

TOTAL UNITS	BEDROOM TYPE	BATHS	STYLE	SQUARE FEET	PERCENT OF AMHI	PROPOSED RENTS		
						COLLECTED	UTILITY ALLOWANCE	GROSS
2	ONE	1.0	GARDEN	685	30%	\$250	\$67	\$317
4	ONE	1.0	GARDEN	685	50%	\$300	\$67	\$367
10	ONE	1.0	GARDEN	685	60%	\$325	\$67	\$392
6	TWO	1.0	GARDEN	906	60%	\$400	\$87	\$487
2	TWO	1.0	GARDEN	906	80%	\$425	\$87	\$512
24								

Source: Center for Housing and Economic Opportunities, Inc.
 AMHI - Area Median Household Income (San Antonio, Texas MSA)

The recommended collected rents by TDHCA are as follows:

TOTAL UNITS	BEDROOM TYPE	BATHS	STYLE	SQUARE FEET	PERCENT OF AMHI	PROPOSED RENTS		
						COLLECTED	UTILITY ALLOWANCE	GROSS
6	ONE	1.0	GARDEN	685	50%	\$432	\$67	\$498
15	ONE	1.0	GARDEN	685	60%	\$490	\$67	\$557
5	TWO	1.0	GARDEN	906	60%	\$600	\$87	\$687
3*	TWO	1.0	GARDEN	906	80%	\$600	\$87	\$687
24								

*The unit mix between AMHI levels reflects the initial lease up period only. Per Final HOME Rule 92.216, not less than 90% of the total units must be rented at 60% AMHI or below during the initial lease-up period. Therefore, only 10% of the total units at the proposed project can be at 80% AMHI.

Mr. Mike Harms
February 28, 2007
Page Two

MARKET PENETRATION CALCULATIONS

We have conducted a demand analysis for the 24 total units at the subject site pursuant to TDHCA market study guidelines. A separate analysis was also conducted for the proposed units at 50%, 60%, and 80% of AMHI. The enclosed market penetration analysis was based on the proposed collected rents submitted by TDHCA, which are \$432 and \$490 for a one-bedroom unit at \$600 for a two-bedroom unit.

The following are key demographic data used in the Market Penetration Calculation analysis:

- The base year (2006) population age 62 and older for the Site Primary Market Area (PMA) is 5,402, and is projected to increase to 6,886 in 2011. This is an annual increase in population of 297.
- The total number of households age 62 and older in the base year (2006) is 3,750, and is projected increase to 4,738 by 2011. This equates to an annual increase of 198 households.
- According to the 2000 Census and HISTA, 81.3% of households age 62 and older in the Site PMA were comprised of one and two persons.
- In 2006, there were 787 age- and income-eligible households within the Site PMA. These 787 households represent 21.0% of the 3,750 households age 62 and older within the Site PMA.
- According to the 2006 estimates, renters age 62 and older occupied 372 of the 3,750 total housing units (occupied by a household age 62 and older). These 372 renter-occupied households represent 9.9% of all occupied households.
- According to the Institute of Real Estate Management, the annual turnover rate for 12 to 24 unit buildings in the region that includes Floresville is 60.2%. However it should be noted that turnover at senior properties is typically lower than that of properties that target families.

Mr. Mike Harms
February 28, 2007
Page Three

- Based on the 2006 estimates of the number of households age 62 and older and total population age 62 and older, it is estimated that the average household size headed by a person age 62 and above is 1.44. This is derived by taking the 5,402 people age 62+ in the Site PMA and dividing that number by the 3,750 households age 62+ within the market.
- There are no known comparable affordable rental housing units currently approved and not constructed in the Site PMA.
- Although we expect that the project will also receive support from senior homeowners converting to renters, we have not factored in age- and income-qualified owner households into our analysis. The Underwriter that conducted the TDHCA Multifamily Underwriting Analysis (dated January 22, 2007) did not factor in age- and income-qualified owner households into this analysis.

The demand for the 24 HOME units at the subject site is calculated on the following page.

TDHCA-FORMATTED DEMAND SUMMARY

I. DATA	ANALYST (OVERALL)	ANALYST (50% AMHI)	ANALYST (60% AMHI)	ANALYST (80% AMHI)
Number of Proposed Affordable Units	24	6	15	3
Targeted Group (low-income general, elderly, etc.)	Elderly (62+)	Elderly (62+)	Elderly (62+)	Elderly (62+)
Primary Market Area	Wilson County	Wilson County	Wilson County	Wilson County
Demographic Baseline Year	2006	2006	2006	2006
Demographic Projection Year	2011	2011	2011	2011
Number of Years in Projection Period	5	5	5	5
Current Year	2006	2006	2006	2006
Number Years into Projection Period	1	1	1	1
Baseline Total Population Age 62+	5,402	5,402	5,402	5,402
Projected Total Population Age 62+	6,886	6,886	6,886	6,886
Est. Current Population Age 62+	5,402	5,402	5,402	5,402
Population Growth Rate (Total)	27.5%	27.5%	27.5%	27.5%
Population Growth Rate (Annual)	5.5%	5.5%	5.5%	5.5%
Baseline Total Households Age 62+	3,750	3,750	3,750	3,750
Projected Total Households Age 62+	4,738	4,738	4,738	4,738
Estimated Current Total Households Age 62+	3,750	3,750	3,750	3,750
Household Growth Rate (Total)	26.3%	26.3%	26.3%	26.3%
Household Growth Rate (Annual)	5.3%	5.3%	5.3%	5.3%
Average Household Size	1.44	1.44	1.44	1.44
Estimated Current Total Households Age 62+	3,750	3,750	3,750	3,750
X Percent Households Size Appropriate (1 and 2 Person)	81.3%	81.3%	81.3%	81.3%
= Estimated Current Targeted Size-Appropriate Households Age 62+	3,049	3,049	3,049	3,049
X Percent Households Income-Qualified Age 62+	25.8%	6.4%	12.4%	16.2%
= Estimated Current Targeted Size-Appropriate Income-Qualified Households Age 62+	787	195	378	494
X Renter Percent Age 62+	9.9%	9.9%	9.9%	9.9%
= Current Targeted Size Appropriate Income-Qualified Renter Households Age 62+	78	19	37	49
II. GROWTH DEMAND				
Population-Based:				
Projected Total Targeted Population Age 62+	6,886	6,886	6,886	6,886
Baseline Total Targeted Population Age 62+	5,402	5,402	5,402	5,402
= Projected Total Targeted Population Growth	1,484	1,484	1,484	1,484
/ Number of Years in Projection	5	5	5	5
= Annual Total Targeted Population Growth Age 62+	297	297	297	297
/ Average Targeted Household Size Age 62+	1.44	1.44	1.44	1.44
= Annual Total Targeted Household Growth	206	206	206	206
X Percent Households Size Appropriate (1 and 2 Person)	81.3%	81.3%	81.3%	81.3%
= Estimated Targeted Size-Appropriate Household Growth	167	167	167	167
X Renter %	9.9%	9.9%	9.9%	9.9%
= Annual Total Targeted Size-Appropriate Renter HH Growth	17	17	17	17
X % Income-Qualified	25.8%	6.4%	12.4%	16.2%
= Annual Size-Appropriate Income-Qualified Targeted Renter HH Growth Demand Age 62+	4	1	2	3
Percent of Total Demand	7.8%	8.3%	8.0%	9.4%
III. TURNOVER DEMAND				
Estimated Current Number of Size Appropriate Income-Qualified Targeted Renter HH Age 62+	78	19	37	49
X Turnover Rate (%)	60.2%	60.2%	60.2%	60.2%
= Annual Income-Qualified Targeted Renter Turnover Demand Age 62+	47	11	23	29
Percent of Total Demand	92.1%	91.7%	92.0%	90.6%
IV. OTHER DEMAND (PER ANALYST)				
Percent of Total Demand	0	0	0	0
	92.1%	91.7%	92.0%	90.6%
V. TOTAL INCOME-QUALIFIED TARGETED RENTER DEMAND AGE 62+ (Growth + Turnover + Other)				
	47+4 = 51	11+1 = 12	23+2 = 25	29+3 = 32
VI. SIMPLE CAPTURE RATE (Proposed Affordable Units)				
/Total Income-Qualified Targeted Renter Demand	24	6	10	8
= Simple Capture Rate	24/51=47.1%	6/12=50.0%	15/25=60.0%	3/32=9.4%
VII. INCLUSIVE CAPTURE RATE (Proposed Units)				
+ Known Projected Comparable (Affordable) Units:				
Project	0	0	0	0
= Total Unstabilized Comparable Units of Supply	24	6	10	8
/ Total Income-Qualified Targeted Renter Demand	0	0	0	0
= Inclusive Capture Rate	51	12	25	32
	24/51=47.1%	6/12=50.0%	15/25=60.0%	3/32=9.4%

Mr. Mike Harms
February 28, 2007
Page Five

As the preceding demand summary illustrates, the proposed 24 units at the subject site will represent a capture rate of 47.1% of the 51 net age- and income-eligible renter households within the Site PMA. This is considered to be a high overall capture rate. The capture rates for units at 50%, 60%, and 80% of AMHI range from 9.4% to 60.0%. The capture rate at 80% AMHI (9.4%) is achievable due to the low number of units proposed (three). However, the capture rates at both 50% and 60% of AMHI both appear to be high. The greatest demand in the Site PMA is for units at 80% AMHI (32 households). Based on the indicated capture rates for the proposed units, it appears that there is limited support for the proposed Floresville Senior Housing project at the rents proposed by TDHCA.

Additionally, note that the market-driven collected rents for the subject unit are \$500 for a one-bedroom unit and \$600 for a two-bedroom unit. The proposed TDHCA collected rents of \$432 and \$490 for a one-bedroom units are 86.4% and 98.0% of market-driven, respectively. The proposed TDHCA collected rent of \$600 for a two-bedroom unit is equal to the two-bedroom market-driven rent of \$600. Typically, proposed Tax Credit rents should be set at least 10% below market-driven to ensure that the site project attracts a sufficient flow of tenants.

Please feel free to contact me if you have any questions or concerns regarding the contents of this letter.

Sincerely,



Christopher T. Bunch
Market Analyst
Vogt, Williams and Bowen



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

February 7, 2007

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

Mr. Mike Harms
Center for Housing and Economic Opportunities Corporation
504 River Oaks Drive
San Leanna, TX 78748
Telecopier: (512) 292-0134

Re: Executive Director Appeal for Floresville Senior Housing

Dear Mr. Harms:

Appeal Review

I have reviewed the application you submitted, as well as your appeal that was received on January 23, 2007 regarding the underwriting recommendation of the above-referenced application.

Your appeal is denied based on the fact the application does not satisfy the NOFA requirement that 10% of the total development cost be financed by leveraging additional public or private financing sources. I note for the record you have not contested that the application does not satisfy the 10% leveraging component of the NOFA.

I will address other issues you raised for your benefit should you successfully appeal the development cost issue to the Governing Board.

1. Challenge of the Underwriter's use of the maximum HOME rents in the feasibility analysis and to determine the financing structure.

The 2006 Real Estate Analysis Rules and Guidelines §1.32(d)(1)(A) states, "Rental Income. The Program Rent less Utility Allowances or Market Rent or Contract Rent is utilized by the Underwriter in calculating the rental income for comparison to the Applicant's estimate in the Application." The Underwriting Report documented the rents as the lesser of the program rent less utility allowances or the market rent in line with the underwriting rules. For each unit type, the market rent was equal to or higher than the program rent. Your suggestion of a lower self restricted rent to address lower income households could be addressed in a future application by using the 30% of AMI target for units.

Mike Harms
Page 2
February 7, 2007

2. Challenge of staff's request for additional information on Home Rules §92.206. On December 20, 2006 you assured staff that you would amend the plans to comply with the community facilities requirement in § 92.206 of the HOME regulations. However, the amended plans had not been received as of January 22, 2007, the date of the Underwriting Report.

In addition, the very rough site plan you provided with your appeal indicates that the clubhouse is connected via a breezeway. Such a construction plan has been used in the past in order to meet the requirements of § 92.206 of the HOME regulations, but it has not been confirmed by HUD to meet the requirement that common area facilities are located within the same building as tenant units. Moreover, recent discussions with HUD and HOME administrators from other states suggest that a breezeway connection is not sufficient to meet this requirement.

3. Challenge of direct construction costs used to determine the total need for funds. This issue has been resolved and is no longer at issue in that your costs were used with a minor adjustment described in the underwriting report.

4. Challenge of compliance report regarding Kenedy Senior Housing. The property was in delinquency at the time of the report. It is noted that a copy of the payment check attached to your letter indicates a date of January 23, 2007. Staff was correct in its assertion at the time of the request that Kenedy Senior Housing was in technical delinquency.

I have determined that the Departments rules and guidelines were applied evenly, fairly, and as originally intended during the course of the underwriting analysis and in making the recommendation. Therefore, the appeal is denied.

Appeal Determination

As noted above, the appeal is denied.

Pursuant to Title 10 Texas Administrative Code Section 1.7 you have requested that your appeal, if denied by me, be filed with the Board and heard at its next regularly scheduled meeting. This appeal will be considered by the Board at the March 12, 2007 Board meeting.

If you have questions or comments, please call me or Tom Gouris, Director of our Real Estate Analysis Division at (512) 475-1470.

Sincerely,



Michael Gerber
Executive Director

MGG : CD

Appeal

Texas Department of Housing & Community Affairs

As Regards

Multifamily Underwriting Analysis
Real Estate Analysis Division
Floresville Housing Opportunities, LP.
CHDO Rental Housing Application
Floresville, Texas
TDHCA File # 060247

January 23, 2007

Center for Housing and
Economic Opportunities Corporation

504 River Oaks Drive

San Leanna, Texas 78748

512-292-3919

Fax 512-292-0134 Cell Phone 512-796-0746

E-Mail - MikeSHarms@aol.com

January 23, 2007

Texas Department of Housing and Community Affairs
c/o Michael Gerber - Executive Director
221 E. 11th Street
Austin, Texas 78711-3941

Re: Appeal of TDHCA Underwriting Analysis - Floresville Senior Housing
TDHCA HOME CHDO File # 060247

Dear Mr. Gerber,

We respectfully appeal portions of the underwriting analysis as e-mailed to us on January 22, 2007 by the Real Estate Analysis Division of TDHCA. Our basis of appeal is on procedural grounds.

1. REA Recommendations and Conditions:

The REA analysis division has proposed a condition that if a loan was approved by the TDHCA Board, the term would be 0% for 40 years. In order to support a 0% - 40 year loan, the REA analysis established the net rent collected as \$462 & \$490 for a One (1) bedroom unit and \$600 for a Two (2) BR unit. We believe this to be a procedural miscalculation. We based our application and loan request based on the following rent structure:

Bedroom Size	Income Limit	Gross Rent	Utility Allowance	Net Collectable Rent
1 Bedroom	30%	367	67	300
1 Bedroom	50%	392	67	325
1 Bedroom	60%	417	67	350
2 Bedroom	60%	537	87	450
2 Bedroom	80%	562	87	475

We based our projections based on our knowledge of the income levels of seniors 62+ in the Primary Market Area (PMA) i.e Wilson County. The General Partner in the borrower entity, Floresville Housing Opportunities, L.P., is the Floresville Economic Development Corporation whose mission is to improve economic opportunities for the residents of Floresville. They are very familiar with the demographics and "on the ground" knowledge of the economic base of the area. In their introduction for their Economic Development and Marketing Strategic Plan, which was included in our application Volume 3 Tab 7, they stated that Floresville "has a workforce engaged in low-wage jobs, the median household income of Floresville is significantly lower than surrounding counties". This is further reflected in the Market Feasibility Analysis by Vogt, Williams and Bowen that we submitted with our application. On page IV-13, they indicate that a full 42% of 62+ households in the PMA have income of less than \$ 19,999. Even more important is they indicate on page IV-15 that a full 71% of 62+ one and two person renter households have an income less than \$20,000. Furthermore, over 41% of the 62+ renter household have incomes below \$10,000.

TDHCA's January 22, 2007 Underwriting Analysis establishes one bedroom net rents at \$462-\$490. This would require a senior household income of \$18,500 to \$22,000 to afford these rents. The two bedroom net rents projected by the TDHCA's analysis would require an elderly household to have an income of \$27,500. By their rent projections, they exclude 70% of the eligible senior market in the PMA.

Our projected rents submitted in our application (see above chart) target 85% of the senior rental households with incomes under \$20,000. Virtually 100% of this income group fall under the 50% income 2006 limits for Wilson County. The remaining 15% would fall in the 60% 2006 income limits for Wilson County.

Although we could "technically" utilize the 2006 income and rent limits for the San Antonio MSA, the "actual" incomes for seniors in the Wilson County PMA are much lower as indicated in the Professional Market Feasibility Analysis by Vogt, Williams, & Bowen. We submitted our application based on our mission as a CHDO to provide the "actual" low income seniors in Floresville and Wilson County with affordable housing consistent with their incomes. Our history as an organization in producing "actual" affordable housing for seniors in Kenedy (Karnes County) and Luling (Caldwell County) bears this out. Our prior assistance as a non-profit consultant to other CHDO's in Smithville, Lockhart, and Fairfield is further proof that our mission is consistent with providing "actual" affordable housing in those communities.

If necessary to assure TDHCA that we will adhere to our goal of renting 90% of our units to those whose incomes are 60% median and under, we would agree to **legal "self-restrictions" on rents** that would be included in our LURA. Future increases above the baseline rents as identified in our application (see above chart), could be capped using a formula of a 4% increase, or the percentage increase in annual HOME Published Rents, whichever is greater. In addition, of course we would adhere to the HOME initial rent-up and long term rent restrictions as indicated by our Rent Schedule in Volume I Tab 2 part B.

We respectfully request that TDHCA recommend a loan structure consistent with our proposed rents.

2. Adherence to HOME Regulation 92.206 (a) (4) - January 22, 2007 Underwriting Analysis:

~~In a December 20, 2006, discussion with Cameron Dorsey, REA Division, he mentioned that the community building had to be connected to the housing units in order to be an eligible HOME cost. I assured Mr. Dorsey that we would amend our plans to connect the units to the housing units and submit the plans when requested. In response to the Underwriting Analysis of January 22, 2007, we are submitting that corrected preliminary site plan indicating that the community building is connected to the housing units in Building One (1) and Building Eight (8), attached hereto.~~

3. Direct Construction Costs - January 22, 2007 Underwriting Analysis:

Under the Construction Cost Comparison, TDHCA estimated direct construction costs at \$44,445 less than our estimates. Our estimated construction costs were calculated and estimated as a joint effort between the Executive Director of CHEO and Countywide Builders, L.P., the proposed General Contractor. Our cost estimates took into account recent substantial increases in steel (re-bar), concrete, copper (wiring and plumbing) and other materials and labor. When we entered into the cost estimating discussions in October 2006, Countywide Builders, L.P. had just completed the 22 units of HOME CHDO rental housing for us in Luling, Texas, thus they had a current handle on materials and labor for very similar units. They brought the senior project in "on budget" and well under the time period called for in the contract. We also factored in cost inflation resulting from the time period involved from application submission to a proposed construction start. We estimated this to be at least 6-8 months. ~~Since our estimate of direct construction costs, and TDHCA's vary less than 5%, we request that our cost amount of \$1,188,475 be utilized. In lieu of a line item increase in direct construction cost, we could amend our construction costs to include a 3% Construction Contingency line item in the amount of \$46,753.~~

4. Background and Experience – January 22, 2007 Underwriting Analysis

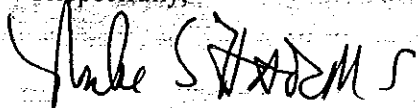
It was noted that the “applicant was technically delinquent pending approval of the latest extension request” as regards Kenedy Senior Housing. We respectfully submit that we are in full compliance with the extension and conditions approved by the TDHCA Board. A January 10th report was due to Mr. Bert Murray, in order to extend the payment for January. In lieu of the fact that rent up was approaching 95% by February 1, we chose to begin making payments in January. We informed Mr. Murray of this by telephone on or about January 4th. Also in early late December or early January, in a discussion with Mr. Tom Gouris, we conveyed that we would begin making payments and not request the final two months of extensions. A copy of the payment check to TDHCA for January is attached hereto. We request that language that we are technically delinquent be removed from the Underwriting Analysis.

We want to reiterate our request in our application for a waiver of the NOFA requirement that the applicant demonstrate that at least 10% of the total development costs be leveraged by additional private or public financing resources. Our development partner, Floresville Economic Development Corporation, has committed to donating the land that has an appraised value of \$ 69,000. We have also committed to making a request to the City of Floresville to waive building permit and tap fees.

We respectfully request that these issues be resolved in a timely manner in order to be placed on the March TDHCA Board Agenda.

If you have any questions, please feel free to call at your convenience.

Respectfully,



Mike S. Harms
Executive Director

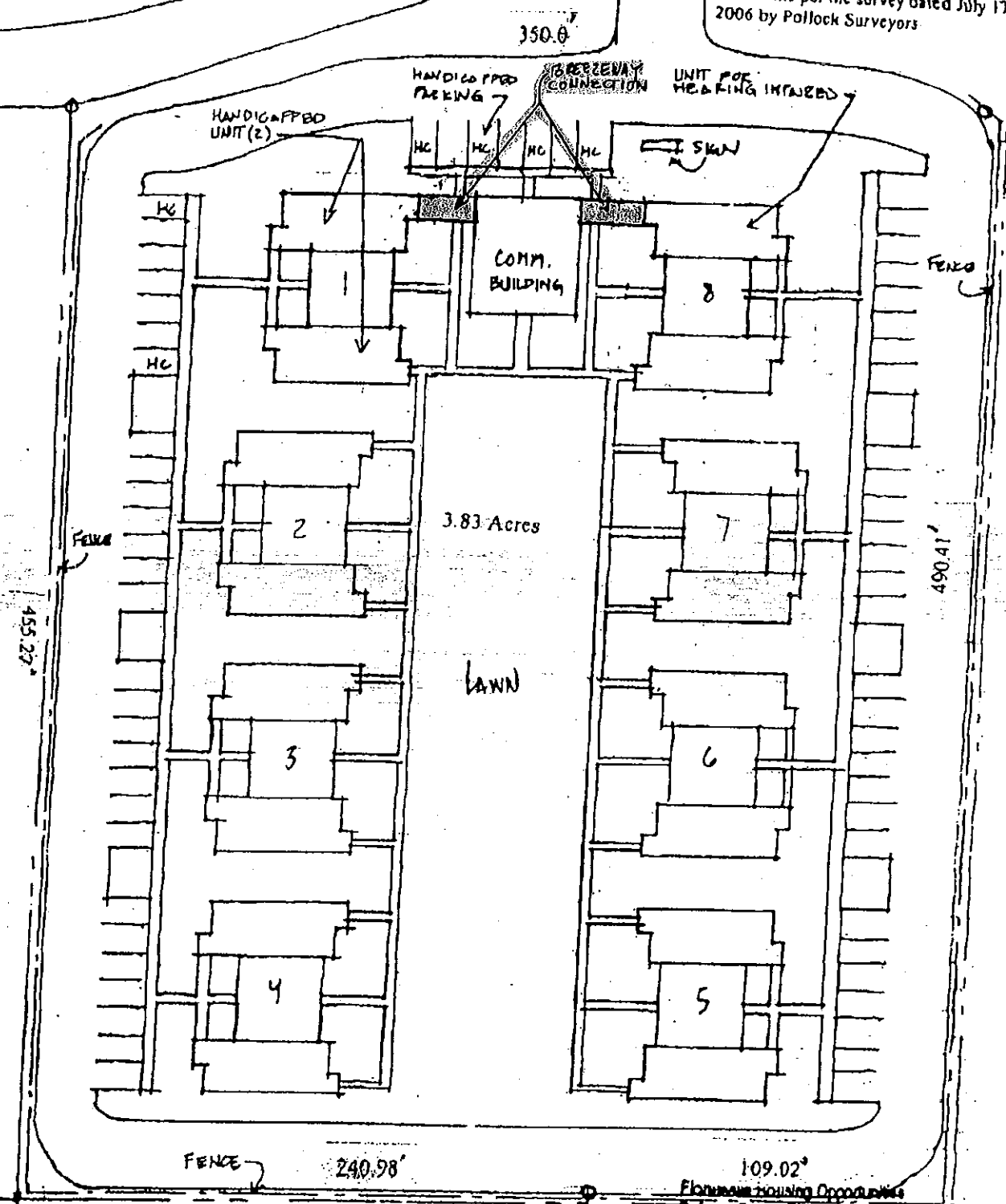
Cc: Tom Gouris – Director REA Division, TDHCA
Jesse M. Perez – Executive Director Floresville Economic Development Corporation

SITE PLAN

1" = 50'-0"

PALOMA STREET

- 1. The Subject Property is in Zone C "Area outside of 500 yr Flood Plain"
- 2. There are no encroachments or easements per the survey dated July 17, 2006 by Pollock Surveyors



Flournoy Housing Opportunities
 Paloma Street, Paloma, Texas
 Michael Mills - Architect

Revised Dec. 9, 2007

Center For Housing and Economic Opportunities Corporation

504 River Oaks Drive

San Leanna, Texas 78748

512-292-3919 Fax 512-292-0134

Cell Phone 512-796-0746

E-Mail - MikeSHarms@aol.com

January 23, 2007

Texas Department of Housing and Community Affairs
c/o Housing Finance - Loan Servicing
P.O. Box 13941
221 E. 11th Street
Austin, Texas 78711-3941

Re: Loan Number 53100001
Floresville Senior Housing

Attn: Mr. Ernie Palacios - Manager Financial Administration

Dear Mr. Palacios,

Enclosed is our first loan payment check # 1118 in the amount of \$932.98. At the November 2006 meeting of The Board of Directors of TDHCA, they approved Six (6) one month loan payment extensions. This was to cover September 2006 until February 2007.

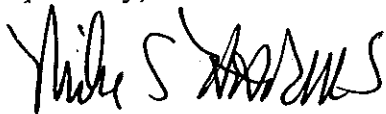
However we are approaching 95% occupancy and have agreed with Mr. Bert Murray of the TDHCA REA Division to begin making payments in lieu of requesting the last two (2) months of payment extensions.

Although this is not a current billing statement, we have enclosed a billing statement dated September 2006 for your reference.

This payment should make us current and in compliance with the payment extensions approved by the Board of TDHCA.

If you have any questions, please feel free to call at your convenience.

Respectfully,



Mike S. Harms
Executive Director

cc: Bert Murray - TDHCA REA Division

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: January 22, 2007 **PROGRAM:** HOME CHDO **FILE NUMBER:** 060247

DEVELOPMENT NAME

Floresville Senior Housing

APPLICANT

Name: Floresville Housing Opportunities, LP **Contact:** Mike S Harms
Address: 504 River Oaks Drive
City: San Leanna **State:** TX **Zip:** 78748
Phone: (512) 292-3919 **Fax:** (512) 292-0134 **Email:** mikesharms@aol.com

KEY PARTICIPANTS

Floresville Housing Opportunities, L.P.

Managing General Partner - 51%
 Center for Housing & Economic Opportunities Corp
 504 River Oaks Drive
 San Leanna, Texas 78748

General Partner- 49%
 Floresville Economic Development Corporation
 1120 "D" Street
 Floresville, Texas 78114

PROPERTY LOCATION

Location: Corner of Paloma Drive and Veterans Drive
City: Floresville **Zip:** 78114
County: Wilson **Region:** 9 QCT DDA

REQUEST

<u>Program</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
HOME (CHDO)	\$50,000	N/A	N/A	N/A
Operating Expense Funds				
HOME (CHDO)	\$270,000	0%	30 yrs	30 yrs
HOME (CHDO)	\$1,677,989	N/A	N/A	N/A
Proposed Use of Funds:	<u>New construction</u>	Type:	<u>Multifamily</u>	
Target Population:	<u>Elderly</u>	Other:	<u>Rural, CHDO</u>	

**TEXAS DEPARTMENT OF HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

RECOMMENDATION

NOT RECOMMENDED DUE TO THE FOLLOWING:

- The application does not satisfy the NOFA requirement that 10% of the total development cost be financed by leveraging additional public or private financing sources.
- The proposed community building does not meet the requirements of § 92.206 of the HOME regulations as follows:
 - (a)(4) For both new construction and rehabilitation of multifamily rental housing, costs to construct or rehabilitate laundry and community facilities which are **located within the same building as the housing** and which are for the use of the project residents and their guests.

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

CONDITIONS

1. Approval of a HOME award not to exceed \$1,785,017 structured as a repayable first lien loan with a 40-year term, fully amortizing over 40 years at 0% interest.
2. Receipt, review and acceptance of final values for proposed City fee waivers to partially meet the NOFA requirement for private or public leveraging of 10% of total development costs.
3. Receipt, review and acceptance of a commitment for a grant, cashflow loan, or deferred developer fees, currently estimated at \$156,335 more than indicated in the application; the final amount of the grant, cashflow loan, or deferred developer fees must cover the final cost of constructing the HOME-ineligible community building.
4. Receipt, review, and acceptance before release of funds of an opinion from the ESA provider concerning the potential need for a noise study;
5. Should the terms of the proposed in kind donation of the development site change or the total development cost change, any potential HOME award (amount and repayment structure) should be re-evaluated.

REVIEW OF PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 24	# Res Bldgs 8	# Non-Res Bldgs 1	Age: N/A yrs	Vacant: N/A	at / /
Net Rentable SF: 20,448	Av Un SF: 852	Common Area SF: 1,444	Gross Bldg SF: 21,892		

ARCHITECTURAL REVIEW

The building and unit plans are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect modest buildings.

STRUCTURAL MATERIALS

The structures will be constructed on concrete slabs. According to the plans provided in the application the exterior will be 100% stucco. The interior wall surfaces will be drywall and the roofs will be finished with composite shingles.

UNIT FEATURES

The interior flooring will be carpet and resilient covering. Threshold criteria for the 2006 QAP requires all development units to include: mini blinds or window coverings for all windows, a dishwasher, a disposal, a refrigerator, an oven/range, an exhaust/vent fan in bathrooms, and a ceiling fan in each living area and bedroom. New construction units must also include three networks: one for phone service, one for data service, and one for TV service. In addition, each unit will include: a self-cleaning oven, laundry

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

connections, an individual heating and air conditioning unit, individual water heater, and eight-foot ceilings.

ONSITE AMENITIES

In order to meet threshold criteria for total units of 13 or more, the Applicant has elected to provide an accessible walking path, community dining room with kitchen, community laundry room, an enclosed sun porch or covered community porch, full perimeter fencing, and an activity room.

Uncovered Parking: 60 spaces Carports: 0 spaces Garages: 0 Spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Floresville Senior Housing is a 6.3-unit per acre new construction development located in southeast Floresville. The development is comprised of 8 evenly distributed triplex residential buildings as follows:

<u>No. of Buildings</u>	<u>No. of Floors</u>	<u>1BR</u>	<u>2BR</u>
8	1	2	1

The development includes a 1,444-square foot community building that includes a community room, kitchen and laundry room. The HOME Regulations, §92.206(a)(4), states, "For both new construction and rehabilitation of multifamily rental housing, costs to construct or rehabilitate laundry and community facilities which are **located within the same building as the housing** and which are for the use of the project residents and their guests." The proposed community building is a stand-alone structure with no residential units attached. Therefore, the costs to construct the community building would be considered ineligible for HOME funding.

SITE ISSUES

SITE DESCRIPTION

Total Size:	<u>3.83 acres</u>	Scattered sites?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Flood Zone:	<u>Zone C</u>	Within 100-year floodplain?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Current Zoning:	<u>R-2 / Multi-Family</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The proposed site is a 3.83 acre parcel located approximately 0.5 miles southeast of the central business district in Floresville, Wilson County.

Adjacent Land Uses:

- **North:** Paloma Drive and vacant land immediately adjacent and Texas State Veterans beyond;
- **South:** sparse single family homes and vacant land immediately adjacent and vacant land beyond;
- **East:** vacant land and a cemetery immediately adjacent and 3rd Street beyond; and
- **West:** a church immediately adjacent and Highway 181 (10th Street) beyond.

Site Access: According to the site plan submitted access will be from Paloma Drive. Highway 181 is located less than one mile from the site and provides access to other parts of the city, region, and state.

Public Transportation: The area is served by the Alamo Regional Transit, which is available by reservation on a space available basis. Fares vary by location and route.

Shopping & Services: A major supermarket, retail stores and restaurants, pharmacies, public parks, churches, and a medical center are all located within three miles of the site.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 09/20/2006

Overall Assessment: Excellent Acceptable Questionable Poor Unacceptable

Comments: _____

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated June 8, 2006 was prepared by Professional Service Industries, Inc and contained the following findings and recommendations:

Findings:

- **Noise:** The potential need for a noise study is not addressed in the Phase I ESA provided.
- **Floodplain:** “The EDR Radius Map Report did not contain a FEMA Flood Insurance Rate Map for the subject property area of Wilson County, Texas. In addition, the FEMA website indicated a floodplain map for the area was not currently available. However, Mr. Gary Pelech, City Manager for the City of Floresville, said his floodplain data indicates the subject property to be located in Zone C – an area outside the 100 and 500-year flood zones” (p. 2).
- **Asbestos-Containing Materials (ACM):** “Testing for asbestos-containing materials...is not required pursuant to local, state, and federal laws, or recommended due to any other consideration as the subject property is undeveloped” (p. 2).
- **Lead-Based Paint (LBP):** “Testing for...lead based paint is not required pursuant to local, state, and federal laws, or recommended due to any other consideration as the subject property is undeveloped” (p. 2).
- **Lead in Drinking Water:** “According to water quality testing data provided by the City of Floresville, the lead in drinking water concentration is below the EPA action level” (p. 2).
- **Radon:** “According to the Texas Indoor Radon Survey conducted by the Texas Department of Health, Wilson County, Texas is located in Zone 3. Zone 3 counties have a predicted average indoor radon screening level <2pCi/l. of air. The EPA threshold level of concern is 4pCi/l. Based on this information; radon does not appear to be an environmental concern at the subject site.
- **Recognized Environmental Concerns (RECs):** None

Recommendations: “No further assessment of recognized environmental conditions appears to be warranted at this time” (p. 2). Receipt, review, and acceptance before release of funds of an opinion from the ESA provider concerning the potential need for a noise study is a condition of this report.

INCOME SET-ASIDE

HOME assisted rental developments, at a minimum, must set-aside at least 20% of HOME assisted units with rent and income restrictions at 50% or less of area median family income and all remaining units with rent and income restrictions at 80% or less of area median family income. These minimum requirements affect only those units which are HOME assisted and do not supersede the minimum affordability requirements for applicants jointly applying for HOME and Housing Tax Credits or any other federal, state or local affordable housing programs. Six of the 24 units (25% of total) will be reserved for households making at or below 50% of AMI and the remaining 18 units (75%) will be reserved for households making at or below 80% of AMI after meeting the initial HOME occupancy requirements (at least 20% at 50% and 70% at 60%). Moreover, the rents for High HOME are not based on the 80% incomes but rather the lesser of the area’s Fair Market Rent or 30% of the calculated 65% area median family income.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
80% of AMI	\$29,750	\$34,000	\$38,250	\$42,500	\$45,900	\$49,300

MARKET HIGHLIGHTS

A market feasibility study dated April 25, 2006 was prepared by Vogt, Williams & Bowen, LLC (“Market Analyst”) and included the following findings:

Secondary Market Information: No secondary market was identified by the Market Analyst.

Definition of Primary Market Area (PMA): “The Floresville Site PMA is defined as Wilson County in its entirety” (p. IV-9). This area encompasses approximately 808 square miles and is equivalent to a circle with a radius of 16 miles.

Population: The estimated 2006 population of the PMA is 38,055 and is expected to increase by 27.5% to

approximately 42,961 by 2011. The Market Analyst included only persons age 62 and older in the demand analysis. Within the primary market area there are estimated to be 8,404 age 62+ households in 2006. Restricting the demand analysis to include only households of persons age 62+ appears to be appropriate based on the application, which indicates the Applicant's intention to restrict the development to age 62+ households.

Total Market Demand: The Market Analyst utilized a target household adjustment rate of 14% and a household size-appropriate adjustment rate of 81% (p.VII-4). The Analyst's income band of \$9,510 to \$34,000 (p. VII-2) results in an income eligible adjustment rate of 38.5% (p. VII-4). The tenure appropriate adjustment rate of 9.9% is specific to the target population (p. VII-4). The Market Analyst indicates a turnover rate of 60.2% applies based on IREM data (p. VII-3).

In addition, the Market Analyst included demand from elderly homeowners that will convert to renters. "We have conservatively estimated this number at 10% of the households age 62 and older" (p. VII-3). However, the Analyst did not provide sufficient support for this additional source of demand. Therefore, the Underwriter did not include demand from this source in the capture rate calculation.

MARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	7	3%	10	7%
Resident Turnover	70	32%	125	93%
Other Sources: Homeowner Conversion	143	65%	N/A	
TOTAL DEMAND	220	100%	135	100%

p. VII-3

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 10.9% based upon 220 units of demand and 24 units of unstabilized affordable housing in the PMA (including the subject) (p. VII-4). The Underwriter calculated an inclusive capture rate of 17.8% based upon a supply of 24 unstabilized comparable affordable units divided by a revised demand estimate for 135 affordable units. Both the Underwriter's and Analyst's inclusive capture rates are derived based on demand from households with persons age 62 and older, as noted above.

Unit Mix Conclusion: "Based on our analysis of the rents, unit sizes (square feet), amenities, location, quality, and occupancy rates of the existing affordable properties within the market, it is our opinion that the proposed subject development will be competitive with the existing affordable properties in the market. Note that although the subject site does not offer the project amenities the other affordable properties offer, it is our opinion this is sufficient given the target market and rents" (p. V-8).

Market Rent Comparables: The Market Analyst surveyed four comparable apartment projects in the area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom Low HOME	\$300	\$432	-\$132	\$500	-\$200
1-Bedroom Low HOME	\$325	\$432	-\$107	\$500	-\$175
1-Bedroom High HOME	\$350	\$490	-\$140	\$500	-\$150
2-Bedroom High HOME	\$450	\$600	-\$150	\$600	-\$150
2-Bedroom High HOME	\$475	\$600	-\$125	\$600	-\$125

(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) Low HOME rent is derived from the 50% income level, High HOME rent is the rent for 80% units but is derived from the lesser of the Fair Market Rent or the 65% income level.

Primary Market Occupancy Rates: "Based on our survey of conventional rentals, non-subsidized (market-rate and Tax Credit) rentals have an overall occupancy rate of 91.8%, with subsidized units 99.2% occupied. Although the non-subsidized occupancy rate is moderate, we feel that the market can support additional housing, particularly at the low rent levels proposed for the subject" (p. II-3). "Highland Oaks has an overall occupancy rate of 78.9%, with 16 vacant units. Most of the vacant units (14) are at the 60% AMHI level" (p. V-3).

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

Absorption Projections: "It is our opinion that the 24 units at the subject site would reach a stabilized occupancy of 93.0% within six months of opening" (p. II-3).

Unstabilized, Under Construction, and Planned Development: "Based on our interviews with local building and planning representatives, it was determined that there are no multifamily projects planned for the area" (p. V-8). The Underwriter identified a 2005 9% HTC (060003; forward commitment) USDA Rural Rescue development located less than 0.5 miles southeast of the subject. However, the development has an existing tenant base and will target families. Highland Oaks Apartments (00179), a year 2000 mixed income development targeting families, is located approximately 2.7 miles south of the subject property. The property currently has an occupancy rate of 78.9% according to the market study. While the target population is different in the subject, the low occupancy rate in this new affordable development in such a small market is indicative of the limited overall potential demand in this market and stands in contrast to the conclusions of the capture rate calculation.

Market Impact: "Given that the good base of income-eligible households in the Site PMA, we do not anticipate the subject property impacting the occupancy rates of existing rentals in the market. The low occupancy rate reported at Highland Oaks (78.9%) is likely due to high 60% AMHI rents and a project design that does not appeal to its target market of families" (p. II-2).

Market Study Analysis/Conclusions: While the high vacancy rate in the market is a cause for concern, the information provided in the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's projected rents collected per unit were determined based on the desire to "sustain occupancy and to serve very low and low income elderly and disabled persons." The Applicant's projected rents are substantially below the net program rents, based on program guidelines, and are below the achievable market rents, as determined by the Market Analyst. The Underwriter's projected rents were determined as the lesser of the 2006 program gross rent limit less the current tenant-paid utility allowances and the achievable market rent as determined by the Market Analyst and are on average \$135 more than the Applicant's estimated rents on a monthly per unit basis. Tenants will be required to pay electric costs. The Applicant claimed no secondary income which is below the Department's standard; therefore, the Underwriter estimated secondary income of \$5 per unit per month. The Applicant's vacancy and collection loss is in line with the Department guideline. However, as a result of the differences noted above, the Applicant's effective gross income estimate is \$37K or 27% lower the Underwriter's estimate.

Expenses: The Applicant's total annual operating expense projection at \$3,141 per unit is not within 5% of the Underwriter's estimate of \$3,562, derived from the TDHCA database and third-party data sources. A number of the Applicant's estimates deviate significantly from the Underwriter's estimates, including: payroll and payroll tax (\$7K lower); property insurance (\$2K higher); and property tax (\$2K lower). As a result of the proposed ownership structure, the subject property may be eligible for a 50% property tax abatement, which is reflected in the Underwriter's property tax estimate.

Conclusion: The Applicant's estimates of effective gross income, operating expenses, and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio. The proforma and estimated debt service result in a debt coverage ratio (DCR) significantly above the current underwriting maximum guideline of 1.30. Therefore, the recommended financing structure reflects an increase in the permanent repayable portion of the HOME loan. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Long-Term Feasibility: The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.10 and continued positive cashflow. Therefore from this perspective, the development can be characterized as feasible for the long-term.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

ACQUISITION VALUATION INFORMATION			
APPRAISED VALUE			
Land Only: 3.83 acres	\$69,000	Date of Valuation:	11/21/2006
Existing Building(s): "as is"	N/A	Date of Valuation:	
Total Development: "as is"	\$69,000	Date of Valuation:	11/21/2006
Appraiser: Albert O Menn	Firm: Menn & Associates	City:	Seguin
APPRAISAL ANALYSIS/CONCLUSIONS			
<p>An appraisal, provided by the purchaser, was performed by Menn & Associates and dated November 11, 2006. The current "as-is" value is most important in the valuation and underwriting of this property because it should support the purchase price of the subject. For the "as-is" valuation, the primary approach used was the sales comparison approach. Three recent land sales for 3.9 acres to 6.7 acres were used to determine the underlying value of the land. In this case the value is higher than the purchase price and higher than the acquisition value used in the underwriting analysis.</p>			
ASSESSED VALUE			
Land: 29.59 acres	\$714,600	Assessment for the Year of:	2006
Per acre:	\$24,150	Valuation by:	Wilson County Appraisal District
Prorata Value: 3.83 acres	\$92,495	Tax Rate:	2.540325
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Option of Conveyance (3.83 acres)		
Contract Expiration:	08/31/2007 -- one 6 month extension	Valid through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	\$10.00	Other:	
Seller:	Floresville Economic Development Corp	Related to Development Team?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION	
Acquisition Value:	The Applicant has provided an Option of Conveyance agreement indicating that the property will be conveyed to the partnership for a nominal sum. The agreement and the revised development cost schedule also indicate that the conveyance of the property constitutes an in kind donation and has included the in kind value as a source of funds. The Applicant has valued the property at \$42,000, which is lower than the appraised value of the property. The Applicant also provided a settlement statement for the original purchase of the property by the related party and the costs associated with the development of infrastructure for the property. The prorata original acquisition cost of the property plus prorata infrastructure costs is \$44,786, which is higher than the Applicant's claimed value of \$42,000. Therefore, the Underwriter used a value of \$42,000 for the development site. The value of this donation is counted toward the NOFA requirement that 10% of the total development cost is financed by leveraging funds from private or public sources other than the HOME program, and is particularly important for determining if the application meets this program guideline.
Sitework Cost:	The Applicant's claimed sitework costs of \$7,477 per unit are within Department guidelines for 2006 applications. Therefore, further third party substantiation is not required.
Direct Construction Cost:	The Applicant's direct construction cost estimate is \$44K or 4% higher than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate. It should be noted again that the Applicant intends to construct a stand alone community building which the Underwriter has also included in the project costs at approximately \$110,000, but these costs may not be funded with HOME funds.
Contingency:	The Applicant has claimed no contingency, which could result in a gap in funding if there are any unanticipated increases in costs. Project contingency may be embedded in the direct costs; although, it

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

appears that the Applicant may be able to defer developer fees in order to cover unanticipated cost increases.

Fees: For non-Tax Credit Developments, the maximum developer fee is 15% of the total development cost less the sum of the fee itself, land costs, the costs of permanent financing, excessive construction period financing, reserves, and any other identity of interest acquisition cost. The Applicant's developer fee exceeds 15% of the Applicant's eligible development costs by \$6,636. As a result of the proposed financing structure, this portion of the developer fee is essentially funded through an increase in the deferred forgivable portion of the requested HOME funds. Therefore, if the Applicant's costs are used in the final analysis, the sources and uses of funds will be adjusted downward by the overstated developer fee to ensure that the deferred forgivable portion of the HOME funds is not used to fund a potential excess of profit.

Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule, adjusted for the overstated developer fee, will be used to determine the development's need for permanent funds, which is discussed in detail in the following section.

FINANCING STRUCTURE

OTHER

Amount: \$42,000	Source: In Kind Donation
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FINANCING STRUCTURE ANALYSIS

Interim to Permanent Financing: The Applicant has requested \$1,947,989 in HOME funds to be structured as a \$270,000 first lien with a 30-year amortization and interest rate of 0% and a \$1,677,989 deferred forgivable second lien. While the Applicant's sources and uses reflects only the total amount requested, the financing narrative provides a detailed explanation of the request that is more consistent with the other information provided in the application. The Applicant has also requested a \$50,000 HOME award to be structured as a grant in order to cover CHDO operating expenses. These funds are used for the operation of the CHDO in the administration of this award, and as such, are not considered a direct funding source for the development.

In Kind Donation: The Applicant has provided a letter from the Floresville Economic Development Corp, current owner of the site, stating that the property will be donated to the partnership for development of the proposed units. An Option of Conveyance Agreement has also been provided, which supports this claim. The Applicant has assigned a value of \$42,000 to the site which has been included as a source and use of funds. The value assigned to the property by the Applicant is below the appraised value and below the original value plus infrastructure costs, and is therefore generally acceptable.

Although not included on the sources and uses of funds statement, in a letter dated August 29, 2006, the Applicant indicates a match loan of \$10,000 was provided by the Floresville Development Corporation for purchase of the Market Study, Phase I Environmental, and boundary survey. It appears this loan will not carry over to the permanent phase of financing. Finally, the Applicant will request a waiver of building permit and applicable water/wastewater tap fees. The value of the waived fees will not be known until after submission of final plans to the City. Receipt, review and acceptance of final values for proposed City fee waivers to partially meet the NOFA requirement for private or public leveraging of 10% of total development costs is a condition of this report.

Deferred Developer's Fees: The Applicant proposed no deferred developer's fees.

Financing Conclusions: The Applicant's \$42,000 in kind donation is the only additional source of private or public financing and amounts to 2.1% of the adjusted total development cost. However, the NOFA requires that 10% of the total development costs be financed by leveraging additional public or private financing sources. Based on the total adjusted development cost, the Applicant would need an additional \$156,335 in financing from a public or private source in order to satisfy this requirement. As a result of the failure to meet this requirement, the application is not recommended for funding. It should be noted the Applicant has requested a waiver of this requirement. As of the date of this underwriting report, a waiver has not been granted. In addition, the Applicant requested a waiver of the \$500 HOME program application fee.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

In the case that an award of HOME funds to this Applicant moves forward, the Underwriter completed the following analysis:

Based upon the Applicant's total development cost as adjusted by the Underwriter, a 10% match would leave a maximum award amount of \$1,785,017. As stated above, the proforma analysis results in a debt coverage ratio above the Department's 2006 maximum guideline of 1.30. The underwriting analysis indicates the permanent repayable HOME loan amount may encompass the entire \$1,785,017 based on the maximum amortization period of 40 years indicated in the NOFA and a 0% interest rate. The Applicant's adjusted total development cost less this proposed permanent repayable first lien and in kind donation indicates the need for additional funds totaling \$156,335. There are sufficient developer fees that could potentially be deferred to cover this funding gap which would also be sufficient to cover the cost of the HOME-ineligible community building and appear to be repayable from development cashflow within 15 years of stabilized operation, though not within the ten years as is preferred. Utilizing deferred developer fee as the match does not meet the intent of the NOFA requirement. In addition, the projected amount of deferred developer fee cannot be determined until final plans are submitted to the City and any fee waivers are considered. Finally since these application budgets leave no margin for error with regard to the 10% match requirement, the final development costs will determine the final amount of grant, cashflow loan, or deferred developer fee necessary to meet this requirement. While deferral of developer fee is not considered "an additional private or public source of funds," if the Board chooses to waive the NOFA requirement for private or public leveraging of 10% of total development costs, the Underwriter recommends that HOME funds be conditioned upon receipt, review and acceptance of any additional commitments for a grant, cashflow loan, fee waivers or deferred developer fees. The additional funds are currently estimated at \$156,335 and must cover the final cost of constructing the HOME-ineligible community building.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

- The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HOME-funded developments.
- The conveyance of the development site is from a General Partner of the Applicant to the Applicant. While the property is being donated to the project, the value of this in kind donation is counted toward the program requirement that 10% of the total development financing be leveraged from sources other than the HOME program.

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

Financial Highlights:

- The Applicant is single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The 51% Managing General Partner, Center for Housing & Economic Opportunities Corporation, submitted an unaudited financial statement as of December 31, 2005 reporting total assets of \$1.3M and consisting of \$13K in cash, \$125K in receivables, and \$1.2M in real property. Liabilities totaled \$1.2M, resulting in net assets of \$123K.
- The 49% General Partner, Floresville Economic Development Corporation, submitted a financial statement as of September 30, 2005 reporting total assets of \$1.2M and consisting of \$268K in cash, \$39K in investments, \$870K in real property, and \$19K in other assets. Liabilities totaled \$561K, resulting in net assets of \$636K.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation. The Managing General Partner of the Applicant, the Center for Housing and Economic Opportunities Corporation has a similar development in Kennedy funded by the Department in 2002 that has had to request several extensions in order to address construction and lease up issues. The current status of the Kennedy Seniors Development is that the loan is technically delinquent pending approval of the latest extension request.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SUMMARY OF SALIENT RISKS AND ISSUES

- Threshold items identified have not been satisfactorily addressed.
- The Applicant's estimated income, operating expenses, operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Inconsistencies in the application could affect the financial feasibility of the development.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The seller of the property has an identity of interest with the Applicant.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, and acceptable alternative structures may exist.

Underwriter:

Cameron Dorsey

Date: January 22, 2007

Reviewing Underwriter:

Lisa Vecchiatti

Date: January 22, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: January 22, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Floresville Senior Housing, Floresville, HOME CHDO, #060247

Type of Unit	Number	Bedrooms	No. of Baths	Size In SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Wir, Swr, Trsh
LH	6	1	1	778	\$498	\$432	\$2,589	\$0.55	\$66.48	\$37.28
HH	10	1	1	778	556	490	4,895	0.63	66.48	37.28
HH	8	2	2	1,000	687	600	4,800	0.60	86.54	39.58
TOTAL:	24		AVERAGE:	852	\$585	\$612	\$12,284	\$0.60	\$73.17	\$38.05

INCOME Total Net Rentable Sq Ft: **20,448**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00

Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

TDHCA	APPLICANT
\$147,412	\$108,600
1,440	0
0	0
\$148,852	\$108,600
(11,164)	(8,145)
0	0
\$137,688	\$100,455

Comptroller's Region 9

IREM Region

Per Unit Per Month

Per Unit Per Month

-7.50% of Potential Gross Income

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	7.81%	\$448	0.53
Management	7.57%	434	0.51
Payroll & Payroll Tax	15.06%	864	1.01
Repairs & Maintenance	10.38%	596	0.70
Utilities	3.56%	204	0.24
Water, Sewer, & Trash	5.73%	329	0.39
Property Insurance	5.19%	298	0.35
Property Tax 2.540325	3.32%	191	0.22
Reserve for Replacements	3.49%	200	0.23
Other: compl fees	0.00%	0	0.00

TDHCA	APPLICANT
\$10,749	\$9,000
10,417	6,372
20,731	14,136
14,298	14,300
4,900	4,800
7,884	10,080
7,148	9,400
4,573	2,500
4,800	4,800
0	0

PER SQ FT	PER UNIT	% OF EGI
\$0.44	\$375	8.96%
0.31	266	6.34%
0.69	589	14.07%
0.70	596	14.24%
0.23	200	4.78%
0.49	420	10.03%
0.46	392	9.36%
0.12	104	2.49%
0.23	200	4.78%
0.00	0	0.00%

TOTAL EXPENSES 62.10% \$3,562 \$4.18

NET OPERATING INC 37.90% \$2,175 \$2.55

DEBT SERVICE

HOME Repayable First Lien 6.54% \$375 \$0.44

HOME Deferred Forgivable 0.00% \$0 \$0.00

Additional Financing 0.00% \$0 \$0.00

NET CASH FLOW 31.37% \$1,800 \$2.11

TDHCA	APPLICANT
\$85,500	\$75,388
\$52,188	\$25,067
\$9,000	\$9,000
0	0
0	0
\$43,188	\$16,067

PER SQ FT	PER UNIT	% OF EGI
\$3.69	\$3,141	75.05%
\$1.23	\$1,044	24.95%
\$0.44	\$375	8.96%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.79	\$669	15.99%

AGGREGATE DEBT COVERAGE RATIO 5.80

RECOMMENDED DEBT COVERAGE RATIO 1.17

TDHCA	APPLICANT
5.80	2.79
1.17	0.56

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		2.18%	\$1,750	\$2.05
Off-Sites		0.00%	0	0.00
Sitework		9.31%	7,477	8.78
Direct Construction		59.33%	47,668	55.95
Contingency	0.00%	0.00%	0	0.00
General Req'ts	6.00%	4.12%	3,309	3.88
Contractor's G & A	2.00%	1.37%	1,103	1.29
Contractor's Profit	6.00%	4.12%	3,309	3.88
Indirect Construction		5.47%	4,396	5.16
Ineligible Costs		0.00%	0	0.00
Developer's G & A	9.79%	8.27%	6,647	7.80
Developer's Profit		5.21%	3,533	4.15
Interim Financing		0.75%	604	0.71
Reserves		0.69%	551	0.65
TOTAL COST		100.00%	\$80,346	\$94.30
Construction Cost Recap		78.24%	\$62,865	\$73.79

TDHCA	APPLICANT
\$42,000	\$42,000
0	0
179,454	179,454
1,144,030	1,188,475
0	0
79,409	82,075
26,470	27,358
79,409	82,075
105,500	105,500
0	0
159,532	173,768
84,784	84,784
14,500	14,500
13,214	10,000
\$1,928,301	\$1,989,989
\$1,508,771	\$1,559,437

PER SQ FT	PER UNIT	% of TOTAL
\$2.05	\$1,750	2.11%
0.00	0	0.00%
8.78	7,477	9.02%
58.12	49,520	59.72%
0.00	0	0.00%
4.01	3,420	4.12%
1.34	1,140	1.37%
4.01	3,420	4.12%
5.16	4,396	5.30%
0.00	0	0.00%
8.50	7,240	8.73%
4.15	3,533	4.26%
0.71	604	0.73%
0.49	417	0.50%
\$97.32	\$82,916	100.00%
\$76.26	\$64,977	78.36%

SOURCES OF FUNDS

HOME Repayable First Lien 14.00% \$11,250 \$13.20

HOME Deferred Forgivable 87.02% \$69,916 \$82.06

In Kind Contribution 2.18% \$1,750 \$2.05

HTC Syndication Proceeds 0.00% \$0 \$0.00

Deferred Developer Fees 0.00% \$0 \$0.00

Additional (Excess) Funds Req'd -3.20% (\$2,570) (\$3.02)

TOTAL SOURCES

TDHCA	APPLICANT
\$270,000	\$270,000
1,677,989	1,677,989
42,000	42,000
0	0
0	0
(61,688)	0
\$1,928,301	\$1,989,989

RECOMMENDED

\$1,785,017 Developer Fee Available

0 \$251,916

42,000 % of Dev. Fee Deferred

0 62%

156,335 15-Yr Cumulative Cash Flow

0 \$190,359

\$1,989,359

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Floresville Senior Housing, Floresville, HOME CHDO, #060247

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
 Average Quality Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$60.85	\$1,244,163
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly/9-Ft. Ceilings	3.00%		1.83	37,325
Roofing			0.00	0
Subfloor			(1.65)	(33,739)
Floor Cover			2.81	57,459
Porches/Balconies	\$18.15	2,256	2.00	40,946
Plumbing	\$815	(48)	(1.91)	(39,120)
Built-In Appliances	\$2,200	24	2.58	52,800
Stairs/Fireplaces			0.00	0
Enclosed Corridors	\$50.93		0.00	0
Heating/Cooling			2.20	44,986
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$75.95	1,444	5.36	109,665
Other:			0.00	0
SUBTOTAL			74.07	1,514,484
Current Cost Multiplier	1.07		5.18	106,014
Local Multiplier	0.86		(10.37)	(212,028)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.88	\$1,408,470
Plans, specs, survy, bld perm	3.90%		(\$2.69)	(\$54,930)
Interim Construction Interest	3.38%		(2.32)	(47,536)
Contractor's OH & Profit	11.50%		(7.92)	(161,974)
NET DIRECT CONSTRUCTION COSTS			\$55.95	\$1,144,030

PAYMENT COMPUTATION

Primary	\$270,000	Amort	360
Int Rate	0.00%	DCR	5.80
Secondary	\$1,677,988	Amort	
Int Rate		Subtotal DCR	5.80
Additional	\$0	Amort	
Int Rate		Aggregate DCR	5.80

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$44,625
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$7,563

Primary	\$1,785,017	Amort	480
Int Rate	0.00%	DCR	1.17

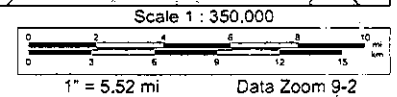
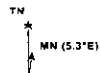
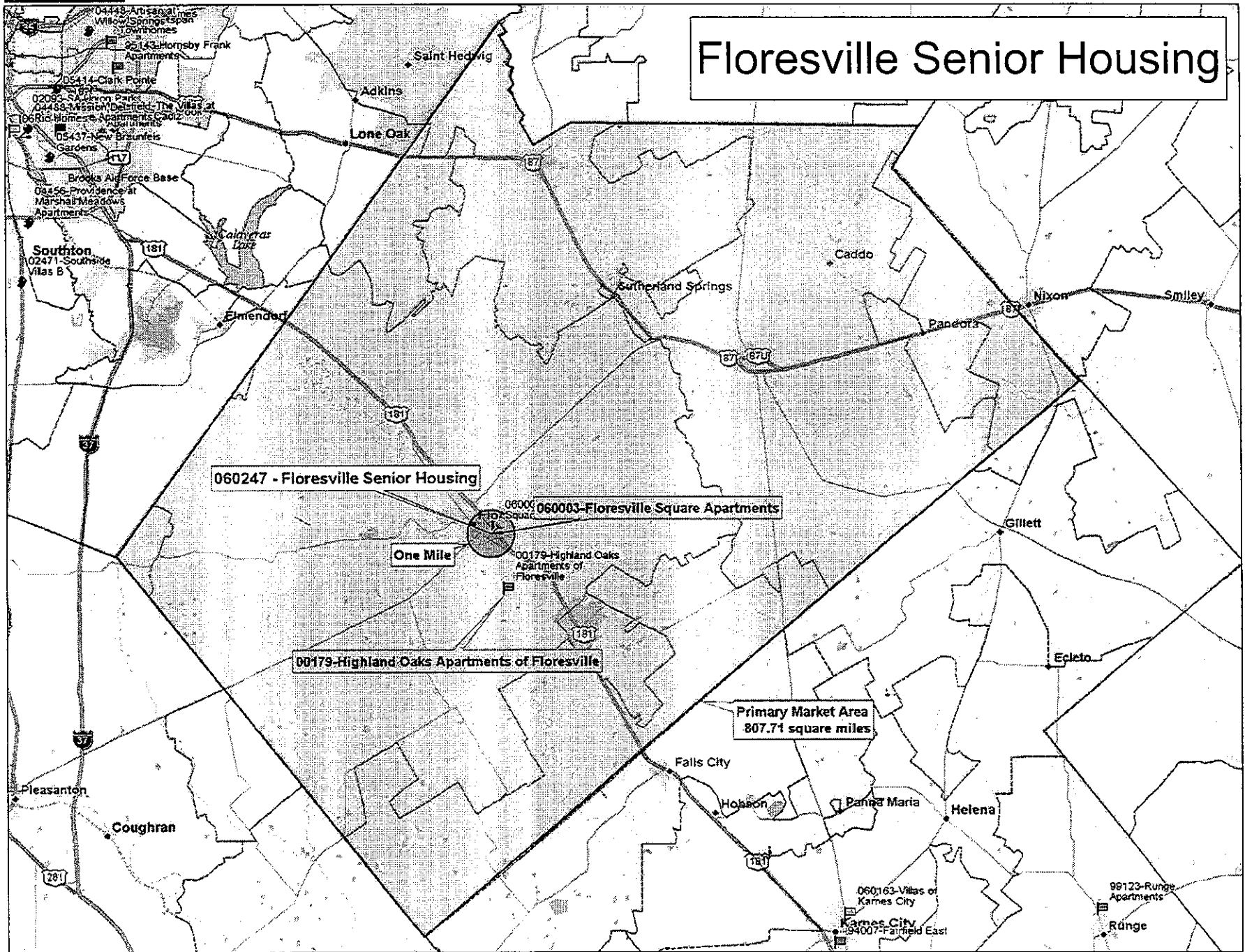
Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.17

Additional	\$0	Amort	
Int Rate		Aggregate DCR	1.17

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	\$147,412	\$151,834	\$156,389	\$161,081	\$165,913	\$182,339	\$222,974	\$258,488	\$347,386
Secondary Income	1,440	1,483	1,528	1,574	1,621	1,879	2,178	2,525	3,393
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	148,852	153,317	157,917	162,654	167,534	194,218	225,152	261,013	350,779
Vacancy & Collection Loss	(11,164)	(11,499)	(11,844)	(12,199)	(12,565)	(14,566)	(16,886)	(19,576)	(26,308)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$137,688	\$141,819	\$146,073	\$150,455	\$154,969	\$179,652	\$208,265	\$241,437	\$324,471
EXPENSES at 4.00%									
General & Administrative	\$10,749	\$11,179	\$11,626	\$12,091	\$12,575	\$15,299	\$18,614	\$22,646	\$33,522
Management	10,417	10,729	11,051	11,382	11,724	13,591	15,756	18,265	24,547
Payroll & Payroll Tax	20,731	21,561	22,423	23,320	24,253	29,507	35,900	43,678	64,654
Repairs & Maintenance	14,298	14,870	15,465	16,084	16,727	20,351	24,760	30,124	44,591
Utilities	4,900	5,096	5,300	5,512	5,732	6,974	8,485	10,324	15,281
Water, Sewer & Trash	7,884	8,200	8,528	8,869	9,224	11,222	13,653	16,611	24,589
Insurance	7,148	7,433	7,731	8,040	8,362	10,173	12,377	15,059	22,291
Property Tax	4,573	4,755	4,946	5,144	5,349	6,508	7,918	9,634	14,260
Reserve for Replacements	4,800	4,992	5,192	5,399	5,615	6,832	8,312	10,113	14,970
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	\$85,500	\$88,815	\$92,261	\$95,841	\$99,561	\$120,458	\$145,776	\$176,454	\$258,705
NET OPERATING INCOME	\$52,188	\$53,003	\$53,812	\$54,615	\$55,408	\$59,194	\$62,490	\$64,982	\$65,765
DEBT SERVICE									
First Lien Financing	\$44,625	\$44,625	\$44,625	\$44,625	\$44,625	\$44,625	\$44,625	\$44,625	\$44,625
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	\$7,563	\$8,378	\$9,187	\$9,989	\$10,783	\$14,568	\$17,864	\$20,357	\$21,140
DEBT COVERAGE RATIO	1.17	1.19	1.21	1.22	1.24	1.33	1.40	1.46	1.47

Floresville Senior Housing



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ADDENDUM**

DATE: February 28, 2007

PROGRAM: 9% HTC

FILE NUMBER: 05171/060002/
070001

DEVELOPMENT NAME

Fairway Crossing Apartments

APPLICANT

Name: Fairway Townhomes Housing, Inc. **Type:** For-profit
Address: 5910 North Central Expressway, Suite 1145 **City:** Dallas **State:** TX
Zip: 75206 **Contact:** Len Vilicic **Phone:** (214) 891-1402 **Fax:** (214) 987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Townhomes at Fairway Crossing, LLC	(%):	0.01	Title:	Managing General Partner
Name:	G.G. MacDonald, Inc.	(%):	N/A	Title:	33% Owner of MGP
Name:	G. Granger MacDonald	(%):	N/A	Title:	Principal of G.G. MacDonald, Inc.
Name:	Resolution Real Estate Services, LLC	(%):	N/A	Title:	33% Owner of MGP
Name:	J. Steve Ford	(%):	N/A	Title:	Principal of G.G. Resolution Real Estate Services, LLC
Name:	Wolcott Development, LLC	(%):	N/A	Title:	33% Owner of MGP
Name:	GJ. Mark Wolcott	(%):	N/A	Title:	Principal of Wolcott Development, LLC

PROPERTY LOCATION

Location: 7229 Ferguson Road **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75228

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,484,191	N/A	N/A	N/A
Other Requested Terms: Annual ten-year allocation of housing tax credits			
Proposed Use of Funds: Rehabilitation		Property Type: Multifamily	
Special Purpose (s): General Population			

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$1,297,498 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

- Receipt, review, and acceptance that the Environmental Site Investigation (ESI) proposal dated March 15, 2005 by Alpha Testing, Inc. to evaluate the presence of petroleum hydrocarbons in the on-site soil and groundwater are preformed and the asbestos/mold proposal dated March 10, 2005 by Alpha Testing, Inc. are preformed. Renovation activities will impact the identified ACM; therefore, the ACM must be abated prior to the renovation. The asbestos abatement must be performed by a State of Texas licensed asbestos abatement contractor in accordance with a project design prepared by a State of Texas licensed asbestos consultant.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

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.

ADDENDUM

The Applicant requests approval for an ownership transfer. The general partner, Fairway 05 Housing, L.P.; the owners of the general partner, Fairway 05 Development L.L.C. and Wachovia Development Corporation; and the developer, Southwest Housing Development Company, Inc. are being replaced by Townhomes at Fairway Crossing, L.L.C. as general partner; and G.G. MacDonald, Inc.; Resolution Real Estate Services, L.L.C.; and Wolcott Development, L.L.C. as owners of the general partner. The original application was submitted and approved during the 2005 9% HTC cycle (#05171) and received a forward commitment (#060002). An extension of the forward commitment for 2007 (#070001) was granted due to ongoing federal investigation. The new proposed general partner submitted several updates to the application including a rent schedule; operating expenses; development cost schedule; and updated financing commitments. The site inspection condition in the original underwriting report has been satisfied.

The new Applicant proposes to reduce the number of market rate units from 13 to 5 and the total number of units from 310 to 302 in order to enlarge the common area square footage. The number of HTC units remains unchanged. The total net rentable square footage will be 278,640 with an average unit square footage of 923. The updated rent schedule results in the following operating proforma analysis:

- **Income:** The Applicant's rent projections for the 60% of AMI units and the market rate units equal the rents for the 50% of AMI units. While the Market Study conclusions suggest that the larger one bedroom units may not be able to achieve the maximum rents, these conclusions are in error due to a miscalculated adjustment to one of the comparable units. The maximum tax credit rents are achievable and the market unit rents have been adjusted upward to the maximum 60% rents as well, this results in the Applicant understating potential gross rent by \$95K. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the differences in potential rent, the Applicant's effective gross income estimate is \$86K less than the Underwriter's estimate.
- **Expenses:** The Applicant's total expense estimate of \$4,256 per unit is 4.3% less than the Underwriter's database-derived estimate of \$4,445 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database average: general and administrative (\$22.5K lower); payroll and payroll tax (\$59.4K lower); repairs and maintenance (\$97.2K higher); and utilities (\$39.4K lower).
- **Conclusion:** The Applicant's effective gross income, operating expenses, and net operating income (NOI) estimates are within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will 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.

The construction cost estimate evaluation follows:

- **Acquisition Value:** The Applicant claimed \$6,000,000 in acquisition costs. The Underwriter's calculated acquisition cost of \$5,870,868 includes the original acquisition cost (\$4.7M) plus holding costs accrued since January 2005. The holding costs include \$274.6K for property taxes; \$401.5K for security; \$155.6K in professional expenses; \$144.4K for maintenance and administrative; \$98.5K in utilities; and \$42.3K for insurance. Upon request, the Applicant provided documentation supporting the holding costs since acquisition.
- **Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$4,020 per unit.
- **Direct Construction Cost:** The direct construction costs are substantiated by the Property Review Summary.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

- **Fees:** The Applicant's contractor fees are within the maximums allowed by TDHCA guidelines. The developer fees exceed the Department's guideline by \$42.8K. Additionally, the estimated contingency exceeds TDHCA guidelines by \$433.6K. Consequently the Applicant's eligible costs in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs.
- **Conclusion:** The Underwriter's cost schedule was derived from information presented in the materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$14,199,784 is used to determine a credit allocation of \$1,463,137 from this method. The resulting syndication proceeds will be used to compare to the original recommended credit amount and to the gap of need to determine the recommended credit amount.

The financing structure has been updated as follows:

- **Interim to Permanent Financing:** The permanent financing commitment indicates a total loan amount of \$9,400,000 with an 18-year term and 30-year amortization. The interest rate indicated in the commitment is 6.56%.
- **HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The syndication rate proposed in the commitment (\$0.8875) is in the middle of the range of current credit prices. If the final syndication rate were to increase by six cents per dollar of tax credit, an excess of funds would exist, all else held constant, and a reduction in recommended tax credits would be required based on the gap method of determining credits.
- **Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$705,950 amount to 38% of the total fees.
- **Financing Conclusions:** Based on the Underwriter's estimate of eligible basis, the HTC allocation should not exceed \$1,463,137 annually for ten years, resulting in syndication proceeds of approximately \$12,984,039. The original credit amount recommended (\$1,297,498 annually for ten years) is lower than the amount based on eligible basis and the credit amount based on gap in funds (\$1,378,176); therefore, the lower amount will be recommended. This results in syndication proceeds of \$11,514,143. Based on the underwriting analysis, the Applicant's deferred developer fee will be decrease to \$253,811, which represents approximately 14% of the eligible fee and which should be repayable from cash flow within three years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

The Underwriter has reviewed the financial statements for the principals of the proposed new general partner and the financial resources are adequate for participation in the development.

On October 12, 2006 the TDHCA Board approved the Final Policy for Addressing Cost Increases for 2004 and 2005 Competitive HTC Developments and Recommendation of Awards to Eligible Developments ("Final Policy"). As a 2005 allocation, the subject development is eligible for an additional housing tax credit allocation. The Final Policy raises the \$1.2M limit per development to a maximum of \$1.368M per development. Should the request for approval of the ownership transfer not be granted and the applicant resubmits an application, the total amount of annual housing tax credits will be limited to \$1.2M as stated in the 2007 QAP.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

SUMMARY OF SALIENT RISKS AND ISSUES

- Potential environmental concerns exist regarding asbestos, mold and petroleum hydrocarbons.

Underwriter:

Brenda Hull

Date: February 28, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: February 28, 2007

MULTIFAMILY COMPARATIVE ADDENDUM

Fairway Crossing, Dallas, 9% HTC #05171/060002/070001

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	Wir, Swr, Trsh
TC (50%)	32	1	1	607	\$623	\$536	\$17,152	\$0.88	\$87.00	\$62.00
TC (50%)	8	1	1	664	623	536	4,288	0.81	87.00	62.00
TC (50%)	24	1	1	708	623	536	12,864	0.76	87.00	62.00
TC (50%)	32	1	1	720	623	536	17,152	0.74	87.00	62.00
TC (50%)	5	1	1	758	623	536	2,680	0.71	87.00	62.00
TC (60%)	3	1	1	758	748	661	1,983	0.87	87.00	62.00
TC (60%)	16	1	1	764	748	661	10,576	0.87	87.00	62.00
MR	0	1	1	764	N/A	696			87.00	62.00
TC (50%)	100	2	2	986	748	640	64,000	0.65	108.00	75.00
TC (60%)	22	2	2	1,011	898	790	17,380	0.78	108.00	75.00
MR	2	2	2	1,011	N/A	790	1,580	0.78	108.00	75.00
TC 50%	30	3	2	1,192	864	736	22,080	0.62	128.00	88.00
TC 50%	17	3	2	1,320	864	736	12,512	0.56	128.00	88.00
TC (60%)	8	3	2	1,320	1037	909	7,272	0.69	128.00	88.00
MR	3	3	2	1,320	N/A	909	2,727	0.69	128.00	88.00
TOTAL:	302		AVERAGE:	923	\$745	\$643	\$194,246	\$0.70	\$103.50	\$72.33

INCOME Total Net Rentable Sq Ft: **278,640**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00

Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

TDHCA-ADD	TDHCA-APP	APPL-APP	APPL-ADD
\$2,330,952	\$2,518,632	\$2,371,608	\$2,236,416
54,360	55,800	55,800	56,112
0	0	0	0
\$2,385,312	\$2,574,432	\$2,427,408	\$2,292,528
(178,898)	(193,082)	(182,052)	(171,936)
0	0		
\$2,206,414	\$2,381,350	\$2,245,356	\$2,120,592

Comptroller's Region **3**

IREM Region **Dallas**

Per Unit Per Month \$15.48

-7.50% of Potential Gross Rent

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.07%	\$297	0.32
Management	5.00%	365	0.40
Payroll & Payroll Tax	13.85%	1,012	1.10
Repairs & Maintenance	6.18%	452	0.49
Utilities	4.14%	303	0.33
Water, Sewer, & Trash	5.10%	373	0.40
Property Insurance	3.16%	231	0.25
Property Tax	2.93276	909	0.99
Reserve for Replacements	4.11%	300	0.33
Other: compl fees, supp svc, sec	2.79%	204	0.22
TOTAL EXPENSES	60.85%	\$4,445	\$4.82
NET OPERATING INC	39.15%	\$2,861	\$3.10

TDHCA-ADD	TDHCA-APP	APPL-APP	APPL-ADD
\$89,765	\$129,167	\$120,120	\$67,250
110,321	119,067	112,268	84,824
305,686	312,986	250,968	246,280
136,405	139,668	238,493	233,610
91,367	64,050	62,000	52,000
112,632	115,322	92,000	107,900
69,660	71,166	71,300	69,460
274,565	281,838	263,500	271,800
90,600	93,000	93,000	90,600
61,500	30,400	30,400	61,500
\$1,342,501	\$1,356,664	\$1,334,049	\$1,285,224
\$863,913	\$1,024,685	\$911,308	\$835,368

PER SQ FT	PER UNIT	% OF EGI
\$0.24	\$223	3.17%
0.30	281	4.00%
0.88	815	11.61%
0.84	774	11.02%
0.19	172	2.45%
0.39	357	5.09%
0.25	230	3.28%
0.98	900	12.82%
0.33	300	4.27%
0.22	204	2.90%
\$4.61	\$4,256	60.61%
\$3.00	\$2,766	39.39%

DEBT SERVICE

	%	PER UNIT	PER SQ FT
Capmark	32.52%	\$2,376	\$2.57
City of Dallas-CDBG	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	6.64%	\$485	\$0.53

AGGREGATE DEBT COVERAGE RATIO: 1.20

RECOMMENDED DEBT COVERAGE RATIO: 1.29

TDHCA	TDHCA	APPLICANT	APPLICANT
\$717,430	\$791,976	\$791,976	\$700,300
0	0		
0	0		
\$146,483	\$232,709	\$119,331	\$135,068
1.20	1.29	1.15	1.19
	1.29		1.16

PER SQ FT	PER UNIT	% of TOTAL
\$2.51	\$2,319	33.02%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.48	\$447	6.37%

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		27.73%	\$19,440	\$21.07
Off-Sites		0.00%	0	0.00
Sitework		5.74%	4,020	4.36
Direct Construction		35.21%	24,681	26.75
Contingency	5.00%	2.05%	1,435	1.56
General Req'ts	6.00%	2.46%	1,722	1.87
Contractor's G & A	2.00%	0.82%	574	0.62
Contractor's Profit	6.00%	2.46%	1,722	1.87
Indirect Construction		3.04%	2,129	2.31
Ineligible Costs		3.06%	2,145	2.33
Developer's G & A	2.00%	1.17%	818	0.89
Developer's Profit	13.00%	7.58%	5,315	5.76
Interim Financing		6.57%	4,603	4.99
Reserves		2.12%	1,488	1.61
TOTAL COST		100.00%	\$70,093	\$75.97
Recap-Hard Construction Costs		48.73%	\$34,154	\$37.02

TDHCA	TDHCA	APPLICANT	APPLICANT
\$5,870,868	\$4,760,000	\$4,760,000	\$6,000,000
0	0	0	0
1,214,000	1,550,000	1,550,000	1,214,000
7,453,700	7,453,700	7,453,700	7,458,050
433,385	450,185	450,185	867,205
520,062	540,222	540,222	520,323
173,354	180,074	180,074	173,441
520,062	540,222	540,222	520,323
643,000	526,850	526,850	643,000
647,925	1,167,025	1,167,025	647,925
246,953	247,795	0	252,767
1,605,193	1,610,670	1,858,465	1,642,984
1,390,075	1,148,514	1,148,514	1,390,075
449,377	953,086	1,163,012	300,000
\$21,167,954	\$21,128,343	\$21,338,269	\$21,630,093
\$10,314,563	\$10,714,403	\$10,714,403	\$10,753,342

PER SQ FT	PER UNIT	% of TOTAL
\$21.53	\$19,868	27.74%
0.00	0	0.00%
4.36	4,020	5.61%
26.77	24,696	34.48%
3.11	2,872	4.01%
1.87	1,723	2.41%
0.62	574	0.80%
1.87	1,723	2.41%
2.31	2,129	2.97%
2.33	2,145	3.00%
0.91	837	1.17%
5.90	5,440	7.60%
4.99	4,603	6.43%
1.08	993	1.39%
\$77.63	\$71,623	100.00%
\$38.59	\$35,607	49.71%

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT
Capmark	44.41%	\$31,126	\$33.74
City of Dallas-CDBG	0.00%	\$0	\$0.00
HTC Syndication Proceeds	54.39%	\$38,126	\$41.32
Deferred Developer Fees	3.33%	\$2,338	\$2.53
Additional (Excess) Funds Req'd	-2.14%	(\$1,497)	(\$1.62)
TOTAL SOURCES			

RECOMMENDED	RECOMMENDED	RECOMMENDED	RECOMMENDED
\$9,400,000	\$9,920,000	\$9,920,000	\$9,400,000
0	310,310	310,310	
11,514,143	10,440,000	10,440,000	11,514,143
705,950	667,959	667,959	705,950
(452,139)	(209,926)	0	
\$21,167,954	\$21,128,343	\$21,338,269	\$21,620,093

RECOMMENDED	RECOMMENDED
\$9,400,000	Developer Fee Available
0	\$1,852,146
11,514,143	% of Dev. Fee Deferred
253,811	14%
(0)	15-Yr Cumulative Cash Flow
\$21,167,954	\$3,002,157

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Fairway Crossing, Dallas, 9% HTC #05171/060002/070001

PAYMENT COMPUTATION

Primary	\$9,400,000	Amort	360
Int Rate	6.56%	DCR	1.20

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.20

Additional		Amort	
Int Rate		Aggregate DCR	1.20

RECOMMENDED FINANCING STRUCTURE APPLICANT'S I

Primary Debt Service	\$717,430
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$117,938

Primary	\$9,400,000	Amort	360
Int Rate	6.56%	DCR	1.16

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.16

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

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	\$2,236,416	\$2,303,508	\$2,372,614	\$2,443,792	\$2,517,106	\$2,918,016	\$3,382,780	\$3,921,569	\$5,270,261
Secondary Income	56,112	57,795	59,529	61,315	63,155	73,213	84,874	98,393	132,232
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,292,528	2,361,304	2,432,143	2,505,107	2,580,260	2,991,229	3,467,654	4,019,962	5,402,492
Vacancy & Collection Loss	(171,936)	(177,098)	(182,411)	(187,883)	(193,520)	(224,342)	(260,074)	(301,497)	(405,187)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,120,592	\$2,184,206	\$2,249,732	\$2,317,224	\$2,386,741	\$2,766,887	\$3,207,580	\$3,718,465	\$4,997,305
EXPENSES at 4.00%									
General & Administrative	\$67,250	\$69,940	\$72,738	\$75,647	\$78,673	\$95,718	\$116,455	\$141,686	\$209,729
Management	84,824	87368.5717	89989.62883	92689.31769	95469.99723	110675.8927	128303.693	148739.1449	199892.9731
Payroll & Payroll Tax	246,280	256,131	266,376	277,032	288,113	350,533	426,477	518,875	768,061
Repairs & Maintenance	233,610	242,954	252,673	262,779	273,291	332,500	404,537	492,181	728,548
Utilities	52,000	54,080	56,243	58,493	60,833	74,012	90,047	109,556	162,170
Water, Sewer & Trash	107,900	112,216	116,705	121,373	126,228	153,575	186,848	227,329	336,502
Insurance	69,460	72,238	75,128	78,133	81,258	98,863	120,282	146,342	216,622
Property Tax	271,800	282,672	293,979	305,738	317,968	386,856	470,670	572,642	847,649
Reserve for Replacements	90,600	94,224	97,993	101,913	105,989	128,952	156,890	190,881	282,550
Other	61,500	63,960	66,518	69,179	71,946	87,534	106,498	129,571	191,797
TOTAL EXPENSES	\$1,285,224	\$1,335,785	\$1,388,342	\$1,442,976	\$1,499,768	\$1,819,219	\$2,207,008	\$2,677,801	\$3,943,522
NET OPERATING INCOME	\$835,368	\$848,421	\$861,390	\$874,248	\$886,973	\$947,667	\$1,000,572	\$1,040,664	\$1,053,783
DEBT SERVICE									
First Lien Financing	\$717,430	\$717,430	\$717,430	\$717,430	\$717,430	\$717,430	\$717,430	\$717,430	\$717,430
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	\$117,938	\$130,992	\$143,960	\$156,819	\$169,543	\$230,238	\$283,143	\$323,234	\$336,354
DEBT COVERAGE RATIO	1.16	1.18	1.20	1.22	1.24	1.32	1.39	1.45	1.47

LIHTC Allocation Calculation - Fairway Crossing, Dallas, 9% HTC #05171/060002/070001

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	\$6,000,000	\$5,870,868		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,214,000	\$1,214,000	\$1,214,000	\$1,214,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$7,458,050	\$7,453,700	\$7,458,050	\$7,453,700
(4) Contractor Fees & General Requirements				
Contractor overhead	\$173,441	\$173,354	\$173,441	\$173,354
Contractor profit	\$520,323	\$520,062	\$520,323	\$520,062
General requirements	\$520,323	\$520,062	\$520,323	\$520,062
(5) Contingencies				
	\$867,205	\$433,385	\$433,603	\$433,385
(6) Eligible Indirect Fees				
	\$643,000	\$643,000	\$643,000	\$643,000
(7) Eligible Financing Fees				
	\$1,390,075	\$1,390,075	\$1,390,075	\$1,390,075
(8) All Ineligible Costs				
	\$647,925	\$647,925		
(9) Developer Fees				
			\$1,852,922	
Developer overhead	\$252,767	\$246,953		\$246,953
Developer fee	\$1,642,984	\$1,605,193		\$1,605,193
(10) Development Reserves				
	\$300,000	\$449,377		
TOTAL DEVELOPMENT COSTS	\$21,630,093	\$21,167,954	\$14,205,737	\$14,199,784

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		\$14,205,737	\$14,199,784
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$18,467,458	\$18,459,719
Applicable Fraction		97.85%	97.85%
TOTAL QUALIFIED BASIS		\$18,070,988	\$18,063,415
Applicable Percentage		8.10%	8.10%
TOTAL AMOUNT OF TAX CREDITS		\$1,463,750	\$1,463,137

Syndication Proceeds	0.8874	\$12,989,482	\$12,984,039
Total Credits (Eligible Basis Method)		\$1,463,750	\$1,463,137
Syndication Proceeds		\$12,989,482	\$12,984,039
Orig Allocated Credits Plus Additional Allocation		\$1,297,498	
Syndication Proceeds		\$11,514,143	
Gap of Syndication Proceeds Needed		\$12,230,093	
Credit Amount		\$1,378,176	

**THIS ITEM HAS BEEN PULLED
FROM THE AGENDA**

LEGAL DIVISION

**BOARD ACTION REQUEST
March 20, 2007**

Action Item

Presentation, Discussion and Possible Approval for publication in the *Texas Register* of the final Amendments to Title 10, Part 1 Chapter 60, Subchapter A, Compliance Monitoring.

Required Action

Approve for publication in the *Texas Register* the Compliance Monitoring Rule to be found at Title 10, Part 1, Chapter 60, Subchapter A.

Background

The Draft Compliance rules were presented as part of the 13 region rules package after being approved at the August Board meeting. The rules were brought forward for approval at the November 9, 2006 Board meeting. The public comments that dealt specifically with the proposed rules and staff's reasoned response for that meeting included:

Reasoned Response to Public Comment on the Draft amendments to the Compliance Monitoring Rules

§ 60.6 Section 8 Voucher Holders and Tenant Selection

Comment:

Comment was received suggesting that screening criteria relating to the minimum income for households receiving Section 8 assistance being limited to \$2,500 annually regardless of the amount of rent paid by the household does not treat all applicants fairly. A minimum income, if utilized at all, must be applied equally. (2)

Staff Response:

Staff agrees with the comment. To ensure equitable treatment in the screening criteria, §60.6(c)(2) will read that housing sponsors are prohibited from...

“using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than 2.5 times the individual's or family's share of the total monthly rent payable to the owner of the Development. A household participating in the voucher program or receiving any other type of rental assistance may not be required to have a minimum income exceeding \$2,500 per year”

§ 60.7 Monitoring for Compliance

Comment:

Comment was received that the language prohibiting eviction or non renewal of a lease for other than good cause was too vague. (2).

Staff Response:

Staff concurs with this comment and recommends the following language:

§60.7(b)(14) The owner shall not terminate the lease or evict the resident or refuse to renew the lease except for material noncompliance with the lease or other good cause.”

Comment:

Comment was received that the Department’s policy regarding designation of households at recertification causes an undue hardship on very low income residents in tax credit properties beyond the requirements of Section 42. Under TDHCA policy, if a household at 30%, 40% or 50% recertifies with an income over the published limit, they must be re-designated according to their current income. Comment suggested that these households are being forced to move if a unit at the higher income limit is not available. (3)

Staff Response:

The Department does not intend for these households to have to vacate. Staff believes that as household income increases, their ability to pay increased rent should be recognized. A household that moved in at the 30% level and recertifies at the 50% level should pay the higher rent once another unit on the property is leased to a household with an income and rent under the 30% limit. Staff does not recommend any change to the rules.

§ 60.13 Inspection Standard

Comment:

Comment was received that management companies are experiencing difficulty in obtaining copies of TDHCA notices of upcoming inspections and in obtaining the results of physical inspections from owners. They requested that notices of inspections and copies of reports be provided, not only to the owner, but the property management company as well. (2)

Staff Response:

Treasury Regulations require the Department to send notices of upcoming reviews and results of inspections to owners, not management companies. Because of the cost of copying and mailing an additional report and because management companies frequently change, staff is not recommending that the Compliance Monitoring Rules be changed to require a courtesy copy be sent to the management company. It is incumbent on the owners to work closely with their managers.

PMC will change our policy and send a copy of the cover letter that accompanies a final inspection report to the management company on record. A copy of the full report can be obtained either from the owner or from the Department through our open records process.

PUBLIC COMMENT REFERENCES

Reference	Name:	Affiliation:
1	Representative Jose Menendez	Texas House of Representatives, District 124
2	Dana Hoover, Vice President	Hamilton Valley Management, Inc. Burnet, Texas
3	Dan Allgeier	NuRock Development, Coppell, Texas

At the November 9, 2006 meeting, an issue regarding a non-compliance score was presented in relation to a development where the developer did not have a controlling interest in the property. The property received a material non-compliance score that jeopardized additional credits awarded to due construction costs increases due to his relationship with the property. At that time, two Board members requested staff to reexamine the rules for this circumstance and postponed voting on the final rules until such a time as staff could address the issue.

Staff looked at the issue and developed modified rules based on the comments received from the Board. The draft Compliance Rules were approved for public comment at the December 2006 Board Meeting. They were published in the Texas Register and available for public comment for a 30 day period. All changes, from both the public comment period held in September/October and the December/January time frames, to the current Rule are shown in "black line" version. The text of substantial changes from the Rule brought to the Board in December is highlighted. Substantial changes are explained below.

Summary explanation of proposed changes since December Board meeting

§60.3 Development Inspections (page 5 of 36)

Administrative Change: Administrative change based on Board member comment to develop a modification of the time frame for substantial construction.

Staff Response: The definition of commencement of substantial construction has been modified from expending 10% of the construction contract to include both expending 10% of the construction contract and completing 80% of the framing for new construction properties.

In the past, owners requested the initial construction inspection when they were 40% complete. At the Board's request, Section 60.3 (1) (B) was added to require the initial inspection be completed between 45 to 90 days after the earlier of the submittal or the due date of commencement of substantial construction.

The deadline for 2005 HTC properties to meet commencement of substantial construction was December 1, 2006. Between December 2006 and February 2007, PMC conducted 21 construction inspections on properties that had commenced substantial construction, but had not yet requested an initial inspection. The results of those inspections were inconclusive because although they had spent 10% of the construction contract, they had not completed enough construction for a meaningful inspection.

A typical property will be about 60% complete when framing is 80% complete. This is the ideal time to complete this initial inspection. To achieve this goal and ensure that developments will be placed in service and inspected in a timely manner, the definition of commencement of substantial construction has been changed.

§60.13 Inspection Standard (page 20 of 36)

Administrative Change: In January of 2007, the Internal Revenue Service released the 8823 Audit Guide. This guide is for use by State Housing Finance Agencies, IRS tax auditors and

owners in implementation of the Housing Tax Credit program. The guide requires State HFAs to report all violations of Uniform Physical Condition Standards.

Staff Response: Accordingly, this section of the rule and Section 60.18 had been amended to reflect that the Department will comply and report all violations. However, if the violations do not meet the conditions outlined in 60.13 (b) or 60.13(c), no points will be assigned; it will be only an administrative reporting.

§60.17 Utility Allowances (pages 21 and 22 of 36)

Public Comment: The Department received public comment from Barry Kahn and the Harris County Housing Authority regarding the proposed language in Section 60.17 (b) and (c). Both commenters requested that proposed language be deleted.

Staff Response:

The IRS 8823 Audit Guide encourages State HFAs to be flexible with utility allowances until further guidance is released. Accordingly, the proposed language has been removed and replaced with language similar to the Internal Revenue Service 8823 Audit Guide.

§60.18 Material Noncompliance (page 24 of 36)

Administrative Change: At the November 9, 2006 Board meeting two Board members requested staff to review how material non-compliance scores are attributed to developers to ensure that owners are not unfairly penalized for noncompliance issues.

Staff response: An administrative change has been made to Section 60.18(e) to include properties whose affordability period ended over 3 years ago in this list of developments that will not be considered in Material Noncompliance.

An additional public comment was received at the December 2006 Board meeting. Barry Kahn expressed his concern with Section 49.15(b)(4) of the QAP which requires an evaluation of compliance prior to the issuance of 8609s. Staff believes that his concerns cannot be addressed through the Compliance Rules and therefore no change was made to the rules related to this comment.

Further, compliance staff has expressed that to better facilitate property management and protect the public interest in compliance with the rules, 8609s should not be issued to an owner with property in Material Noncompliance.

Recommendation

Staff recommends adoption for publication in the Texas Register the final Amendments to Title 10, Part 1 Chapter 60, Subchapter A, Compliance Monitoring Rules.

§60.2. Definitions.

The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise. (1) Affordability Period—the affordability period commences as specified in the Land Use Restriction Agreement (LURA), or federal regulation or commences on the first day of the compliance period as defined by §42(i)(1) of the Internal Revenue Code (IRC) and continues through the appropriate program's affordability requirements or termination of the LURA, whichever is later. The term of the affordability period shall be imposed by LURA or other deed restriction and may be terminated upon foreclosure. During this period the Department shall monitor to ensure compliance with programmatic rules, regulations and application representations.

(2) Application--an application, in the form prescribed by the Department, filed with the Department by an Applicant, including any exhibits or other supporting material. (2306.6702)

(3) Board—the governing board of the Texas Department of Housing and Community Affairs.

(4) Code--the U.S. Internal Revenue Code of 1986, as amended from time-to-time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued by the United States Department of the Treasury or the Internal Revenue Service.

(5) Department—the Texas Department of Housing and Community Affairs, an official and public agency of the State of Texas pursuant to Chapter 2306, Texas Government Code.

(6) Development—a property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department and that is financed under the provisions of Chapter 2306, Texas Government Code.

(7) Housing sponsor:

(A) an individual, including an individual or family of low and very low income or family of moderate income, joint venture, partnership, limited partnership, trust, firm, corporation, or cooperative that is approved by the department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing Development, subject to the regulatory powers of the department and other laws; or

(B) in an economically depressed or blighted area, or in a federally assisted new community located within a home-rule municipality, the term may include an individual or family whose income exceeds the moderate income level if at least 90 % of the total mortgage amount available under a mortgage revenue bond issue is designed for individuals and families of low income or families of moderate income.

(8) HTC Development—A Development using Housing Tax Credits allocated by the Department.

(9) Low Income Unit—a unit that is intended for occupancy by an income eligible household, as defined by the Department or the Code. (10) Land Use Restriction Agreement (LURA) —an agreement between the Department and the Development Owner which is a binding covenant

upon the Development Owner's successors in interest, that encumbers the Development with respect to the requirements of this chapter, Chapter 2306, Texas Government Code; the Code; and the requirements of the various programs administered or funded by the Department.

(11) Material Noncompliance:

(A) a Housing Tax Credit Development located within the state of Texas will be classified by the Department as being in material noncompliance status if the noncompliance score for such Development is equal to or exceeds a threshold of 30 points in accordance with the material noncompliance provisions, methodology, and point system of this title.

(B) Non HTC Developments monitored by the Department with 1 to 50 low income units will be classified as being in material noncompliance status if the noncompliance score is equal to or exceeds a threshold of 30 points. Non HTC Developments monitored by the Department with 51 to 200 low income units will be classified as being in material noncompliance status if the noncompliance score is equal to or exceeds a threshold of 120 points. Non HTC Developments monitored by the Department with 201 or more low income units will be classified as being in material noncompliance status if the noncompliance score is equal to or exceeds a threshold of 150 points.

(C) For all programs, a Development will be in material noncompliance if the noncompliance is stated in §60.18 of this chapter to be material noncompliance.

(12) Non HTC—any Development not utilizing Housing Tax Credits.

(13) Unit—any residential rental unit in a Development consisting of an accommodation, including a single room used as an accommodation on a non-transient basis, that contains complete physical facilities and fixtures for living, sleeping, eating, cooking, and sanitation.

§60.3. Development Inspections.

The Department shall conduct or may contract for inspections during the construction and rehabilitation process and at final construction completion to monitor for compliance with all program requirements, including construction threshold criteria and application Development characteristics associated with any Development funded or administered by the Department. Development inspections will be conducted by the Department or by an independent third party inspector acceptable to the Department and will include a construction quality evaluation. (§2306.081, Texas Government Code)

(1) Inspection procedures for HTC Developments include:

(A) A review of the evidence of commencement of substantial construction. The minimum activity necessary to meet the requirement of commencement of substantial construction for new Developments will be defined as having 80% of the framing completed and expended 10% of the construction contract amount for the Development, adjusted for any change orders, and as documented by both the most recent Application and Certification for Payment (or equivalent) and the inspecting architect. The minimum activity necessary to meet the requirement of commencement of substantial construction for rehabilitation Developments will be defined as having completed 50% of the proposed scope of work and expended 10% of the construction

budget as documented by the inspecting architect. Evidence of such activity shall be provided in a format prescribed by the Department.

(B) An initial Development inspection to be conducted between 45 to 90 days after the earlier of the submittal or the due date of commencement of substantial construction..

(C) A final Development inspection performed at construction completion. Evidence of construction completion must be submitted within thirty days of completion and shall be provided in a format prescribed by the Department.

(2) Development inspection procedures for non-HTC multifamily Developments include:

(A) An initial Development inspection to be conducted between 45 to 90 days from issuance of notice to proceed. .

(B) A final Development inspection performed at construction completion. Evidence of completion must be submitted within thirty days of completion and shall be provided in a format prescribed by the Department. The inspection is required by the Department in order to release retainage.

(3) The Department may require a copy of all reports from all construction inspections performed on behalf of the Applicant as needed. Those reports must indicate that the Department may rely on the information provided in the reports and the inspector is properly credentialed.

(4) Additional inspections may be conducted by the Department or by an independent third party Inspector acceptable to the Department during the construction process, if necessary, based on the level of risk associated with the Development, as determined by the Department. The Department identifies HTC Developments to be at high risk if inspections identify issues with construction threshold criteria, Development characteristics identified at application or past performance problems. The Department identifies non-HTC Developments to be at high risk if inspections conducted during the construction process identify issues with program requirements or Development characteristics identified at application.

(5) Applicable Laws. An applicant may not receive funds or other assistance from the Department until the Department receives a properly completed certification from the applicant that the housing development is, or will be upon completion of construction, in compliance with the following housing laws:

(A) state and federal fair housing laws, including Chapter 301, Property Code, the Texas Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. Section 3601, et seq.), and the Fair Housing Amendments of 1988 (42 U.S.C. Section 3601, et seq.);

(B) the Civil Rights Act of 1964 (42 U.S.C. Section 2000a, et seq.);

(C) the Americans with Disabilities Act of 1990 (42 U.S.C. 12101, et seq.); and

(D) Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 701, et seq.). (§2306.257)

§60.4. Monitoring During the Affordability Period.

(a) The Department will monitor for compliance with representations made by the Development Owner in the Application and in the LURA, whether required by the applicable program rules, regulations, including HOME Final Rule, the Code, §42 of the Internal Revenue Code and the U.S. Department of Housing and Urban Development (HUD) Community Planning and Development (CPD) Notices, the Texas Government Code §2306.001 et. seq., or Chapters 51 and 53 of this title.

(b) The Department periodically monitors Developments for compliance with the fair housing requirements specified in Section 60.3(5) of this Chapter. Monitoring may occur during construction or during the affordability period.

(1) The monitoring level for each housing Development is based on the amount of risk of noncompliance with the requirements specified in Section 60.3(a)(6) of this Chapter associated with the Development.

(2) The Department shall notify the recipient in writing of an apparent violation of fair housing laws and shall afford the recipient a reasonable amount of time, as determined by the Department, to correct the identified violation, if possible, prior to the imposition of any sanction.

(3) The Department shall notify the Texas Workforce Commission, Civil Rights Division as required in the Texas Government Code §2306.257(d), with a copy to the Development owner in the event:

(A) no response to the Department's notice of apparent violation is received during the response period;

(B) the owner concurs with the Department's assessment and indicates they are unable or unwilling to correct the violation(s); or

(C) the owner and the Department are unable to agree if the identified issue is a violation.

(4) If fair housing violations are identified prior to the issuance of forms 8609 (For HTC Developments) or release of final retainage, no forms 8609 will be issued or retainage will not be released until the violations are corrected to the Department's satisfaction.

(c) Sanctions. The Department may impose one or more of the following sanctions depending on the severity of the violation of a law specified in Section 60.3(6) of this Chapter, and as further described in §60.4(b) and §60.4(c), by a recipient of housing tax credits, housing funds or other assistance from the Department:

(1) termination of assistance,

(2) deobligation of funds, if available, and

(3) a bar on future eligibility for assistance through a housing program administered by the Department. A bar shall be in place for at least one calendar year from the date of imposition by the Department and may not last for more than three calendar years from the date of correction.

§60.6. Section 8 Voucher Holders and Tenant Selection.

(a) The Department will monitor to ensure Development owners comply with 1.14 of this title §2306.269 and §2306.6728, Texas Government Code regarding residents receiving rental assistance under Section 8, United States Housing Act of 1937 (42 U.S.C. §1437F).

(b) Applicability. The policies, standards, and sanctions established by this section apply only to:

(1) multifamily housing Developments that receive the following assistance from the Department on or after January 1, 2002: (§2306.185)

(A) a loan or grant in an amount greater than 33 % of the market value of the Development on the date the recipient took legal possession of the Development; or

(B) a loan guarantee for a loan in an amount greater than 33 % of the market value of the Development on the date the recipient took legal title to the Development;

(2) multifamily rental housing Developments that applied for and were awarded housing tax credits after 1992.

(3) housing Developments that benefit from the incentive program under §2306.805 of the Texas Government Code.

(c) Housing sponsors of multifamily rental housing Developments described in subsection (a) of this section are prohibited from:

(1) excluding an individual or family from admission to the Development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. Section 1437f); and

(2) using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than 2.5 times the individual's or family's share of the total monthly rent payable to the owner of the Development. A household participating in the voucher program or receiving any other type of rental assistance may not be required to have a minimum income exceeded \$2,500 per year.

(d) To demonstrate compliance with §60.6 of this chapter housing sponsors shall:

(1) State in their leasing criteria that Section 8 voucher or certificate holders are welcome to apply and will be provided the same consideration for occupancy as any other prospective tenant;

(2) State in their leasing criteria that the Development will comply with state and federal fair housing and antidiscrimination laws;

(3) Apply all other screening criteria, including employment policies or procedures and other leasing criteria (such as rental history, credit history, criminal history, etc.) uniformly and in a manner consistent with the Texas and Federal Fair Housing Acts, program guidelines, and the Department's rules;

(4) Approve and distribute an Affirmative Marketing Plan. The Affirmative Marketing plan must be provided to the property management and onsite staff. Housing Sponsors are encouraged to use HUD form 935.2 or successors as applicable. The Affirmative Marketing Plan must identify methods to market the property to persons with disabilities. Additionally, the Affirmative Marketing plan must be displayed in the leasing office and available to the public on request.

§60.7. Monitoring for Compliance.

(a) Monitoring after the Compliance Period: Housing Tax Credit properties allocated credit in 1990 and after are required under the Code (§42(h)(6)) to record an Extended Use Agreement as part of the LURA restricting the property for 30 years. Section 42(i)(1) defines the Compliance Period as the first 15 years of the extended use period. Various sections of the Code specify monitoring rules State Housing Finance Agencies must implement during the Compliance Period.

(b) After the first 15 years of the extended use period, the Department will continue to monitor Housing Tax Credit Developments using the rules detailed in paragraphs (1- 15) of this subsection.

(1) On site monitoring visits will continue to be conducted approximately every three years, unless the Department determines that a more frequent schedule is necessary;

(2) In general, the Department will review 10% of the low-income files. No less than 5 files and no more than 20 files will be reviewed;

(3) A minimum of five units will be inspected. Additional units may be inspected if warranted by conditions discovered in the initial units inspected;

(4) A physical inspection of each unit shall be conducted by the owner each year using criteria set forth in the Department of Housing and Urban Development's Housing Quality Standards (HQS). Any deficiencies must be corrected and copies of the inspections and verification of repairs shall be maintained in the unit file;

(5) An inspection of all common spaces, grounds, building exteriors and building systems will be performed annually using HUD's HQS. Deficiencies must be corrected and records of the corrections must be maintained for review by Department staff;(6) Each Development shall submit an annual report in the format prescribed by the Department;

(7) Reports to the Department must be submitted electronically as required in §60.9 of this chapter;

(8) Compliance monitoring fees will continue to be submitted to the Department annually in the amount stated in the LURA;

(9) All households must be income qualified upon initial occupancy of any low- income unit. Proper verifications of income are required, and the Department's Income Certification form must be completed unless the Development participates in the Rural Rental Housing Program or a project based HUD program;

(10) Rents will remain restricted for all low-income units. The tenant paid portion of the rent plus the applicable utility allowance must not exceed the applicable limit.

(11) Owners and managers must continue to screen households for income, assets and household size on an annual basis. In addition, an Income Certification form must be completed on an annual basis;

(12) All additional income and rent restrictions defined in the LURA remain in effect.

(13) Other requirements defined in the LURA, such as the provision of social services or serving special needs households, will remain in effect unless specifically waived by the Department; and

(14) The owner shall not terminate the lease or evict the resident or refuse to renew the lease except for material noncompliance with the lease or other good cause.

(15) The total number of required low income units must be maintained Development wide.

(c) After the first 15 years of the extended use period, certain requirements will not be monitored as detailed in paragraphs (1-5) of this subsection.

(1) At recertification verification of income and assets will not be required.

(2) The student restrictions found in §42(i)(3)(D). An income qualified household consisting entirely of full time students may occupy a low-income unit;

(3) The requirement to treat transfers from building to building as a new move in. Transfers within the Development will not require household requalification;

(4) The Available Unit Rule found in Treasury Regulation §1.42-15; and

(5) The building applicable fraction found in the Development's Cost Certification and/or the LURA. Low income occupancy requirements will be monitored Development wide, not building by building;

(d) Unless specifically noted in this Section, all requirements of this Chapter 60 and Section 42 of the Internal Revenue Code remain in effect for the Extended Use Period. These Post Year 15 Monitoring Rules apply only to the Housing Tax Credit Developments administered by the Department. Participation in other programs administered by the Department may require additional monitoring to ensure compliance with the requirements of those programs.

(e) The Department may contract with an independent third party to monitor a Development during construction or rehabilitation and during operation for compliance with any conditions imposed by the Department in connection with funding or other Department oversight and appropriate state and federal laws, as required by other state law or by the Board. (§2306.6719, Texas Government Code).

§60.8. Recordkeeping.

All Development Owners must comply with program recordkeeping requirements. Records must include sufficient information to comply with the Reporting requirements of §60.9 of this chapter and any additional programmatic requirements. Records must be kept for each qualified low income rental unit and building in the Development, commencing with lease up activities and continuing on a monthly basis until the end of the affordability period. Housing Tax Credit owners should refer to Treasury Regulation 1.42-5 for more information about record keeping requirements.

§60.9. Reporting.

(a) Each Development shall submit reports as required by the Department. Each Development that receives financial assistance or is administered by the Department, including the FDIC's Affordable Housing Program (AHP), shall submit the information required under this section which describes the Annual Owner's Compliance Report (AOCR) required by §2306.0724, Texas Government Code. The Department requires this information be submitted electronically and in the format prescribed by the Department. Section 60.10 of this chapter contains rules regarding filing and penalties for failure to file reports. The first AOCR is due the year following award.

(b) Part A, the "Owner's Certification of Program Compliance"; Part B, the "Unit Status Report"; and Part C, "Tenant Services Provided Report" of the AOCR, must be provided to the Department no later than March 1st of each year, reporting data current as of December 31 of the previous year (the reporting year). Part D, "Owner's Financial Certification", which includes the current audited financial statements and income and expenses of the Development for the prior year, shall be delivered to the Department no later than the last day in April each year. A full description of the AOCR is contained in §60.10 of this chapter.

(c) The Department maintains the information reported by the AOCR pursuant to §2306.0724(c), Texas Government Code in electronic and hard-copy formats available at no charge to the public.

(d) Rental Developments funded or administered by the Department, including HOME, Housing Trust Fund (HTF), the FDIC's AHP, and any other rental programs funded or administered through the Department shall provide tenant information provided on Part B, "Unit Status Report," at least quarterly during lease up and until occupancy requirements are achieved. Once the Department has determined that all occupancy requirements are satisfied, the Development shall submit the Unit Status Report at least annually and as required by this section.

(e) Developments financed by tax exempt bonds issued by the Department shall report quarterly throughout the Qualified Project Period unless notified by the Department of a change in the reporting frequency.

(f) Information regarding housing for persons with disabilities: Owners of state or federally assisted housing Developments with 20 or more housing units must report information regarding housing units designed for persons with disabilities pursuant to §2306.078, Texas Government Code. This information will be reported on the Department's website and will include the following:

- (1) the name, if any, of the Development;
 - (2) the street address of the Development;
 - (3) the number of housing units in the Development that are designed for persons with disabilities and that are available for lease;
 - (4) the number of bedrooms in each housing units designed for a person with a disability;
 - (5) the special features that characterize each housing unit's suitability for a person with a disability;
 - (6) the rent for each housing unit designed for a person with a disability; and
 - (7) the telephone number and name of the Development manager or agent to whom inquiries by prospective tenants may be made.
- (g) The Department requires all Owners of properties administered by the Department to submit the Unit Status Report in the electronic format developed by the Department. The Electronic Compliance Reporting Filing Agreement and the Owner's Designation of Administrator of Accounts forms must be filed no later than January 31st of the year following the award. The Department will provide general instruction regarding the electronic transfer of data. The Department may, at its discretion, waive the online reporting requirements. In the absence of a written waiver, all Developments are required to submit Reports online.
- (h) Data submitted to the Department by the owner of a Development that contains relevant information pursuant to §2306.072(c)(6) and §2306.0724 of the Texas Government Code shall at a minimum include:
- (1) the street address and municipality or county in which the property is located;
 - (2) the telephone number of the property management or leasing agent;
 - (3) the total number of units, reported by bedroom size;
 - (4) the move in and move out date for each residential rental unit in the Development;
 - (5) the number of occupants in each low income unit;
 - (6) the total number of units, reported by bedroom size, designed for individuals who are physically challenged or who have special needs and the number of these individuals served annually;
 - (7) the rent for each type of rental unit, reported by bedroom size;
 - (8) the race or ethnic makeup of the residents of each project;
 - (9) the number of units occupied by individuals receiving government-supported housing assistance and the type of assistance received;

(10) the number of units occupied by individuals and families of extremely low income, very low income, low income, moderate income, and other levels of income, reported as 30, 40, 50, 60 or 80 % of the area median income;

(11) a statement as to whether the property has been notified of a violation of the fair housing law that has been filed with the United States Department of Housing and Urban Development, the Civil Rights Division of the Texas Workforce Commission ~~on Human Rights~~, or the United States Department of Justice;

(12) a statement as to whether the Development has any instances of material noncompliance with bond indentures or deed restrictions discovered through the normal monitoring activities that include meeting occupancy requirements or rent restrictions imposed by deed restriction or finance agreements; and

(13) the annual number of low income unit vacancies and information that shows when and to whom available units were rented.

§60.10. Annual Owner's Compliance Report Certification and Review.

(a) On or before February 1st of each year of the Affordability Period, the Department will send a reminder that the Report required by §2306.0724 of the Texas Government Code (to be titled the Annual Owner's Compliance Report--AOCR) must be completed by the Owner and submitted to the Department on or before the applicable deadline. This reminder may be sent via email or by posting on the Department's website. The Department requires the AOCR to be submitted electronically. The AOCR shall consist of:

(1) Part A, "Owner's Certification of Program Compliance";

(2) Part B, "Unit Status Report";

(3) Part C, "Tenant Services Provided Report"; and

(4) Part D, "Owner's Financial Certification".

~~(b) Penalties and sanctions are assessed in accordance with §1.11(d) of this title for failure to provide the AOCR in part or entirety, including administrative penalties and denial of future requests for Department funding.~~

(b) Any Development for which the AOCR, Part A, "Owner Certification of Program Compliance," is not received or is received past the due date will be considered not in compliance with these rules. If Part A is incomplete, improperly completed or not signed by the Development Owner, it will be considered not received and not in compliance with these rules. The Department will report to the IRS via form 8823, Low-Income Housing Credit Agencies Report of noncompliance or Building Disposition, any HTC Development that fails to comply with this section. The AOCR Part A shall include at a minimum the following statements by the Development Owner:

(1) the Development met the minimum set aside test which was applicable to the Development;

(2) there was no change in the Applicable Fraction or low income set aside of any building, or if there was such a change, the actual Applicable Fraction is reported to the Department (HTC only);

(3) the Development Owner has received an annual income certification from each low income resident and documentation to support that certification, in the manner and form required by the Department's Compliance Manual(s), as may be amended from time to time;

(4) documentation is maintained to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 (Section 8), notwithstanding any rules to the contrary for the determination of gross income for federal income tax purposes. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the Development Owner declaring that the tenant's income does not exceed the applicable income limit under §42(g) of the IRC as described in the Compliance Manual(s);

(5) each low income unit in the Development was rent-restricted under the LURA and applicable program regulations, including §42(g)(2) of the IRC, or 24 CFR Part 92, and the owner maintained documentation to support the utility allowance applicable to such unit;

(6) all low income units in the Development are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under §42(i)(3)(B)(iii)) of the IRC (HTC and BOND only);

(7) no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this Development. A finding of discrimination includes an adverse final decision by the Secretary of HUD, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court;

(8) each unit or building in the Development is, and has been, suitable for occupancy, taking into account Uniform Physical Condition Standards (UPCS) (24 CFR 5.703) or local health, safety, and building codes, and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the Development during this reporting period. If a violation report or notice was issued by the governmental unit during this reporting period, the Development Owner must provide the Department with a copy of the violation report or notice. In addition, the Development Owner must state whether the violation has been corrected;

(9) each unit has been inspected annually and each unit meets conditions set by HUD Housing Quality Standards (HOME only);

(10) there has been no change in the Eligible Basis (as defined by the Code) for any building in the Development since the last certification or, if change(s), the nature of the change (HTC only);

(11) all tenant facilities included in the original application, such as swimming pools, other recreational facilities, washer/dryer hook ups, appliances and parking areas, were provided on a comparable basis to any tenants in the Development;

- (12) Residents have not been charged for the use of any nonresidential portion of the building that was included in the building's Eligible Basis under the Code (HTC only);
- (13) if a low income unit in the Development became vacant during the year, reasonable attempts were made, or are made, to rent that unit or the next available unit of comparable or smaller size to a qualifying low income household before any other units in the Development were, or will be, rented to non low income households (HTC and BOND only);
- (14) if the income of tenants of a low income unit in the Development increased above the appropriate limit allowed, the next available unit of comparable or smaller size was, or will be, rented to residents having a qualifying income;
- (15) a LURA including an Extended Low Income Housing Commitment as described in §42(h)(6) of the Code was in effect for buildings subject to §7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989, 103 Stat. 2106, 2308 - 2311, including the requirement under §42(h)(6)(B)(iv) of the Code, that a Development Owner cannot refuse to lease a unit in the Development to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to §1314c(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438 - 439) (HTC only);
- (16) the Development Owner has not been notified by the IRS that the Development is no longer "a qualified low income housing Development" within the meaning of the Code (HTC only);
- (17) if the Development Owner is required to be a Qualified Nonprofit Organization under §42(h)(5) of the Code, that a Qualified Nonprofit Organization owned an interest in and materially participated in the operation of the Development within the meaning under §469(h) of the Code (HTC only);
- (18) no low income units in the Development were occupied by ineligible full time student households (HTC and BOND only);
- (19) no change in the ownership of the Development has occurred during the reporting period or changes and transfers were or are reported;
- (20) the Development met all representations of the Development Owner in the Application and complied with all terms and conditions which were recorded in the LURA;
- (21) the Development has made all required lender deposits, including annual reserve deposits;
- (22) the street address and municipality or county in which the Development is located;
- (23) the name, address, contact person, and telephone number of the property management or leasing agent;
- (24) that no tenants in low-income units were evicted or had their tenancies terminated, including non-renewal of a lease, other than for good cause and that no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under the Code (HTC and HOME only);

(25) The name and mailing address of the syndicator and lender (HTC only);

(26) any additional information as required by the Department.

(c) Review. Department staff will review Part A of the AOCR for compliance with the requirements of the appropriate program including the Code.

(d) Sanctions.

(1) If the report is not received on or before March 1, a notice of noncompliance will be sent to the owner specifying a reasonable amount of time, as determined by the Department, to submit the report prior to the imposition of any sanction.(2) If the report is not received on or before the corrective action deadline the Department shall:

(A) For all HTC properties, issue form 8823 notifying the Internal Revenue Service of the violation.

(B) For all properties, score the noncompliance in accordance with Section 60.18 of this Chapter.

(3) In addition, in accordance with the provisions of §2306.0724 of the Texas Government Code, the Executive Director of the Department may assess and enforce the following sanctions against a housing sponsor who fails to submit the AOCR on or before March 1 of each year. These sanctions will only be assessed for multiple, consistent and/or repeated violations of failure to submit the AOCR by March 1 of each year.

(A) Impose a late processing fee in an amount equal to \$1,000;

(B) Subject the Housing Sponsor to 10 TAC §1.13; or

(C) A HTC Development that three years in a row fails to submit required information to the Department may be reported to the Internal Revenue Service as no longer in compliance and never expected to comply.

§60.11. Record Retention Provisions.

(a) Each Development that is administered by the Department including the FDIC's AHP is required to retain the records as required by the specific funding program rules and regulations. In general, retention schedules include but are not limited to the provision of subsections (a)(d) of this section.

(b) HTC records, as described in §60.8 of this chapter, must be retained for at least six years after the due date (with extensions) for filing the federal income tax return for that year; however, the records for the first year of the Credit Period must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building.

(c) Retention of records for HOME rental Developments must comply with the provisions of 24 CFR 92.508(c) which generally requires retention of rental housing records for five years after the affordability period terminates.

(d) Housing Trust Fund (HTF) rental Developments must retain tenant files for at least three years beyond the date the tenant moves from the Development. Records pertinent to the funding of the award, including but not limited to the application, development costs and documentation, must be retained for at least five years after the affordability period terminates.

(e) Other rental Developments funded or administered in whole or in part by the Department must comply with record retention requirements as required by rule or deed restriction.

§60.12. Inspection Provision.

(a) The Department retains the right to perform an on-site inspection of any low income Development, and review and photocopy all documents and records supporting compliance with Departmental programs through the end of the Compliance Period or the end of the period covered by any Extended Low Income Housing Commitment, whichever is later.

(b) The Department will perform on-site inspections and file reviews of each low income Development. The Department will conduct the first review of HTC Developments by the end of the second calendar year following the year the last building in the Development is placed in service. The Department will schedule the first review of all other Developments as leasing commences. Subsequent reviews will occur at least once every three years during the Affordability Period. The Department will monitor a sampling of the low income resident files in each Development, and review the income certifications, the documentation the Development Owner has received to support the certifications, the rent records and any additional information that the Department deems necessary. The Department will also conduct a physical inspection of the Development including the exterior of the Development, development amenities, and an interior inspection of a sample of units.

(c) The Department may, at the time and in the form designated by the Department, require the Development Owners to submit information on tenant income and rent for each low income unit and may require a Development Owner to submit copies of the tenant files, including copies of the income certification, the documentation the Development Owner has received to support that certification, and the rent record for any low income tenant.

(d) The Department will select the low income units and tenant records that are to be inspected and reviewed. Original records are required for review. The Department will not give Development Owners advance notice that a particular unit, tenant records or a particular year will be inspected or reviewed. However, the Department will give reasonable notice to the Development Owner that an on-site inspection or a tenant record review will occur so the Development Owner may notify tenants of the inspection or assemble original tenant records for review.

(e) The Department will conduct a limited inspection for compliance with accessibility requirements under the Fair Housing Act or Section 504 of the Rehabilitation Act of 1973. If determined necessary the Department may make referrals to appropriate federal and state agencies or order third-party inspections to be paid for by the Development owner.

(f) Exception: The Department may, at its discretion, enter into a Memorandum of Understanding with the TX-USDA-RHS, whereby the TX-USDA-RHS agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed

under its Section 515 program. Owners of such buildings may be exempted from the inspection provisions; however, if the information provided by TX-USDA-RHS is not sufficient for the Department to make a determination that the income limitation and rent restrictions are met, the Development Owner must provide the Department with additional information or the Department will inspect according to the provisions contained herein. TX-USDA-RHS Developments satisfy the definition of Qualified Elderly Development if they meet the definition for elderly used by TX-USDA-RHS, which includes persons with disabilities.

§60.13. Inspection Standard.

(a) Developments must be maintained to be decent, safe, sanitary and in good repair throughout the affordability period. For all programs, the Department will use HUD's Uniform Physical Condition Standards (UPCS) to determine compliance with property condition. In addition, Developments must comply with all local health, safety and building codes. The Department may contract with a third party to complete UPCS inspections. HTC Developments that fail to comply with local codes or UPCS must be reported to the IRS.

To determine compliance with property condition standards the Department shall review any local health, safety, or building code violation reports, or notices in the absence of local health, safety and building code violation reports. If deemed necessary by the Department, inspections by third-party inspectors may be requested and will be relied upon to determine compliance with property condition standards. In addition to the review of any local health, safety or building code violation reports, the Department may conduct inspections of the units using HUD's Housing Quality Standards or UPCS and may use those standards to determine compliance with property condition standards. Developments must be maintained to be decent, safe, sanitary and in good repair throughout the affordability period. HTC Developments that fail to comply with local codes or UPCS must be reported to the IRS.

(b) The Department will evaluate UPCS reports in the following manner:

(1) A finding of Major Violations will be assessed if:

(A) Any life threatening health, safety, or fire safety hazards are reported on the Notification of Exigent and Fire Safety Hazards Observed form in any building exterior, building system, common area, site, or dwelling unit; or

(B) 25% or more of buildings or dwelling units inspected have the same reported health or safety deficiencies

(2) A finding of Minor Violations will be assessed if:

(A) The same Level two or Level three deficiency (not a health or safety deficiency) is listed for 25% or more of the buildings or dwelling units inspected; or (B) An overall UPCS score of less than 60% (59% or below) is reported.

(3) Findings of both Major and Minor Violations may be assessed if deficiencies reported meet the criteria for both.

(4) Pursuant to the 8823 Audit Guide, the Department must report if a property fails to comply with the requirements of the UPCS or local codes at any time. Accordingly, the Department will

submit forms 8823 for any UPCS violation. However, if the violation(s) do not meet the conditions described in above sections (1) or (2), no points will be assigned in the Department's compliance status evaluation of the property.

(5) Property representatives will have an opportunity to correct deficiencies while the inspector is on site. Such corrected items will not be assessed a finding unless there is a pattern of the same violation (25% or more of dwelling units or buildings inspected with the same deficiency).

(6) Acceptable evidence of correction of deficiencies is a certification from an appropriate licensed professional that the item now complies with the inspection standard or other documentation that the violation has been corrected.

(7) For Developments with no findings of Major or Minor Violations, the review letter will state that the owner is responsible for correcting any items noted in the report. However, the letter will not require the owner to report back that the items have been cured.

(8) If there are findings of noncompliance, the Department will provide a standard 90 day corrective action period. The Department will grant up to an additional 90 day extension if there is good cause and the owner clearly requests an extension.

§60.17. Utility Allowances.

(a) The Department will monitor to determine if HTC and BOND properties comply with published rent limits, which include an allowance for utilities. If residents are responsible for some or all utilities, Development owners must use a Utility Allowance that complies with §1.42-10 of the IRC and/or the IRS 8823 Audit Guide.

(b) Until further guidance is provided by the IRS through administrative ruling or guidance, the election to use a local utility company estimate is permanent; i.e. owners cannot switch back and forth between the local PHA and utility company estimates unless written approval is given by the Department.

(c) Owners that want to switch from using a PHA allowance to a written estimate or vice versa must have written approval from TDHCA.

(d) If an owner or the Department believes that the published PHA allowance does not accurately reflect the costs of utilities, the owner may be required to calculate utility allowances for rent restricted units in the building based upon an average cost of the actual use of similarly constructed and sized units in the building using actual usage data and rates.

(e) If an owner computes the utility allowance estimate based on the expected or historical use by LIHC buildings/units, the estimate must be calculated in a reasonable manner and contemporaneously documented to show how the estimate was determined.

(b) Properties within the operational area of a municipal housing authority must use the allowance issued by municipal housing authority if they select the PHA method for establishing a utility allowance. (See Local Government Code Chapter 392)

~~(c) Properties outside the operational area of a municipal housing authority and within the operational area of a county housing authority must use the utility allowance issued by the county housing authority if they select the PHA method for establishing a utility allowance. (See Local Government Code Chapter 392)~~

(d) The Department will monitor to determine if HOME and HTF Developments comply with published rent limits, which include an allowance for utilities. Unless otherwise approved by the Department, HOME and HTF Developments must use the utility allowance established by the applicable housing authority. Changes in utility allowances must be implemented on the published effective date.

~~(e) HTC developments that elect to use a written local estimate must obtain a written update within one year of the last written update. Developments that fail to obtain an update will be monitored using the applicable Public Housing Authority allowance 90 days after the written local estimate expires.~~

~~(f) If the applicable Public Housing Authority adopts an "energy efficient" utility allowance and an allowance for all other properties, the "energy efficient" allowance is valid until the applicable Public Housing Authority adopts new allowances. If the applicable Public Housing Authority subsequently adopts an allowance without regard for energy efficiency, the Development must implement that allowance within 90 days of the change.~~

~~(eg) If the applicable Public Housing Authority allowance lists flat fees for any utility, those flat fees must be included in the calculation of the utility allowance if the resident is responsible for that utility. This does not apply if the Development uses a written local estimate in accordance with Treasury Regulation 1.42-10.~~

§60.18. Material Noncompliance.

(a) For all programs, a Development will be in material noncompliance if the noncompliance is stated in this section to be material noncompliance. Developments with more than one program administered by the Department will be scored by program. The Development will be considered in material noncompliance if the score for any single program exceeds the noncompliance limit for that program. The Department may take into consideration the representations of the Applicant regarding compliance violations; however, the records of the Department are controlling.

(b) Each Development that is funded or administered by the Department will be scored according to the type and number of noncompliance events as it relates to the HTC program or other Department programs. All Developments, regardless of status, that are or have been administered, funded, or monitored by the Department are scored even if the Development no longer actively participates in the program. Unless otherwise specified below, under the HTC program, noncompliance events issued on Form 8823 are assigned point values. For other programs administered by the Department, unless otherwise specified below, noncompliance events identified during on-site monitoring reviews are assigned point values.

(c) Uncorrected noncompliance, if applicable to the Development, will carry the maximum number of points until the noncompliance event has been reported corrected by the Department. Once reported corrected by the Department, the score will be reduced to the "corrected value".

Corrected noncompliance will no longer be included in the Development score three years after the date the noncompliance was reported corrected by the Department.

(1) Under the HTC program, noncompliance events that occurred and were identified by the Department through the issuance of the IRS Form 8823 prior to January 1, 1998, are assigned corrected point values to each noncompliance event. The score for these events will no longer be included in the Development's score.

(2) The score in effect on May 1st of the year the HTC program application is submitted, during final application for Developments applying for participation in the BOND program, HOME program or HTF program, or during application review of any other program funded or administered by the Department will determine if any Development disclosed on previous participation forms is in material noncompliance.

(3) The Department will not execute a Carryover Allocation Agreement with any Owner in Material Noncompliance on October 1, 2007.

(4) Any corrective action documentation affecting the compliance status score must be received by the Department thirty days prior to the application deadline for HTC applications, thirty days prior to the submission of Volume I of the application for a BOND Development, or thirty days before the submission of an application for any other program funded or administered by the Department.

(5) The Department will not approve the transfer of ownership of any property regulated by the Department to a party in Material Noncompliance.

(d) A Development's score will be reduced by the number of points needed to be one point under the Material Noncompliance threshold under the following circumstances:

(1) The Development has no uncorrected issues of noncompliance, and

(2) All issues of noncompliance were corrected during the corrective action period, and

(3) All corrective action documentation was provided to the Department during the corrective action period.

(e) Treatment of previously owned Developments during a Previous Participation review

(1) The Department will not take into consideration the score of a Development transferred by the applicant over three years ago.

(2) The Department will not take into consideration the score of a Development whose affordability period ended over three years ago.

(32) If the property was transferred less than three years ago, the Department will determine the score for the noncompliance events with a date of noncompliance identified during the applicant's period of ownership. If the points associated with the noncompliance events identified during the applicant's period of ownership exceed the threshold for Material Noncompliance, the application will not be recommended.

(f) Events of noncompliance are categorized as either “development events” or “unit/building events”. Development events of noncompliance affect some or all the buildings in the Development; however, the Development will receive only one score for the event rather than a score for each building. Other types of noncompliance are identified individually by unit. This type of noncompliance will receive the appropriate score for each unit cited with an event. The unit scores and the Development scores accumulate towards the total score of the Development. Violations under the HTC program are identified by unit; however, the building is scored rather than the unit and the building will receive the noncompliance score if one or more of the units are in noncompliance.

(g) Each type of noncompliance is assigned a point value. The point value for noncompliance is reduced upon correction of the noncompliance. The scoring point system and values are as described in subsections (h) and (i) of this section. The point system weighs certain types of noncompliance more heavily than others; therefore certain noncompliance events automatically place the Development in Material Noncompliance. However, other types of noncompliance by themselves do not warrant the classification of Material Noncompliance. Multiple occurrences of these types of noncompliance events may produce enough points to cause the Development to be in Material Noncompliance.

(h) Development Noncompliance items are identified in paragraphs (1) - (27) of this subsection *subparagraph*.

(1) Major property condition violations. The property condition does not meet Uniform Physical Condition Standards as described in Section 60.13 of this chapter or displays major violations of health, safety and building codes. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in §60.2(a)(10) of this chapter. Corrected is 10 points.

(2) Owner refused to lease to a holder of rental assistance certificate/voucher because of the status of the prospective tenant as such a holder. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in §60.2(a)(10) of this chapter. Corrected is 10 points.

(3) Development is not available to general public. The IRS will be notified of HTC Developments reported to the Department, according to the Memorandum of Understanding among the U.S. Department of Treasury, the Department of Housing and Urban Development, and the Department of Justice, to be under investigation of possible violations of the Fair Housing Act. No points are imposed.

(4) Determination of a violation under the Fair Housing Act. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in §60.2(a)(10) of this chapter. Corrected is 10 points.

(5) Development is out of compliance and never expected to comply. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in §60.2(a)(10) of this chapter. No correction is possible; no corrected score assigned.

(6) Owner failed to pay fees or allow on-site monitoring review. Points will be assigned to this event after written notification to the Development owner. Uncorrected, this is material

noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in §60.2(a) (10) of this chapter. Corrected is 5 points.

(7) LURA not in effect. The LURA was not executed within the required time period. Uncorrected, this is material noncompliance. This event will be assigned points upon written notification to the owner. Uncorrected is equal to the material noncompliance status threshold score as defined in §60.2(a) (10) of this chapter. Corrected is 5 points.

(8) Developments awarded HTC January 1, 2004, or later, that are foreclosed by a lender, or the General Partner is removed by a syndicator due to reasons other than market conditions. Points associated with a foreclosure will be assigned at the time the 8823 is sent to the IRS. Points associated with the removal of the General Partner will be assigned upon written notification to the former General Partner. 25 points. No correction is possible; no corrected score assigned.

(9) Development failed to meet minimum low-income occupancy levels. Development failed to meet required minimum low-income occupancy levels of 20/50 (20% of the units occupied by tenants with household incomes of less than or equal to 50% of Area Median Gross Income) or 40/60. Uncorrected is 20 points. Corrected is 10 points. (HTC and BOND only)

(10) No evidence of, or failure to certify to, non-profit material participation for an Owner having received an allocation from the Nonprofit Set-Aside. Uncorrected is 10 points. Corrected is 3 points.

(11) The Development failed to meet additional State required rent and occupancy restrictions. The LURA requires the Development to lease units to low income households at multiple income and rent tiers. This event refers to the condition when the lower tiers are not satisfied. Uncorrected is 10 points. Corrected is 3 points.

(12) The Development failed to provide required supportive services as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(13) The Development failed to provide housing to the elderly as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(14) Failure to provide special needs housing. Development has failed to provide housing for tenants with special needs as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(15) Changes in Eligible Basis. Changes occur when common areas become commercial, fees are charged for facilities, etc. Uncorrected is 10 points. Corrected is 3 points. (HTC only)

(16) Failure to submit part or all of the AOCR or failure to submit any other annual, monthly, or quarterly report required by the Department. Uncorrected is 10 points. Corrected is 3 points.

(17) Owner failed to approve and distribute an Affirmative Marketing Plan as required under §60.6 of this title Uncorrected is 3 points. Corrected is 1 point.

(18) Pattern of minor property condition violations. Development does not meet Uniform Physical Condition Standards as described in Section 60.13 of this chapter or displays a pattern

of property violations; however, those violations do not impair essential services and safeguards for tenants. Uncorrected is 10 points. Corrected is 5 points.

(19) Development failed to comply with requirements limiting minimum income standards for Section 8 residents. Complaints verified by the Department regarding violations of the income standard which cause exclusion from admission of Section 8 resident(s) results in a violation. Uncorrected score 10 points. Corrected 3 points.

(20) Owner defaults on payments of Department loans for a period exceeding 90 days. Uncorrected, this is material noncompliance. Points will be assigned under this event after written notice to the Development Owner. Uncorrected is equal to the material noncompliance status threshold score as defined in §60.2(a)(10) of this chapter. Corrected is 10 points.

(21) Utility Allowance not calculated properly. Uncorrected 3 points. Corrected 1 point.

(22)~~(xxv)~~ Failure to comply with the Next Available Qualifying Unit Rule. Uncorrected 3 points. Corrected 1 point.

(23) Owner failed to execute required lease provisions or exclude prohibited lease language. Uncorrected 3 points. Corrected 1 point (All programs except HTC)

(24) Failure to provide annual Housing Quality Standards inspection. Uncorrected 10 points. Corrected 3 points. (HOME and post compliance period HTC properties Only)

(25) Development has failed to establish and maintain a reserve account in accordance with §1.37 of this title. Points will be assigned under this event after written notice to the Development Owner. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in section § 60.2(a)(10) of this chapter. Corrected is 10 points.

(26) Development substantially changed the scope of services as presented at initial application without prior department approval. Uncorrected 4 points. Corrected 0 points.

(27) Change in ownership or General Partner without proper notification to and approval of Department. Uncorrected 4 points, corrected 0 points.

~~(28) Administrative reporting of property condition violations. 0 points~~

i) Unit Noncompliance items are identified in paragraphs (1)- (12) of this subsection

(1)~~(i)~~ Unit not leased to Low Income Household. Development has units that are leased to households whose income was above the income limit upon initial occupancy. Uncorrected is 53 points. Corrected is 1 point.

(2)~~(ii)~~ Low-income units occupied by nonqualified full-time students. Uncorrected is 3 points. Corrected is 1 point. (HTC Developments during the Compliance Period and BOND only)

(3)~~(iii)~~ Low income units used on transient basis. Uncorrected is 3 points. Corrected is 1 point. (HTC and BOND only)

(4)-(iv) Household income increased above the re-certification limit and an available Unit was rented to a market tenant. (HTC Developments during the Compliance Period) Uncorrected is 3 points. Corrected is 1 point.

(5)-(v) Gross rent exceeds the highest rent allowed under the LURA or other deed restriction. Uncorrected is 5 points. Corrected is 1 point.

(6)-(vi) Failure to maintain or provide tenant income certification and documentation. Uncorrected is 3 points. Corrected is 1 point.

(7)-(vii) Casualty loss. Units not available for occupancy due to natural disaster or hazard due to no fault of the Owner. This carries no point value. Casualty losses are reported to the IRS on HTC Developments.

(8)-(viii) When a low income Unit became vacant, owner failed to lease (or make reasonable efforts to lease) to a low income household before any units were rented to tenants not having a qualifying income. Uncorrected is 3 points. Corrected is 1 point.

(9)-(ix) Unit not available for rent. Unit is used for nonresidential purposes excluding unavailable Units due to casualty and manager-occupied Units. Uncorrected is 3 points. Corrected is 1 point.

(10)-(x) Qualifying unit designation removed from household. Uncorrected is 3 points. Corrected is 1 point. (FDIC's AHP only)

(11)-(xi) Development evicted or terminated the tenancy of a low income tenant for other than good cause. Uncorrected is 10 points. Corrected is 3 points. (HTC and HOME only)

(12) Household income increased above 80% at recertification and owner failed to properly determine rent. (HOME only) Uncorrected 3 points. Corrected 1 point.

~~Texas Administrative Code~~

TITLE 10

~~COMMUNITY DEVELOPMENT~~

PART 1

~~TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS~~

CHAPTER 1

~~ADMINISTRATION~~

SUBCHAPTER A

~~GENERAL POLICIES AND PROCEDURES~~

RULE §1.11

~~Fair Housing Sponsor Report~~

(a) Purpose. ~~The purpose of this section is to establish procedures for filing the Fair Housing Sponsor report with the Texas Department of Housing and Community Affairs (the "Department"), pursuant to §2306.0724 of the Texas Government Code (the "Code").~~

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

~~(1) Fair Housing Sponsor Report Data submitted to the Department by the owner of a housing~~

development with 20 or more living units that contains relevant information pursuant to §2306.072(e)(6) of the Code including:

- (A) the street address and municipality or county in which the property is located;
- (B) the telephone number of the property management or leasing agent;
- (C) the total number of units, reported by bedroom size;
- (D) the total number of units, reported by bedroom size, designed for individuals who are physically challenged or who have special needs and the number of these individuals served annually;
- (E) the rent for each type of rental unit, reported by bedroom size;
- (F) the race or ethnic makeup of each project;
- (G) the number of units occupied by individuals receiving government-supported housing assistance and the type of assistance received;
- (H) the number of units occupied by individuals and families of extremely low income, very low income, low income, moderate income, and other levels of income;
- (I) a statement as to whether the property has been notified of a violation of the fair housing law that has been filed with the United States Department of Housing and Urban Development, the Commission on Human Rights, or the United States Department of Justice; and
- (J) a statement as to whether the development has any instances of material noncompliance with bond indentures or deed restrictions discovered through the normal monitoring activities and procedures that include meeting occupancy requirements or rent restrictions imposed by deed restriction or finance agreements.

~~—(2) Department—The Texas Department of Housing and Community Affairs.~~

~~—(3) Financial assistance—Multifamily and single family rental developments that receive financial assistance or administration from the Department including loans, grants, bonds or tax credits.~~

~~—(4) Property—A housing development that received financial assistance from the Department.~~

~~—(5) Reporting Year—The 12 month period in which the submission of the Fair Housing Sponsor Report is due.~~

(c) Procedures. The Department shall require the owner of each housing development that receives financial assistance and that contains 20 or more living units to submit an annual fair housing sponsor report in a department-approved format, available electronically on the Department's website at www.tdhea.state.tx.us, or by hard copy if electronic means are not available to an owner.

~~—(1) Hard copies of the forms are available upon request by phone or mail.~~

~~—(2) The Department shall maintain the reports in electronic and hard copy formats readily available to the public at no cost.~~

~~—(3) The report shall use data collected for the previous year current as of and including December 31 of that year, and must be submitted to the Department no later than March 1 of the Reporting Year. The data must be postmarked on or before March 1, or the following business day if March 1st falls on a Sunday or legal holiday. The Department will compile and maintain a list of owners failing to report timely. The Department, not later than March 31st of each year, will mail a late or missing report notification to owners.~~

(d) Sanctions. In accordance with the provisions of §2306.0724 of the Code, the Executive Director of the Texas Department of Housing and Community Affairs may access and enforce penalties and sanctions against a person who fails to submit the Fair Housing Sponsor Report on or before March 1 of each year.

~~—(1) Effective January 1, 2003, the Executive Director may:~~

~~—(A) Issue to the person a written reprimand that specifies the violation;~~

~~—(B) Assess an administrative penalty in an amount equal to \$1,000 for each violation in lieu of,~~

or in addition to, any other sanction; and

~~—(C) Deny future requests for departmental funding or other assistance.~~

~~—(2) Denial of future requests for departmental funding may be assessed only for multiple, consistent and/or repeated violations of failure to submit the annual Fair Housing Sponsor Report by March 1 of each year. For first-time violations, the Department will issue a written reprimand.~~

~~—(3) If, after investigation of a possible violation and the facts surrounding the possible violation, the Executive Director determines that a violation has occurred, the Executive Director shall issue a written notice or reprimand of violations not later than the 14th day after the date on which the notice of late or missing report was issued to owner. A written notice or reprimand of violations shall specify in detail the late or missing report and shall include any of the following:~~

~~—(A) recommendation that the owner charged be barred from any future requests for departmental funding and assistance;~~

~~—(B) recommendation that an administrative penalty under this section be imposed on the owner charged and indication of the penalty amount; or~~

~~—(C) recommendation that no penalty be assessed if this is the owner's first violation.~~

~~—(4) Not later than the 20th day after the date on which the notice or reprimand is received, the owner charged may accept the determination of the Executive Director made under this subsection, including the recommended penalty, or make a written request for a hearing on the determination.~~

~~—(5) If the owner charged with the violation accepts the determination of the Executive Director, the Executive Director shall issue an order approving the determination and ordering that the owner pay the recommended penalty.~~

~~—(6) If the owner charged requests a hearing, the Executive Director shall set a hearing and give written notice of the hearing to the owner. The respondent in an administrative hearing shall be entitled to due process and a hearing under the provisions of Code, Chapter 2001 and Chapter 2306. The respondent and the director may enter into a compromise settlement agreement in any contested matter prior to signing of the final order.~~

~~—(7) Not later than the 30th day after the date on which the order was issued and/or the decision is final, the owner charged shall:~~

~~—(A) pay the penalty in full; or~~

~~—(B) file a petition for judicial review contesting the fact of the violation.~~

~~—(8) If the owner charged does not pay the penalty and does not pursue judicial review, the Executive Director or the attorney general may bring an action for the collection of the penalty.~~

~~—(9) An owner that has been denied departmental funding or other assistance for failure to submit the fair housing sponsor report timely may be removed from the denial list after reporting timely for at least two consecutive Reporting Years.~~

Texas Administrative Code

TITLE 10

COMMUNITY DEVELOPMENT

PART 1

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

CHAPTER 1

ADMINISTRATION

SUBCHAPTER A

GENERAL POLICIES AND PROCEDURES

RULE §1.13

Applicant Compliance with State and Federal Laws Prohibiting Discrimination

(a) Definitions. The following words and terms, when used in this section, shall have the

following meanings, unless the context clearly indicates otherwise.

~~(1) Applicant—A person who submits, or is preparing to submit, to the Department an application for housing funds or other housing assistance from the Department.~~

~~(2) Application—The written request for Department housing program funds or other assistance in the format required by the Department including any exhibits or other supporting material.~~

~~(3) Board—The board of directors of the Texas Department of Housing and Community Affairs.~~

~~(4) Department—The Texas Department of Housing and Community Affairs.~~

~~(5) Executive Director—The executive director of the Department.~~

~~(6) Housing development—means property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation; that meets or is designed to meet minimum property standards required by the department and that is financed under the provisions of this chapter for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by individuals and families of low and very low income and families of moderate income in need of housing. The term includes:~~

~~—(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the department determines to be necessary, convenient, or desirable appurtenances; and~~

~~—(B) single and multifamily dwellings in rural and urban areas.~~

~~(7) Recipient—The individual or entity that has received funds or other assistance from the Department pursuant to its application.~~

~~(b) Applicable Laws. An applicant may not receive funds or other assistance from the Department until the Department receives a properly completed certification from the applicant that it is in compliance with the following housing laws:~~

~~(1) state and federal fair housing laws, including Chapter 301, the Property Code, the Texas Fair Housing Act, Title IV of the Civil Rights Act of 1968 (42 U.S.C. Section 3601, et seq.), and the Fair Housing Amendments of 1988 (42 U.S.C. Section 3601, et seq.);~~

~~(2) the Civil Rights Act of 1964 (42 U.S.C. Section 2000a, et seq.);~~

~~(3) the Americans with Disabilities Act of 1990 (42 U.S.C. 12101, et seq.); and~~

~~(4) the Rehabilitation Act of 1973 (29 U.S.C. Section 701, et seq.).~~

~~(c) Monitoring. The Department periodically monitors for compliance with the requirements specified in subsection (b) of this section during the construction phase of a housing development that has received funds or other assistance from the Department. The monitoring level for each housing development is based on the amount of risk of noncompliance with the requirements specified in subsection (b) of this section associated with the housing development. The Department shall notify the recipient in writing of an apparent violation and shall afford the recipient a reasonable amount of time, as determined by the Department, to correct the identified violation, if possible, prior to the imposition of a sanction. The Department shall notify the Texas Commission on Human Rights at the same time notification is sent to the recipient.~~

~~(d) Sanctions. The Department may impose one or more of the following sanctions depending on the severity of the violation of a law specified in subsection (b) of this section by a recipient of housing funds or other assistance from the Department:~~

~~(1) a reprimand posted on the Department's website,~~

~~(2) termination of assistance, or~~

~~(3) a bar on future eligibility for assistance through a housing program administered by the Department. A bar shall be in place for at least one calendar year from the date of imposition by the Department and may not last for more than ten calendar years from the date of imposition.~~

~~Texas Administrative Code~~

~~TITLE 10~~

~~COMMUNITY DEVELOPMENT~~

~~PART 1~~

~~TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS~~

~~CHAPTER 1~~

~~ADMINISTRATION~~

~~SUBCHAPTER A~~

~~GENERAL POLICIES AND PROCEDURES~~

~~RULE §1.14~~

~~Housing Sponsor: Tenant and Management Selection~~

(a) Purpose. The purpose of this section is to set standards for tenant and management selection by a housing sponsor and to prohibit a housing development funded or administered by the Department, including a development supported with a housing tax credit allocation, from:

- (1) excluding an individual or family from admission to the development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. Section 1437f); and

- (2) using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than 2.5 times the individual or family's share of the total monthly rent payable to the owner of the development.

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

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

- (2) Housing development—Property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department and that is financed under the provisions of Chapter 2306 of the Government Code for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by individuals and families of low and very low income and families of moderate income in need of housing. The term:

- (A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other nonhousing facilities, such as administrative, community, and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances; and

- (B) multifamily dwellings in rural and urban areas.

- (3) Housing sponsor—means:

- (A) an individual, including an individual or family of low and very low income or family of moderate income, joint venture, partnership, limited partnership, trust, firm, corporation, or cooperative that is approved by the department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development, subject to the regulatory powers of the department and other laws; or

- (B) in an economically depressed or blighted area, or in a federally assisted new community located within a home rule municipality, the term may include an individual or family whose income exceeds the moderate income level if at least 90 percent of the total mortgage amount available under a mortgage revenue bond issue is designed for individuals and families of low income or families of moderate income.

- ~~—(4) Management plan—A written plan clearly stating the following objectives:
 - ~~—(A) prospective applicants who hold Section 8 vouchers or certificates are welcome to apply and will be provided the same consideration for occupancy as any other prospective tenant;~~
 - ~~—(B) any minimum income requirements for Section 8 voucher and certificate holders will only be applied to the portion of the rent the prospective tenant would pay, provided, however, that if Section 8 pays 100% of the rent for the unit, the housing sponsor may establish other reasonable minimum income requirements to establish other reasonable minimum income requirements to ensure that the tenant has the financial resources to meet daily living expenses. Minimum income requirements for Section 8 voucher and certificate holders will not exceed 2.5 times the portion of rent the tenant pays; and~~
 - ~~—(C) all other screening criteria, including employment policies or procedures and other leasing criteria (such as rental history, credit history, criminal history, etc.) must be applied to prospective tenants uniformly and in a manner consistent with the Texas and Federal Fair Housing Acts and with Department requirements.~~~~
- ~~—(5) Non-compliance score—The scoring and methodology used to determine the compliance status of applicants applying for Departmental funding.~~
- ~~(c) Applicability. The policies, standards, and sanctions established by these rules apply only to:
 - ~~—(1) multifamily housing developments that receive the following assistance from the Department on or after January 1, 2002:
 - ~~—(A) a loan or grant in an amount greater than 33 percent of the market value of the development on the date the recipient took legal possession of the development; or~~
 - ~~—(B) a loan guarantee for a loan in an amount greater than 33 percent of the market value of the development on the date the recipient took legal title to the development; or~~~~
 - ~~—(2) multifamily rental housing developments funded or administered by the Department as low income tax credit property whose application for an allocation of low income housing tax credits for that housing development is received by the Department on or after August 10, 1993.~~
 - ~~—(3) A housing development that benefits from the incentive program under §2306.805 of the Texas Government Code is subject to the policies, standards, and sanctions established by these rules.~~~~
- ~~(d) Procedures. The following procedures apply to the selection of tenants and management by all housing sponsors.
 - ~~—(1) Tenants must be income eligible under the rules and regulations of the program or activity funded.~~
 - ~~—(2) Housing Sponsors must apply all other screening criteria, including employment policies or procedures and other leasing criteria (such as rental history, credit history, criminal history, etc.) uniformly and in a manner consistent with the Texas and Federal Fair Housing Acts, program guidelines, and the Department rules.~~
 - ~~—(3) Income determination must be made in a manner consistent with Section 8, of the United States Housing Act of 1937 (42 U.S.C. Section 1437f) and the guidelines established in Handbook 4350.3, as amended and promulgated by the U. S. Department of Housing and Urban Development (HUD).~~
 - ~~—(4) The Housing Sponsor shall not exclude an individual or family from admission to the development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. Section 1437f).~~
 - ~~—(5) The Housing Sponsor shall not use a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income that exceeds 2.5 times the individual or family's share of the total monthly rent payable to the owner of the development.~~
 - ~~—(6) The Housing Sponsor must maintain a written management plan that is available for review~~~~

upon request and states the intention of the development owner to comply with state and federal fair housing and antidiscrimination laws.

~~-(7) The Housing Sponsor must ensure that management posts Fair Housing logos and a Fair Housing poster in the leasing office.~~

~~-(8) The Housing Sponsor must approve and distribute a written affirmative marketing plan to the property management and on-site staff.~~

~~-(9) The department shall require a land use restriction agreement providing for enforcement of the restrictions by the department, tenants of the development, or by a private party that includes the right to recover reasonable attorney's fees if the party seeking enforcements of the restrictions is successful.~~

~~-(10) The Housing Sponsor must communicate annually during the first quarter of each year with the administrator of each Section 8 program, which has jurisdiction within the geographic area where the development is located. Such communication will include information on the unit characteristics and rents, will advise the administrating agency that the property accepts Section 8 vouchers and certificates, and will treat referrals in a fair and equal manner. Copies of such correspondence must be available during on-site reviews conducted by the Department.~~

~~-(11) A prospective tenant participating in the voucher program shall report to the administrator of the Section 8 program that provided the certificate or voucher an exclusion from admission to a housing development based on a financial or minimum income standard requiring the tenant to have a monthly income of more than 2.5 times the tenant or tenant's family share of the total monthly rent payable to the owner of the development. The administrator shall promptly report such exclusion to the Department.~~

~~(e) Sanctions. A Housing Sponsor of a multifamily rental housing development that fails to comply with the procedures pursuant to subsection (d) of this section is subject to the following sanctions:~~

~~-(1) Failure to lease to a prospective tenant due to the applicant's status as a recipient of a federal rental assistance voucher or certificate will result in a material non-compliance score, and~~

~~-(2) A complaint of exclusion from admission as described in subsection (d)(11) of this section, that has been verified by the Department, shall result in a non-compliance score for a period of one year from the date of the Department's verification of the complaint.~~

~~(f) These rules, policies, standards, and sanctions are enforceable by the Department, tenants of the development, or by private parties against the initial owner or any subsequent owners.~~

EXECUTIVE DIVISION
BOARD ACTION REQUEST
March 20, 2007

Action Items

Presentation, Discussion and Possible Ratification of an Interpretation on the Application of §49.9(c) of the 2007 Qualified Allocation Plan and Rules (QAP) regarding Adherence to Obligations and the handling of Penalty Points for Amendments.

Required Action

Ratify, with or without amendments, staff's interpretation of a legal determination on the language of §49.9(c) of the 2007 Qualified Allocation Plan and Rules (QAP) regarding Adherence to Obligations and the handling of Penalty Points for Amendments.

Background

During the drafting of the 2007 QAP, staff recommended, and the Board approved, language that was intended to discourage applicants from building something other, or less, than what was proposed at the time of application and when that did not occur, provide the Board with an alternative to not issuing Form 8609 to the development. A goal was to promote applicants' requesting permission in advance of making changes to a development so that the Department and the board would not be surprised at the end of the project with unknown changes. Section 49.9(c) of the QAP was revised to expand on the previous Adherence to Obligations language and created penalty points to penalize applicants who change their developments without prior Department permission. When the provision was applied to real world transactions, an apparent ambiguity in the language created an inconsistency between how staff and the applicant community thought the section should be interpreted. Among other things, there was a question as to whether requesting an amendment of a tax credit application would trigger the penalties of §49.9(c) of the QAP. On February 1, 2007, in response to public comment, the Board directed staff to examine the issue with the impacted community. Internal and external discussions were conducted. General Counsel issued a legal determination, a copy of which is attached. Staff's interpretation of this legal determination is set forth below.

Interpretation: The current 2007 QAP interpretation does not require board approval of amendments requested in advance that are approved by the Board are not subject to penalty points under §49.9(c).

Additional Clarification: There are two additional issues that TAAHP also requested be clarified in the QAP sentence: "Effective December 1, 2006, if a Development Owner does not produce the Development as represented in the Application and in any amendments approved by the Department subsequent to the Application, or does not provide the necessary evidence for any points received by the required deadline: ..."

- ∉ TAAHP asked exactly what the word "produce" in this context means - "when built" or "at the time of IRS 8609 Inspection"? This is critical because as long as an amendment

request comes into the agency in advance of that requested change being “produced” then it would not trigger the penalty points; however if an amendment is requested after that changed feature is “produced” then it would still trigger the penalty. Staff interprets “produce” to mean that it is has been constructed or put into effect, even if the 8609 inspection has not transpired.

- ∅ TAAHP also asked what “by the required deadline” means in this context. Most of the selection criteria for which points are awarded require evidence of eligibility for those points at the time of application. However, some require that the evidence of eligibility for the points be submitted at a later time, such as concurrently with the execution of the Commitment Notice, or may not be evidenced until final construction of the property. At the time of drafting the QAP, the “deadline” was intended to refer to those few scoring items that do have post-award deadlines such as the final confirmation of local political subdivision points. Because this sentence is an either/or sentence the failure to do what was reflected in the application is one clause and then separately the evidence for points by the deadline is another. It is staff’s interpretation that if a scoring item ties to the construction of the development in any way, then any change would fall under the first portion of this clause; separately, if a scoring item had a post-award deadline that was not satisfied by the deadline stated in the QAP or extended in advance by an approved request to the Board (if allowable), the failure to meet the deadline would trigger the penalty points.

Recommendation

Ratify, with or without amendments, staff’s interpretation on the application of §49.9(c) of the 2007 Qualified Allocation Plan and Rules (QAP) regarding Adherence to Obligations and the handling of Penalty Points for Amendments.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
LEGAL DETERMINATION

TO: Beth Anderson, Chair
Kent Conine, Vice Chair
Shadrick Bogany
Sonny Flores
Gloria Ray
The Honorable Norberto Salinas
Michael Gerber
Brooke Boston
Robbye Meyer
FILE

FROM: Kevin Hamby
General Counsel

DATE: March 20, 2007

RE: Application of 49.9(c) of the 2007 QAP

Questions Presented

1. Should the 2007 QAP be amended to provide clarity for staff and the interested community for §49.9(c)?
2. Is the act of requesting an amendment to an Application sufficient to trigger the penalties described in the 2007 QAP §49.9(c)?
3. If proof for points is not submitted by the required deadline, will §49.9(c) apply?

Short Answers

1. No. The Board could ratify a legal determination and establish that interpretation as Board policy for application of the rule and provide adequate clarity.
2. No. Amendments that do not require Board approval or amendments that are approved by the Board are not subject to penalty points.
3. Yes. However, if allowable under the QAP to request an extension, an approved extension will toll the deadline and the new approved deadline would trigger the rule's application.

Facts

Under §49.9(c) of the 2007 QAP, as of December 1, 2006, developers who alter their tax credit developments from previously submitted plans are potentially subject to penalty points for two years in the 9% application round or a loss of eligibility for requesting 4% credits on a bond transaction for 12 months.

The intent of the chapter was to provide the Board with punitive measures for developers who presented an application in one manner and altered that project after the award by changing material items. The Board in the past was clearly frustrated with the options it had before it of denying the credits when a project was not built as intended. In addition, this provision was intended to prevent developers from eliminating items submitted to obtain points when they discovered they could receive the award in that region with fewer points.

The issue first arose when an attorney representing a developer requested an amendment on behalf of her client. After submission of the request, Department staff asked if she also wanted to submit a request for waiver of the penalty points under §49.9(c). At the time, she stated that, the way she interpreted §49.9(c) of the QAP, penalty points should not apply merely for requesting an amendment.

By agreement, the issue was placed on hold until the March 12 Board meeting. The Board, based on public comment requested staff come back with options for the Board on how the rule should and could be applied and if an amendment was needed to clarify the rule.

Two schools of thought emerged on the interpretation of that particular section. One view is that changes to the application after submission that occur after December 1, 2006 are subject to penalties regardless if approved. This would include items that altered points. The other view expressed was that the penalty points only occur when the applicant did not build as was called for in the application and did not seek an amendment prior to changing the development or plans.

Legal Analysis

This is a case of first impression as this is a new section for application in the QAP. The relevant language in the QAP is:

. . .Effective December 1, 2006, if a Development Owner does not produce the Development as represented in the Application and in any amendments approved by the Department subsequent to the Application, or does not provide the necessary evidence for any points received by the required deadline:

(1) the Development Owner must provide a plan to the Department, for approval and subsequent implementation, that incorporates additional amenities to compensate for the non-conforming components; and

(2) the Board will opt either to terminate the Application and rescind the Commitment Notice, Determination Notice, or Carryover Allocation Agreement as applicable or the Department must:

(A) Reduce the score for the Applications for tax credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by 10 points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was identified by the Department; and

(B) prohibit eligibility to apply for tax credits for a Tex-Exempt Bond Development that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development for 12 months from the date that the non-conforming aspect, or lack of financing, was identified by the Department.

Language supporting the concept that only non-approved changes would result in penalty points or in loss of eligibility is found in the language “as represented in the Application **and in any amendments approved by the Department subsequent to the Application**” (emphasis added). This language implies that additional approved amendments would be allowable without penalty points or loss of eligibility as long as the Department was aware of the amendment and had approved it in the normal course of business.

Language supporting the concept that any change whether constructed or not is found in “the Board will opt either to **terminate the Application and rescind the Commitment Notice, Determination Notice, or Carryover Allocation Agreement** as applicable or the **Department must. . .**” (emphasis added). This language implies that before construction begins the penalty points are mandatory. It is also supported by the forward looking provision that says “the Development Owner must provide a plan to the Department, for approval and subsequent implementation, that incorporates additional amenities to compensate for the non-conforming components...”

The rule was approved in draft form, placed out for public comment, reasoned responses to comments were issued, the Board approved the final as written and it was signed by the Governor. The final rule is published so that the public will have clear guidance as to how the program will be administered.

Nonetheless, as the language appears to be subject to different interpretation, it would be beneficial to give staff and community participants clear direction and remove any doubt about the application of §49.9(c). In reviewing the language of the Texas Government Code Chapter 2306, the statute requires the rule to be approved by the Board and signed by the Governor by dates that have already passed. The statute does not clearly provide any language for amendment either in support or opposition. Generally in administrative law in Texas, if an agency does not have the specific authority to act, it should not act. However, rules are also governed by the Administrative Procedures Act and under the APA, amendment of rules is allowable. With the mandatory deadlines provided by statute and rule, an amendment process seems cumbersome and might be too long in development to provide use during this tax credit cycle.

The QAP provides broad waiver authority under the 2007 QAP §49.22(a) for good cause. Providing a clear and unambiguous rule would appear to be good cause on its face. The board could grant a broad waiver of the rule under certain conditions or provide the executive director discretion under the waiver with the Applicant having a right to appeal the executive director's decision.

Finally, the courts provide “deference” for a reasonable interpretation by a state agency of a rule or statute. In this case, the decision of the Department could be issued in a legal determination by the general counsel and posted for the use of the public. This could be provided to the Board as an advisory opinion and they could endorse, amend or reject the opinion to provide guidance as a policy to staff and other interested parties.

Answer

The best course of action is to issue a Legal Determination for the Department and have that Legal Determination reviewed and agreed to by the TDHCA Governing Board. An amendment is not necessary or advisable at this time.

As General Counsel for the Department, my opinion is that the §49.9(c) should be read as not requiring, or even authorizing, penalty points when an amendment is requested in advance and approved by the Board. For amendments that are not currently considered by the Board and therefore not considered material by the Board, the penalty points would also not apply. For purposes of the application of this interpretation, the term “in advance” would mean prior to the event or action taken that required an amendment.

The penalty points would apply, unless the Board waived the rule, to those applicants who did “not provide the necessary evidence for any points received by the required deadline” unless the deadline under the QAP could be extended by request and the applicant had received approval for an extended deadline from the Board in advance.

If any conflicts exist in different outcomes or penalties to be assessed within the QAP or other TDHCA rules, the Board should review that matter on a case-by-case basis and provide a decision that would be subject to 10 TAC §1.8.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

March 20, 2007

Action Item

Housing Tax Credit Amendments.

Requested Action

Approve, amend or deny the requests for amendments.

Background and Recommendations

§2306.6712, Texas Government Code, indicates that the Board should determine the disposition of a requested amendment if the amendment is a "material alteration," would materially alter the development in a negative manner or would have adversely affected the selection of the application in the application round. The statute identifies certain changes as material alterations and the requests presented below include material alterations.

The requests and pertinent facts about the affected developments are summarized below. The recommendation of staff is included at the end of each write-up.

Limitations on the Approval of Amendment Requests

The approval of a request to amend an application does not exempt a development from the requirements of Section 504 of the Rehabilitation Act of 1973, fair housing laws, local and state building codes or other statutory requirements that are not within the Board's purview. Notwithstanding information that the Department may provide as assistance, the development owner retains the ultimate responsibility for determining and implementing the courses of action that will satisfy applicable regulations.

Penalties for Amendment Requests

§49.9(c), 2007 Qualified Allocation Plan and Rules, entitled, "Adherence to Obligations," states in part:

Effective December 1, 2006, if a Development Owner does not produce the Development as represented in the Application and in any amendments approved by the Department subsequent to the Application, or does not provide the necessary evidence for any points received by the required deadline:

(1) the Development Owner must provide a plan to the Department, for approval and subsequent implementation, that incorporates additional amenities to compensate for the non-conforming components; and

(2) the Board will opt either to terminate the Application and rescind the Commitment Notice, Determination Notice or Carryover Allocation Agreement as applicable or the Department must:

(A) reduce the score for Applications for tax credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by ten points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was identified by the Department; and

(B) prohibit eligibility to apply for tax credits for a Tax-Exempt Bond Development that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development for 12 months from the date that the non-conforming aspect, or lack of financing, was identified by the Department.

These amendment recommendations are made consistent with the ratification of opinion earlier on this agenda.

HTC No. 060080, Spanish Creek Townhomes

Summary of Request: In a letter received by the Department on December 14, 2006, counsel for the applicant requested approval to increase the land area of the development named above. The letter proposed adding land to the development from the eastern and southern boundaries of a commercial tract located at the northwest corner of the land described in the purchase contract that was submitted in the development's application. The proposal would increase the development's land area from approximately 8.4492 acres to approximately 8.590 acres, a net change in both land area and density of less than two percent. Counsel stated that the change must be made because the site plan would otherwise not accommodate an existing service road on the development site.

Governing Law and Rules: §2306.6712, Texas Government Code. The statute states that the Board must approve material alterations of a development, including a significant modification of the site plan, a modification of the residential density of the Development of at least five percent and any modification that is considered significant by the board.

Owner: Spanish Creek Townhomes, Ltd.
General Partner: Investment Builders, Inc.
Developer: Investment Builders, Inc.
Principals/Interested Parties: Ike Monty
Syndicator: MMA Financial, Inc.
Construction Lender: MMA Financial, Inc.
Permanent Lender: MMA Financial, Inc.
Other Funding: City of El Paso (tax abatement)
City/County: El Paso/El Paso
Set-Aside: General
Type of Area: Urban
Type of Development: New Construction
Population Served: General Population
Units: 130 HTC units and 6 market rate units
2006 Allocation: \$1,203,646
Allocation per HTC Unit: \$9,259
Prior Board Actions: 7/06 – Approved award of tax credits
Underwriting Reevaluation: No change in the amount of the award is recommended.
Staff Recommendation: **Staff recommends approving the request. The change would not materially alter the development in a negative manner and would not have adversely affected the selection of the application.**
Penalty Assessment: **No penalty assessment is recommended because the owner requested the amendment prior to the change being instituted.**

HTC No. 070001, Fairway Crossing, forward commitment, formerly 05171 and 060002
Request to Transfer Ownership of the Allocation and Amend the Application

Summary of Request: The Department received the subject request on December 4, 2006. The Board forward committed a 2006 and subsequently a 2007 allocation for this Application due to a federal investigation potentially involving the general partner of the Applicant, Southwest Housing Development Company. The Southwest Housing Development Company is unable to complete the development and is requesting permission to transfer the allocation to organizations owned and controlled by the principals listed below. The Application received twelve (12) points for the Community Development Block Grant funds from City of Dallas however the City of Dallas has withdrawn the commitment to the development. The Application would not have been competitive in the 2005 competitive application cycle without the twelve points.

Governing Law and Rules: §2306.6713, Texas Government Code is stated and expanded by §49.17(e) of the 2007 QAP, as follows:

(e) Housing Tax Credit and Ownership Transfers. (§2306.6713) A Development Owner may not transfer an allocation of housing tax credits or ownership of a Development supported with an allocation of housing tax credits to any Person other than an Affiliate of the Development Owner unless the Development Owner obtains the Executive Director's prior, written approval of the transfer. The Executive Director may not unreasonably withhold approval of the transfer.

(1) Transfers will not be approved prior to the issuance of IRS Forms 8609 unless the Development Owner can provide evidence that a hardship is creating the need for the transfer (potential bankruptcy, removal by a partner, etc.). A Development Owner seeking Executive Director approval of a transfer and the proposed transferee must provide to the Department a copy of any applicable agreement between the parties to the transfer, including any third-party agreement with the Department.

The proposed new owner requests the following: 1) to allow a change in the supportive service programs, 2) to reduce the number of market rate units from thirteen to five, 3) to allow the original resolution from the City of Dallas (in reference to the two times per capita rule) to still be valid, and 4) that the proposed new owner not be penalized in the future for any additional amendments to the Application and in the event the new owner is unable to complete the transfer with the parties involved.

With regard to the foregoing four requests, staff advises the Board that 1) allowing a change in supportive services would have no effect on the application given that the new services must be chosen from the same list that contained the original services; 2) reducing the number of market rate units would constitute a change of less than 2% in the number of tax credit units and this change would not have affected the score of the application or the validity of the notifications made at the time of application; 3) §2306.6703(a)(4)(A), Texas Government Code, repeated as §49.5(a)(7) of the 2005 Qualified Allocation Plan and Rules (QAP), did not specify limits on the duration of the validity of the resolution, and §49.10(c) of the 2005 QAP, §50.10(c) of the 2006 QAP and §49.10(c) of the 2007 QAP appear to provide an unbroken chain of authority for the Board to proceed with this award; and 4) the request to grant impunity from penalties that would otherwise apply under the 2007 QAP or succeeding QAPs would be within the rules providing that future amendments are requested in advance of actually making the changes.

Of the four requests discussed above, only the third, regarding the resolution, concerns a statutory rule. The existence of the rule in statute indicates that the city was meant to possess the original authority to allow or forbid development. The statute does not state that the city may rescind the permission to develop after granting it. Therefore, the Board's authority over the future of this development appears to be free from statutory constraints.

The Qualified Allocation Plan and Rules (QAP) §49.17(e)(2) states “if the viable operation of the Development is deemed to be in jeopardy by the Department, the Department may authorize changes that were not contemplated in the Application”. The proposed new owner’s counsel believes this portion of the QAP gives the Board the authority to allow the ownership transfer and amendments because the rehabilitation of the Development is in jeopardy because the current owner is unable to complete the development.

Owner (will not change): Fairway Townhomes Housing, L.P.
Proposed General Partner: Townhomes at Fairway Crossing, L.L.C.
Proposed Developer: Townhomes at Fairway Crossing Builders, L.L.C.
Principals/Interested Parties: G. Granger MacDonald; J. Steve Ford; J. Mark Wolcott
Syndicator: Boston Capital
Construction Lender: City Corp
Permanent Lender: CapMark
Other Funding: Withdrawn
City/County: Dallas/Dallas
Set-Aside: General
Type of Area: Urban
Type of Development: Rehabilitation
Population Served: General Population
Units: 297 HTC units and 5 market rate units
2006 Forward Commitment: \$1,297,498
Allocation per HTC Unit: \$4,369
Prior Board Actions: 7/05 – Approved award of tax credits
Underwriting Reevaluation: No change in the amount of the award is recommended.
Staff Recommendation: Staff recommends approving the request to allow the rehabilitation of the development.
Penalty Assessment: No penalty assessment is recommended for the proposed new owner because amendments are requested in advance of the changes being instituted.

HTC No. 02135, Lakeridge

Summary of Request: A package containing this amendment request was received by the Department on August 18, 2006. At the December 9, 2006 Board meeting, the Board tabled the decision on the Lakeridge amendments because there was confusion concerning the two bedroom / two bath accessible units. The owner requests approval of four changes between the development proposal and the development as built: 1) vinyl tile was used in the entries, kitchens and bathrooms instead of ceramic tile; 2) two units for tenants with special needs (units with special accessibility features) were built with one bathroom instead of two as proposed; 3) 335 parking spaces were proposed but 256 were built; and 4) the application indicated the area to be developed as 27 acres and, later, as 16 acres, but the development was ultimately built on 14.263 acres. An explanation of the differences follows and the substitute amenities are discussed last, below.

Issue 1: The application contained conflicting representations about the tile. Vinyl tile was selected in the Specifications and Amenities section of the application but ceramic tile was chosen for points in the scoring section. Two points were awarded for the selection of ceramic tile. The points were not relevant in the award of tax credits as the application would have been in the same place in the priority list, with or without the points. The owner stated that the installation of vinyl tile was a mistake that was apparently caused by the conflicting representations in the application.

Issue 2: The owner stated that the final design review revealed that the second bathroom in the accessible units would have to be eliminated to provide sufficient turning radius space for wheelchairs in other areas of the units. The dining areas in the two bedroom accessible units increased in size from approximately ten feet by ten feet to approximately ten feet by fifteen feet as one bathroom was eliminated and the other expanded. The original rent schedule in the Application showed all two bedroom units to have two bathrooms however the plans showed there to be four two bedroom accessible units with one bathroom. The Applicant states there are only two, two bedroom units with one bathroom and subsequently provided the Department with corrected plans. The inconsistency should have been corrected at the time of application however staff did not catch the error until the Applicant filed the request for IRS Forms 8609 with the Department.

Issue 3: The reduction in the number of parking spaces appears to have arisen from mistakes related to changes in the development plan as the plan evolved from the first concept to the final plan for which the tax credit application was submitted. The developer originally considered a plan to develop the property as a 160 unit complex. The initial plan was scaled down to 112 units for the tax credit application. The 335 parking spaces in the original plan were not reduced for the 112 unit plan. The applicable zoning regulations require 238 parking spaces.

Issue 4: The site plan depicted 27 total acres with 16 acres drawn as a shaded area, with trees, driveways, buildings, and other improvements. When the plans were finalized, the 16 acres became 14.263 acres, a result of modifications made to accommodate access to a future phase II development. Even at the reduced acreage, the development has a low density of only 7.87 units per acre. The reduction would not have resulted in the loss of Pre-Application points because all of the land associated with the application was always under the control of the development owner or affiliates.

To compensate for the change from ceramic tile, alternative use of the space proposed for two bathrooms, decrease in the number of parking spaces, and reduction in acreage, the owner notes several improvements to the original development proposal. The development contains 3,388 square feet, or 2.5%, more rentable area than originally proposed. There is a second controlled access gate (for exits, only) in addition to the one controlled access gate that was originally proposed. There is a large central open area that was not originally proposed that can be used for field sports such as football and soccer. A sand volleyball court and soccer goals that were not represented in the application will be added to the development. Additionally, the owner notes that the 5,670 square foot daycare building, although not includible in eligible basis and not included as a Threshold or scoring item, will provide residents of the

development with preferential service at discounted rates that will not exceed the rates allowable by Child Care Management Services of Texas.

Neither scoring nor Threshold would be affected by this request. While four Threshold items were required, the applicant provided seven out of the eight that were possible, with the only possibility not counted being the daycare center. The score of the application was not an issue because all applications in the region that were not withdrawn or terminated received an award.

The request is made to accommodate changes to the development that were made as a result of building code considerations, discrepancies in the application and undetected shortcomings in the original plans.

Governing Law and Rules: §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a significant modification of the site plan, a modification of the residential density of the Development of at least five percent and any modification that is considered significant by the board.

Owner: Lakeridge Apartments, Ltd.
General Partner: Shannock Two, L.L.C. (Managing GP); PHTX, L.L.C. (Co-GP)
Developers: Shannock Development, LLP; Pineywoods Home Team Affordable Housing
Principals/Interested Parties: Jerry D. Moore; Pineywoods Home Team Affordable Housing, Inc.
Syndicator: SunAmerica Affordable Housing, Inc.
Construction Lender: Pineywoods Community Development Financial Institution
Permanent Lender: Column Guaranteed, LLC (Credit Suisse)
Other Funding: NA
City/County: Texarkana/Bowie
Set-Aside: General Population
Type of Area: Exurban
Type of Development: New Construction
Population Served: General Population
Units: 112 HTC units
2002 Allocation: \$1,047,148
Allocation per HTC Unit: \$9,350

Prior Board Actions: 7/02 – Approved award of tax credits

Underwriting Reevaluation: REA recommends 1) no change in the credit amount with the condition that the Owner amend the current recorded LURA to restrict all 23.458 acres of the site and with the additional condition that should the Owner apply to the Department for funding of the second phase of the development, no acquisition costs be allowed; 2), if the Owner requests a release of the 9.2 acres for development at some future point without the use of TDHCA funds, then the release price should be the prorated value of \$202,777; or 3) a reduction in the tax credit award of \$8,734 annually.

Staff Recommendation: **Staff recommends that the Board approve all four requests with one of the three options recommended by REA. The changes would not have adversely affected the selection of the application.**

Penalty Assessment: **No penalty assessment is recommended because these requests were made prior to the December 1, 2006 effective date of the penalty language in the QAP.**

HTC No. 05238, Hamilton Manor Apartments

Summary of Request: In a package received on November 30, 2006, owner requested the Board's approval for a change in the rent level of one one-bedroom unit. The owner stated that the reason for the request is to accommodate a particular elderly tenant. The tenant has lived in the subject development for approximately seven years, approximately five years prior to the tax credit funded rehabilitation of the development. The development was operated under United States Department of Agriculture Rural Development (USDA-RD) restrictions before the tax credit allocation and remains rent restricted under USDA-RD rules. The tenant qualifies for a unit under USDA-RD restrictions and would qualify at the 60% of Area Median Gross Income (AMGI) level of tax credit rents. However, all units in the development are restricted at the 50% income level and the tenant is over that level. Because the tenant strongly desires to remain in his unit, the owner asks permission to change the restriction of the one affected unit, raising the tenant qualification required to the 60% level. The owner asks that the Board waive any penalties that might, otherwise, be associated with this request. If the Board does not waive the penalties, the owner asks that he be allowed to withdraw the request.

Governing Law and Rules: §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including any modification that is considered significant by the board.

Owner: Hamilton-Charger Properties, L.P.
General Partner: Charger Affiliates, LLC
Developer: Louis Williams & Associates, Inc.
Principals/Interested Parties: Louis Williams, Bonita Williams
Syndicator: Michel Associates, Ltd.
Construction Lender: HOME Funds (TDHCA) and Housing Trust Fund
Permanent Lender: USDA-RD, HOME Funds (TDHCA), Housing Trust Fund Loan
Other Funding: Project-based rental assistance from USDA-RD
City/County: Hamilton/Hamilton
Set-Aside: At-Risk
Type of Area: Rural
Type of Development: Acquisition/Rehabilitation
Population Served: General Population
Units: 18 HTC units
2005 Allocation: \$58,236
Allocation per HTC Unit: \$3,235
Prior Board Actions: 7/05 – Approved award of tax credits
Underwriting Reevaluation: The requested change would not affect the feasibility of the development but could, under certain circumstances, affect the compliance status of the development. The Real Estate Analysis memorandum is included in the Board materials.

Staff Recommendation: Staff recommends denying the request because §50.17(d)(8) of the 2006 QAP prohibits reducing the number of units restricted to any level of income unless the owner can show that, without the reduction, the development would be financially infeasible.

Should the Board approve the request, language will be added to the LURA stating that once the tenant vacates then the unit will revert back to a 50% income unit.

Penalty Assessment: No penalty assessment is recommended because the request was made prior to the December 1, 2006 effective date of the penalty language in the QAP.

HTC No. 05044, Copperwood

Summary of Request: In a package received on January 19, 2007, owner requested the Board's approval to use a system with two central boilers to provide hot water instead of individual water heaters. The owner also requested approval for the development to contain steel tubs with tile surrounds instead of fiberglass tub/showers units. The Department's inspectors cited the lack of fiberglass tubs/showers and individual water heaters as deficiencies. Although a review of the application found that the specifications and amenities exhibit contained checkmarks in the boxes for each of the foregoing two features, further review found that the property condition assessment (PCA) proposed the continued use of a central boiler system, although with new boilers, to supply hot water. Regarding the tubs/showers, the PCA was consistent with the specifications and amenities exhibit. However, the PCA estimated that fiberglass tubs and showers would be used to replace 50% of the existing steel tubs with tile surrounds while the owner reported that only 60 tubs were actually replaced (336 bathrooms).

Governing Law and Rules: §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including any modification that is considered significant by the board.

Owner: Copperwood Preservation, L.P.
General Partner: AIMCO Copperwood, LLC
Developer: AIMCO Equity Services, Inc.
Principals/Interested Parties: AIMCO Equity Services, Inc.
Syndicator: AIMCO Corporate Tax Credit Fund V, LLC
Construction Lender: Morgan Stanley Mortgage Capital, Inc.
Permanent Lender: Morgan Stanley Mortgage Capital, Inc.
Other Funding: NA
City/County: The Woodlands/Montgomery
Set-Aside: At-Risk
Type of Area: Urban/Exurban
Type of Development: Acquisition/Rehabilitation
Population Served: Elderly Population
Units: 300 HTC units
2005 Allocation: \$1,058,943
Allocation per HTC Unit: \$3,530
Prior Board Actions: 7/05 – Approved award of tax credits
Underwriting Reevaluation: The change would not materially affect the underwriting and no change in the amount of the award is recommended.

Staff Recommendation: Staff recommends approving the request. The amendment would not materially alter the development in a negative manner and would not have affected the selection of the application in the application round.

Penalty Assessment: No penalty assessment is recommended because the request concerns clarification of the application and does not involve changes from the original proposal.

HTC No. 060056, Langwick Seniors

Summary of Request: In a package received on February 6, 2007, owner requested the Board's approval to convert the development from six two-story residential buildings to three-story residential buildings. The development as now proposed would have 124 open parking spaces and 30 garages compared to a total of 116 parking spaces, all open, in the original plan. The tenants will be charged rent for the garages.

In addition to the changes above, the owner requests approval to donate three acres of the original site to the city to be used as public park land. The original site was approximately 14.5 acres. The final site, after the donation would be approximately 11.5 acres. The reduction in land area would increase the density of the development from 8.8 units per acre to 11.1 units per acre, an increase of approximately 26%.

Governing Law and Rules: §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a significant modification of the site plan, significant modification of the architectural design, and modification of the residential density of the development of at least five percent.

Owner:	Langwick Senior Residences, L.P.
General Partner:	Songhai Langwick LLC
Developer:	Songhai Ventures, Inc.
Principals/Interested Parties:	Cherno Njie
Syndicator:	Wachovia Securities
Construction Lender:	Wachovia Bank
Permanent Lender:	Wachovia Bank
Other Funding:	City of Houston loan
City/County:	Houston/Harris
Set-Aside:	General Population
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	Elderly
Units:	123 HTC units and 5 market rate units
2006 Allocation:	\$1,200,000
Allocation per HTC Unit:	\$9,756
Prior Board Actions:	7/06 – Approved award of tax credits
Underwriting Reevaluation:	The change would not materially affect the underwriting and no change in the amount of the award is recommended.
Staff Recommendation:	Staff recommends approving the request. The amendment would not materially alter the development in a negative manner and would not have affected the selection of the application in the application round.
Penalty Assessment:	No penalty assessment is recommended because amendments are requested in advance of the changes being instituted.

HTC No. 03184, Pegasus Villas

Summary of Request: In a package received on November 11, 2006, owner requested the Board's approval for several items as follow:

(1) The owner requested the Board's acknowledgement and acceptance of the applicant's original intent to indicate that the building would have a secured entry as the feature represented by checking the box for "monitored unit security" in the Specifications and Amenities section of the application. The single residential building that comprises the development has two entry doors that are monitored by management staff during the day and that are only accessible via key code after management hours. The building also has a security feature that was not proposed in the application, a full perimeter security fence with controlled gate access.

(2) Owner requested that a "Community Garden/Walk Trail," as described in the Specifications and Amenities section of the application, be replaced by the substitute feature of an observation deck on the roof. The observation deck was not named as an amenity in the application.

(3) Owner requested that the Board accept the development as built with 316 parking spaces instead of 350 as described in the application. The reduction is approximately 9.7% of the number of spaces originally proposed and leaves the elderly development with a parking ratio that is still slightly more than two spaces per unit. The parking was reduced to allow islands to exist around twelve large oak trees, the feature substituting for the parking spaces. The final number of parking spaces exceeds city code.

Governing Law and Rules: §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a significant modification of the site plan, any modification that is considered significant by the board.

Owner: Pegasus Villas, Ltd.
General Partner: Pegasus Stemmons Development, Inc.
Principals/Interested Parties: Operation Relief Center, Inc. (Nonprofit owner of GP)
Syndicator: Wachovia Securities
Construction Lender: Western National Bank
Permanent Lender: Red Mortgage Capital, Inc.
Other Funding: City of Dallas (forgivable loan)
City/County: Dallas/Dallas
Set-Aside: Acquisition/Rehabilitation
Type of Area: Urban
Type of Development: Rehabilitation (adaptive reuse of an office building)
Population Served: Elderly
Units: 124 HTC units and 32 market rate units
2003 Allocation: \$1,153,613
Allocation per HTC Unit: \$9,303
Prior Board Actions: 7/03 – Approved award of tax credits
Underwriting Reevaluation: The change would not materially affect the underwriting and no change in the amount of the award is recommended.

Staff Recommendation: Staff recommends approving the request. The changes would not materially alter the development in a negative manner and would not have adversely affected the selection of the application.

Penalty Assessment: No penalty assessment is recommended because the request was made prior to the December 1, 2006 effective date of the penalty language in the QAP.

HTC 060080

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
Suite 300
Austin, Texas 78701-4012

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email: cbast@lockeliddell.com

December 13, 2006

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

VIA HAND DELIVERY

RECEIVED

DEC 14 2006

Re: **Amendment Request**
Spanish Creek Townhomes in El Paso (the "Project")
TDHCA No. 060080

Dear Ben:

We represent Spanish Creek Townhomes, Ltd. ("Owner"). Owner respectfully requests permission to amend the site plan presented in its low-income housing tax credit application, as set forth below.

Amendment Request

Owner presented a site plan with 8.4492 acres in its tax credit application. Now, Owner has been advised that it must shift the entire site by approximately 20 feet to accommodate an existing service road on the Project site. This shift requires the addition of 0.1408 acres to the Project site plan, for a total site comprised of 8.590 acres. Owner requests TDHCA approval for this change.

Detailed Description

In its tax credit application, Owner identified that Richard J. Amstater, Trustee ("Amstater"), had a contract to buy a 10.34 acre tract of land (the "Larger Tract") in El Paso and would assign 8.4492 acres of the Larger Tract to Owner. As Owner went through the platting process, it learned that the proposed site plan for the Project would need to be shifted by approximately 20 feet to accommodate an existing service road on the site. This shift requires the addition of 0.1408 acres (the "Additional Land") from the Larger Tract to the site. As revised, the site for the Project (the "Revised Site") will include 8.590 acres. For a legal description of the Revised Site, as well as a copy of the plat, see Exhibit A.


December 13, 2006
Page 2

Impact of Amendment

The revision of the site plan and the inclusion of the Additional Land have minimal impact on Owner's tax credit application. The Project participants remain the same. The number of units, bedrooms, bathrooms, and square footages remain the same. The tenant income set-asides remain the same. The Revised Site is larger than the Proposed Site by less than 2% but is a part of the Larger Tract that was disclosed in the tax credit application. The purchase price for the Revised Site will not change from the purchase price represented in the tax credit application. Although the Revised Site contains additional acreage, Amstater gave Owner a credit on the purchase price for the unusable service road and the net effect of the arrangement with Amstater is that the purchase price remained the same. Consequently, no additional underwriting analysis should be needed.

The need for the amendment was not reasonably anticipated by Owner, based upon the preliminary site plan work that had been performed at the time of tax credit application. For all these reasons, we believe approval of the amendment request is appropriate. An amendment fee of \$2,500 is enclosed with this letter. If this amendment requires Board approval, please include it for consideration at the next Board meeting possible. If you need additional information, please let me know.

Sincerely,



Cynthia L. Bast

Exhibit A – Revised Site: Legal Description and Plat

cc: Robbyo Meyer
Audrey Martin

HTC 070001 FR 05171

November 30, 2006

RECEIVED

DEC 04 2006

177

Ms. Robbye Meyer
Director of Multifamily Finance
Texas Department of Housing and Community Affairs
211 E. 11th Street
Austin, Texas 78701

**RE: Applicant :Fairway Crossing Apartments, TDHCA #060002
Transfer of Ownership**

Dear Ms. Meyer,

The Developer, Southwest Housing Development Company, Inc. for the above-mentioned Applicant does not feel they are in position to complete the project.

Therefore, we are interested in purchasing the ownership of the Applicant to assume the completion of the rehabilitation and other responsibilities under Section 42.

Accordingly, the following organizations and persons will no longer be affiliated with the Applicant:

- Southwest Housing Development Company, Inc. Deepak Sulakhe
- Affordable Housing Construction Greg Moss
- Fairway 05 Housing, L.P. Brian Potashnik
- Fairway 05 Development, L.L.C. 50% owner Brian Potashnik
- Wachovia Development Corporation 50% owner

Should the Transfer of Ownership be approved the following organization and persons would assume all responsibility for the Applicant:

- Townhomes at Fairway Crossing, L.L.C. J. Steve Ford
(A to-be-formed-limited liability corporation) Initial limited partner
General Partner
- G. G. MacDonald, Inc.
G. Granger MacDonald - Principal
- Resolution Real Estate Services, L.L.C.
J. Steve Ford - Principal
- Wolcott Development, L.L.C.
J. Mark Wolcott - Principal

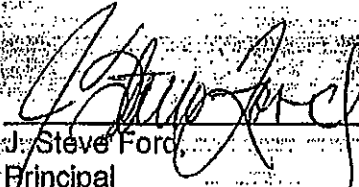
Ms. Robbye Meyer
Page 2

Please find attached the appropriate documents from the TDHCA web site for the TRANSFER OF OWNERSHIP. Also, note the copies of the required organizational documents, executed and submitted to the Secretary of State's office this date for filing for replacing of the General Partner as required.

Respectfully,

Fairway Townhomes Housing, L.P.
A Texas Limited Partnership

By: Townhomes at Fairway Crossing, L.L.C.
(A to-be-formed Texas Limited Liability Corporation)
General Partner



J. Steve Ford,
Principal

TOWNHOMES AT FAIRWAY CROSSING, L.L.C.

2951 Fall Creek Road

Kerrville, Texas 78028

January 24, 2007

Via Facsimile (512) 475-0764 & Overnight Courier

Ms. Robbye Meyer
Director of Multifamily Finance
TDHCA
211 E. 11th St
Austin, Texas 78701

RECEIVED
JAN 25 REC'D
LINTL

RE: Fairway Crossing, TDHCA #07001

Dear Robbye:

In connection with the anticipated transfer of the above-reference project, we also wish to request the following amendments to the original application.

1. **Volume 1, Tab 7, Part B – HTC Application Supplement**

We wish to completely replace "Exhibit A" which describes the supportive services to be provided. I have attached the new Exhibit A.

2. **Unit Mix**

We are proposing to amend the original unit mix by deleting 8- One Bedroom Market units, reducing the total number of units to 302. Please note that the number of HTC restricted units will remain the same.

3. **Two Times State Average Rule**

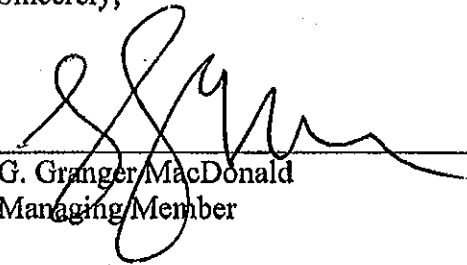
This rule would require us to have gotten approval from the City of Dallas less than a year prior to an award being made. However, such approval was obtained less than a year prior to the 2005 application round when this application was originally filed. It may be necessary, therefore, to request a waiver of this rule from the Board.

4. **Inability to Complete Transfer**

In the event that the parties involved are unable to complete the transfer of ownership of this project, we request that the TDHCA invalidates this transfer of ownership, and that the transferee not be penalized in any way in connection with this project.

I realize that these items will require Board approval. I respectfully request that this be brought before the Board at the same time as our request for transfer of ownership.

Sincerely,


G. Granger MacDonald
Managing Member

Attachments:

cc: Tom Gouris, Real Estate Analysis
Jen Joyce, Multifamily Finance

(830) 257-5323

FAX: (830) 257-3168

EXHIBIT A
SUPPORTIVE SERVICES PROGRAM DESCRIPTION

I. STAFFING

The development will employ a third-party supportive service provider (Provider) to coordinate and administer the programs at Fairway Crossing (FC). The Provider will provide staff appropriate to the services performed. The Provider will work closely with on-site staff to see that residents' needs are being met.

II. PROGRAMS

The focus of the supportive service program will be on enriching the lives of the families at the property, with a special emphasis on the needs of children. The Provider will provide a wide range of services, including but not limited to:

- A. Adult education programs (i.e. ESL, life skills, parenting & nutrition classes, etc.)
- B. Family counseling
- C. Computer education
- D. Emergency assistance
- E. Community Outreach programs
- F. Vocational guidance
- G. Social/recreational activities

Project Summary:				Fairway Crossing - Rehab		Project Cost Details:				Per Square Foot		Total Cost	
Project Name:				Dallas		Land Cost:		\$21.48	\$6,000,000		Total Construction Cost:		\$21,436,653
Location:				Dallas		Hard Cost & Site Work:		\$30.58	\$8,543,410		Construction Cost per Unit:		\$70,982
Number of Units:				302		Construction Fee & General Requirements:		\$4.28	\$1,196,077		Construction Cost per Square Foot:		\$76.73
Type of Construction:				New		Contingency:		\$3.06	\$854,341		Construction Period:		12 months
Age:				New		Soft and Front End Cost [Eligible]:		\$7.82	\$2,185,000		Lease-up Period:		12 months
Net Rentable Square Feet:				279,374		Permanent and Synd. Cost [Ineligible]:		\$1.74	\$486,000		Interest Rate:		5.22%
Estimated Occupancy:				92.5%		Developer Fees:		\$6.70	\$1,871,824		Tax Credit Basis:		\$14,498,728
Estimated Expenses per Unit:				\$4,262		Lease-up Cost:		\$1.07	\$300,000		Present Value LIHTC:		100%
Subsidy:				None		Total		\$76.73	\$21,436,653		Present Value (multiplier):		8.10%
Expenses & Replacement Reserve / SF:				\$4.61							Mixed Income (not market rate):		100%
Set-Aside: (Underwritten 100% at 50%)				#VALUE!							Tax Credits - 10 Year:		\$12,974,980

Rent Schedule	% mix	Unit Type	# Units	Sq. Ft./Unit	Rent/Unit	Utl. Allow	Net Rent	Total Rent	Rent/SF	Pro Forma:				
										Per Square Foot	Total			
40%	1BR 1BH	MKT 50%	103	696	\$546		\$536	\$662,496	\$0.77	Gross Potential Rental Income:	\$8.01	\$2,236,416		
		60%	17	696	\$623	\$87	\$536	\$109,344	\$0.77		Vacancy & Collection Loss:	(\$0.62)	\$(172,051)	
		MKT 2	2	1,011	\$635		\$640	\$15,360	\$0.63		Gross Potential Income:	\$7.39	\$2,064,365	
	41%	2 BR 2 BH	50%	100	991	\$748	\$108	\$640	\$768,000		\$0.65	Other Income:	\$0.21	\$57,600
			60%	22	991	\$748		\$640	\$168,960		\$0.65	Gross Effective Income:	\$7.60	\$2,121,965
			MKT 3	3	1,320	\$724		\$736	\$26,496		\$0.56	Expenses and Replacement Reserve:	(\$4.61)	(\$1,287,119)
19%	3 BR 2 BH	50%	47	1,254	\$864	\$128	\$736	\$415,104	\$0.59	Net Operating Income:	\$2.99	\$834,846		
		60%	8	1,254	\$864		\$736	\$70,656	\$0.59					
100%	Total Net		302	990	\$617	\$108	\$637	\$2,236,416	\$0.67					

Sources & Uses:					
Sources		% of Sources	Sources Per Unit	Sources Per Square Foot	Total Sources
Debt "A"		44%	\$30,922	\$33.43	\$9,338,324
Debt "B" (CDBG Loan-City of Dallas)					\$0
Equity		54%	\$38,126	\$41.21	\$11,514,143
Construction Period Income					\$0
Deferred Developer Fee		3%	\$1,934	\$2.09	\$584,185
GIC Income					\$0
Total Sources		100%	\$70,982	\$76.73	\$21,436,653
Uses		% of Uses	Uses Per Unit	Uses Per Square Foot	Total Uses
Land [Ineligible]		28%	\$19,868	\$21.48	\$6,000,000
Construction (H.C., G.C., & Contingency)		49%	\$35,079	\$37.92	\$10,593,828
Developer Profit		9%	\$6,198	\$6.70	\$1,871,824
Soft Cost and Front End Cost		10%	\$7,235	\$7.82	\$2,185,000
Permanent & Syndication Cost [Ineligible]		2%	\$1,609	\$1.74	\$486,000
Lease-up Cost [Ineligible]		1%	\$993	\$1.07	\$300,000
Total Uses		100%	\$70,982	\$76.73	\$21,436,653

Construction Period Sources & Uses			
Sources			
Debt & CDBG	\$9,338,324		
Equity	\$10,362,729		
Total	\$19,701,053		
Uses			
Land	\$6,000,000		
Hardcost, Sitework, CTG.	\$9,397,751		
Contractor O/H, G.R.	\$1,196,077		
Soft Costs	\$2,971,000		
Total	\$19,564,828		

Debt Information:			
Debt Svc. Crg. Ratio:	1.20	LTV	Loan Per Square Foot
Debt			10,275,030
Constant:	7.460%	\$30,922	\$33.43
			\$9,338,324

Equity Information:			
Equity to Credit (\$):	\$0.8875	Equity Per Unit	Equity Per Square Foot
			Net Equity
		\$38,126	\$41.21
			\$11,514,143

Profit:		
Construction Fee (14%):	\$4.28	\$1,196,077
Developer Fee:	\$6.70	\$1,871,824
Overhead & General Requirements:	(\$1.51)	(\$420,868)
Deferred Developer Fee:	(\$2.09)	(\$584,185)
Construction Period Gain/(Loss):	\$7.38	\$2,062,848
Closing Profit:	\$7.38	\$2,062,848

HTC No. 02135

Lakeridge Apartments, Ltd.
PO Box 153055
Lufkin, Texas 75915

Texas Department of Housing and Community Affairs
221 E. 11th
Austin, Texas 78701

October 9, 2006

VIA OVERNIGHT COURIER

Attn: Board of Directors

Re: Amendment of HTC 02135, Lakeridge Apartments, Texarkana, Texas (the "Project")

Dear Chairman Anderson, Vice-Chair Conine and Members of the Board:

We represent Lakeridge Apartments, Ltd. (the "Developer") in regard to the above referenced Project. In accordance with §2306.6712 of the Texas Government Code we hereby submit for your review and disposition the following amendments to the Application for Housing Tax Credits submitted to the Texas Department of Housing and Community Affairs ("TDHCA") on March 1, 2002:

1. We request permission to substitute vinyl ceramic tile flooring in the entry, kitchen and bathrooms for the use of ceramic tile floors in the entry, kitchen and bathrooms, as set forth in the Application. The architect and contractor failed to use ceramic tiles in the Project and instead used vinyl ceramic tiles. A conflict in the Application arose as "vinyl flooring" was selected by the Developer under the Specifications and Amenities section of the Application, but the Developer also took 2 points for ceramic tile floors in the entry, kitchen and bathrooms under the Selection Criteria Scoring by Applicant (Exhibit 7) of the Application. The ceramic tile was not included as part of the plans and specifications for the Project by the architect or contractor. However, any reduction in points occurring because of this failure did not affect the allocation received by the Project as the withdrawal of HTC #02030 from the Region 4, 2002 allocation round resulted in all other applications submitted for Region 4 receiving an allocation. Thus despite the point reduction, the Project's Final Score, either with the ceramic tile for a score of 112, or without the ceramic tile for a score of 110, would have remained third in line for an allocation as the Final Score of projects receiving allocations in Region 4 in 2002 were 146, 118, 112, 106, 93, 73 and 72.

2. We request approval for a change in the floor plans submitted for two units designated as "H2" in Building Type I from two-bedroom two-bath units to two-bedroom one-bath units. The H2 units are designated as fully accessible two bedroom units. These units were constructed with one accessible bathroom to be shared between the two bedrooms in order to provide a larger dining room area to better accommodate accessibility. The separate dining room area in the two-bedroom two-bath unit submitted at application was approximately 10' x 9'8", whereas the separate dining room area in the two-bedroom one-bath unit is 10' x 15'4".

HTC No. 02135

TDHCA
Page 2 of 3
October 9, 2006

3. We request approval for a reduction in the proffered number of parking spaces from 335 surface spaces to 256 surface spaces. Prior to submission of the Application the Project was intended to include 160 units. Just prior to Application, the Project was split into Phase I, containing 112 units, and Phase II, containing an additional 48 units, however the On-Site Amenities section of the Application was not revised to reflect the reduction in units for Phase I only. Section 12-102 of the Texarkana Zoning Ordinance requires two (2) parking spaces per residential unit, as well as one (1) space for each three hundred square feet of floor area in General Office space (applicable to the Community Center) and one (1) space for each classroom in an Elementary or Junior High School (applicable to the Day Care Center). We have enclosed a copy of this portion of the Zoning Ordinance for your review. Accordingly, the Zoning Ordinance would require a total of 238 surface parking spaces to accommodate the Project. By providing 256 parking spaces we have supplied an additional 18 surface parking spaces above the requirements of the local Zoning Ordinance.

4. We request approval of modifying the original site from 27 acres, as submitted in the Application, to 14.263 acres. The residential density would increase from 4.15 units per acre to 7.87 units per acre, which is still significantly below the maximum density allowed in a rural development. The original site contained over five separate tracts of land that totaled approximately 27 acres. At Application, the land had yet to be replatted into two separate tracts of approximately 16 and 11 acres each, an all evidence of site control submitted as part of the Application referred to a total of 27 acres. However, the Site Plan submitted as part of Exhibit 101 showed Phase I of the Project, consisting of 112 units, as being located on a 16-acre portion of the 27 acres.

Additionally, after the Application was submitted, the equity partners alerted the developer that in order to receive funding for Phase II planned for the 11-acre portion of the 27 acres, the Phase II parcel required separate public ingress and egress. Therefore, the site for Phase I was shifted to the east and modified to provide both the Phase I portion of the 27 acres and the Phase II portion of the 27 acres with the ability for each to have separate public ingress and egress. Therefore the Project is currently located on 14.263 acres which is a portion of the identical site submitted at both Pre-Application and at Application. Finally, should this change in the site plan result in a loss of the Pre-Application points, this Project would have still received an allocation in 2002 as all applications submitted for allocations in Region 4 received an allocation.

In support of approving the requested changes above, and as evidence of our intention to provide excellent quality housing and amenities to our residents whose opportunities for such housing might be limited, we provided or will be providing the following amenities and improvements to the Project beyond our requirements set forth in the Application.

1. At the time of application this Project included seven out of eight of the threshold amenities, three more amenities than required by the 2002 QAP. One item we

HTC No. 02135

TDHCA
Page 3 of 3
October 9, 2006

did not select as a threshold amenity but did provide as a supportive service was an on-site day care center. The Day Care Center is a 5,670 square foot building serviced by All My Children Day Care. The residents receive a discounted rate of enrollment equal to the rates allowable by Child Care Management Services of Texas, which determines its rates based on income level and family size. In addition, any residents that do not qualify for the CCMS funds are eligible for a scholarship offered by the Day Care Center. All residents receive services at the Day Care Center on a preferred basis. While the inclusion of the Day Care Center did not contribute toward an award of an allocation because the Day Care Center did not receive any points, we feel that it adds significantly to the value the Project has to our residents. As a supportive service, the Day Care Center provides the residents with a service that is above and beyond most supportive services.

2. We will be providing additional supportive services to the residents in the form of life skills training. These supportive services were not included in the original Application.

3. The actual square footage provided for the units as shown at cost certification resulted in an increase in the overall net rentable square footage of 3,388 square feet over the square footages provided at the time of Application.

4. Attached for your review are a copy of the final Site Plan and a copy of the As-Built Survey. Please note that both of these plats show an additional gate and entrance to the Project not originally anticipated at Application. Due to requirements by the local governing authority, we were required to provide a second entrance for ingress and egress to Jarvis Parkway. This resulted in an additional set of security gates as well as a lengthy concrete driveway.

5. We have provided an open recreational area between Building 800 and Building 900, which is currently used for field sports such as football and soccer. This recreational area is a grassy area that is centrally located in the Project and will contain soccer goals and a sand volley ball court. We did not include the recreational area as part of the original Application.

We ask that you review each of the requested changes to the Application and to consider the additional improvements provided to the Project as well. We enclose a check in the amount of Twenty-Five Hundred Dollars (\$2,500.00) to cover the amendment fee. We appreciate your attention to this matter and if there is any additional information which would be of service please do not hesitate to contact us.

Very truly yours,
Lakeridge Apartments, Ltd.


Jenny Moore, Manager of General Partner

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Enclosure

CC: Doug Dowler, PHTX, LLC
Ben Sheppard, TDHCA

Hamilton-Charger Properties LP

410 County Road 199
Nacogdoches, TX 75985
936-560-8702
936-560-2636 fax
louisw@suddenlink.net

February 15, 2007

Ben Sheppard
Multifamily Finance Production
TDHCA
221 East 7th Street
Austin, TX 78701

RE: Hamilton Manor Apartments
TDHCA # 05288
HOME Contract No. 1000433
HTF Contract No. 1000428

Dear Mr. Sheppard,

Hamilton-Charger Properties LP received a commitment for an annual allocation of 2006 Housing Tax Credits in the amount of \$58,236.00 for Hamilton Manor Apartments. This was an existing Section 515 USDA Rural Development consisting of 18 units. Tax credits were awarded to this project under the USDA Set-aside for Region 8. All units in the project were occupied at the time the project was acquired by Hamilton-Charger Properties LP.

In our application all 18 units were reserved at 50% AMGI. We are requesting TDHCA's consent to revise that to 17 units at 60% AMGI and 1 unit at 50% AMGI. This is requested due to the following:

At the time of the application and commitment it appeared that all tenants would qualify under the 50% AMGI level based on the information provided by the previous owner. At tenant certification it was determined that one tenant does not qualify at the 50% AMGI level. This tenant however, does qualify at the 60% AMGI level. The tenant (William Bundren) was a resident of Hamilton Manor for seven years prior to the change in ownership. He qualifies under all RD regulations. Mr. Bundren is a 76 year old disabled veteran in a wheelchair and does not want to leave Hamilton Manor. He is in poor health and spends much of his time in bed. We are requesting that one unit be changed to the 60% AMGI level to allow this tenant to remain at Hamilton Manor for as long as he desires.

This change would not have affected the score that the application received. Therefore, the applicant would have received an award of tax credits if one unit had been at the 60% AMGI level at application. In addition, no Threshold or Selection Items are changed.

We are also asking that the penalties associated with Section 49.17(d)(5) of the 2007 GAP be waived by the Board because of the extenuating circumstance. Further, I request that in the event that the penalties are not waived by the Board, that we be allowed to withdraw the amendment request and instead not renew the tenant's lease.

Thank you for your kind consideration of this matter.

Louis Williams

AIMCO Capital

February 13, 2007

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78711

Subject: Copperwood Apartments
TDHCA Number 05044
Application Amendment Request

Dear Mr. Sheppard:

In connection with a recent Mid-Development Inspection report received from Mr. Gavin Reid of TDHCA (**Exhibit A**), we wish to revise our previously submitted January 20, 2007 request to TDHCA for a change approval on the following items, as follows:

Background

Copperwood Apartments is a 300-unit development for senior citizens located in The Woodlands. The property was originally constructed in two phases with HUD-insured financing in 1979 and 1980. The property has been restricted for affordable use by senior households since its inception. An allocation of 2005 low-income housing tax credits from TDHCA enabled the acquisition and renovation of the property, and committed the property to a new affordability term of 40 years.

TDHCA's property inspection report (**Exhibit A**) noted that the following "Certification" items (each of them non-scoring items) were included in the Application's "Specifications and Amenities" page (**Exhibit B**), but were not observed at the property during TDHCA's Mid-Development inspection:

Individual Water Heaters in Units
Fiberglass tub/showers

Please be advised that the Mid-Development Inspection report noted other items that were not observed during such inspection that are now present upon final completion, which occurred in December 2006.

Individual Water Heaters – The Physical Needs Assessment included in the Application disclosed the property operated (pre- and post-renovation) with a central boiler system for hot water. However, we inadvertently indicated on the "Specifications and Amenities" page of the Application that individual water heaters would be utilized at the property. Prior to the tax credit renovation, the property contained four central boilers that serviced the property since its original construction. The tax credit renovation scope included the replacement of these four original boilers with two top-of-the line, energy-

Copperwood Apartments
Page 2

efficient 2006 model systems that adequately serve the entire development. Please also be advised that the Utility Allowances included in the Application's rental rate determination properly did not reflect an allowance for individually metered water heaters. Therefore, the residents' rental rate determination is unaffected by this notation error (the opportunity for an increase in rental rates is not present). **Exhibit C** contains a copy of the rent schedule and utility allowances that were included in the application to evidence such.

We request the Agency's approval to change the project specifications ("Specifications and Amenities" page) to reflect central boilers rather than individual water heaters.

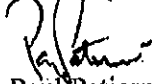
Fiberglass Tub/Shower -- We inadvertently indicated on the "Specifications and Amenities" page of the Application that the property's units contain fiberglass tubs and showers. Please be advised that the property's units actually contain cast iron tub showers with tile surrounds. The Physical Needs Assessment (PNA) included in the Application disclosed on Page 17 that the property contains cast iron tub/showers. The PNA also estimated that scope would include the replacement of 150 of the property's tub/showers with a fiberglass unit. The PCA estimate was based on a sample walkthrough of 20 percent of the property's units. Upon receiving the credit reservation, a walkthrough of 100% of the property's units disclosed that only 60 tub/showers were in need of immediate replacement. It was thereafter decided and contracted to replace these 60 tub/showers with a cast iron product, which is generally more durable than fiberglass. The remaining cast-iron tub/showers were re-surfaced, as needed.

We request the Agency's approval to change the project specifications ("Specifications and Amenities" page) to reflect Tile Tub/Shower, which is the pre-printed selection in the Application that perhaps most closely corresponds with the actual product.

Thank you for considering this request. We previously forwarded with our January 20, 2007 request, a check in the amount of \$2,500 representing our Change Request Fee for these items.

Please feel free to call and discuss this request for an Application Amendment. We look forward to your response.

Sincerely,


Paul Patierno
Vice President

Encl.

LANGWICK SENIOR RESIDENCES, L.P.
1106 Clayton Lane, Suite 524W
Austin, TX 78723

Phone: (512) 458-5577

Fax: (512) 458-5565

February 6, 2007

Ms. Robbeye Meyer
Manager, HTC
TDHCA
221 East 11th Street
Austin, TX 78701

Re: Langwick Senior Residences
TDHCA # 060056

Dear Ms. Meyer:

Enclosed is a request for amendment of this project, including its site plan, floor plans, and club house as detailed below.

At application, the project was submitted as a single-story development comprised of 128 units on 14.5 acres. The proposed change redesigns the project as three story elevator property with five buildings all situated outside the flood zone. Additional changes include increasing the size of the one bedroom units from 750 to 754 square feet and the two bedroom units from 975 to 982 square feet. The club house has also been increased from 4,747 to 4,854 square feet with a coffee shop as an additional amenity. Thirty garages have been included in the project as well as a two-acre private park for the tenants. The number of units and the income elections made at application remain unchanged.

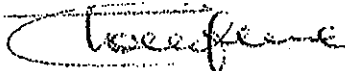
The reasons for the amendments are to make the project a more cohesive and interactive living environment for the tenants than was possible in the original design given its density and to create more green space of the tenants.

The changes have created unused acreage which will be utilized as a greenbelt. We wish to convey three acres of this land to the Greater Greenspoint Management District, an instrumentality of the City of Houston, to be used as a public park. The partnership will not receive any financial benefit from this donation. With these changes, the project will be comprised of 128 units on 11.5 acres, instead of the 14.5 acres submitted at application.

The amendments being proposed would not have negatively affected the project's selection for an allocation of tax credits in the 2006 round or its financial feasibility. In summary, we request approval for all the changes outlined in this letter based on the updated financing structure. The amendments serve the interest of the tenants as well as the residents of the City of Houston.

Please call me if you have any questions or need additional information.

Sincerely,



Cherno M. Njie
General Partner
Langwick Senior Residences, L.P.

Enclosures

Rcvd 11/20/06
BPS

Pegasus Villas, Ltd.
2424 Old Dennis Road
Weatherford, TX 76087

November 1, 2006

Texas Department of Housing and Community Affairs
Mr. Ben Sheppard
Multifamily Finance and Production Division
P. O. Box 13941
Austin, TX 78711-3941
Phone: (512) 475-2122

RECEIVED
NOV 14 2006
Multifamily Finance & Production

RE: Uniform Housing Programs Application amendment
Pegasus Villas -- TDHCA File No.: 03184 -- CMTS: 3366

Dear Mr. Sheppard:

Regarding the above-mentioned development, please accept this letter as the Developer's formal request for an amendment to the Uniform Housing Programs Application no. 03184, for the following:

1. ~~Monitored unit security was one of seventeen (17) amenities listed in Exhibit 3: Activity Overview of the Application.~~ Pegasus Villas is an adaptive re-use of an existing 16-story building. The building has two entrance / exit door areas on floor one that are the only means of entrance or egress. These two areas are monitored at all times by Management Staff during normal business hours, and are locked at all other times. Only residents with the proper remote access devices can enter the building after normal business hours through the locked set of back doors. Additionally, as the perimeter of the property is surrounded by a security fence and limit access security gates, the only way to access this set of doors after normal business hours is through these gates, and residents must have the proper key code or remote transmitter to open the gates.

The intent of the Owner when listing this amenity was to show that the building was secure at all times, not to monitor each unit. This type of building dictates that it is not physically nor economically feasible to provide camera monitoring for each unit throughout 16 floors. The building was not designed for monitored security, nor was it the intent of the Owner to provide

Pegasus Villas
No. 03184

it. The development would not have the financial ability to operate if it were to monitor each unit. The use of "Monitored Unit Security" as listed in the Application was apparently not the most effective way to demonstrate the Owner's true intention of providing a secure location with safe points of entry into the building at all time. However, this amenity was a non-scoring item and its deletion as an amenity has no material effect on the development, and the building is secure at all times. The Owner went to great lengths during construction to provide ample security for the building, and while we feel that we have afforded what was intended when filling out the application, the amenity is not provided according to the Department's definition. It is for these reasons that we request this amenity, as defined to us, be approved for deletion.

2. A community garden / walk trail was also listed in Exhibit 3: Activity Overview on the Application. The area that would have contained the walk trail would not have been inside the perimeter security fence. The Owner decided that it would be in the best interest of future residents to provide limited access security gates in lieu of the walk trail, and this substitution was provided. As a senior community, safety of the residents is highly regarded by prospective tenants and their families. Securing the development and the after-hours access doors with these gates was thought to provide a better amenity than the walk trail outside the security fence. Additionally, there are areas of green space inside the perimeter security fence that can be utilized as an area for walking and exercising. Also, the observation deck on the roof is an ideal location with ample room for residents to keep small gardens. As these amenities (walk trail and limited access gates) appear to have equal value in Exhibit 3, and are non-scoring items, we respectfully request the Department allow the substitution of the limited access security gates for the walk trail.

3. The application identified 350 uncovered parking spaces, but there was a reduction during construction in this number to 316 parking spaces. In order to save twelve (12) large, mature live oak trees (estimated to be over 25 years old) in the parking area, the site plan was revised to include parking islands around all of these trees. The addition of the islands reduced the number of parking spaces, but allowed the Owner to have a better-planned parking area, keep the existing mature trees and add more green areas to the property, while still maintaining more than the number of parking spaces required by the City of Dallas and current zoning ordinances.

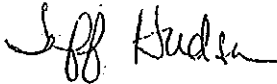
Again, as Pegasus Villas is a senior property, most of its residents do not have multiple vehicles, and consequently the property has many more parking spaces than will be needed to serve its residents and/or visitors.

We believe this change was actually beneficial to the overall development and in no way adversely affects the site. It does, however, increase the aesthetic beauty of the property by preserving these mature trees and adding green area within the property.

Consequently, we respectfully request that you grant our appeal for these application amendments. Enclosed herewith, please find the \$2,500.00 check for the amendment application fee.

Thank you for your consideration and approval of the requested changes. If you have further questions or require additional information, please contact me at (817) 341-1378, via mobile phone at (817) 771-9671, or at jhudson@glynchcompanies.com

Sincerely,



Jeff Hudson
Pegasus Villas, Ltd.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: July 19, 2006 **PROGRAM:** 9% HTC **FILE NUMBER:** 060080

DEVELOPMENT NAME

Spanish Creek Townhomes

APPLICANT

Name: Spanish Creek Townhomes, Ltd **Contact:** Ike Monty
Address: 8800 Yermoland, Suite A
City: El Paso **State:** TX **Zip:** 79907
Phone: (915) 599-1245 **Fax:** (915) 594-0434 **Email:** ikemonty@aol.com

KEY PARTICIPANTS

Name: Investment Builders, Inc **Title:** 0.01% Managing General Partner/Developer
Name: Ike Monty **Title:** 100% Owner of GP and Developer

PROPERTY LOCATION

Location: 610 Lee Trevino Drive
City: El Paso **Zip:** 79907
County: El Paso **Region:** 13 QCT DDA

REQUEST

<u>Program</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
HTC	\$1,199,800	N/A	N/A	N/A
Proposed Use of Funds:	New construction	Type:	Multifamily	
Target Population:	Family	Other:	Urban/Exurban	

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$1,199,800 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of evidence by commencement of construction that all Phase I Environmental Site Assessment and subsequent environmental investigation report recommendations have been carried out, in particular that the well found on the site be plugged and abandoned appropriately.
2. Receipt, review and acceptance prior to commitment of a recommendation, by a qualified professional, regarding noise.
3. Receipt, review and acceptance of a firm commitment for funding by the local political subdivision and proposed use of such funds. Should more than \$68,000 be awarded, a reduction in credit may be warranted.
4. Should the terms and rates of the proposed debt of \$2,212,770 or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 136 # Res Bldgs 34 # Non-Res Bldgs 2 Age: N/A yrs Vacant: N/A at / /
 Net Rentable SF: 146,056 Av Un SF: 1,074 Common Area SF: 3,022 Gross Bldg SF: 149,078

ARCHITECTURAL REVIEW

The building and unit plans are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect modest buildings.

STRUCTURAL MATERIALS

The structures will be constructed on concrete slabs. According to the plans provided in the application the exterior will be 100% stucco. The interior wall surfaces will be drywall and the roofs will be finished with concrete tile.

UNIT FEATURES

The interior flooring will be carpet and resilient covering. Threshold criteria for the 2006 QAP requires all development units to include: mini blinds or window coverings for all windows, a dishwasher, a disposal, a refrigerator, an oven/range, an exhaust/vent fan in bathrooms, and a ceiling fan in each living area and bedroom. New construction units must also include three networks: one for phone service, one for data service, and one for TV service. In addition, each unit will include: amicrowave, laundry connections, a ceiling fixture in each room, a split refrigeration system, an individual water heater, and nine-foot ceilings.

ONSITE AMENITIES

In order to meet threshold criteria for total units of 100 or more, the Applicant has elected to provide a community laundry room, an enclosed sun porch or covered community porch, full perimeter fencing, a furnished community room, a furnished fitness center, public telephone(s) available to tenants 24 hours a day, a swimming pool, and two children's playgrounds equipped for 5 to 12 year olds/two tot lots/one of each.

Uncovered Parking: 171 spaces Carports: 136 spaces Garages: 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Spanish Creek Townhomes is a 16.1-unit per acre new construction development located in southeast El Paso. The development is comprised of 34 evenly distributed residential buildings as follows:

No. of Buildings	No. of Floors	1BR	2BR	3BR
7	2	4		
1	2	4		
15	2		4	
3	2		4	
7	2			4
1	2			4

The development includes a 2,122-square foot community building and separate 300-square foot laundry and 600-square foot maintenance buildings.

SITE ISSUES

SITE DESCRIPTION

Total Size: 8.4492 acres Scattered sites? Yes No
 Flood Zone: Zone B & C Within 100-year floodplain? Yes No
 Current Zoning: C-1 (Commercial) Needs to be re-zoned? Yes No N/A

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is an irregular-shaped parcel located in the "East" sector of El Paso on Lee Trevino Drive just north of North Loop Drive/Loop 76.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Adjacent Land Uses:

- **North:** single family residential and vacant land immediately adjacent and residential beyond;
- **South:** an irrigation drain and North Loop Drive immediately adjacent and mixed residential and commercial beyond;
- **East:** storm water collection drain immediately adjacent and residential beyond; and
- **West:** Lee Trevino Drive immediately adjacent and mixed residential and commercial beyond.

Site Access: Access to the property is from north bound on Lee Trevino Drive.

Public Transportation: Public transportation to the area is provided by Sun Metro and the nearest linkage is 0.4 miles from the subject site.

Shopping & Services: A major supermarket, other retail shopping and restaurants, public schools, a library, and other community facilities are located within two miles of the site. A major medical center is located five miles of the site.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 05/04/2006
Overall Assessment: Excellent Acceptable Questionable Poor Unacceptable
Comments: _____

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 9, 2006 was prepared by EFI Global, Inc and contained the following findings and recommendations:

Findings:

- **Noise:** The Phase I ESA did not indicate any recommendation regarding noise.
- **Floodplain:** "According to the Federal Emergency Management Agency (FEMA), Flood Insurance Rate Maps for El Paso, Texas Panel 480214 0045B, effective date October 15 1982, the Subject Property is located within an area of minimal flooding" (p. 5).
- **Asbestos-Containing Materials (ACM):** "During the time of our visit, no structures or buildings were observed on the subject property. Therefore building components and/or materials that may be covered with a lead based paint are not a concern of the Subject Property" (p. 12).
- **Lead-Based Paint (LBP):** "During the time of our visit, no structures or buildings were observed on the subject property. Therefore building components and/or materials that may have Asbestos Containing Materials (ACM) are not a concern of the Subject Property" (p. 11).
- **Lead in Drinking Water:** "The Subject Property was not connected to a public or private water supply distribution system. However, the El Paso Water Utilities provides potable water service to the adjacent properties and vicinity. The water supply meets EPA criteria under the Safe Drinking Water Act (SDWA)" (p. 11).
- **Radon:** "The final report of the Texas Indoor Radon Survey was issued by the Texas Department of State Health Services (TDSHS), formerly Texas Department of Health (TDH), in June 1994. According to the survey report, 106 radon samples were spatially distributed throughout El Paso County, Texas. The published test results indicated that radon concentration varied from less than 0.5 Pico Curies per Liter (pCi/L) to 21.6 pCi/L. The statistical average for El Paso County was reported to be 1.0 pCi/L. This is below the EPA's threshold limit of 4.0 pCi/L. During the course of our site visit, no structures or buildings were observed on the Subject Property. Therefore, the potential of radon gas accumulations is very low" (p. 12).

Recommendations: "Based on the results of our research, observations, and interviews, EFI has not identified suspect environmental conditions at the Subject Property. The review of historical aerial photographs identified no evidence of recognized environmental conditions associated with the Subject Property. The earliest onsite and adjacent land use was identified in the 1970s. Our review of regulatory

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agency databases identified no listing that presents an existing environmental concern. Our site reconnaissance did not identify evidence of underground storage tanks, suspect subsurface equipment, or suspect surface conditions at the Subject Property. During the course of our site visit, we observed stained soils on the Subject Property, which was associated with the former agricultural and landscape nursery uses. Stained soil was observed in the southwestern portion of the property. The soil in this area was heavily stained and the ground's surface contained a dark-brown to black discoloration. Minor soil staining was observed in the northwestern portion of the Subject Property. It is EFI's opinion that the heavily stained soils were a result of stockpiled manure and/or compost materials typically associated with agricultural land and landscape nursery uses. Environmental impacts to the Subject Property resulting from these stained soils are unlikely. During our site visit, an inactive irrigation water supply well was observed in the western portion of the Subject Property. At the time of our site reconnaissance, the well was not in use and we were unable to determine if the well was operable. The presence of this well is considered a recognized environmental condition. There was one pole-mounted transformer on the Subject Property. It was located adjacent to the irrigation water supply well. The transformer had no labeling regarding its PCB content. EFI found no staining on the native soils around the equipment. El Paso Electric Company operates the equipment and is responsible for any environmental concerns associated with its operation" (p 14).

"Provided the well is not to be used for irrigation purposes, EFI recommends that the well be properly plugged and abandoned in accordance Federal and State rules and regulations governing such activities" (p. 15).

Receipt, review, and acceptance of evidence by commencement of construction that all Phase I Environmental Site Assessment and subsequent environmental investigation report recommendations have been carried out is a condition of this report. In addition, the Phase I ESA did not make a recommendation regarding the need for a noise study. Receipt, review and acceptance of a recommendation, by a qualified professional, of a recommendation regarding noise is a condition of this report.

INCOME SET-ASIDE

The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One-hundred and thirty of the units (95% of the total) will be reserved for low-income tenants. Fourteen of the units (10%) will be reserved for households earning 30% or less of AMI, 116 units (85%) will be reserved for households earning 60% or less of AMI, and the remaining six units will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET HIGHLIGHTS

A market feasibility study dated February 20, 2006 was prepared by Ipser & Associates, Inc ("Market Analyst") and included the following findings:

Secondary Market Information: The Market Analyst did not indicate a secondary market area.

Definition of Primary Market Area (PMA): "The overall market area for the subject includes 19 surrounding census tracts (see Map 5)" (p. 2-12). This area encompasses approximately 23 square miles and is equivalent to a circle with a radius of 2.7 miles.

Population: The estimated 2006 population of the PMA is 96,000 and is expected to increase by 0.5% to approximately 96,465 by 2011. Within the primary market area there are estimated to be 27,955 households in 2006.

Total Market Demand: The Market Analyst did not utilize a household size-appropriate adjustment rate. The Analyst's income band of \$8,160 to \$27,500 results in an income eligible adjustment rate of 35% (p. 3-5). The Market Analyst does not show how they came to this conclusion and the Underwriter looks at two income bands around the 30% and 60% target markets. The Underwriter's income eligible adjustment rate was higher at 43.8%. The tenure appropriate adjustment rate of 36% is specific to the general population (p. 3-5). The Market Analyst indicates a turnover rate of 42% applies based on 2000 Census data (p. Ex N-1).

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In addition, the Market Analyst included 10% of the Section 8 waiting list for the area as a source of demand resulting in an added demand for 238 affordable units (14% of total demand) (Ex N-1). However, the Market Analyst does not evidence his methodology for this source of demand. Moreover, some persons on the Section 8 waiting list are effectively included in the resident turnover demand calculations based on the general population for the PMA. Therefore, the Underwriter chose not to include this demand source.

MARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	8	< 1%	6	< 1%
Resident Turnover	1,429	85%	1,587	99%
Other Sources: Section 8 Waiting List	238	14%	N/A	N/A
TOTAL DEMAND	1,675	100%	1,596	100%

p. Ex N-1

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 13.4% based upon 1,675 units of demand and 225 unstabilized affordable housing in the PMA (including the subject) (p. Ex N-1). The Underwriter calculated an inclusive capture rate of 14.10% based upon a supply of 225 unstabilized comparable affordable units divided by a revised demand estimate for 1,596 affordable units. Including the 108 units from the proposed Copper Square Estates would increase the Underwriter's capture rate to a still acceptable 20.9%.

Unit Mix Conclusion: "The subject will have 136 units, consisting of 32 1-Bd units at 730 and 995 Sq.Ft., 72 2-Bd units at 942 and 1,084 Sq.Ft., and 32 3-Bd units at 1,190 Sq.Ft.. The subject will be open to all segments of the population, including elderly. Therefore, the proposed unit mix appears appropriate" (p. 3-7).

Market Rent Comparables: The Market Analyst surveyed 15 comparable apartment projects totaling 1,963 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (30%)	\$160	\$160	\$0	\$555	-\$395
1-Bedroom (60%)	\$403	\$403	\$0	\$590	-\$187
1-Bedroom (MR)	\$580	N/A		\$590	-\$10
2-Bedroom (30%) 942 SF	\$193	\$193	\$0	\$680	-\$342
2-Bedroom (30%) 1,084 SF	\$193	\$193	\$0	\$695	-\$342
2-Bedroom (60%)	\$484	\$484	\$0	\$695	-\$211
2-Bedroom (MR)	\$650	N/A		\$695	-\$45
3-Bedroom (30%)	\$224	\$224	\$0	\$760	-\$516
3-Bedroom (60%)	\$560	\$560	\$0	\$760	-\$200
3-Bedroom (MR)	\$740	N/A		\$760	-\$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: "Two HTC projects indicated absorption information in the market area. The 112-unit Capistrano Palms opened in April 2005 and was 90% occupied in July 2005, which indicated an absorption rate of 34 units per month. Also, Western Burgundy opened in May 1999 and was 100% occupied in 6 months, for a monthly absorption of 11 units" (p. 3-6). "Twelve of the 18 properties surveyed reported physical occupancy rates of 95.8% or higher, including 7 with occupancy rates between 96% and 99% and 5 that were 100% occupied (3 more were also 100% leased). Also, 5 locations had occupancy rates ranging from 90% to 95.5%, and the lowest physical occupancy rate was 84.7% at Valle Sereno AHDP" (p. 2-19).

Absorption Projections: "Absorption information was obtained from two HTC properties. Capistrano Palms opened in April 2005 and reached 90% occupancy in July 2005, which indicated an absorption rate of 34 units per month. Capistrano is currently 100% and reported the largest waiting list in the market area. Also, Western Burgundy opened in May 1999 and was 100% occupied in 6 months, for a monthly absorption of 11 units. Average absorption for the subject is estimated at 10 to 12 units per month, and it is expected that a 10

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to 12 month lease-up period will be required to achieve 92.5% occupancy of the 136 units. Some tenants could be expected to relocate from multi-family complexes" (p. 2-22).

Unstabilized, Under Construction, and Planned Development: The newest development in the PMA is Capistrano Palms (TDHCA #03023, completed in April 2005) which has an occupancy of 100% and a waiting list of 250. The Market Analyst included the 95 tax credit units from Capistrano Palms in the capture rate calculation. A second development by the same developer is proposed for this market. Copper Square Estates (#060078) is a 108-unit development targeting families three miles northwest of the site. And a third proposed development by the same developer targeting elderly households is a few blocks north of the subject. All three of these developments have the same score as of the date of this report; however, according to program staff, the subject wins the tiebreaker and therefore would be the first in line to receive an award.

Market Impact: The market study made no reference to the market impact of the proposed development.

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of July 1, 2006, maintained by Housing Authority of the City of El Paso, from the 2006 program gross rent limits. Tenants will be required to pay electric and natural gas. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and their effective gross income estimate is within 5% of the Underwriter's estimate.

Expenses: The Applicant's total annual operating expense projection at \$3,520 per unit is within 5% of the Underwriter's estimate of \$3,566, derived from the TDHCA database and IREM data. However, the Applicant's estimate of general and administrative is \$19K lower and payroll and payroll tax is \$22K higher than the Underwriter's estimates. The Applicant also understated TDHCA compliance fees.

Conclusion: The Applicant's income, expense, and net operating income estimates are each within 5% of the Underwriter's estimates; therefore, the Applicant's proforma will be used to determine the development's debt coverage ratio and debt capacity. The Applicant's first-year debt coverage ratio appears to be within the Department's guideline of 1.10 to 1.30 based on the Applicant's estimate of annual debt service. However, the terms presented in the proposal for permanent financing results in a lesser annual debt service and a debt coverage ratio that exceeds the Department maximum of 1.30. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Long-Term Feasibility: The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized with a revised annual debt service resulting in a debt coverage ratio that remains above 1.10 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 10.0492 acres	\$296,643	Assessment for the Year of:	2005
1 acre:	\$29,519	Valuation by:	El Paso County Appraisal District
Prorated Value: 8.4492 acres	\$249,413	Tax Rate:	3.184811

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EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved commercial property contract (8.4492 acres)		
Contract Expiration:	09/01/2006	Valid through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	\$1,416,981.50	Other:	
Seller:	Richard J. Amstater, Trustee	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$167,705 per acre or \$10,419 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. It should be noted, the seller is not the current owner of the property. Rather the seller has a current unimproved commercial property contract for a larger 10.34 acres encompassing the subject site with a closing date of August 31, 2006 (First Amendment). There is no indication any of the parties are related.

Sitework Cost: The Applicant's claimed sitework costs of \$6,603 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$392K or 5% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

Fees: The Applicant's fees for the contractor and developer were set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above the eligible basis portion of these fees now exceeds the maximum by \$6,509 and has been reduced by the same amount in order to recalculate the appropriate requested credit amount.

Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$11,879,526 supports annual tax credits of \$1,206,060. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

INTERIM TO PERMANENT FINANCING

Source:	MMA Financial, Inc	Contact:	Christopher E Tawa
Interim:	\$6,270,000	Interest Rate:	8.50%, variable, lender's estimate
		Amort:	24 months
Permanent:	\$2,220,000	Interest Rate:	7.00%, fixed, lender's estimate
		Amort:	360 months
Documentation:	<input checked="" type="checkbox"/> Signed <input type="checkbox"/> Term Sheet <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm Commitment <input type="checkbox"/> Conditional Commitment <input type="checkbox"/> Application		
Comments:			

GRANT

Source:	City of El Paso and/or County of El Paso	Contact:	N/A
Total Abatement:	\$68,000	Conditions:	N/A
Documentation:	<input type="checkbox"/> Signed <input type="checkbox"/> Term Sheet <input type="checkbox"/> LOI <input type="checkbox"/> Firm Commitment <input type="checkbox"/> Conditional Commitment <input checked="" type="checkbox"/> Application		
Comments:	Tax abatement and/or waiver of permit; Should both entities grant the requests, Applicant would reduce request to each accordingly.		

TAX CREDIT SYNDICATION

Source:	MMA Financial, Inc	Contact:	Suzanne Pixley
Proceeds:	\$11,396,960	Net Syndication Rate:	95%
		Anticipated HTC:	\$1,199,800/year
Documentation:	<input checked="" type="checkbox"/> Signed <input type="checkbox"/> Term Sheet <input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm Commitment <input type="checkbox"/> Conditional Commitment <input type="checkbox"/> Application		

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Comments: _____

OTHER

Amount: \$84,307 Source: Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Financing: The interim to permanent financing commitment from MMA Financial is inconsistent with the terms reflected in the sources and uses of funds listed in the application. The principal reflected in the commitment is \$55K higher than is being shown in the sources and uses portion of the application. Moreover, it would appear that the development could support this additional debt. If the full \$2,220,000 is utilized, an excess of funds may be present. The Underwriter completed this analysis at a debt level between the Applicant's stated amount and the commitment amount (\$2,212,770) which also provides a maximum 1.30 DCR.

Funding by Local Political Subdivision: The Applicant has applied for and anticipates receiving a tax abatement for years 6 to 9 and/or a waiver of permit from the City of El Paso and/or County of El Paso. If the amount granted exceeds \$68K, the requests to each will be revised accordingly. Receipt, review and acceptance of firm commitment for funding by local political subdivision and proposed use of such funds is a condition of this report. While a tax abatement would not affect the sources and uses of funds, any award of local funds higher than the \$68,000 projected by the Applicant could affect the need for tax credits.

HTC 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 Applicant's proposed deferred developer's fees of \$84,307 amount to 2% of the total fees.

Financing Conclusions: As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.30. The underwriting analysis assumes an increase in the permanent loan amount to \$2,212,770 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the revised permanent loan of \$2,212,770 and \$68,000 in local funding indicates the need for \$11,433,497 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,203,646 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,199,800), the gap-driven amount (\$1,203,646), and eligible basis-derived estimate (\$1,206,060), the Applicant's request of \$1,199,800 is recommended. The syndication rate of 95¢ per credit acquired is typical in today's market but a one cent per dollar increase in this rate would reduce the need for credits all else held equal. The Underwriter's recommended financing structure indicates the need for \$36,537 in permanent funds. Deferred developer fees in this amount appear to be repayable within one year.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner and Developer, Investment Builders, Inc, submitted an unaudited financial statement as of December 31, 2005 reporting total assets of \$25M and consisting of \$1.2M in cash, \$9.1M in receivables, \$1.1M in real property, \$102K in prepaid expenses, \$260K in machinery, equipment, and fixtures, and \$13.3M in other assets. Liabilities totaled \$13.9M, resulting in net assets of \$11.2M.
- The principal of the General Partner and Developer, Ike Monty, submitted an unaudited financial

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statement as of December 31, 2005 and is anticipated to be guarantor of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

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%.
- Environmental risks exist regarding the well located on the site.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The anticipated ad valorem property tax exemption for years 6 to 9 may not be received or may be reduced, which could affect the financial feasibility of the development.
- The financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Cameron Dorsey

Date: July 19, 2006

Director of Real Estate Analysis:

Tom Gouris

Date: July 19, 2006

MULTIFAMILY COMPARATIVE ANALYSIS

Spanish Creek Townhomes, El Paso, HTC 9%, #060080

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Int-Pd Util	Wtr, Sew, Trash
TC 30%	4	1	1	730	\$242	\$160	\$640	\$0.22	\$82.00	\$44.00
TC 60%	25	1	1.5	995	485	403	10,075	0.41	82.00	44.00
MR	3	1	1.5	995		580	1,740	0.58	82.00	44.00
TC 30%	6	2	2	942	291	193	1,158	0.20	98.00	45.00
TC 30%	2	2	2.5	1,084	291	193	386	0.18	98.00	45.00
TC 60%	62	2	2.5	1,084	582	484	30,008	0.45	98.00	45.00
MR	2	2	2.5	1,084		650	1,300	0.60	98.00	45.00
TC 30%	2	3	2.5	1,190	336	224	448	0.19	112.00	53.00
TC 60%	29	3	2.5	1,190	672	560	16,240	0.47	112.00	53.00
MR	1	3	2.5	1,190		740	740	0.62	112.00	53.00
TOTAL:	136		AVERAGE:	1,074	\$527	\$461	\$62,735	\$0.43	\$97.63	\$46.65

INCOME		Total Net Rentable Sq Ft:	146,856	TDHCA	APPLICANT	Comptroller's Region	13		
POTENTIAL GROSS RENT				\$752,820	\$752,820	IREM Region		El Paso	
Secondary Income		Per Unit Per Month:	\$8.00	13,056	13,056	\$6.00	Per Unit Per Month		
Other Support Income				0	0	\$0.00	Per Unit Per Month		
POTENTIAL GROSS INCOME				\$765,876	\$765,876				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(57,441)	(57,444)	-7.50%	% of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions				0	0				
EFFECTIVE GROSS INCOME				\$708,435	\$708,432				
EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	9.35%	\$487	0.45	\$66,274	\$47,578	\$0.33	\$350	6.72%	
Management	5.00%	260	0.24	35,422	35,422	0.24	260	5.00%	
Payroll & Payroll Tax	16.79%	875	0.81	\$118,968	140,760	0.86	1,035	18.87%	
Repairs & Maintenance	6.93%	361	0.34	\$49,103	51,000	0.35	375	7.20%	
Utilities	5.62%	293	0.27	39,792	36,720	0.26	270	5.18%	
Water, Sewer, & Trash	6.07%	316	0.29	42,967	34,600	0.24	255	4.50%	
Property Insurance	4.44%	231	0.22	31,467	34,000	0.23	250	4.80%	
Property Tax	3.184811	9.17%	478	64,870	64,560	0.44	475	9.11%	
Reserve for Replacements	3.84%	200	0.19	27,200	27,200	0.19	200	3.84%	
Supp serv, compl fees	1.25%	65	0.06	8,840	6,800	0.05	50	0.86%	
TOTAL EXPENSES	66.46%	\$3,566	\$3.32	\$485,003	\$478,720	\$3.28	\$3,520	67.57%	
NET OPERATING INC	31.54%	\$1,843	\$1.53	\$223,432	\$229,712	\$1.57	\$1,889	32.43%	
DEBT SERVICE				TDHCA	APPLICANT				
MMA Financial Mortgage	24.40%	\$1,271	\$1.18	\$172,846	\$181,656	\$1.24	\$1,336	25.84%	
Local Funding	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	7.14%	\$372	\$0.35	\$50,586	\$48,056	\$0.33	\$353	6.78%	
AGGREGATE DEBT COVERAGE RATIO				1.29	1.26				
RECOMMENDED DEBT COVERAGE RATIO					1.30				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		10.05%	\$10,419	\$9.70	\$1,416,981	\$1,416,981	\$9.70	\$10,419	10.33%
Off-Sites		0.00%	0	0.00	0	0	\$0.00	\$0	0.00%
Sitework		6.37%	6,603	6.16	897,970	897,970	\$6.15	\$6,603	6.55%
Direct Construction		54.01%	56,016	52.16	7,618,208	7,226,200	\$49.48	\$53,134	52.69%
Contingency	3.07%	1.85%	1,923	1.78	261,544	261,544	1.70	1,923	1.91%
General Req'ts	5.75%	3.47%	3,602	3.35	489,876	489,876	3.35	3,602	3.57%
Contractor's G & A	1.92%	1.16%	1,201	1.12	163,292	163,292	1.12	1,201	1.19%
Contractor's Profit	5.75%	3.47%	3,602	3.35	489,876	489,876	3.35	3,602	3.57%
Indirect Construction		2.37%	2,457	2.29	334,100	334,100	2.29	2,457	2.44%
Ineligible Costs		1.66%	1,724	1.61	234,451	234,451	1.61	1,724	1.71%
Developer's G & A	1.45%	1.10%	1,145	1.07	155,752	0	0.00	0	0.00%
Developer's Profit	13.00%	0.89%	10,254	9.55	1,394,600	1,550,352	10.51	11,400	11.30%
Interim Financing		3.35%	3,477	3.24	472,825	472,825	3.24	3,477	3.45%
Reserves		1.25%	1,300	1.21	176,800	176,800	1.21	1,300	1.29%
TOTAL COST	100.00%		\$103,723	\$96.58	\$14,106,275	\$13,714,267	\$93.99	\$100,840	100.00%
Construction Cost Recap	70.33%		\$72,947	\$67.97	\$9,920,766	\$8,630,788	\$63.24	\$70,064	69.48%
<i>2006 QAP \$50.9(i)(8) points awarded for costs less than \$70.00 per square foot</i>									

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
MMA Financial Mortgage	15.35%	\$16,919	\$14.82	\$2,165,000	\$2,165,000	\$2,212,770	Developer Fee Available
Local Funding	0.48%	\$500	\$0.47	68,000	68,000	68,000	\$1,549,503
HTC Syndication Proceeds	88.79%	\$83,601	\$78.03	11,396,960	11,396,960	11,396,960	% of Dev. Fee Deferred
Deferred Developer Fees	0.60%	\$620	\$0.58	84,307	84,307	36,537	2%
Additional (Excess) Funds Req'd	2.78%	\$2,882	\$2.68	392,008	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$14,106,275	\$13,714,267	\$13,714,267	\$981,147

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Spanish Creek Townhomes, El Paso, HTC 9%, #060080

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
 Average Quality Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.32	\$8,079,818
Adjustments				
Exterior Wall Finish			\$0.00	50
9-Ft. Ceilings	3.00%		1.66	242,395
Roofing			1.48	216,074
Subfloor			(0.66)	(125,095)
Floor Cover			2.81	410,417
Porches/Balconies	\$18.78	6.986	0.90	131,188
Plumbing	\$815	160	0.89	130,400
Built-in Appliances	\$2,200	136	2.05	299,200
Stairs/Fireplaces			0.00	0
Fireplaces			0.00	0
Heating/Cooling			2.20	321,323
Carports	\$8.80	33,440	2.04	297,616
Comm/Aux Bldgs	\$63.33	3,022	1.31	191,383
Other			0.00	0
SUBTOTAL			69.80	10,194,719
Current Cost Multiplier	1.04		2.79	407,789
Local Multiplier	0.88		(6.38)	(1,223,366)
TOTAL DIRECT CONSTRUCTION COSTS			\$64.22	\$9,379,142
Plans, specs, survy, bid pm	3.90%		(\$2.50)	(\$365,787)
Interim Construction Interest	3.38%		(2.17)	(316,546)
Contractor's OH & Profit	11.50%		(7.38)	(1,078,601)
NET DIRECT CONSTRUCTION COSTS			\$52.16	\$7,618,208

PAYMENT COMPUTATION

Primary	\$2,165,000	Amort	360
Int Rate	7.00%	DCR	1.28

Secondary		Amort	
Int Rate		Subtotal DCR	1.28

Additional		Amort	
Int Rate		Aggregate DCR	1.20

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO

Primary Debt Service	\$176,659
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$53,053

Primary	\$2,212,770	Amort	360
Int Rate	7.00%	DCR	1.28

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.20

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NO)

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	\$752,820	\$775,405	\$795,667	\$822,827	\$847,306	\$982,250	\$1,138,700	\$1,320,074	\$1,774,070
Secondary Income	13,056	13,448	13,851	14,267	14,855	17,035	10,748	22,894	30,767
Other Support Income	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	765,876	788,852	812,518	836,893	862,000	999,294	1,158,458	1,342,968	1,804,837
Vacancy & Collection Loss	(97,444)	(60,104)	(60,939)	(62,767)	(64,656)	(74,947)	(86,884)	(160,723)	(135,363)
Employee & Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$708,432	\$729,888	\$751,579	\$774,126	\$797,350	\$924,347	\$1,071,572	\$1,242,246	\$1,669,474
EXPENSES at 4.00%									
General & Administrative	\$47,578	\$49,481	\$51,460	\$53,518	\$55,660	\$67,718	\$82,390	\$100,240	\$148,379
Management	35,422	36484.83	37579.37465	38708.7561	39867.95878	46217.89101	53579.20281	62112.98074	83474.65218
Payroll & Payroll Tax	140,760	148,390	152,246	158,336	164,669	200,345	243,751	286,560	438,981
Repairs & Maintenance	51,000	53,040	55,162	57,308	59,683	72,509	88,315	107,449	159,051
Utilities	36,720	38,189	39,716	41,305	42,957	52,264	63,587	77,304	114,517
Water, Sewer & Trash	34,680	36,067	37,510	39,010	40,571	49,360	60,056	73,066	108,155
Insurance	34,080	35,360	36,774	38,245	39,776	48,393	58,877	71,633	106,034
Property Tax	64,660	67,142	69,828	72,821	75,528	91,889	111,707	136,018	201,340
Reserve for Replacements	27,200	28,288	29,420	30,596	31,820	38,714	47,102	57,306	84,627
Other	6,800	7,072	7,355	7,649	7,955	9,678	11,775	14,327	21,207
TOTAL EXPENSES	\$478,720	\$497,515	\$517,050	\$537,357	\$558,464	\$677,160	\$821,220	\$998,075	\$1,465,967
NET OPERATING INCOME	\$229,712	\$232,374	\$234,529	\$236,770	\$238,886	\$247,178	\$250,344	\$246,171	\$203,508
DEBT SERVICE									
First Lien Financing	\$176,659	\$176,659	\$176,659	\$176,659	\$176,659	\$176,669	\$176,650	\$176,659	\$176,659
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	\$53,053	\$55,514	\$57,869	\$60,110	\$62,227	\$70,519	\$73,695	\$69,511	\$26,848
DEBT COVERAGE RATIO	1.30	1.31	1.33	1.34	1.35	1.40	1.42	1.39	1.15

HTC ALLOCATION ANALYSIS - Spanish Creek Townhomes, El Paso , HTC 9%, #060080

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	\$1,416,981	\$1,416,981		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$897,970	\$897,970	\$897,970	\$897,970
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$7,226,200	\$7,618,208	\$7,226,200	\$7,618,208
(4) Contractor Fees & General Requirements				
Contractor overhead	\$163,292	\$163,292	\$162,483	\$163,292
Contractor profit	\$489,876	\$489,876	\$487,450	\$489,876
General requirements	\$489,876	\$489,876	\$487,450	\$489,876
(5) Contingencies				
	\$261,544	\$261,544	\$261,544	\$261,544
(6) Eligible Indirect Fees				
	\$334,100	\$334,100	\$334,100	\$334,100
(7) Eligible Financing Fees				
	\$472,825	\$472,825	\$472,825	\$472,825
(8) All Ineligible Costs				
	\$234,451	\$234,451		
(9) Developer Fees			\$1,549,503	
Developer overhead		\$155,752		\$155,752
Developer fee	\$1,550,352	\$1,394,600		\$1,394,600
(10) Development Reserves				
	\$176,800	\$176,800		
TOTAL DEVELOPMENT COSTS	\$13,714,267	\$14,106,275	\$11,879,526	\$12,278,043

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		\$11,879,526	\$12,278,043
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$15,443,384	\$15,961,455
Applicable Fraction		96%	96%
TOTAL QUALIFIED BASIS		\$14,762,058	\$15,257,274
Applicable Percentage		8.17%	8.17%
TOTAL AMOUNT OF TAX CREDITS		\$1,206,060	\$1,246,519

Syndication Proceeds	0.9499	\$11,456,426	\$11,840,749
Total Tax Credits (Eligible Basis Method)		\$1,206,060	\$1,246,519
Syndication Proceeds		\$11,456,426	\$11,840,749
Requested Tax Credits		\$1,199,800	
Syndication Proceeds		\$11,396,960	
Gap of Syndication Proceeds Needed		\$11,433,497	
Total Tax Credits (Gap Method)		\$1,203,646	

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ADDENDUM**

DATE: February 28, 2007

PROGRAM: 9% HTC

FILE NUMBER: 05171/060002/
070001

DEVELOPMENT NAME

Fairway Crossing Apartments

APPLICANT

Name: Fairway Townhomes Housing, Inc. **Type:** For-profit
Address: 5910 North Central Expressway, Suite 1145 **City:** Dallas **State:** TX
Zip: 75206 **Contact:** Len Vilicic **Phone:** (214) 891-1402 **Fax:** (214) 987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: Townhomes at Fairway Crossing, LLC	(%): 0.01	Title: Managing General Partner
Name: G.G. MacDonald, Inc.	(%): N/A	Title: 33% Owner of MGP
Name: G. Granger MacDonald	(%): N/A	Title: Principal of G.G. MacDonald, Inc.
Name: Resolution Real Estate Services, LLC	(%): N/A	Title: 33% Owner of MGP
Name: J. Steve Ford	(%): N/A	Title: Principal of G.G. Resolution Real Estate Services, LLC
Name: Wolcott Development, LLC	(%): N/A	Title: 33% Owner of MGP
Name: GJ. Mark Wolcott	(%): N/A	Title: Principal of Wolcott Development, LLC

PROPERTY LOCATION

Location: 7229 Ferguson Road **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75228

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,484,191	N/A	N/A	N/A
Other Requested Terms: Annual ten-year allocation of housing tax credits			
Proposed Use of Funds: Rehabilitation		Property Type: Multifamily	
Special Purpose (s): General Population			

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$1,297,498 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance that the Environmental Site Investigation (ESI) proposal dated March 15, 2005 by Alpha Testing, Inc. to evaluate the presence of petroleum hydrocarbons in the on-site soil and groundwater are preformed and the asbestos/mold proposal dated March 10, 2005 by Alpha Testing, Inc. are preformed. Renovation activities will impact the identified ACM; therefore, the ACM must be abated prior to the renovation. The asbestos abatement must be performed by a State of Texas licensed asbestos abatement contractor in accordance with a project design prepared by a State of Texas licensed asbestos consultant.

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.

ADDENDUM

The Applicant requests approval for an ownership transfer. The general partner, Fairway 05 Housing, L.P.; the owners of the general partner, Fairway 05 Development L.L.C. and Wachovia Development Corporation; and the developer, Southwest Housing Development Company, Inc. are being replaced by Townhomes at Fairway Crossing, L.L.C. as general partner; and G.G. MacDonald, Inc.; Resolution Real Estate Services, L.L.C.; and Wolcott Development, L.L.C. as owners of the general partner. The original application was submitted and approved during the 2005 9% HTC cycle (#05171) and received a forward commitment (#060002). An extension of the forward commitment for 2007 (#070001) was granted due to ongoing federal investigation. The new proposed general partner submitted several updates to the application including a rent schedule; operating expenses; development cost schedule; and updated financing commitments. The site inspection condition in the original underwriting report has been satisfied.

The new Applicant proposes to reduce the number of market rate units from 13 to 5 and the total number of units from 310 to 302 in order to enlarge the common area square footage. The number of HTC units remains unchanged. The total net rentable square footage will be 278,640 with an average unit square footage of 923. The updated rent schedule results in the following operating proforma analysis:

- **Income:** The Applicant's rent projections for the 60% of AMI units and the market rate units equal the rents for the 50% of AMI units. While the Market Study conclusions suggest that the larger one bedroom units may not be able to achieve the maximum rents, these conclusions are in error due to a miscalculated adjustment to one of the comparable units. The maximum tax credit rents are achievable and the market unit rents have been adjusted upward to the maximum 60% rents as well, this results in the Applicant understating potential gross rent by \$95K. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the differences in potential rent, the Applicant's effective gross income estimate is \$86K less than the Underwriter's estimate.
- **Expenses:** The Applicant's total expense estimate of \$4,256 per unit is 4.3% less than the Underwriter's database-derived estimate of \$4,445 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database average: general and administrative (\$22.5K lower); payroll and payroll tax (\$59.4K lower); repairs and maintenance (\$97.2K higher); and utilities (\$39.4K lower).
- **Conclusion:** The Applicant's effective gross income, operating expenses, and net operating income (NOI) estimates are within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will 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.

The construction cost estimate evaluation follows:

- **Acquisition Value:** The Applicant claimed \$6,000,000 in acquisition costs. The Underwriter's calculated acquisition cost of \$5,870,868 includes the original acquisition cost (\$4.7M) plus holding costs accrued since January 2005. The holding costs include \$274.6K for property taxes; \$401.5K for security; \$155.6K in professional expenses; \$144.4K for maintenance and administrative; \$98.5K in utilities; and \$42.3K for insurance. Upon request, the Applicant provided documentation supporting the holding costs since acquisition.
- **Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$4,020 per unit.
- **Direct Construction Cost:** The direct construction costs are substantiated by the Property Review Summary.

- **Fees:** The Applicant's contractor fees are within the maximums allowed by TDHCA guidelines. The developer fees exceed the Department's guideline by \$42.8K. Additionally, the estimated contingency exceeds TDHCA guidelines by \$433.6K. Consequently the Applicant's eligible costs in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs.
- **Conclusion:** The Underwriter's cost schedule was derived from information presented in the materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$14,199,784 is used to determine a credit allocation of \$1,463,137 from this method. The resulting syndication proceeds will be used to compare to the original recommended credit amount and to the gap of need to determine the recommended credit amount.

The financing structure has been updated as follows:

- **Interim to Permanent Financing:** The permanent financing commitment indicates a total loan amount of \$9,400,000 with an 18-year term and 30-year amortization. The interest rate indicated in the commitment is 6.56%.
- **HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The syndication rate proposed in the commitment (\$0.8875) is in the middle of the range of current credit prices. If the final syndication rate were to increase by six cents per dollar of tax credit, an excess of funds would exist, all else held constant, and a reduction in recommended tax credits would be required based on the gap method of determining credits.
- **Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$705,950 amount to 38% of the total fees.
- **Financing Conclusions:** Based on the Underwriter's estimate of eligible basis, the HTC allocation should not exceed \$1,463,137 annually for ten years, resulting in syndication proceeds of approximately \$12,984,039. The original credit amount recommended (\$1,297,498 annually for ten years) is lower than the amount based on eligible basis and the credit amount based on gap in funds (\$1,378,176); therefore, the lower amount will be recommended. This results in syndication proceeds of \$11,514,143. Based on the underwriting analysis, the Applicant's deferred developer fee will be decrease to \$253,811, which represents approximately 14% of the eligible fee and which should be repayable from cash flow within three years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

The Underwriter has reviewed the financial statements for the principals of the proposed new general partner and the financial resources are adequate for participation in the development.

On October 12, 2006 the TDHCA Board approved the Final Policy for Addressing Cost Increases for 2004 and 2005 Competitive HTC Developments and Recommendation of Awards to Eligible Developments ("Final Policy"). As a 2005 allocation, the subject development is eligible for an additional housing tax credit allocation. The Final Policy raises the \$1.2M limit per development to a maximum of \$1.368M per development. Should the request for approval of the ownership transfer not be granted and the applicant resubmits an application, the total amount of annual housing tax credits will be limited to \$1.2M as stated in the 2007 QAP.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

SUMMARY OF SALIENT RISKS AND ISSUES

- Potential environmental concerns exist regarding asbestos, mold and petroleum hydrocarbons.

Underwriter:


Brenda Hull

Date: February 28, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: February 28, 2007

MULTIFAMILY COMPARATIVE ADDENDUM

Fairway Crossing, Dallas, 9% HTC #05171/060002/070001

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit		Rent per Month	Rent per SF	Int-Pd Unit	Wtr, Swr, Trsh
TC (50%)	32	1	1	607	\$623	\$536		\$17,152	\$0.88	\$87.00	\$62.00
TC (50%)	8	1	1	664	623	536		4,288	0.81	87.00	62.00
TC (50%)	24	1	1	708	623	536		12,864	0.76	87.00	62.00
TC (50%)	32	1	1	720	623	536		17,152	0.74	87.00	62.00
TC (50%)	5	1	1	758	623	536		2,680	0.71	87.00	62.00
TC (50%)	3	1	1	758	748	661		1,983	0.87	87.00	62.00
TC (50%)	16	1	1	764	748	661		10,576	0.87	87.00	62.00
MR	0	1	1	764	N/A	696				87.00	62.00
TC (50%)	100	2	2	986	748	640		64,000	0.65	108.00	75.00
TC (50%)	22	2	2	1,011	898	790		17,380	0.78	108.00	75.00
MR	2	2	2	1,011	N/A	790		1,580	0.78	108.00	75.00
TC 50%	30	3	2	1,192	864	736		22,080	0.62	128.00	88.00
TC 50%	17	3	2	1,320	864	736		12,512	0.56	128.00	88.00
TC (50%)	8	3	2	1,320	1037	909		7,272	0.69	128.00	88.00
MR	3	3	2	1,320	N/A	909		2,727	0.69	128.00	88.00
TOTAL:	302		AVERAGE:	923	\$745	\$643		\$194,246	\$0.70	\$103.50	\$72.33

INCOME

Total Net Rentable Sq Ft: 278,640

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	
General & Administrative	4.07%	\$297	0.32	
Management	5.00%	365	0.40	
Payroll & Payroll Tax	13.85%	1,012	1.10	
Repairs & Maintenance	6.18%	452	0.49	
Utilities	4.14%	303	0.33	
Water, Sewer, & Trash	5.10%	373	0.40	
Property Insurance	3.16%	231	0.25	
Property Tax	2.93276	12.44%	909	0.99
Reserve for Replacements	4.11%	300	0.33	
Other: compl fees, supp svc, sec	2.79%	204	0.22	
TOTAL EXPENSES	60.85%	\$4,445	\$4.82	
NET OPERATING INC	39.15%	\$2,861	\$3.10	

DEBT SERVICE

Capmark	32.52%	\$2,378	\$2.57
City of Dallas-CDBG	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	6.64%	\$485	\$0.53

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bidg)		27.73%	\$19,440	\$21.07
Off-Sites		0.00%	0	0.00
Sitework		5.74%	4,020	4.36
Direct Construction		35.21%	24,681	26.75
Contingency	5.00%	2.05%	1,435	1.58
General Req'ts	6.00%	2.46%	1,722	1.87
Contractor's G & A	2.00%	0.82%	574	0.62
Contractor's Profit	6.00%	2.46%	1,722	1.87
Indirect Construction		3.04%	2,129	2.31
Ineligible Costs		3.06%	2,145	2.33
Developer's G & A	2.00%	1.17%	818	0.89
Developer's Profit	13.00%	7.58%	5,315	5.76
Interim Financing		6.57%	4,603	4.99
Reserves		2.12%	1,488	1.61
TOTAL COST	100.00%	\$70,093	\$75.97	
Recap-Hard Construction Costs	48.73%	\$34,154	\$37.02	

SOURCES OF FUNDS

Capmark	44.41%	\$31,126	\$33.74
City of Dallas-CDBG	0.00%	\$0	\$0.00
HTC Syndication Proceeds	54.39%	\$38,126	\$41.32
Deferred Developer Fees	3.33%	\$2,338	\$2.53
Additional (Excess) Funds Req'd	-2.14%	(\$1,497)	(\$1.62)
TOTAL SOURCES			

	TDHCA-ADD	TDHCA-APP	APPL-APP	APPL-ADD
	\$2,330,952	\$2,518,632	\$2,371,608	\$2,236,416
	54,360	55,800	55,800	56,112
	0	0	0	0
	\$2,385,312	\$2,574,432	\$2,427,408	\$2,292,528
	(178,898)	(193,082)	(182,052)	(171,936)
	0	0	0	0
	\$2,206,414	\$2,381,350	\$2,245,356	\$2,120,592
	\$89,765	\$129,167	\$120,120	\$67,250
	110,321	119,067	112,268	84,824
	305,686	312,986	250,988	246,280
	136,405	139,668	238,493	233,610
	91,367	64,050	62,000	52,000
	112,632	115,322	92,000	107,900
	69,660	71,166	71,300	69,460
	274,565	281,838	263,500	271,800
	90,600	93,000	93,000	90,600
	61,500	30,400	30,400	61,500
	\$1,342,501	\$1,356,864	\$1,334,049	\$1,285,224
	\$863,913	\$1,024,685	\$911,308	\$835,368
	\$717,430	\$791,976	\$791,976	\$700,300
	0	0	0	0
	0	0	0	0
	\$146,483	\$232,709	\$119,331	\$135,068
	1.20	1.29	1.15	1.19
	1.29			1.16

Comptroller's Region	3
IREM Region	Dallas
Per Unit Per Month	\$15.48
% of Potential Gross Rent	-7.50%
PER SQ FT	\$0.24
PER UNIT	\$223
% OF EGI	3.17%
PER SQ FT	0.30
PER UNIT	281
% OF EGI	4.00%
PER SQ FT	0.88
PER UNIT	815
% OF EGI	11.61%
PER SQ FT	0.84
PER UNIT	774
% OF EGI	11.02%
PER SQ FT	0.19
PER UNIT	172
% OF EGI	2.45%
PER SQ FT	0.39
PER UNIT	357
% OF EGI	5.09%
PER SQ FT	0.25
PER UNIT	230
% OF EGI	3.28%
PER SQ FT	0.98
PER UNIT	900
% OF EGI	12.82%
PER SQ FT	0.33
PER UNIT	300
% OF EGI	4.27%
PER SQ FT	0.22
PER UNIT	204
% OF EGI	2.90%
PER SQ FT	\$4.61
PER UNIT	\$4,256
% OF EGI	60.81%
PER SQ FT	\$3.00
PER UNIT	\$2,766
% OF EGI	39.39%
PER SQ FT	\$2.51
PER UNIT	\$2,319
% OF EGI	33.02%
PER SQ FT	\$0.00
PER UNIT	\$0
% OF EGI	0.00%
PER SQ FT	\$0.00
PER UNIT	\$0
% OF EGI	0.00%
PER SQ FT	\$0.48
PER UNIT	\$447
% OF EGI	6.37%

	TDHCA	TDHCA	APPLICANT	APPLICANT
	\$5,870,868	\$4,760,000	\$4,760,000	\$6,000,000
	0	0	0	0
	1,214,000	1,550,000	1,550,000	1,214,000
	7,453,700	7,453,700	7,453,700	7,458,050
	433,385	450,185	450,185	867,205
	520,062	540,222	540,222	520,323
	173,354	180,074	180,074	173,441
	520,062	540,222	540,222	520,323
	643,000	526,850	526,850	643,000
	647,925	1,167,025	1,167,025	647,925
	246,953	247,795	0	252,767
	1,605,193	1,610,670	1,858,465	1,642,984
	1,390,075	1,148,514	1,148,514	1,390,075
	449,377	953,086	1,163,012	300,000
	\$21,167,954	\$21,128,343	\$21,338,269	\$21,630,093
	\$10,314,563	\$10,714,403	\$10,714,403	\$10,753,342
	\$9,400,000	\$9,920,000	\$9,920,000	\$9,400,000
	0	310,310	310,310	0
	11,514,143	10,440,000	10,440,000	11,514,143
	705,950	667,959	667,959	705,950
	(452,139)	(209,926)	0	0
	\$21,167,954	\$21,128,343	\$21,338,269	\$21,620,093

	PER SQ FT	PER UNIT	% of TOTAL
	\$21.53	\$19,868	27.74%
	0.00	0	0.00%
	4.36	4,020	5.61%
	26.77	24,686	34.48%
	3.11	2,872	4.01%
	1.87	1,723	2.41%
	0.62	574	0.80%
	1.87	1,723	2.41%
	2.31	2,129	2.97%
	2.33	2,145	3.00%
	0.91	837	1.17%
	5.90	5,440	7.80%
	4.99	4,603	6.43%
	1.08	993	1.39%
	\$77.63	\$71,623	100.00%
	\$38.59	\$35,607	49.71%
	\$9,400,000		
	0		
	11,514,143		
	1,253,811		
	0		
	\$21,167,954		
	Developer Fee Available	\$1,852,146	
	% of Dev. Fee Deferred	14%	
	15-Yr Cumulative Cash Flow	\$3,002,157	

PAYMENT COMPUTATION

Primary	\$9,400,000	Amort	380
Int Rate	6.58%	DCR	1.20

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.20

Additional		Amort	
Int Rate		Aggregate DCR	1.20

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$717,430
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$117,938

Primary	\$9,400,000	Amort	380
Int Rate	6.58%	DCR	1.16

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.16

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NO)

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	\$2,236,416	\$2,303,508	\$2,372,614	\$2,443,792	\$2,517,106	\$2,918,016	\$3,382,780	\$3,921,589	\$5,270,261
Secondary Income	58,112	57,795	59,529	61,315	63,155	73,213	84,874	98,393	132,232
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,292,528	2,361,304	2,432,143	2,505,107	2,580,260	2,991,229	3,467,654	4,019,982	5,402,492
Vacancy & Collection Loss	(171,938)	(177,098)	(182,411)	(187,883)	(193,520)	(224,342)	(280,074)	(301,497)	(405,187)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,120,592	\$2,184,206	\$2,249,732	\$2,317,224	\$2,386,741	\$2,766,887	\$3,207,580	\$3,718,485	\$4,997,305
EXPENSES at 4.00%									
General & Administrative	\$67,250	\$69,940	\$72,738	\$75,647	\$78,673	\$95,718	\$116,455	\$141,686	\$209,728
Management	84,824	87368.5717	89889.62883	92689.31769	95469.99723	110875.8927	128303.693	148739.1449	198892.9731
Payroll & Payroll Tax	246,280	256,131	266,376	277,032	288,113	350,533	426,477	518,875	768,061
Repairs & Maintenance	233,610	242,954	252,673	262,779	273,291	332,500	404,537	492,181	728,548
Utilities	52,000	54,080	56,243	58,493	60,833	74,012	90,047	109,556	162,170
Water, Sewer & Trash	107,900	112,216	116,705	121,373	126,228	153,575	186,848	227,329	336,502
Insurance	69,460	72,238	75,128	78,133	81,258	98,863	120,282	146,342	216,622
Property Tax	271,800	282,672	293,979	305,738	317,968	388,856	470,670	572,642	847,649
Reserve for Replacements	90,800	84,224	97,993	101,913	105,989	128,952	156,890	190,881	282,550
Other	61,500	63,960	66,518	69,179	71,946	87,534	106,498	129,571	191,797
TOTAL EXPENSES	\$1,285,224	\$1,335,785	\$1,388,342	\$1,442,976	\$1,499,768	\$1,819,219	\$2,207,008	\$2,677,801	\$3,943,522
NET OPERATING INCOME	\$835,368	\$848,421	\$861,390	\$874,248	\$886,973	\$947,667	\$1,000,572	\$1,040,684	\$1,053,783
DEBT SERVICE									
First Lien Financing	\$717,430	\$717,430	\$717,430	\$717,430	\$717,430	\$717,430	\$717,430	\$717,430	\$717,430
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	\$117,938	\$130,992	\$143,960	\$156,819	\$169,543	\$230,238	\$283,143	\$323,234	\$336,354
DEBT COVERAGE RATIO	1.16	1.18	1.20	1.22	1.24	1.32	1.39	1.45	1.47

LHTC Allocation Calculation - Fairway Crossing, Dallas, 9% HTC #05171/060002/070001

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	\$6,000,000	\$5,870,868		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,214,000	\$1,214,000	\$1,214,000	\$1,214,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$7,458,050	\$7,453,700	\$7,458,050	\$7,453,700
(4) Contractor Fees & General Requirements				
Contractor overhead	\$173,441	\$173,354	\$173,441	\$173,354
Contractor profit	\$520,323	\$520,062	\$520,323	\$520,062
General requirements	\$520,323	\$520,062	\$520,323	\$520,062
(5) Contingencies				
	\$867,205	\$433,385	\$433,603	\$433,385
(6) Eligible Indirect Fees				
	\$643,000	\$643,000	\$643,000	\$643,000
(7) Eligible Financing Fees				
	\$1,390,075	\$1,390,075	\$1,390,075	\$1,390,075
(8) All Ineligible Costs				
	\$647,925	\$647,925		
(9) Developer Fees				
			\$1,852,922	
Developer overhead	\$252,767	\$246,953		\$246,953
Developer fee	\$1,642,984	\$1,605,193		\$1,605,193
(10) Development Reserves				
	\$300,000	\$449,377		
TOTAL DEVELOPMENT COSTS	\$21,630,093	\$21,167,954	\$14,205,737	\$14,199,784

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		\$14,205,737	\$14,199,784
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$18,467,458	\$18,459,719
Applicable Fraction		97.85%	97.85%
TOTAL QUALIFIED BASIS		\$18,070,988	\$18,063,415
Applicable Percentage		8.10%	8.10%
TOTAL AMOUNT OF TAX CREDITS		\$1,463,750	\$1,463,137

Syndication Proceeds	0.8874	\$12,989,482	\$12,984,039
Total Credits (Eligible Basis Method)		\$1,463,750	\$1,463,137
Syndication Proceeds		\$12,989,482	\$12,984,039
Orig Allocated Credits Plus Additional Allocation		\$1,297,498	
Syndication Proceeds		\$11,514,143	
Gap of Syndication Proceeds Needed		\$12,230,093	
Credit Amount		\$1,378,176	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS-2nd ADDENDUM

DATE: November 28, 2006 PROGRAM: 9% LIHTC FILE NUMBER: 02135

DEVELOPMENT NAME

Lakeridge Apartments

APPLICANT

Name: Lakeridge Apartments, Ltd. Type: For Profit Non-Profit Municipal Other
 Address: P.O. Box 153055 City: Lufkin State: TX
 Zip: 75915 Contact: Jerry Moore Phone: (936) 699-2960 Fax: (936) 699-2962

PRINCIPALS of the APPLICANT

Name: Shannock Development, LLC (%): 0.005 Title: Managing General Partner
 Name: SunAmerica Affordable Housing Partners, Inc. (%): 99.99 Title: Limited Partner
 Name: Pineywoods Home Team Affordable Housing (%): 0.005 Title: Co-General Partner
 Name: Jerry D. Moore N/A Title: 100% Owner of Shamrock

GENERAL PARTNER

Name: Shannock Development, LLC Type: For Profit Non-Profit Municipal Other
 Address: P.O. Box 153055 City: Lufkin State: TX
 Zip: 75915 Contact: Jerry Moore Phone: (936) 699-2960 Fax: (936) 699-2962

CO-GENERAL PARTNER

Name: Pineywoods Home Team Affordable Housing Type: For Profit Non-Profit Municipal Other
 Address: P.O. Box 190 City: Lufkin State: TX
 Zip: 75901 Contact: Doug Dowler Phone: (936) 637-7607 Fax: (936) 637-7631

PROPERTY LOCATION

Location: 3708 South Lake Drive QCT DDA
 City: Texarkana County: Bowie Zip: 75501

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$978,189	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits-awarded in 2002</u>			
Proposed Use of Funds: <u>New construction</u> Set-Aside: <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS 2nd ADDENDUM

RECOMMENDATION

- RECOMMEND APPROVAL OF THE REQUESTED AMENDMENTS AND AN LIHTC ALLOCATION NOT TO EXCEED \$978,189 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Amendment of the recorded Land Use Restriction Agreement (LURA) for this development to include all 23.458 acres purchased by the Owner;
2. Should the Owner request a release of the 9.2 acres for future development without TDHCA funds, it should be granted only to the extent that a prorata payment representing \$22,041 per acre be provided to the Department or if a new TDHCA LURA is part of the second phase, the cost for that phase includes only holding and transfer costs for any of the land used that is part of the subject 23.458 acres;

ADDENDUM

In conjunction with the Cost Certification for Lakeridge Apartments the Owner has requested several amendments to the application. Specifically, the owner is requesting approval for the following changes: substitution of ceramic tile floors in the entry, kitchen and bathrooms with the vinyl tile flooring; a change in the floor plans for two units from two bedroom-two bath units to two bedroom-one bath units; a reduction in the number of surface parking spaces from 335 to 256 surface spaces; and a modification to the site from 27 acres to 14.263 acres.

The current request to approve a substitution of ceramic tile with vinyl tile and a reduction in the number of the surface parking spaces does not materially affect the original underwriting conclusions. The Underwriter has re-evaluated the direct construction costs as part of the Cost Certification process using current Marshall and Swift costs to determine the impact of the change in two of the units. Specifically, at application all of the two-bedroom units were to be constructed with two baths. At Cost Certification, it has been identified that two of the two-bedroom units were constructed with only one bathroom. According to the Owner, these two units, designated as fully accessible, were constructed with only one bathroom in order to provide a larger dining room area to better accommodate accessibility. Based on the re-evaluation, the Owner's total actual direct construction cost of \$5,948,281 is 1% lower than the Owner's estimated direct construction cost at application. The Underwriter's revised cost estimate at Cost Certification of \$6,608,537 is 10% higher than the Owner's actual costs. The Owner's actual cost is supported by the Contactor's Final Application for payment and an Independent Auditor's Report.

The requested change in site from 27 to 14.263 acres was also considered in the Underwriter's Cost Certification analysis. At application the Owner indicated that a total of 27 acres would be purchased for the subject development. Upon review of the site plan submitted at application and a survey provided after award, it appears that the area contemplated for this development totaled approximately 29 acres instead of the 27 stated in the application. The Owner indicated that at application, the Owner gave a best estimate of the total site to be acquired, which consisted of several parcels of land. The Owner further stated that there was no platting or survey done of the site prior to an allocation of credits. The two parcels of land consisted of a 5.77 acre parcel located in the front (south side) of the site and a 23.458 acre parcel located directly behind the 5.77 acres parcel. The 5.77 acre parcel was subsequently subdivided and not included in the site acquisition due to environmental issues. The settlement statement provided in the Cost Certification reflects that the Owner purchased only 23.458 acres for a total acquisition price of \$517,033. Of the site purchased, 14.263 acres are currently being used for the subject Lakeridge Apartments. The remaining 9.2 acres is planned for a phase two development. The cost per acre amounts to \$22,041, which, if prorated for the 14.263 acres currently developed, would amount to a total site acquisition cost of \$314,371. The Owner's

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS 2nd ADDENDUM

Cost Certification includes the \$517K cost for the entire 23.458 acres. However, the fully executed and recorded LURA for the development only restricts the 14.263 acres on which the development is currently located. As a result, the Underwriter's analysis included only the prorated cost for the 14.263 acres. Adjusting the Owner's total development costs for this difference would result in an excess of funds, which would require a reduction of the credit amount. The Underwriter discussed this with the Owner and concluded that if the entire 23.458 acres were restricted in the Department's LURA, the entire acquisition cost would be allowed in this analysis. Therefore, this analysis will include the entire \$517K acquisition cost in the analysis and will recommend no change in the credit amount with the condition that the Owner amend the current recorded LURA to restrict all 23.458 acres of the site and with the additional condition that should the Owner apply to the Department for funding of the second phase of the development, no acquisition costs be allowed. Alternatively, if the Owner requests a release of the 9.2 acres for development at some future point without the use of TDHCA funds, then the release price should be the prorate value of \$202,777.

Underwriter:

Raquel Morales
Raquel Morales

Date: November 28, 2006

Director of Credit Underwriting:

Tom Gouris

Date: November 28, 2006

COST CERTIFICATION: Comparative Analysis

Lakeridge Apartment, Texarkana, HTC#2135

Reviewed by: Raquel Morales

Date: 6/5/06

Type of Unit	Number	Bedrooms	No. of Baths	Size In SF	Gross Rent Limit	Net Rent per Unit	Net Rent per SF	Rent per Month	Cost per Rent	Rent per SF	Tot PG Util	Wtg. Dev. Trsh
TC30%	1	1	1	828	\$251	\$106	\$128	\$106	0.42	\$0.24	\$54.70	\$33.36
TC40%	1	1	1	828	335	\$280	335	280	0.34	0.34	54.79	33.36
TC50%	4	1	1	827	419	\$364	419	1,457	0.44	0.44	54.78	33.36
TC60%	22	1	1	827	503	\$448	503	8,661	0.54	0.54	54.78	33.36
TC60%	1	2	1	1,096	502	\$432	502	432	0.30	0.30	70.45	38.97
TC60%	1	2	1	1,096	603	\$533	603	533	0.48	0.48	70.45	38.97
TC30%	1	2	2	1,107	301	\$231	301	231	0.21	0.21	70.45	38.97
TC50%	3	2	2	1,107	502	\$432	502	1,205	0.30	0.30	70.45	38.97
TC60%	22	2	2	1,107	603	\$533	603	11,716	0.48	0.48	70.45	38.97
TC40%	1	3	2	1,492	485	\$395	485	395	0.26	0.26	70.45	38.97
TC50%	4	3	2	1,348	581	\$518	581	2,042	0.38	0.38	70.45	38.97
TC60%	51	3	2	1,482	697	\$627	697	31,954	0.42	0.42	70.45	38.97
TOTAL:	112			AVERAGE: 1,224	\$605	\$539		\$60,300		\$0.44	\$66.54	\$37.57

INCOME		Total Net Rentable Sq Ft	137,102							
POTENTIAL GROSS RENT				TDHCA-CC	TDHCA-LW	APPLICATION	COST CERT			
Secondary Income	Per Unit Per Month	\$10.00		\$724,081	\$660,004	\$660,804	\$714,312			
Other Support Income: (describe)				12,440	20,160	20,160	23,436	117.44	Per Unit Per Month	
POTENTIAL GROSS INCOME				\$738,121	\$680,964	\$680,964	\$737,748			
Vacancy & Collection Loss	% of Potential Gross Income	-7.50%		(55,359)	(51,072)	(51,072)	(55,332)	-7.50%	% of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				(39,995)			(39,995)			
EFFECTIVE GROSS INCOME				\$642,766	\$629,892	\$629,892	\$642,420			
EXPENSES								PER SQ FT	PER UNIT	% OF RENT
General & Administrative	5.29%	\$304	\$0.25	\$33,099	\$33,099	\$27,000	\$54,815	\$0.40	\$489	8.53%
Management	5.00%	287	\$0.23	32,136	31,485	31,462	34,120	0.25	385	5.31%
Payroll & Payroll Tax	14.51%	833	\$0.68	93,296	93,286	87,279	93,310	0.68	833	14.52%
Repairs & Maintenance	7.81%	448	\$0.37	50,214	49,554	75,220	40,244	0.35	431	7.61%
Utilities	3.55%	204	\$0.17	22,803	20,563	16,200	10,800	0.16	66	1.68%
Water, Sewer, & Trash	7.86%	451	\$0.37	50,491	52,080	41,664	49,152	0.38	429	7.85%
Property Insurance	3.41%	196	\$0.16	21,936	21,449	35,452	41,412	0.20	370	6.45%
Property Tax	2.388%	1037	\$0.85	66,662	60,760	47,930	47,940	0.35	428	7.46%
Reserve for Replacements	3.48%	200	\$0.16	22,400	22,400	22,400	22,400	0.16	260	3.48%
Other Expenses: cab/mfg/supp evcs/compliance	0.65%	54	\$0.04	6,095	7,400	7,400	6,095	0.04	54	0.65%
TOTAL EXPENSES	62.24%	\$3,572	\$2.92	\$400,036	\$392,906	\$392,007	\$408,269	\$2.93	\$3,645	62.56%
NET OPERATING INC	37.76%	\$2,167	\$1.77	\$242,730	\$236,886	\$237,885	\$234,131	\$1.71	\$2,060	38.45%
DEBT SERVICE										
First Lien Mortgage	30.83%	\$1,775	\$1.45	\$198,765	\$200,318	\$200,318	\$198,785	\$1.45	\$1,776	30.64%
Additional Financing	0.00%	\$0	\$0.00	0	0	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	6.94%	\$392	\$0.32	\$43,945	\$36,578	\$37,567	\$35,346	\$0.26	\$316	5.60%
AGGREGATE DEBT COVERAGE RATIO				1.22	1.10	1.19	1.18			
ALTERNATIVE DEBT COVERAGE RATIO				1.22						

CONSTRUCTION COST											
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-CC	TDHCA-LW	APPLICATION	COST CERT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bid)	2.85%	\$2,807	\$2.20		\$314,360	\$487,500	\$407,500	\$517,033	\$3.77	\$4,816	4.85%
Off-Sites	0.00%	0	\$0.00		0	0	0	0	\$0.00	0	0.00%
Sitework	7.84%	7,726	6.31		865,194	601,800	601,800	865,194	6.31	7,725	8.18%
Direct Construction	59.01%	59,005	48.70		6,608,537	5,510,505	6,004,709	5,848,281	43.39	63,110	56.26%
Contingency						305,615	334,025				
General Req's	3.30%	3,676	2.92		400,084	360,738	400,831	400,684	2.92	3,676	3.79%
Contractor's G & A	0.88%	385	0.31		43,065	122,246	133,610	43,065	0.31	385	0.41%
Contractor's Profit	1.73%	1,154	0.94		129,195	366,730	400,031	129,195	0.94	1,154	1.22%
Indirect Construction	8.41%	8,279	6.76		927,240	317,560	317,560	927,240	6.76	8,279	8.77%
Ineligible Costs	3.42%	3,365	2.76		376,922	193,521	193,521	376,922	2.75	3,365	3.57%
Developer's G & A	0.81%	731	0.60		81,876	165,721	272,077		0.60	0	0.00%
Developer's Profit	13.00%	10,499	8.58		1,175,942	1,012,189	1,086,310	1,257,818	9.17	11,231	11.90%
Interim Financing	0.65%	641	0.62		71,795	194,925	194,925	71,795	0.52	641	0.68%
Reserves	0.32%	315	0.26		35,263	122,400	122,400	35,263	0.26	315	0.32%
TOTAL RESIDENTIAL COST	100.00%	\$98,483	\$80.45		\$11,030,081	\$9,757,398	\$10,552,039	\$10,572,490	\$77.11	\$94,397	100.00%
COMMERCIAL SPACE COST	0.00%	\$0	\$0.00		\$0	\$0	\$0	\$0	\$0.00	\$0	0.00%
TOTAL DEVELOPMENT COST	100.00%	\$98,483	\$80.45		\$11,030,081	\$9,757,398	\$10,552,039	\$10,572,490	\$77.11	\$94,397	100.00%

SOURCES OF FUNDS					CAPITALS					
First Lien Mortgage	22.67%	\$22,321	\$18.23		\$2,500,000	\$2,275,000	\$2,275,000	\$2,500,000	\$2,500,000	
Additional Financing	0.00%	\$0	\$0.00		0	0	0	0	0	
LHIC Not Syndication Proceeds	72.14%	\$71,043	\$58.04		7,956,780	8,010,682	8,010,682	7,956,780	7,956,780	
Deferred Developer Fees	1.05%	\$1,033	\$0.84		115,710	266,357	266,357	115,710		
Additional (excess) Funds Req'd	4.15%	\$4,086	\$3.34		457,581	0	0	0	115,710	
TOTAL SOURCES					\$11,030,081	\$9,757,398	\$10,552,039	\$10,572,490	\$10,572,490	

COST CERTIFICATION: Comparative Analysis

Lakoridge Apartment, Texarkana, HTC#2135

OPTIONAL

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQFT	PER SF	AMOUNT
Base Cost			\$ 52.44	\$7,106,111
Adjustments				
Exterior W/rt Finish	4.60%		\$2.41	\$330,699
0 Ceilings	3.00%		1.57	215,073
Roofing			0.00	0
Subfloor			(1.12)	(153,554)
Floor Cover			2.22	304,366
Porches/Balconies	\$10.79	10000	1.45	109,433
Plumbing	\$680	54.3	(0.20)	(28,089)
Built-In Appliances	\$1.675	112	1.37	167,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.73	237,166
Garages/Carports	0		0.00	0
Comm Bldg or Aux Bldgs	\$58.52	11,437	4.88	669,236
Other:			0.00	0
SUBTOTAL			66.66	5,141,671
Current Cost Multiplier	1.03		2.00	274,250
Local Multiplier	0.06		(5.33)	(11,276,314)
TOTAL DIRECT CONSTRUCTION COSTS			\$59.34	\$0,136,080
Plans, specs, survey, bld permits	3.00%		(51.31)	(5,217,307)
Interim Construction Interest	3.38%		(5.90)	(5,992,823)
Contractor's O/H & Profit	11.50%		(6.82)	(699,650)
NET DIRECT CONSTRUCTION COSTS			\$48.20	\$6,608,537

PAYMENT COMPUTATION

Primary	\$7,500,000	Amort	350
Int Rate	8.96%	DCR	1.27
Secondary	50	Amort	
Int Rate	0.00%	Subtotal DCR	1.27
Additional		Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE

\$198,785
0
0
\$43,045

Primary	\$2,500,000	Amort	350
Int Rate	8.96%	DCR	1.27
Secondary	50	Amort	0
Int Rate	0.00%	Subtotal DCR	1.27
Additional	10	Amort	0
Int Rate	0.00%	Aggregate DCR	1.27

30-YEAR PROFORMA

INCOME #	200%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 25
POTENTIAL GROSS RENT		\$724,681	\$746,421	\$768,614	\$791,076	\$815,635	\$845,544	\$879,145	\$916,732	\$958,800
Secondary Income		13,440	13,842	14,268	14,665	15,127	17,536	20,320	23,557	27,572
Other Support Income (variable)		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		738,121	760,263	782,882	805,741	830,762	863,080	1,116,474	1,241,390	1,336,372
Vacancy & Collection Loss	(19,351)	(67,632)	(84,703)	(104,482)	(127,207)	(153,291)	(181,706)	(221,023)	(272,463)	(338,463)
Employee & Other Non-Rental Units	(25,000)	(41,126)	(42,423)	(43,705)	(45,010)	(46,343)	(47,704)	(49,096)	(50,521)	(51,981)
EFFECTIVE GROSS INCOME		\$642,768	\$667,040	\$681,010	\$702,368	\$723,439	\$809,664	\$895,241	\$968,904	\$1,045,928
EXPENSES @ 4.00%										
General & Administrative		\$33,699	\$35,359	\$37,073	\$38,844	\$40,674	\$48,091	\$58,076	\$71,631	\$88,032
Management		32,130	33,102	34,095	35,115	36,172	41,933	48,612	59,356	73,736
Payroll & Payroll Tax		83,265	87,020	90,609	94,045	97,343	122,749	141,550	165,561	200,666
Repairs & Maintenance		50,214	52,222	54,311	56,481	58,733	71,470	86,864	105,703	128,599
Utilities		22,803	23,715	24,664	25,650	26,676	32,456	38,467	46,042	56,114
Water, Sewer & Trash		50,491	52,510	54,611	56,795	59,067	71,854	87,424	106,336	127,363
Insurance		21,036	22,014	23,026	24,075	25,162	31,222	37,607	46,217	57,117
Property Tax		66,062	68,326	70,627	72,966	75,345	94,801	115,438	140,446	171,067
Reserve for Replacements		22,400	23,309	24,226	25,197	26,205	31,882	38,700	47,193	58,658
Other		6,056	6,340	6,633	6,937	7,251	8,777	10,556	12,643	15,011
TOTAL EXPENSES		\$400,038	\$415,716	\$432,013	\$448,953	\$466,500	\$565,506	\$685,891	\$831,459	\$1,003,079
NET OPERATING INCOME		\$242,730	\$246,333	\$248,887	\$253,415	\$256,939	\$273,068	\$288,550	\$298,625	\$302,849
DEBT SERVICE										
First Lien Financing		\$189,785	\$198,785	\$198,785	\$198,785	\$198,785	\$198,785	\$198,785	\$198,785	\$198,785
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		\$43,045	\$47,548	\$50,102	\$54,630	\$58,154	\$74,283	\$89,765	\$106,850	\$104,064
DEBT COVERAGE RATIO		1.22	1.24	1.26	1.27	1.28	1.37	1.44	1.49	1.47
Cumulative Cash Flow		43,045	91,403	142,604	197,234	255,327	590,342	691,535	1,453,070	2,497,594

COST CERTIFICATION - Lakewood Apartment, Texarkana, HTC#2135

Reviewed by: Raquel Morales

Date: 6/5/06

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$517,033	\$314,368				
Purchase of buildings	\$0	\$0				
(2) Rehabilitation/New Construction Cost						
On-site work	\$865,194	\$865,194			\$865,194	\$865,194
Off-site improvements	\$0	\$0				
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	\$5,948,281	\$6,608,537			\$5,948,281	\$6,608,537
(4) Contractor Fees & General Requirements						
Contractor overhead	\$43,065	\$43,065			\$43,065	\$43,065
Contractor profit	\$129,195	\$129,195			\$129,195	\$129,195
General requirements	\$400,684	\$400,684			\$400,684	\$400,684
(6) Eligible Indirect Fees						
	\$927,240	\$927,240			\$927,240	\$927,240
(7) Eligible Financing Fees						
	\$71,795	\$71,795			\$71,795	\$71,795
(8) All Ineligible Costs						
	\$376,922	\$376,922				
(9) Developer Fees						
			\$0	\$0	\$0	\$0
Developer overhead	\$0	\$81,876	\$0	\$0	\$0	\$81,876
Developer fee	\$1,257,818	\$1,175,942	\$0	\$0	\$1,257,818	\$1,175,942
(10) Development Reserves						
	\$35,263	\$35,263				
TOTAL DEVELOPMENT COSTS	\$10,572,490	\$11,030,081	\$0	\$0	\$9,643,272	\$10,303,528

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis					\$0	\$0
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing					\$0	\$0
Non-qualified portion of higher quality units [42(d)(3)]					\$0	\$0
Commercial Space Cost					\$0	\$0
TOTAL ELIGIBLE BASIS			\$0	\$0	\$9,643,272	\$10,303,528
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$0	\$0	\$12,536,254	\$13,394,587
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$0	\$0	\$12,536,254	\$13,394,587
Applicable Percentage			0.00%	0.00%	7.96%	7.96%
TOTAL AMOUNT OF TAX CREDITS			\$0	\$0	\$997,886	\$1,066,209

Syndication Proceeds	0.813419493	\$0	\$0	\$8,116,998	\$8,672,753
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	Application	Approved	Cost Cert Request	TDHCA/Reconciled	GAP
Total Tax Credits	1,047,148	978,189	997,892	978,189	14,225
Net Syndication Proceeds	8,010,682	7,956,780	8,117,048	7,956,780	115,710

Balance to be Recaptured

(N/A)

MEMORANDUM

TO: Ben Sheppard
Multifamily Finance Production Division

FROM: Cameron Dorsey & Tom Gouris *JA*
Real Estate Analysis

DATE: February 22, 2007

SUBJECT: Hamilton Manor Apartments (TDHCA #05238)

The Owner of Hamilton Manor Apartments has requested approval for a change in the rent level of *one* one-bedroom unit from 50% of AMI/Low HOME to 60% of AMI/High HOME on a temporary basis. The USDA-RD property received an allocation of housing tax credits for acquisition and rehabilitation in 2005 coupled with HOME and Housing Trust Fund funding. The Owner elected to restrict 100% of the units at 50% of AMI/Low HOME. The requested change is being made to accommodate an elderly tenant whose income exceeds the 50% of AMI level.

The requested amendment would not affect the property's rental income, because the tenant's total rent would still be the USDA basic rent at which the unit was underwritten. As a result, would not affect the financial feasibility of the transaction based on the Department's guidelines.

In addition to the difficulty in providing a temporary waiver, it is important to note the potential issues that could arise, particularly with HOME regulations. In Hamilton County, Low HOME, High HOME, and Fair Market Rent limits for one-bedroom units are the same. While HOME regulations allow USDA basic rents on Low HOME units to exceed the Low HOME rent restrictions, HOME regulations prevent a basic rent on a unit restricted to High HOME rent limits from being higher than the High HOME restricted rent. The contract rent for the subject unit is just \$10 below the current High HOME rent limit. Should the contract rent for the subject unit exceed the High HOME rent limit in the future, the property would be out of compliance. It is likely that 100% of the units were restricted to Low HOME rents for this reason. However, HOME regulations make a clear distinction between rent restrictions and income restrictions. Therefore, in order to avoid the above issue, the unit could maintain a Low HOME rent restriction but raise the income restriction to High HOME. Another possible solution is to remove the unit's HOME restriction all together, thereby, reducing the total number of HOME units at the subject development from 18 to 17.

Ref: FYI



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, Multifamily Finance Production
From: Raquel Morales, Real Estate Analysis
cc: File
Date: February 14, 2007
Re: Amendment Request for Copperwood Apartments, TDHCA #05044

I have reviewed the amendment request for the above reference property and in particular reviewed the material effects of the property's failure to provide the following amenities as proposed at application: individual water heaters in units and fiberglass tub/showers.

The use of individual water heaters vs. central boiler systems would primarily be recognized on the operating expenses of the underwriting analysis. Further review revealed that individual water heaters were not a consideration at application for purposes of underwriting. The original analysis correctly accounted for a central boiler system as the utility expense line item did not include tenant paid water heat. As for the Owner's failure to provide the fiberglass tub/showers amenity, this also does not materially affect the underwriting analysis. The Real Estate Analysis estimating tool, *Marshall and Swift*, does not differentiate between fiberglass and tile tub/showers. Therefore, a re-evaluation as a result of the changes noted is not required at this time and no adjustment to the credit amount is warranted prior to finalization of the development's Cost Certification.

Please contact me if I can be of further assistance.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING SECOND ADDENDUM

DATE: February 20, 2007 PROGRAM: 9% HTC FILE NUMBER: 060056

DEVELOPMENT NAME

Langwick Senior Residences

APPLICANT

Name: Langwick Senior Residences Contact: Cherno M. Njie
 Address: 1106 Clayton Ln, Suite 524W
 City: Austin State: TX Zip: 78723
 Phone: (512) 458-5577 Fax: (512) 458-5565 Email: Chossan@aol.com

KEY PARTICIPANTS

Name: Songhai Langwick LLC Title: .01% General Partner
 Name: Songhai Ventures, Inc. Title: Developer
 Name: Langwick Senior Residences, L.P. Title: Texas Limited Partnership
 Name: Cherno M. Njie Title: Guarantor, 100% Owner of General Partner and Developer

PROPERTY LOCATION

Location: 900 Block of Langwick Drive
 City: Houston Zip: 77060
 County: Harris Region: 6 QCT DDA

REQUEST

<u>Program</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
HTC	\$1,178,388	N/A	N/A	N/A
Proposed Use of Funds:	<u>New construction</u>	Type:	<u>Multifamily</u>	
Target Population:	<u>Elderly</u>	Other:	<u>Urban/Exurban</u>	

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$1,224,006¹ ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of documentation from the City of Houston, by commencement of construction, indicating acceptance of the planned conveyance of three acres for a public park.
2. Receipt, review, and acceptance of an updated commitment letter from the City of Houston, by commencement of construction, for the anticipated HOME loan with an interest rate of AFR or above.

¹ The recommended tax credit allocation incorporates the July 28, 2006 TDHCA Board approval to raise the underwriting applicable percentage rates for the 2006 Application Round to 3.69% and 8.46% for the 30% and the 70% credit, respectively. In addition, the recommended credit allocation incorporates the August 30, 2006 TDHCA Board approval to raise the maximum tax credit allocation amount to \$1,242,595 for the 2006 Application Round.

**TEXAS DEPARTMENT OF HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING SECOND ADDENDUM**

3. Receipt, review, and acceptance of documentation by cost certification of compliance with the recommendations of the Phase I ESA report regarding the two on-site wells and the on-site pipeline.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit/allocation amount may be warranted.

ADDENDUM

On February 6, 2007, the Applicant submitted a formal request for an amendment to the Multifamily Finance Production Division. As a result of the substantial changes requested, the transaction has been reevaluated to ensure the development meets the Department's rules and guidelines.

The amendment request includes substantial changes to the site and building plans as well as small increases to the unit sizes and community areas. At application, the proposed site contained 14.5 acres; however, as part of the amendment, the Applicant plans to convey three acres of the original 14.5 acre site to the City of Houston for development as a public park area. The Applicant has indicated that the partnership will not receive any financial benefit from the planned conveyance. The Applicant did not provide documentation indicating the City's acceptance of the planned conveyance; therefore, receipt, review, and acceptance of documentation from the City of Houston indicating acceptance of the planned conveyance of three acres for a public park is a condition of this report. The subject development will be constructed on the remaining 11.5 acres, of which two acres will be reserved and developed as a private park for tenants and a detention pond. As a result of the decrease in development acreage, the residential buildings have been redesigned from the six original one-story structures to four five-story, elevator-served structures. As part of the redesign, the unit sizes have increased seven square feet on-average and the community area increased from 4,747 square feet to 4,854 square feet. The income restrictions and set-aside elected at application will not change as a result of the amendment request. Additionally, the Applicant has added 30 garage spaces that will be available to tenants for an additional fee, and a management-run coffee shop in the community area. The Applicant has submitted an updated development cost schedule reflecting the above changes as well as a new sources and uses exhibit and financing commitments to support the increase in the development cost. A new rent schedule was submitted showing the increase in the unit sizes and changes to anticipated income. The reevaluation (below) details only those parts of the transaction that are materially affected by the Applicant's amendment request.

Of importance, the Underwriter requested additional information about the proposed coffee shop in order to determine whether it could be included in eligible basis as the Applicant has done. The Applicant stated that the coffee shop will be run by the property management company and provided as an additional amenity to the tenants. The Department's Compliance Monitoring staff has indicated that such a structure will not affect eligible basis. However, should the Applicant choose to lease the space to a third-party subsequent to issuance of the 8609s, the coffee shop would be considered commercial space which would result in immediate issuance of an 8823 for violation of code.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's revised projected rents collected per unit were calculated by subtracting updated tenant-paid utility allowances as of July 1, 2006 maintained by the Houston Housing Authority, from the 2006 program gross rent limits. Tenants will be required to pay all electric utility bills. The Applicant's projected potential gross rent decreased approximately \$30K as a result of the updated utility allowances. The Applicant's secondary income of \$17 per unit per month is higher than the Applicant's original estimate of \$10 per unit and higher than the Department's standard of \$15 per unit. The Underwriter's proforma reflects the Department's standard of \$15 per unit per month. The Applicant's vacancy and collection loss estimate is in-line with the Department's guideline. Despite the difference in secondary income, the Applicant's estimate is within 5% of the Underwriter's estimate.

Expenses: The Applicant's revised estimate of total operating expense is within 5% of the Underwriter's estimate. In addition, a number of the Applicant's estimates of individual line-items differ significantly from the Underwriter's, including: utilities (\$13K or 47% lower); water, sewer, and trash (\$26K or 56% lower); property tax (\$20K or 19% higher); and reserve for replacements (\$3K or 11% higher). In addition, the Applicant overstated TDHCA compliance fees. The Applicant's total expense estimate of \$4,189 per unit is

**TEXAS DEPARTMENT OF HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING SECOND ADDENDUM**

\$16 per unit higher than originally underwritten. The Underwriter's estimate of \$4,236 per unit is \$37 per unit higher than originally estimated, which is primarily due to the increase in the utilities estimate as a result of the higher utility allowances. Of note, if the application year for the subject was 2007, the transaction would be deemed not financially feasible as a result of an expense to income ratio that exceeds the 2007 Real Estate Analysis guideline of 65%. This guideline does not apply, however, because the application was submitted and originally underwritten during the 2006 9% HTC round.

Conclusion: The Applicant's estimates of potential gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma and estimated debt service result in a DCR above the underwriting maximum guideline of 1.30. Therefore, the recommended financing structure reflects an increase in the permanent first lien based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Long-Term Feasibility: The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.10 and continued positive cash flow. Therefore, the development can be characterized as feasible for the long-term.

CONSTRUCTION COST ESTIMATE EVALUATION

Direct Construction Cost: The Applicant's revised direct construction cost estimate of \$6.9M is 2.2% higher than the Underwriter's revised Marshall & Swift *Residential Cost Handbook*-derived estimate. The Applicant's revised estimate is \$323K higher than originally underwritten.

Fees: The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by a total of \$354 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's contingency also exceeds the 5% maximum by \$8,000 and therefore the eligible portion must be reduced by the same amount.

Reserves: The revised commitment letter from Wachovia Securities specified a higher than normal level of reserves at exactly \$600,000. The Applicant maintained a slightly lower level of \$508,000 which is more in line with the Department's guidelines in cases where the Lender has not specifically identified a higher amount.

Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. The calculated eligible basis of \$12,283,474, at the higher applicable percentage rate approved by the TDHCA Board on July 28, 2006, supports annual tax credits of \$1,298,126. This figure will be compared to the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

Interim to Permanent Financing: The Applicant has provided a commitment for a \$2,253,000 construction loan from Wachovia Securities and a forward commitment for a \$2,255,000 first lien from Wachovia Securities. The Applicant's revised sources and uses indicates a revised anticipated first lien of \$2,253,000, which is slightly less than indicated in Wachovia's updated commitment. The permanent commitment indicates the loan will have an amortization period of 30 years and an estimated interest rate of 6.62%. The Applicant's revised loan amount is \$191K lower than originally underwritten.

Local Political Subdivision Funding: The Applicant anticipates a \$435,000 second lien from the City of Houston. The Underwriter requested an updated commitment from the City of Houston; however, the Applicant stated that they were currently negotiating the terms of the loan and that a commitment as that point would reflect a below market rate. If the Applicant and the City of Houston ultimately agree upon

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING SECOND ADDENDUM**

repayment of the loan at the Applicable Federal Rate (AFR), the funds would not be considered below market rate financing. Receipt, review, and acceptance of an updated commitment letter, by commencement of construction, from the City of Houston for the anticipated HOME loan with an interest rate of AFR or above is a condition of this report. The Underwriter has used the current AFR as of February 6, 2007, the date of the amendment request, for underwriting purposes.

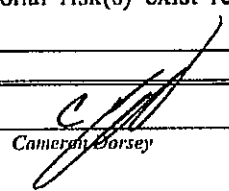

HTC Syndication: The revised tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The revised commitment reflects a syndication price of \$0.96, which is substantially higher than the original syndication price of \$0.90 and in the mid to upper range of current credit prices.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$256,195 amount to 16% of the total fees.

Financing Conclusions: As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.30. The underwriting analysis assumes an increase in the permanent loan amount to \$2,263,515 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease. Based on the Underwriter's reevaluation, the Applicant's revised total development cost less the revised, recommended permanent loan of \$2,263,515 and anticipated HOME loan of \$435,000 indicates the need for \$11,994,963 in gap funds. Based on the revised syndication terms, a tax credit allocation of \$1,249,600 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, the gap-driven amount (\$1,249,600), the eligible basis derived estimate (\$1,298,126), and the allocation at application (\$1,224,006), based on the original underwriting report and the August 30, 2006 TDHCA Board approval to raise the maximum tax credit allocation amount to \$1,242,595 for the 2006 Application Round, the allocation at application of \$1,224,006 is the recommendation of the Department. The revised recommended financing structure indicates the need for \$245,680 in additional permanent funds. Deferred developer fees in this amount appear to be repayable within four years of stabilized operation. *Therefore, no adjustment to the credit amount is necessary based on the amendment request.* However, should the terms or rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted. While the syndication rate proposed in the commitment is at the mid to high end of current credit prices, if the final syndication rate increased more than \$0.02 per dollar of credit, an excess of funds will exist, all else held constant, and a reduction in recommended tax credits would be required based on the gap method of determining credits.

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant environmental/locational risk(s) exist regarding wells on-site and portion of the property within the Flood Plain.

Underwriter:	 _____ Cameron Horsey	Date: February 20, 2007
Director of Real Estate Analysis:	 _____ Tom Gouris	Date: February 20, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Langwick Senior Residences, Houston, HTC 9%, 060056 -- App Perc Inc

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Ltd.	Rent Collected	Original Rent	Rent per Month	Rent per SF	Tnt-Pd Util	Wir, Swr, Trsh
TC 30% LH	3	1	1	754	\$343	\$265	\$289	\$795	\$0.35	\$78.00	\$33.31
TC 40% LH	2	1	1	754	467	379	403	758	0.50	\$78.00	33.31
TC 50% LH	20	1	1	754	571	493	517	9,860	0.65	\$78.00	33.31
MR	1	1	1	754		720	720	720	0.95	78.00	33.31
TC 30% LH	10	2	2	982	411	319	347	3,190	0.32	\$92.00	36.31
TC 40% LH	10	2	2	982	549	457	485	4,570	0.47	\$92.00	36.31
TC 50% LH	78	2	2	982	686	594	622	46,332	0.60	\$92.00	36.31
MR	4	2	2	982		864	864	3,456	0.88	92.00	36.31
TOTAL:	128		AVERAGE:	936	\$597	\$544	\$571	\$69,681	\$0.58	\$89.16	\$35.70

INCOME				Total Net Rentable Sq Ft: 119,788				Comptroller's Region 6							
POTENTIAL GROSS RENT				IREM Region Houston											
Secondary Income		Per Unit Per Month:	\$15.00	TDHCA	TDHCA Orig	APP Orig	APPLICANT								
Other Support Income: (describe)				\$838,172	\$878,300	\$868,888	\$836,172	\$17.00	Per Unit Per Month						
POTENTIAL GROSS INCOME				23,040	5,380	15,360	26,112	50.00	Per Unit Per Month						
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		0	0	0	0	-7.50%	% of Potential Gross Income						
Employee or Other Non-Rental Units or Concessions				\$859,212	\$893,680	\$882,228	\$862,284								
Other: (64,441)				0	(88,875)	(66,168)	(64,671)								
EFFECTIVE GROSS INCOME				\$794,771	\$824,786	\$816,060	\$797,613								
EXPENSES				PER SQ FT				PER UNIT				% OF EGI			
General & Administrative	8.14%	\$381	0.41	\$48,805	\$48,834	\$42,200	\$51,400	50.43	\$402	6.44%					
Management	5.10%	322	0.34	41,239	41,239	40,800	39,812	0.33	309	4.87%					
Payroll & Payroll Tax	16.09%	999	1.07	127,874	127,428	131,000	132,700	1.11	1,037	16.64%					
Repairs & Maintenance	7.15%	444	0.47	56,810	56,612	53,600	56,000	0.47	438	7.02%					
Utilities	3.45%	214	0.23	27,389	23,798	16,000	14,500	0.12	113	1.82%					
Water, Sewer, & Trash	5.78%	359	0.38	45,814	45,753	28,000	20,000	0.17	158	2.51%					
Property Insurance	4.83%	300	0.32	38,377	38,244	42,000	42,000	0.35	328	5.27%					
Property Tax	3.28102	13.13%	0.87	104,353	104,353	128,800	124,000	1.04	889	15.55%					
Reserve for Replacements	3.62%	225	0.24	28,800	28,800	28,800	32,000	0.27	250	4.01%					
Other: compl fees, sec, sup. serv.	2.85%	177	0.19	22,620	22,620	24,000	24,000	0.20	188	3.01%					
TOTAL EXPENSES	68.22%	\$4,238	\$4.53	\$542,180	\$537,479	\$534,200	\$536,212	\$4.48	\$4,188	67.23%					
NET OPERATING INC	31.78%	\$1,973	\$2.11	\$252,591	\$287,307	\$281,860	\$261,401	\$2.18	\$2,042	32.77%					
DEBT SERVICE				PER SQ FT				PER UNIT				% of TOTAL			
Wachovia Bank	21.77%	\$1,352	\$1.44	\$173,025	\$211,124	\$211,124	\$189,287	\$1.58	\$1,478	23.73%					
City of Houston	3.43%	\$213	\$0.23	27,230	28,631	28,791	0	\$0.00	\$0	0.00%					
Additional Financing	0.00%	\$0	\$0.00	0	0	0	0	\$0.00	\$0	0.00%					
NET CASH FLOW	6.59%	\$409	\$0.44	\$52,336	\$47,552	\$43,945	\$72,114	\$0.60	\$583	8.04%					
AGGREGATE DEBT COVERAGE RATIO				1.26	1.20	1.18	1.38								
RECOMMENDED DEBT COVERAGE RATIO							1.80								

CONSTRUCTION COST				PER SQ FT				PER UNIT				% of TOTAL			
Acquisition Cost (site or bldg)	9.47%	\$10,807	\$11.55	\$1,383,300	\$1,383,300	\$1,383,300	\$1,383,300	\$11.55	\$10,807	9.41%					
Off-Sites	0.00%	0	0.00	0	0	0	0	0.00	0	0.00%					
Sitework	6.58%	7,500	8.02	960,000	960,000	960,000	960,000	8.02	7,500	6.53%					
Direct Construction	48.43%	52,882	58.60	6,779,128	6,904,718	6,606,847	6,928,181	57.85	54,128	47.15%					
Contingency	5.00%	3,023	3.23	386,956	363,236	378,282	402,409	3.38	3,144	2.74%					
General Req'ts	0.00%	3,828	3.88	464,348	435,883	463,839	473,322	3.95	3,698	3.22%					
Contractor's G & A	2.00%	1,209	1.29	154,783	146,294	151,313	158,055	1.32	1,235	1.08%					
Contractor's Profit	8.00%	3,828	3.88	464,348	435,883	463,839	473,322	3.95	3,698	3.22%					
Indirect Construction	5.71%	6,508	6.98	833,030	822,015	822,015	833,030	6.93	6,508	5.67%					
Ineligible Costs	3.50%	3,997	4.26	510,350	417,956	417,956	510,350	4.28	3,807	3.47%					
Developer's G & A	1.78%	1,466	1.57	187,591	197,060	240,000	0	0.00	0	0.00%					
Developer's Profit	13.00%	10,712	11.45	1,371,156	1,280,889	1,281,595	1,558,747	13.01	12,178	10.61%					
Interim Financing	3.48%	3,843	4.21	504,762	385,962	385,962	504,762	4.21	3,843	3.44%					
Reserves	4.11%	4,888	5.01	600,000	500,000	350,000	508,000	4.24	3,889	3.48%					
TOTAL COST	100.00%	\$114,061	\$121.80	\$14,589,750	\$13,632,196	\$13,893,948	\$14,693,478	\$122.80	\$114,783	100.00%					
Construction Cost Recap	93.08%	\$71,950	\$78.80	\$9,209,561	\$8,685,015	\$8,001,720	\$8,395,289	\$78.45	\$73,401	93.04%					

2006 QAP \$50.9(1)(8) points awarded for costs less than or costs less than

SOURCES OF FUNDS				RECOMMENDED				Developer Fee Available					
Wachovia Bank	15.43%	\$17,602	\$18.81	\$2,253,000	\$2,444,000	\$2,444,000	\$2,253,000	\$2,283,516					
City of Houston	2.88%	\$3,388	\$3.63	435,000	435,000	435,000	435,000	435,000	\$1,558,747				
HTC Syndication Proceeds	80.48%	\$91,791	\$98.30	11,749,283	10,708,294	10,708,294	11,749,283	11,749,283	% of Dev. Fee Deferred				
Deferred Developer Fees	1.75%	\$2,092	\$2.14	256,195	306,654	306,654	256,195	245,960	16%				
Additional (Excess) Funds Req'd	-0.64%	(\$732)	(\$0.78)	(93,728)	(261,752)	0	0	0	15-Yr Cumulative Cash Flow				
TOTAL SOURCES				\$14,699,750	\$13,632,196	\$13,893,948	\$14,693,478	\$14,693,478	\$1,126,601				

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Langwick Senior Residences, Houston, HTC 9%, 060056 -- App Perc Inc

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNIT/RSQ FT	PER SF	AMOUNT
Base Cost			\$49.09	\$5,879,680
Adjustments				
Exterior Wall Finish	1.60%		\$0.79	594,076
Elderly/9-Ft. Ceilings	6.00%		2.95	352,781
Fire Sprinklers			1.95	233,548
Subfloor			(0.75)	(89,427)
Floor Cover			2.22	255,885
Porches/Breezeways	\$20.33	29,584	5.02	601,433
Plumbing Fixtures	\$680	306	1.74	208,080
Built-In Appliances	\$1,675	128	1.79	214,400
Stoves/Fireplaces	\$1,650	12	0.17	18,800
Elevators	\$52,750	2	0.88	105,500
Heating/Cooling			1.73	207,199
Garages/Carports	\$23.85	6,600	1.32	158,047
Comm Bldg	\$93.81	4,854	2.59	309,716
Other: Rough-Ins	\$340	128	0.36	43,520
SUBTOTAL			71.84	8,604,235
Current Cost Multiplier	1.08		5.75	688,339
Local Multiplier	0.89		(7.90)	(846,466)
TOTAL DIRECT CONSTRUCTION COSTS			\$69.69	\$8,346,108
Plans, specs, survy, bld perm	3.00%		(\$2.72)	(\$325,489)
Interim Construction Interest	3.38%		(2.35)	(281,681)
Contractor's OH & Profit	11.50%		(8.01)	(859,802)
NET DIRECT CONSTRUCTION COSTS			\$56.60	\$6,779,128

PAYMENT COMPUTATION

Primary	\$2,253,000	Amort	350
Int Rate	6.62%	DCR	1.46

Secondary	\$435,000	Amort	390
Int Rate	4.75%	Subtotal DCR	1.28

Additional	\$0	Amort	
Int Rate		Aggregate DCR	1.28

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$173,833
Secondary Debt Service	27,230
Additional Debt Service	0
NET CASH FLOW	\$60,338

Primary	\$2,263,516	Amort	360
Int Rate	6.62%	DCR	1.50

Secondary	\$435,000	Amort	390
Int Rate	4.76%	Subtotal DCR	1.30

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
POTENTIAL GROSS RENT	\$838,172	\$801,257	\$887,095	\$913,708	\$941,119
Secondary Income	28,112	28,895	27,702	28,533	29,388
Contractor's Profit	0	0	0	0	0
POTENTIAL GROSS INCOME	862,284	888,153	914,797	942,241	970,508
Vacancy & Collection Loss	(64,871)	(66,611)	(68,610)	(70,868)	(72,402)
Developer's G & A	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$797,413	\$821,541	\$846,187	\$871,373	\$897,720
EXPENSES at 4.00%					
General & Administrative	\$51,400	\$53,458	\$55,594	\$57,818	\$60,131
Management	39,612	40800.3447	42024.35499	43285.08564	44583.83921
Payroll & Payroll Tax	132,700	138,008	143,528	149,289	155,240
Repairs & Maintenance	56,000	58,240	60,570	62,992	65,512
Utilities	14,500	15,080	15,663	16,311	16,963
Water, Sewer & Trash	20,000	20,800	21,632	22,497	23,397
Insurance	42,000	43,680	45,427	47,244	49,134
Property Tax	124,000	128,860	134,118	139,883	145,662
Reserve for Replacements	32,000	33,260	34,611	35,998	37,435
Other	24,000	24,850	25,959	26,997	28,077
TOTAL EXPENSES	\$538,212	\$557,264	\$578,147	\$601,803	\$625,535
NET OPERATING INCOME	\$261,401	\$264,277	\$268,040	\$269,570	\$272,185
DEBT SERVICE					
First Lien Financing	\$173,833	\$173,833	\$173,833	\$173,833	\$173,833
Second Lien	27,230	27,230	27,230	27,230	27,230
Other Financing	0	0	0	0	0
NET CASH FLOW	\$80,338	\$63,214	\$65,978	\$68,818	\$71,122
DEBT COVERAGE RATIO	1.30	1.31	1.33	1.34	1.35

YEAR 10	YEAR 15	YEAR 20	YEAR 30
\$1,081,015	\$1,284,785	\$1,468,233	\$1,970,494
34,070	39,497	45,788	61,535
0	0	0	0
1,125,085	1,304,282	1,512,020	2,032,029
(84,381)	(87,821)	(113,402)	(152,402)
0	0	0	0
\$1,040,704	\$1,208,481	\$1,368,619	\$1,870,627
73,158	\$89,008	\$108,282	\$160,209
51684.65592	59916.88164	69459.85585	83348.23771
189,873	229,793	278,579	413,845
78,705	88,974	117,084	174,644
20,838	25,100	30,548	45,220
28,466	34,834	42,137	62,373
59,778	72,730	89,488	130,983
175,491	214,728	261,249	386,713
45,548	55,414	67,419	99,797
34,159	41,580	50,584	74,846
\$759,501	\$919,867	\$1,115,721	\$1,642,071
\$282,202	\$286,594	\$282,898	\$237,556
\$173,833	\$173,833	\$173,833	\$173,833
27,230	27,230	27,230	27,230
0	0	0	0
\$81,140	\$05,531	\$61,635	\$30,493
1.40	1.43	1.41	1.18

HTC ALLOCATION ANALYSIS - Langwick Senior Residences, Houston, HTC 9%, 060056 - App Perc Inc

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	\$1,383,300	\$1,383,300		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$960,000	\$960,000	\$960,000	\$960,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$6,928,181	\$6,779,126	\$6,928,181	\$6,779,126
(4) Contractor Fees & General Requirements				
Contractor overhead	\$158,055	\$154,783	\$157,764	\$154,783
Contractor profit	\$473,322	\$464,348	\$473,291	\$464,348
General requirements	\$473,322	\$464,348	\$473,291	\$464,348
(5) Contingencies				
	\$402,409	\$386,956	\$394,409	\$386,956
(6) Eligible Indirect Fees				
	\$833,030	\$833,030	\$833,030	\$833,030
(7) Eligible Financing Fees				
	\$504,762	\$504,762	\$504,762	\$504,762
(8) All Ineligible Costs				
	\$510,350	\$510,350		
(9) Developer Fees				
Developer overhead		\$187,591		\$187,591
Developer fee	\$1,558,747	\$1,371,156	\$1,558,747	\$1,371,156
(10) Development Reserves				
	\$508,000	\$600,000	\$1,608,709	\$1,582,103
TOTAL DEVELOPMENT COSTS	\$14,693,478	\$14,599,750	\$12,283,474	\$12,106,100

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			\$12,283,474	\$12,106,100
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$15,968,517	\$15,737,929
Applicable Fraction			96%	96%
TOTAL QUALIFIED BASIS			\$15,344,275	\$15,122,701
Applicable Percentage			8.46%	8.46%
TOTAL AMOUNT OF TAX CREDITS			\$1,298,126	\$1,279,381

Syndication Proceeds	0.9599	\$12,460,760	\$12,280,825
Total Tax Credits (Eligible Basis Method)		\$1,298,126	\$1,279,381
Syndication Proceeds		\$12,460,760	\$12,280,825
Requested Tax Credits		\$1,178,388	
Syndication Proceeds		\$11,311,394	
Gap of Syndication Proceeds Needed		\$11,994,963	
Total Tax Credits (Gap Method)		\$1,249,600	
Syndication Proceeds		\$11,749,283	
Original Allocation at Application		\$1,224,006	



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, Multifamily Finance Production Division
From: Raquel Morales, Real Estate Analysis Division
cc: File
Date: February 13, 2007
Re: Review of Amendment Request for HTC #03184, Pegasus Villas

Per your request, I have reviewed the amendment request for the above reference property and in particular reviewed the material effects of the property's failure to provide the following amenities as proposed at application: monitored unit security; community garden/walk trail and 350 uncovered parking spaces.

The Owner's failure to provide the amenities cited above does not materially affect the underwriting analysis. The Real Estate Analysis estimating tool, *Marshall and Swift*, does not adjust for these items. Therefore, a re-evaluation as a result of the changes noted is not required at this time. It should be noted that upon receipt of the Cost Certification documentation a full re-evaluation will be performed based upon the development's final total development cost as certified by a third party CPA.

As a result, no adjustment to the credit amount is warranted prior to finalization of the development's Cost Certification.

Please contact me if I can be of further assistance.

LEGAL DIVISION

BOARD ACTION REQUEST

March 20, 2007

Action Item

Discussion regarding process for reallocation of Tax Credits and extensions of commencement of substantial construction period because of inability to meet deadlines to use credits.

Required Action

None. Discussion purposes only.

Background

At the February 1, Board meeting, an item was presented relating the Presentation, Discussion and Possible Action of Request for Reallocation of Housing Tax Credits and Extension of the Commencement of Substantial Construction. As you may recall this topic generated much discussion about whether the action should be taken and a split vote was recorded.

The Executive Director heard from members of the Board about the process and the information presented on the topic. The Department also received an e-mail notice of a similar request on February 16, 2007 for reallocation of credits.

The overall discussion caused the Executive Director to raise a concern about the information provided to the Board with the Chairman for guidance. With the comments made to the Executive Director and concerns about how the issue was presented by staff, the Executive Director and Chairman determined the issue should be reviewed again by the Board.

The Executive Director notified the consultant for the development that the decision was being placed back on the March agenda to be revisited by the Board. To provide the developer with another avenue to receive credits in case of an unfavorable outcome, the Executive Director suggested that to provide a fall back position for the developer, they should proceed with the application they had previously planned in the pre-application period. However, a problem arose in that the application deadline for tax credit developments was prior to the March 20, 2007 Board meeting.

The Executive Director received a response from the recipient that the development would not apply in the 2007 round and returned all the credits received with this transaction thus negating the discussion on that development for today's meeting. While the outcome of that transaction is unfortunate for all parties, the discussion today is not centered on that transaction as it is moot. The purpose of today's discussion is to provide the Board with a complete background on options available and for the Board to provide the staff with direction on how to present any future issues to the Board regarding this issue.

Staff expects similar issues regarding the reallocation of credits to come forward in addition to the one on the agenda today. Given the actions of the Board at the last meeting and the subsequent events, the staff is looking to the Board to provide guidance on what factors to present to the Board in assisting the Board in its decision making process regarding reallocation of credits.

Board votes do not create a precedent in the legal sense of stare decisis, but it does provide direction to both the affected community and the staff in how the Board will act in the future. Comments made today will not lock the Board into future decisions, but may make the process more efficient saving Board time at meetings, applicant's time and money by knowing the general view of the Board, and the Department staff time as we review and prepare future board Action items.

Recommendation

The staff has no recommendation as to policy, but is prepared to assist the Board in its discussion as a resource on technical and legal matters.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

March 20, 2007

Action Items

Presentation, Discussion and Possible Approval of Request for Reallocation of Housing Tax Credits and Extension of Commencement of Substantial Construction for the Normangee Apartments (#05225), Lytle Apartments (#05226), City Oaks Apartments (#05228) and Kerrville Housing (#05231).

Required Action

Approve, amend or deny the request for the Normangee Apartments (#05225), Lytle Apartments (#05226), City Oaks Apartments (#05228) and Kerrville Housing (#05231).

Background

The applicant / developer for all of the above referenced Applications is Stephen Wasserman with the Wasserman Group. Mr. Wasserman has requested a reallocation of the Housing Tax Credits. All four of the above referenced applications received allocations of Competitive Housing Tax Credits in 2005 as follows:

#05225	Normangee Apartments	\$113,408	Rural	Region 8
#05226	Lytle Apartments	\$128,008	Rural	Region 9
#05228	City Oaks Apartments	\$135,403	Rural	Region 7
#05231	Kerrville Housing	\$272,868	Rural	Region 9

The applicant is federally required to place the rehabilitated buildings in service no later than December 31, 2007, pursuant to §42(h)(1)(E) of the Internal Revenue Code (IRC).

In conjunction with the allocation of Housing Tax Credits, the applicant has pursued funding through the United States Department of Agriculture - Rural Development Program (USDA-RD). The applicant asserts that he has diligently and continually worked with USDA staff to proceed on these properties. However, according to the applicant, the completion of the rehabilitation has been seriously delayed due to USDA staff turnover and unreasonable requirements and deadlines. The applicant has been unable to secure the USDA financing and complete the ownership transfers.

The applicant is now requesting that the Board allow the return of the tax credits for each application and for the Board to reallocate the tax credits to the same developments from the 2007 credit ceiling.

Subsequent to the receipt of the applicant's request, the Department received information from USDA-RD concerning the status of each of the applications referenced in Mr. Wasserman's request. USDA states that each application with USDA still lacks key documents and sufficient data for USDA to complete their application review, financial underwriting and make a

determination of financial feasibility. According to USDA, the application documents submitted contained incomplete, erroneous and/or conflicting information including but not limited to the design documents, drawings, scope of work, cost estimates, proposed budget, environmental information, financial commitments and physical needs assessment. The cost estimates were not consistent with the specifications, scope of work and physical needs assessment. The physical needs assessment is unacceptable and does not meet USDA regulations. According to the USDA, they have requested completed or corrected information in writing on several prior occasions (May 2006, October 2006 and December 2006). The last correspondence on February 15, 2007, required a ten (10) day response for all requested information or the applications would be withdrawn.

The federal deadlines are put in place to ensure the limited resources are used in a timely manner. To request reallocation is a clear effort to circumvent the federal requirements. Based on the information from USDA-RD, staff believes there is no just cause for this reallocation and that the applicant should either complete the developments in a timely manner or return the tax credits to be used in the 2007 application cycle.

Recommendation

Staff recommends denial of the request for reallocation of the Housing Tax Credits.

Upon denial of this request, if the applicant returns the credits, the credits would be added to the 2007 ceiling as follows:

\$135,403	Rural	Region 7
\$113,408	Rural	Region 8
\$400,876	Rural	Region 9

VIA: EMAIL

March 2, 2007

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

the **FWG**
wasserman
group, inc.

4206 Zermatt Drive
Smyrna, Georgia 30080
770.874.8800
Fax: 770.874.8803
Email: services@wassermangroup.com
smw@wassermangroup.com

Project Numbers:
05231, 05225, 05228, 05226

Dear Members of the Board:

Our firm is involved, as developer, with the awardees of tax credit allocations from TDHCA in the 2005 application cycle for the captioned projects. These are four existing, small, USDA Section 515 rural properties that are in need of rehab, preservation, and "greening". Since receiving the awards we and a comprehensive team have been working diligently with the USDA to complete the transfers and bring the projects to the state of rehab that we had proposed and anticipated. The benefits to the USDA – and to the residents of these projects – are without question, and we are grateful to TDHCA for the awards.

To make a long story short, since the time we received notice of the tax credit awards we have been trying to complete the transfer process, but we have been continually sidetracked and stalled by the USDA. They have created every obstacle imaginable and have delayed the process beyond what is reasonably acceptable. Despite their actions, we are determined to acquire the properties and complete the rehabilitation process. Now, however, we must respectfully request the assistance of the Board of TDHCA to do that.

Here are some examples of that we have been going through:

One of the USDA's procedures is to use their local offices as a focal point, but have the state office make the decisions. This creates unbelievably long and unnecessary delays, no lines of communication, and kills any momentum. When something is questioned by the USDA a letter comes from the local office (generally after an extended time period for review), but it is written by someone in the state office. When we call the "sender" at the local office for clarification the answer is that they don't know, since the letter was written by the state, and the best way to get answers to questions is to write to the local office and they will get the answer from the state and write back. Of course, all that takes considerable time – literally always weeks or months. Questions and minor points can easily be resolved verbally with a phone call, but local offices cannot provide simple answers and insist on everything in written form – which, again, creates delays.

As more specifics, in two critical reviews by the State USDA office we hit a real buzz-saw, and we understand we aren't the first to have had experienced this happen. The state architect has been dogmatic and picky beyond anything I have ever experienced in 35 years in the business. She took an architect with about 35 years of HUD, USDA, and tax credit experience and totally confused him with her "requests". We are hopeful he will not quit and will stay on the jobs. Also, on two of the projects the state appraiser rejected Novogradac and Co. (and has debarred them from her "acceptable" list), the firm that did the appraisals for TDHCA (and has done them for USDA projects in other states), and forced us to have new appraisals done on two of the properties – at additional cost. The staff says they

want to improve the housing, but fight virtually every item that will give the residents some dignity, such as ice makers, disposals, or dish washers.

Compounding all this is the fact that in the time we have been dealing with the USDA there have been THREE RD directors. Needless-to-say, the first two had no interest in going out of their way to complete the transfers – since they were retiring. They were more hung up in minutia than they were in completing the transfers and getting the jobs done. The person responsible for technical reviews also left and there is a new person doing that job. So the current RD people started completely over at the end of 2006, and on December 21st gave us five working days (until Jan 2) – which time period included Christmas, New Years, and two weekends, clearly an unreasonable deadline – to resubmit a virtually new and complete application. This submission was to include new plans, specs, costs, etc. This was our third submission to them. But we got them to give us until Jan. 16, and the submissions were made on time – with a few minor items being needed.

So far the new technical person has completed the review of only one of the properties, and she told us “it’s not looking good”. She sent us a letter dated Feb 15 outlining the problems – which we received in late February. We have not received any other information about the other properties. In fact, we were to have a conference call with her yesterday (March 1) about her only letter and the other projects and yesterday morning she emailed and said she not only couldn’t make the call – but she will be on leave for the next two weeks (and she did not supply the name of anyone else with whom we can deal, despite our requests).

In one previous conversation she did cite a number of items she said were not addressed (providing answers for the architect). When I told her that they were in fact previously and timely addressed in detail in a letter, and pointed out that the letter went to the local offices (as instructed), and a copy had been sent to her predecessor and also the state architect, she found it. That is also the case for the lender’s letters, the environmental reports, and even the competitive bidding reports. Please know that on one particular project, in addition to TDHCA credits, we obtained an AHP award, so there was no new debt, a very small rent increase next year, and a BIG improvement in the project. Yet they are prepared to let the tax credits lapse, which has the same effect as rejecting the transfer. We still don’t know specifically what their objections are on three of the properties.

Another item to be respectfully brought to your attention is that during the course of this time one of the local offices rejected our planned use of the current property manager (who is the current owner). They said he was unfit to manage. After considerable effort trying to find a management firm to manage the properties we located an out of state firm that manages USDA 515 properties and was (and is) willing to do it. As a complete and total shock, about 30 days ago we a letter from the new RD Director apologizing for the disqualification and saying it was OK for the old manager to continue to manage. So all the work, effort, and emotion that went into resolving this issue was a waste of time.

During the course of this transfer process we went to the National office in DC and they tried to help us. Instead of help, we heard comments from the last RD director (as she was leaving) to the effect that it wasn’t a good idea to have gone over their heads. (Basically a warning not to do that again.)

We completed the 10% test and incurred significant costs to meet the 10% test. We spend \$2,500 a project for an extension of the date of the start of substantial construction, which the Board approved – and for which we are grateful. We have done everything we can, and yet the person who is doing the

Board of Directors
Texas Department of Housing and Community Affairs
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review has not told us the status of the transfers and won't be back at work until sometime in mid-March!

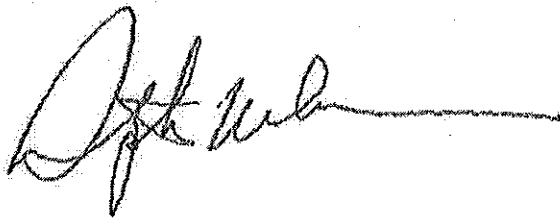
So now we are in a position of real jeopardy on these projects as a result of the March 31 date. We are committed to the projects and have invested a very significant amount of money, time, and human capital. The residents have been looking forward to the rehab work for over a year. I believe we will ultimately receive approval of the transfers, since there is no reason why they shouldn't be approved. We want to ride this out until the transfers are approved.

Accordingly, I am hereby respectfully making a formal request to the Board to recast the 2005 allocations of tax credits for these properties to 2007 credits. Although this may seem unusual, the Board has granted this type of request in the past, and last month granted such a request to Wesleyan Homes. We have been diligently dealing with our problems and we are confident that with continued diligence and effort the transfer requests will be granted. We do not want to turn the credits back as a result of conditions beyond our control, and we and the non-profit owner are committed to these properties and doing more work in Texas. We are a strong advocate of preserving rural housing and we are working in a number of other states without any of the problems we have experienced with the USDA office in Texas. In fact, we had submitted pre-applications to TDHCA for 2006 credits for more rural properties but elected not to proceed until we got through the transfer process on the 2005 properties.

In light of the March 31 deadline, we respectfully ask that you schedule this matter for the next Board meeting and that you then grant the request for reclassification of the 2005 credits. To that end, I make myself available for your questions. The president of the non-profit owner, Elva Grant, is also available. Her number is (916) 444-0550 x2472.

Thank you for your consideration, and we hope the Board will grant our request.

Best regards,



cc: Elva Grant, Housing Alternatives, Inc.
Emanuel Glockzin
Gerald Fritts, Evergreen International
Michael Jacobs, National Equity Fund
John Gumpert, Camden Management Partners
Clay Landers, Camden Construction Group
James D. Miller, Miller/Player Associates, AIA

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

March 20, 2007

Action Item

Presentation, Discussion and Possible reinstatement of a Determination Notice for Housing Tax Credits associated with a Mortgage Revenue Bond Transaction with another Issuer.

Requested Item

Approve, Amend or Deny the staff recommendation for Gardens of Decordova.

Summary of the Transaction

The Gardens of DeCordova was previously brought before the Board at the February 1, 2007 Board meeting. The applicant was requesting a waiver of the requirement in §49.12(f)(1) of the 2007 Qualified Allocation Plan (QAP) that in the event the bonds were not closed prior to the reservation expiration date, the new docket number issued by the Bond Review Board must be issued in the same program year as the original docket number in order to have the Determination Notice reinstated. The applicant signed a certification stating that the only change to the application is the docket number. In addition, the certification states the application meets the requirements of the 2007 QAP and will comply with the 2007 QAP. Due to the opposition with the original application the application is required to be presented to the Board again for re-instatement of the Housing Tax Credit Determination Notice.

Gardens of DeCordova (#060420)

The Gardens of DeCordova was awarded 4% Housing Tax Credits in the amount of \$281,258 and HOME CHDO Rental Development funds in the amount of \$1,194,376 at the October 12, 2006 Board meeting to be utilized in conjunction with bond authority from a local issuer. The application received approval of a Housing Tax Credit Determination Notice that was issued in 2006. The Private Activity Bond reservation expiration date was December 8, 2006 and the Applicant asserts that there was due diligence by the lender that was unable to be completed in a timely manner preventing them from closing by the reservation expiration date. The applicant has received a new docket number from the Bond Review Board and the new reservation expiration date is July 8, 2007. The Issuer for this transaction is Northwest Central Texas HFC. The development is new construction and will consist of 76 total units targeting the elderly population and will be located in Granbury.

Public Comment: The Department has received 1 letter of support from Hood County Commissioner, Leonard Heathington, and one letter of support from a local citizen. The Department has received a Resolution in opposition from the City Council of the City of Decordova, 9 letters of opposition from local citizens and an opposition petition with 367 signatures. The following concerns were cited in the letters received: increase in traffic, no public transportation in the area, the current infrastructure services are inadequate for this type of development, and there are no medical services nearby.

Recommendation

Staff recommends that the Board approve the reinstatement of the Determination Notice of Housing Tax Credits for Gardens of Decordova in the amount of \$281,258.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: October 3, 2006 **PROGRAM:** 4% HTC/HOME **FILE NUMBER:** 060420

DEVELOPMENT NAME

Gardens of Decordova

APPLICANT

Name: The Gardens of Decordova, L.P. **Contact:** George Hopper
Address: 2909 SW Plass Court
City: Topeka **State:** KS **Zip:** 66611
Phone: (785) 266-6133 **Fax:** (785) 266-6134 **Email:** GHopper@ContinentalGroups.com

KEY PARTICIPANTS

Name: Spectrum Housing Corp. **Title:** 0.5% CHDO Managing General Partner and Co-Developer
Name: Continental Associates VII, Inc. **Title:** 0.5% Special Limited Partner
Name: Ivan L. Haugh **Title:** 100% Owner of SLP and Continental Development Group, Inc.
Name: Continental Development Group, Inc. **Title:** Co-Developer

PROPERTY LOCATION

Location: 5314 Northgate Road
City: Granbury **Zip:** 76049
County: Hood **Region:** 3 QCT DDA

REQUEST

<u>Program</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
HTC	\$294,166	N/A	N/A	N/A
HOME	\$1,194,376	1%	40 yrs	15 yrs

Proposed Use of Funds: New construction **Type:** Multifamily
Target Population: Elderly **Other:** Rural, CHDO

RECOMMENDATION

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$281,258 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$1,194,376, STRUCTURED AS A 15-YEAR TERM LOAN, FULLY AMORTIZING OVER 40 YEARS AT 1% INTEREST, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of documentation including, but not limited to a new permanent loan commitment supporting a debt coverage ratio at a minimum of 1.10;
2. Receipt, review and acceptance of an opinion letter from a tax attorney or CPA evaluating the 50% test should the bond debt be reduced as anticipated; and

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3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 76 **# Res Bldgs** 31 **# Non-Res Bldgs** 1 **Age:** N/A yrs **Vacant:** N/A at / /
Net Rentable SF: 75,690 **Av Un SF:** 995 **Common Area SF:** 2,460 **Gross Bldg SF:** 78,150

ARCHITECTURAL REVIEW

The building and unit plans are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect modest buildings.

STRUCTURAL MATERIALS

The structures will be constructed on a concrete slab subfloor. According to the plans provided in the application the exterior will be 30% masonry veneer, and 70% cement fiber. The interior wall surfaces will be drywall and the roofs will be finished with composite shingles.

UNIT FEATURES

The interior flooring will be carpet and resilient covering. Threshold criteria for the 2006 QAP requires all development units to include: mini blinds or window coverings for all windows, a dishwasher, a disposal, a refrigerator, an oven/range, an exhaust/vent fan in bathrooms, and a ceiling fan in each living area and bedroom. New construction units must also include three networks: one for phone service, one for data service, and one for TV service. In addition, each unit will include: an ice maker in the refrigerator, laundry connections, a ceiling fixture in each room, a forced air unit, individual water heater.

ONSITE AMENITIES

In order to meet threshold criteria for total units of between 41 and 76 units, the Applicant has elected to provide community dining room with kitchen, community laundry room, controlled access gates, an enclosed sun porch or covered community porch, and a senior activity room.

Uncovered Parking: 163 spaces **Carports:** 0 spaces **Garages:** 152 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The development is a 5.7-unit per acre new construction development located in Granbury in Hood County. The development will be comprised of 31 evenly distributed duplex and triplex residential buildings as follows:

<u>No. of Buildings</u>	<u>No. of Floors</u>	<u>1BR</u>	<u>2BR</u>
1	1	2	0
17	1	0	2
13	1	0	3

The development includes a 2,460-square foot community building with a community room, library, laundry facilities, office space, kitchen and restrooms.

SITE ISSUES

SITE DESCRIPTION

Total Size: 13.26 acres **Scattered sites?** Yes No
Flood Zone: Zone X **Within 100-year floodplain?** Yes No
Current Zoning: No zoning in Hood County **Needs to be re-zoned?** Yes No N/A

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The proposed development is located outside the city limits within the ETJ of Granbury in Hood County in Region 3.

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Adjacent Land Uses: The area neighborhood is primarily agricultural with a few single family homes, pasture and wooded areas.

Site Access: The site is accessed from North Gate Road.

Public Transportation: The availability of public transportation was not identified in the application materials.

Shopping & Services: The site is located within one mile of a supermarket with other retail within five miles. Medical, police and fire services are located within eight miles of the site.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff **Date:** 7/20/2006
Overall Assessment: Excellent Acceptable Questionable Poor Unacceptable
Comments: _____

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated May 17, 2006 was prepared by Phase I ASTM Environmental and contained the following findings and recommendations:

Findings:

- € **Noise:** “There is no need for a noise study at the site. It is a quite rural area” (letter dated September 6, 2006).
- € **Floodplain:** “There are no 100 or 500 year sites in the area and the subject is not in nor adjacent to a wet lands area” (p. 5).
- € **Asbestos-Containing Materials (ACM):** “There are no structures and no suspected asbestos containing materials” (p. 3).
- € **Lead-Based Paint (LBP):** “There are no structures or materials on the site and therefore no lead paint” (p. 4).
- € **Lead in Drinking Water:** “Testing for lead in the drinking water is not required at this location. There are no delivery pipes in the area known to contain any lead parts or solder” (letter dated September 6, 2006).
- € **Radon:** “There are no records of tests in the area and the proposed buildings will not have basements. The necessary ingredients are not available at the site” (p. 4).
- € **Recognized Environmental Concerns (RECs):** “This assessment has revealed no evidence of possible environmental conditions in connection with the property that would be a cause for concern” (p. 5).

Recommendations: “Based on the information gathered to date, the site does not meet any of the environmental criteria listed under the National Environmental Protection Act (NEPA) for further study and therefore, no additional Environmental Assessment is required” (p. 6).

INCOME SET-ASIDE

The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Any Qualified Residential Rental Project qualifies as a Priority 3 Private Activity Bond allocation (§ 1372.0321). HOME assisted rental developments at a minimum must set-aside at least 20% of HOME assisted units with rent and income restrictions at 50% or less of area median family income and all remaining units with rent and income restrictions at 80% or less of area median family income. These minimum requirements affect only those units which are HOME assisted and do not supercede the minimum affordability requirements for applicants jointly applying for HOME and Housing Tax Credits or any other federal, state or local affordable housing programs. All of the units will be reserved for low-income tenants. Three units (4%) will be reserved for households earning 50% or less of AMI and 73 units (96%) will be reserved for households earning 60% or less of AMI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$26,340	\$30,120	\$33,840	\$37,620	\$40,620	\$43,620

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

MARKET HIGHLIGHTS

A market feasibility study dated March 28, 2006 was prepared by Apartment Market Data, LLC (“Market Analyst”) and included the following findings:

Definition of Primary Market Area (PMA): “For this analysis, we utilized a “primary market area” encompassing 741.11 square miles. The Trade Area boundaries consist of: North: Hood / Parker / Tarrant County line; East: Hwy 1902 to Hwy 917 to Hwy 174 to US Hwy 67; South: US Hwy 67 to Somervell / Erath County line; West: Somervell / Erath / Hood County line” (p. 3). This area encompasses approximately 741 square miles and is equivalent to a circle with a radius of 15.4 miles. This is a somewhat unusual market area given that it encompasses more than one county and includes part but not all of Cleburne. Moreover, the Department funded another senior development in Granbury using HOME funds, the second phase of Hayden Ridge Apartments. The market study of this second phase of eight units defined the market area as all of Hood County. The Hayden Ridge market study included approximately half the population as the subject and concluded a total demand of 54 units all targeting the 50% income level. The subject adds three units targeting the 50% income level.

Population: The estimated 2005 population of the primary market area was 80,619 and is expected to increase by 21% to approximately 91,094 by 2010. Within the primary market area there were estimated to be 11,199 elderly households in 2005.

Total Market Demand: The Market Analyst utilized a target household adjustment rate of 40.6% (p. 44) and a household size-appropriate adjustment rate of 100% (p. 50). The Analyst’s income band of \$21,150 to \$33,840 (p. 45) results in an income eligible renter adjustment rate of 2.29% (p. 49). The tenure appropriate adjustment rate of 13.7% is specific to the target population (p. 48). The Market Analyst indicates a turnover rate of 69% applies based on IREM (p. 50).

MARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	11	6%	7	4%
Resident Turnover	184	94%	180	96%
TOTAL DEMAND	195	100%	187	100%

p. 51

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 39% based upon 195 units of demand and 76 unstabilized affordable housing in the PMA (including the subject) (p. 52). The Underwriter calculated an inclusive capture rate of 45% based upon a revised supply of 84 unstabilized comparable affordable units (including 8 units from Hayden Ridge) divided by a revised demand estimate for 187 affordable units. Developments targeting seniors and developments in rural areas are allowed a capture rate of up to 100%.

Unit Mix Conclusion: “The average size of a household within the Primary Market Area is 2.9 persons and the average size of senior households is 1.87 persons. The subject’s unit mix is well suited for senior households of one or two persons, as the subject is comprised of one and two bedroom units” (p. 57).

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 265 units in the market area (p. 101).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%)	\$635	\$631	\$4	\$655	-\$20
2-Bedroom (50%/LH)	\$450	\$450	\$0	\$875	-\$425
2-Bedroom (60%/HH)	\$645	\$450	\$195	\$875	-\$230
2-Bedroom (60%)	\$755	\$754	\$1	\$875	-\$120

(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)

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Primary Market Occupancy Rates: “The current occupancy of the market area is 96.6% as a result of older projects and management problems at one of the largest projects in the area. Senior projects in the primary market area average 98.2% occupancy” (p. 91).

Absorption Projections: “Today, the PMA is 96.6% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject’s units. Absorption over the previous fifteen years for all unit types is estimated to be 158 units per year. We expect this to increase as the number of new household continues to grow, and as additional rental units become available” (p. 91).

Unstabilized, Under Construction, and Planned Development: The Market Analyst did not identify any other unstabilized, under construction or planned developments in the primary market area.

Market Impact: “The subject should not have a detrimental effect on any existing affordable projects as family and senior project occupancies are strong in the area” (p. 90).

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The majority of the Applicant’s projected rents collected per unit were calculated by subtracting tenant-paid utility allowances maintained by the Housing Authority of the City of Granbury from the 2006 program gross rent limits. The Applicant’s projected rent for the two-bedroom, two-bathroom High HOME and 60% HTC units is based on the HTC program maximum. The Underwriter used the lower of the two restricted gross rents, the High HOME limit. Tenants will be required to pay electric, water, and sewer costs. Each unit will be individually metered for utilities and exterior trash receptacles will be provided for each unit. The Applicant’s \$21 per unit per month of secondary income from cable TV is offset in the expenses by a similar amount. The Applicant’s estimated vacancy and collection loss is projected at 7%, less than the Department’s standard of 7.5%. As a result of these differences, the Applicant’s estimated Effective Gross Income is \$23K more than the Underwriter’s, or a difference is less than 4%.

Expenses: The Applicant’s total annual operating expense projection at \$3,297 per unit is within 5% of the Underwriter’s estimate of \$3,349, derived from actual operating history of the development, the TDHCA database, and third-party data sources. The Applicant’s estimated expenses differ significantly from the Underwriter’s estimates in the following categories: general and administrative (\$12K lower); payroll and payroll tax (\$10K higher); and utilities, (\$10K lower). The tenants will be required to pay for water, sewer, and trash expenses and the development is responsible for utilities for the common areas only. As noted above, the cable TV income is offset in the expenses. The Applicant did not include the full \$40 per unit compliance fee.

Conclusion: The Applicant’s income and expense estimates are within 5% of the Underwriter’s estimates, but the net operating income is not, therefore the Underwriter’s NOI will be used to determine debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.10. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the “Financing Structure Analysis” section (below).

Long-Term Feasibility: The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter’s base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that, after the initial resizing, remains above 1.10 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

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ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
Land: 22.14 acres	\$108,180	Assessment for the Year of:	2005
Per Acre:	\$4,886	Valuation by:	Hood County Appraisal District
Total Value: 13.26 acres	\$64,790	Tax Rate:	2.06622
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Unimproved Property Contract (approx. 13.26 acres)		
Contract Date:	07/10/2006	Valid through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	\$388,415	Other:	_____
Seller:	Continental Real Estate, Inc	Related to Development Team?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION	
<u>Acquisition Value:</u>	The Applicant submitted additional documentation supporting the acquisition cost as the transaction represents an identity of interest. The contract acquisition cost of \$388,415 is equal to the original acquisition cost evidenced by the original settlement statement dated May 5, 2006 between Michael J. Brown/Jean Loydene Brown and Continental Real Estate, Inc., a related party to the Applicant.
<u>Sitework Cost:</u>	The Applicant claimed sitework costs over the Department's maximum guideline of \$7,500 per unit and provided sufficient third party certification through a detailed certified cost estimate by Gregory Edward Schwerdt to justify these costs. In addition, these costs have been reviewed by the Applicant's CPA, Doug Glenn of Mayer Hoffman McCann P.C., to preliminarily opine that \$675,625 of the total \$700,625 will be considered eligible. The CPA did not specifically indicate that this opinion of eligibility has taken into account the effect of the IRS Technical Advisory Memorandums on the eligibility of sitework costs however it is presumed that a professional tax credit CPA would be aware of these and all eligible basis issues.
<u>Direct Construction Cost:</u>	The Applicant's direct construction cost estimate is \$50K or 1% lower than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate.
<u>Ineligible Costs:</u>	The Applicant included \$25,000 in clearing and razing site work costs as an eligible cost. The Applicant's CPA states that these costs would be ineligible; therefore, the Underwriter reduced the Applicant's eligible basis by an equivalent amount.
<u>Interim Financing Fees:</u>	The Underwriter reduced the Applicant's eligible interim financing fees by \$185K 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. The Applicant also included as eligible the full amount of tax counsel and underwriting fees for the bonds, when only the portion attributable to the construction period is eligible. This issue was clarified in correspondence with the Applicant and amounts to an additional \$59K reduction in eligible basis.
<u>Fees:</u>	The Applicant's fees for the contractor overhead and profit were set at the maximums allowed by TDHCA guidelines. The Applicant's contractor general and administrative, contingencies and developer fees exceeded the 2%, 5%, and 15% TDHCA maximums by \$341K. With the reduction in eligible basis due to the misapplication of eligible basis discussed above the eligible basis portion of the fees and contingency now exceed the maximum by \$387K and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.
<u>Conclusion:</u>	The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$7,769,560 supports annual tax credits of \$281,258. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation. The Applicant used an applicable percentage of 3.52% while the underwriting applicable percentage for applications received in July of 2006 is 3.62%.

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MULTIFAMILY UNDERWRITING ANALYSIS**

FINANCING STRUCTURE			
INTERIM TO PERMANENT BOND FINANCING			
Source:	Housing Credit Fund, LLC	Contact:	Chris Jones
Taxable:	\$7,430,251	Interest Rate:	6.15%, fixed, lender's estimate
Amort:		Amort:	24 months
Tax-Exempt:	\$4,870,251	Interest Rate:	6.15%, fixed, lender's estimate
Amort:		Amort:	480 months
Documentation:	<input checked="" type="checkbox"/> Signed <input type="checkbox"/> Term Sheet <input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm Commitment <input type="checkbox"/> Conditional Commitment <input type="checkbox"/> Application		
Comments:	_____		
HOME			
Source:	TDHCA	Contact:	TDHCA
Principal:	\$1,194,376	Conditions:	1% interest rate, 480 months amortization
Documentation:	<input type="checkbox"/> Signed <input type="checkbox"/> Term Sheet <input type="checkbox"/> LOI <input type="checkbox"/> Firm Commitment <input type="checkbox"/> Conditional Commitment <input checked="" type="checkbox"/> Application		
Comments:	_____		
TAX CREDIT SYNDICATION			
Source:	NEF, Inc.	Contact:	Scott Fitzpatrick
Proceeds:	\$2,769,957	Net Syndication Rate:	98%
Anticipated HTC:	\$282,677/year		
Documentation:	<input type="checkbox"/> Signed <input type="checkbox"/> Term Sheet <input type="checkbox"/> LOI <input type="checkbox"/> Firm Commitment <input checked="" type="checkbox"/> Conditional Commitment <input type="checkbox"/> Application		
Comments:	_____		
OTHER			
Amount:	\$156,551	Source:	Deferred Developer Fee
FINANCING STRUCTURE ANALYSIS			
<p><u>Interim to Permanent Bond Financing:</u> The interim to permanent bond financing will be through Housing Credit Fund, LLC. Both the interim and permanent portions are at a 6.15% fixed interest rate with a 480 month amortization for the permanent.</p> <p><u>HTC Syndication:</u> The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.</p> <p><u>Deferred Developer's Fees:</u> The Applicant's proposed deferred developer's fees of \$156,551 amount to 15% of the total fees.</p> <p><u>Financing Conclusions:</u> As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.10. Therefore, receipt, review and acceptance of documentation including, but not limited to a new permanent loan commitment supporting a debt coverage ratio at a minimum of 1.10 is a condition of this report. The current underwriting analysis assumes a decrease in the permanent loan amount to \$4,418,356 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.</p> <p>The Applicant's total development cost estimate less the permanent loan of \$4,130,000 and the requested HOME loan of \$1,194,376 indicates the need for \$3,378,404 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$344,770 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$294,166), the gap-driven amount (\$344,770), and eligible basis-derived estimate (\$281,258), the eligible basis-derived estimate of \$281,258 is recommended resulting in proceeds of \$2,756,053 based on a syndication rate of 98%.</p> <p>The Applicant's request of \$1,194,376 in TDHCA HOME funds with a 1% fixed interest rate and 40 year amortization is recommended. Without the recommended HOME funds, the deferred developer fee required would increase to 179% of the fee available and would not be repayable within 15 years of stabilized operation. In that case, the development would be characterized as infeasible.</p>			

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

The Underwriter's recommended financing structure indicates the need for \$622,351 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation. The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

As a result of the likely reduction in first lien bond debt there is a question as to whether the bonds will meet the 50% test which allow the developer to be eligible for 4% tax credits. Thus, receipt, review and acceptance of an opinion letter from a tax attorney or CPA evaluating the 50% test should the bond debt be reduced as anticipated is a condition of this report.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

€ The Applicant, Developer, General Contractor, property manager, supportive services provider, seller and architect are related entities. These are common relationships for HTC-funded developments. The related seller issue has been addressed in the acquisition section of this report.

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

Financial Highlights:

- € The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- € The General Partner, Spectrum Housing, submitted an audited financial statement as of December 31, 2005 and 2004 reporting total assets of \$29.9M and consisting of \$61K in cash, \$134K in receivables, \$103K in prepaid expenses, \$969K in restricted funds, \$28M in real property, and \$664K in other assets. Liabilities totaled \$33.6M, resulting in a net worth of (\$3.7M).
- € The principal of the Developer and Special Limited Partner, Ivan Haugh, submitted an unaudited financial statement as of June 30, 2006

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- € The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- € The seller of the property has an identity of interest with the Applicant.
- € The significant financing structure changes being proposed have not been reviewed by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	_____	Date:	October 3, 2006
	<i>Brenda Hull</i>		
Director of Real Estate Analysis:	_____	Date:	October 3, 2006
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Gardens of Decordova, Granbury, 4% HTC/HOME, #060420

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util
TC 60%	2	1	1	771	\$705	\$631	\$1,262	\$0.82	\$74.00
TC 50%/LH	3	2	2	1,002	542	\$450	1,350	0.45	92.00
TC 60%/HH	8	2	2	1,002	542	\$450	3,600	0.45	92.00
TC 60%	63	2	2	1,002	846	\$754	47,502	0.75	92.00
TOTAL:	76		AVERAGE:	996	\$798	\$707	\$53,714	\$0.71	\$91.53

INCOME Total Net Rentable Sq Ft: 75,690

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00

Other Support Income: Cable TV Per Unit Per Month: \$19.95

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

TDHCA	APPLICANT
\$644,568	\$664,392
9,120	9,120
18,194	19,152
\$671,882	\$692,664
(50,391)	(48,492)
0	0
\$621,491	\$644,172

Comptroller's Region 3

IREM Region

\$10.00 Per Unit Per Month

\$21.00 Per Unit Per Month

-7.00% of Potential Gross Income

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.28%	\$350	0.35
Management	4.00%	327	0.33
Payroll & Payroll Tax	8.22%	672	0.68
Repairs & Maintenance	4.62%	378	0.38
Utilities	2.22%	182	0.18
Water, Sewer, & Trash	1.14%	93	0.09
Property Insurance	3.69%	302	0.30
Property Tax 2.07	4.55%	372	0.37
Reserve for Replacements	3.06%	250	0.25
Other: cable, svc, sec, compl	5.18%	424	0.43
TOTAL EXPENSES	40.96%	\$3,349	\$3.36
NET OPERATING INC	59.04%	\$4,828	\$4.85

TDHCA	APPLICANT
\$26,600	\$14,770
24,860	26,698
51,095	61,040
28,739	28,700
13,812	3,600
7,056	10,600
22,939	26,600
28,252	30,400
19,000	19,000
32,204	29,164
\$254,557	\$250,572
\$366,935	\$393,600

PER SQ FT	PER UNIT	% OF EGI
\$0.20	\$194	2.29%
0.35	351	4.14%
0.81	803	9.48%
0.38	378	4.46%
0.05	47	0.56%
0.14	139	1.65%
0.35	350	4.13%
0.40	400	4.72%
0.25	250	2.95%
0.39	384	4.53%
\$3.31	\$3,297	38.90%
\$5.20	\$5,179	61.10%

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT
Housing Credit Fund	52.73%	\$4,312	\$4.33
HOME	5.83%	\$477	\$0.48
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	0.48%	\$39	\$0.04

TDHCA	APPLICANT
\$327,693	\$363,934
36,241	0
0	0
\$3,001	\$29,666

PER SQ FT	PER UNIT	% OF EGI
\$4.81	\$4,789	56.50%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.39	\$390	4.61%

AGGREGATE DEBT COVERAGE RATIO 1.01

RECOMMENDED DEBT COVERAGE RATIO 1.10

TDHCA	APPLICANT
1.01	1.08
1.10	

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		4.38%	\$5,111	\$5.13
Off-Sites		0.00%	0	0.00
Sitework		7.61%	8,890	8.93
Direct Construction		49.09%	57,324	57.56
Contingency 5.00%		2.84%	3,311	3.32
General Req'ts 6.00%		3.40%	3,973	3.99
Contractor's G & A 1.93%		1.09%	1,276	1.28
Contractor's Profit 5.78%		3.28%	3,827	3.84
Indirect Construction		5.27%	6,152	6.18
Ineligible Costs		3.44%	4,021	4.04
Developer's G & A 3.56%		2.80%	3,272	3.29
Developer's Profit 11.44%		9.01%	10,526	10.57
Interim Financing		6.20%	7,235	7.26
Reserves		1.58%	1,849	1.86
TOTAL COST		100.00%	\$116,767	\$117.24
Construction Cost Recap		67.31%	\$78,600	\$78.92

TDHCA	APPLICANT
\$388,416	\$388,416
0	0
675,625	675,625
4,356,652	4,146,823
251,614	423,584
301,937	340,322
96,949	96,949
290,847	290,847
467,560	467,560
305,605	305,605
248,657	365,000
800,000	800,000
549,866	549,866
140,539	140,539
\$8,874,267	\$8,991,136
\$5,973,623	\$5,974,150

PER SQ FT	PER UNIT	% of TOTAL
\$5.13	\$5,111	4.32%
0.00	0	0.00%
8.93	8,890	7.51%
54.79	54,563	46.12%
5.60	5,573	4.71%
4.50	4,478	3.79%
1.28	1,276	1.08%
3.84	3,827	3.23%
6.18	6,152	5.20%
4.04	4,021	3.40%
4.82	4,803	4.06%
10.57	10,526	8.90%
7.26	7,235	6.12%
1.86	1,849	1.56%
\$118.79	\$118,304	100.00%
\$78.93	\$78,607	66.44%

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT
Housing Credit Fund	54.88%	\$64,082	\$64.34
HOME	13.46%	\$15,715	\$15.78
HTC Syndication Proceeds	31.21%	\$36,447	\$36.60
Deferred Developer Fees	1.76%	\$2,060	\$2.07
Additional (Excess) Funds Req'd	-1.32%	(\$1,538)	(\$1.54)
TOTAL SOURCES			

TDHCA	APPLICANT
\$4,870,251	\$4,870,251
1,194,376	1,194,376
2,769,957	2,769,957
156,551	156,551
(116,868)	1
\$8,874,267	\$8,991,136

RECOMMENDED

\$4,418,356	Developer Fee Available
1,194,376	\$1,013,421
2,756,053	% of Dev. Fee Deferred
622,351	61%
(0)	15-Yr Cumulative Cash Flow
\$8,991,136	\$1,447,000

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Gardens of Decordova, Granbury, 4% HTC/HOME, #060420

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$59.53	\$4,505,721
Adjustments				
Exterior Wall Finish	0.90%		\$0.54	\$40,551
Elderly	3.00%		1.79	135,172
Roofing			0.00	0
Subfloor			(2.24)	(169,546)
Floor Cover			2.22	168,032
Porches/Balconies	\$18.15	6,884	1.65	124,945
Plumbing	\$680	223	2.00	151,640
Built-In Appliances	\$1,675	76	1.68	127,300
Stairs/Fireplaces			0.00	0
Enclosed Corridors	\$49.61	0	0.00	0
Heating/Cooling			1.73	130,944
Garages/Carports	\$14.11	27,120	5.06	382,663
Comm &/or Aux Bldgs	\$69.10	2,460	2.25	169,980
Other:			0.00	0
SUBTOTAL			76.20	5,767,401
Current Cost Multiplier	1.07		5.33	403,718
Local Multiplier	0.86		(10.67)	(807,436)
TOTAL DIRECT CONSTRUCTION COSTS			\$70.86	\$5,363,683
Plans, specs, survy, bld prm	3.90%		(\$2.76)	(\$209,184)
Interim Construction Interes	3.38%		(2.39)	(181,024)
Contractor's OH & Profit	11.50%		(8.15)	(616,824)
NET DIRECT CONSTRUCTION COSTS			\$57.56	\$4,356,652

PAYMENT COMPUTATION

Primary	\$4,870,251	Amort	480
Int Rate	6.15%	DCR	1.12

Secondary	\$1,194,376	Amort	480
Int Rate	1.00%	Subtotal DCR	1.01

Additional	\$2,769,957	Amort	
Int Rate		Aggregate DCR	1.01

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$297,288
Secondary Debt Service	36,241
Additional Debt Service	0
NET CASH FLOW	\$33,406

Primary	\$4,418,356	Amort	480
Int Rate	6.15%	DCR	1.23

Secondary	\$1,194,376	Amort	480
Int Rate	1.00%	Subtotal DCR	1.10

Additional	\$2,769,957	Amort	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	\$644,568	\$663,905	\$683,822	\$704,337	\$725,467	\$841,015	\$974,967	\$1,130,254	\$1,518,967
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income: Cable T	18,194	18,740	19,302	19,882	20,478	23,740	27,521	31,904	42,876
POTENTIAL GROSS INCOME	671,882	692,039	712,800	734,184	756,210	876,654	1,016,282	1,178,150	1,583,335
Vacancy & Collection Loss	(50,391)	(51,903)	(53,460)	(55,064)	(56,716)	(65,749)	(76,221)	(88,361)	(118,750)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$621,491	\$640,136	\$659,340	\$679,120	\$699,494	\$810,905	\$940,061	\$1,089,789	\$1,464,585
EXPENSES at 4.00%									
General & Administrative	\$26,600	\$27,664	\$28,771	\$29,922	\$31,118	\$37,860	\$46,063	\$56,043	\$82,957
Management	24,860	25,605	26,374	27,165	27,980	32,436	37,602	43,592	58,583
Payroll & Payroll Tax	51,095	53,139	55,264	57,475	59,774	72,724	88,480	107,649	159,347
Repairs & Maintenance	28,739	29,889	31,084	32,327	33,621	40,905	49,767	60,549	89,627
Utilities	13,812	14,364	14,939	15,537	16,158	19,659	23,918	29,100	43,075
Water, Sewer & Trash	7,056	7,338	7,632	7,937	8,255	10,043	12,219	14,866	22,005
Insurance	22,939	23,856	24,810	25,803	26,835	32,649	39,722	48,328	71,538
Property Tax	28,252	29,382	30,558	31,780	33,051	40,212	48,924	59,523	88,109
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	32,204	33,492	34,832	36,225	37,674	45,836	55,767	67,849	100,433
TOTAL EXPENSES	\$254,557	\$264,490	\$274,814	\$285,543	\$296,693	\$359,367	\$435,363	\$527,528	\$774,928
NET OPERATING INCOME	\$366,935	\$375,646	\$384,526	\$393,578	\$402,801	\$451,539	\$504,698	\$562,260	\$689,657
DEBT SERVICE									
First Lien Financing	\$297,288	\$297,288	\$297,288	\$297,288	\$297,288	\$297,288	\$297,288	\$297,288	\$297,288
Second Lien	36,241	36,241	36,241	36,241	36,241	36,241	36,241	36,241	36,241
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$33,406	\$42,117	\$50,998	\$60,049	\$69,273	\$118,010	\$171,170	\$228,732	\$356,128
DEBT COVERAGE RATIO	1.10	1.13	1.15	1.18	1.21	1.35	1.51	1.69	2.07

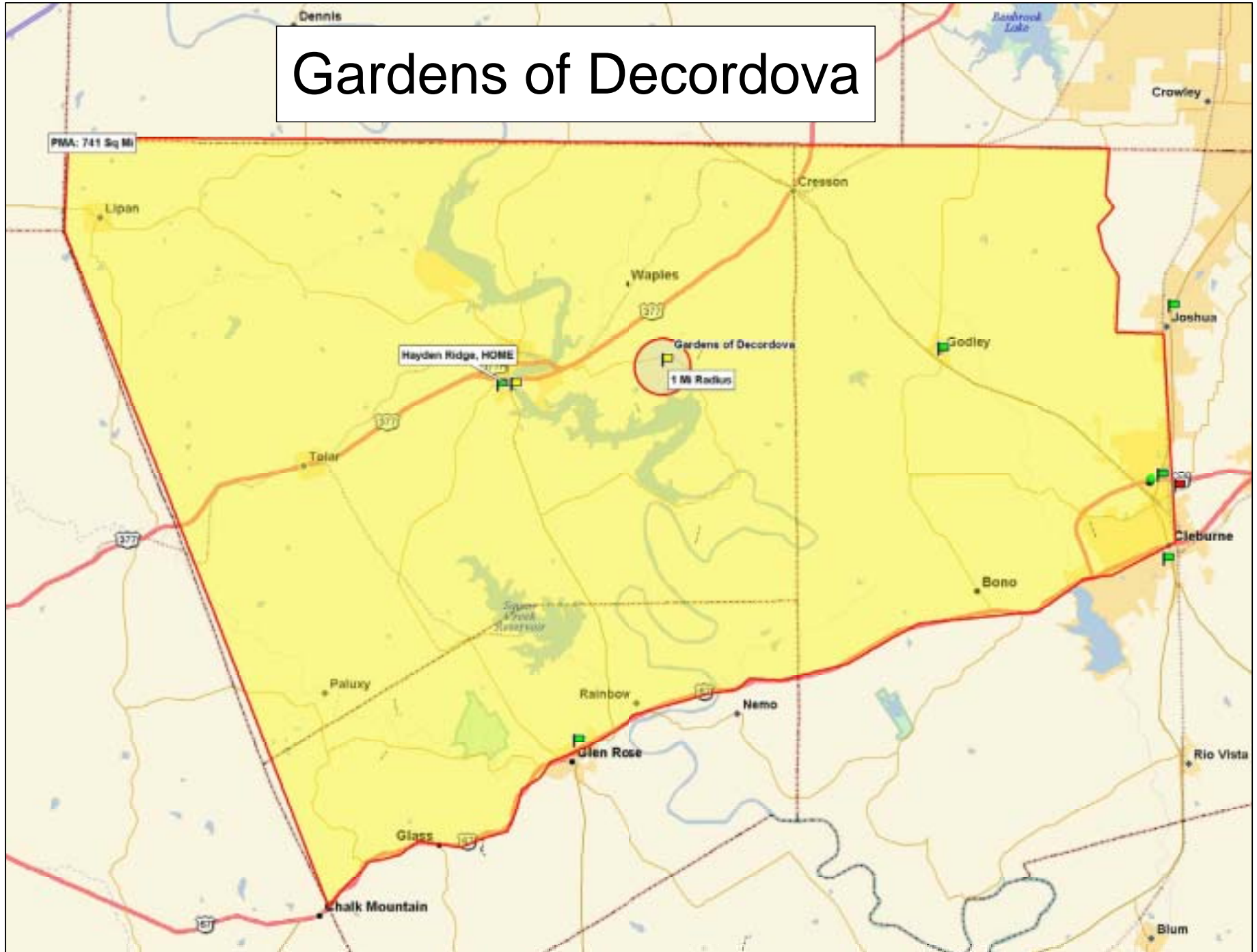
**HTC ALLOCATION ANALYSIS -Gardens of Decordova, Granbury, 4% HTC/HOME,
#060420**

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	\$388,416	\$388,416		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$675,625	\$675,625	\$675,625	\$675,625
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$4,146,823	\$4,356,652	\$4,146,823	\$4,356,652
(4) Contractor Fees & General Requirements				
Contractor overhead	\$96,949	\$96,949	\$96,449	\$96,949
Contractor profit	\$290,847	\$290,847	\$289,347	\$290,847
General requirements	\$340,322	\$301,937	\$289,347	\$301,937
(5) Contingencies				
	\$423,584	\$251,614	\$241,122	\$251,614
(6) Eligible Indirect Fees				
	\$467,560	\$467,560	\$467,560	\$467,560
(7) Eligible Financing Fees				
	\$549,866	\$549,866	\$549,866	\$549,866
(8) All Ineligible Costs				
	\$305,605	\$305,605		
(9) Developer Fees			\$1,013,421	
Developer overhead	\$365,000	\$248,657		\$248,657
Developer fee	\$800,000	\$800,000		\$800,000
(10) Development Reserves				
	\$140,539	\$140,539		
TOTAL DEVELOPMENT COSTS	\$8,991,136	\$8,874,267	\$7,769,560	\$8,039,707

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$7,769,560	\$8,039,707
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$7,769,560	\$8,039,707
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$7,769,560	\$8,039,707
Applicable Percentage		3.62%	3.62%
TOTAL AMOUNT OF TAX CREDITS		\$281,258	\$291,037

Syndication Proceeds	0.9799	\$2,756,053	\$2,851,881
Total Tax Credits (Eligible Basis Method)		\$281,258	\$291,037
Syndication Proceeds		\$2,756,053	\$2,851,881
Requested Tax Credits		\$294,166	
Syndication Proceeds		\$2,882,538	
Gap of Syndication Proceeds Needed		\$3,378,404	
Total Tax Credits (Gap Method)		\$344,770	

Gardens of Decordova



**Housing Tax Credit Program
Board Action Request
March 20, 2007**

Action Item

Request review and board determination of one (1) four percent (4%) tax credit application with another issuer for a tax exempt bond transaction.

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) four percent (4%) Tax Credit Determination Notices with **another issuer** for the tax exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
07403	Amelia Parc	Fort Worth	Tarrant County HFC	196	196	\$19,165,228	\$11,322,468	\$738,472	\$738,472

**MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
March 20, 2007**

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits associated with Mortgage Revenue Bond Transactions with other Issuers.

Requested Action

Approve, Amend or Deny the staff recommendation for Amelia Parc.

Summary of the Transaction

Background and General Information: The application was received on December 1, 2006. The Issuer for this transaction is Tarrant County HFC with a reservation of allocation that expires on June 9, 2007. The development is new construction and will consist of 196 total units targeting the elderly population, with all units affordable. The site is currently zoned for such a development. The Compliance Status Summary completed on January 9, 2007 reveals that the principals of the general partner have a total of five (5) properties that have been monitored with no material non-compliance. The bond priority for this transaction is:

- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

Census Demographics: The development is to be located at approximately 5151 Mansfield Highway in Fort Worth. Demographics for the census tract (1061.02) include AMFI of \$33,670; the total population is 3,549; the percent of population that is minority is 56.78%; the percent of population that is below the poverty line is 24.76%; the number of owner occupied units is 663; the number of renter units is 612 and the number of vacant units is 342. The percentage of population that is minority for the entire City of Fort Worth is 54% (Census information from FFIEC Geocoding for 2006).

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

Recommendation

Staff recommends the Board approve the issuance of a Determination Notice of \$738,472 in Housing Tax Credits for Amelia Parc.



MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2007

Development Information, Public Input and Board Summary

Amelia Parc, TDHCA Number 07403

BASIC DEVELOPMENT INFORMATION

Site Address: Approx. 5151 Mansfield Highway Development #: 07403
 City: Fort Worth Region: 3 Population Served: Elderly
 County: Tarrant Zip Code: 76119 Allocation: Urban/Exurban
 HOME Set Asides: CHDO Preservation General Purpose/Activity: NC
 Bond Issuer: Tarrant County HFC

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: One Amelia Parc, L.P.
 Owner Contact and Phone Will Thorne (469) 212-0635
 Developer: One Prime, L.P.
 Housing General Contractor: Integrated Construction and Development
 Architect: RPGA Design Group
 Market Analyst: Butler Burgher, Inc.
 Syndicator: Red Capital Group, Inc.
 Supportive Services: Common Threads, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	Total Restricted Units:	196	
0	0	0	196	0	100	96	0	0	0	Market Rate Units:		
Type of Building:											Owner/Employee Units:	0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building									Total Development Units:	196	
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence									Total Development Cost:	\$19,165,228	
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy									Number of Residential Buildings:	7	
	<input type="checkbox"/> Transitional									HOME High Total Units:	0	
	<input type="checkbox"/> Townhome									HOME Low Total Units:	0	

Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
4% Housing Tax Credits with Bonds:	\$738,472	\$738,472	0	0	0%
TDHCA Bond Allocation Amount:	\$0	\$0	0	0	0%
HOME Activity Fund Amount:	\$0	\$0	0	0	0%
HOME CHDO Operating Grant Amount:	\$0	\$0			



MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2007

Development Information, Public Input and Board Summary

Amelia Parc, TDHCA Number 07403

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Brimer, District 10

NC

US Representative: Burgess, District 26, NC

TX Representative: Veasey, District 95

NC

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Mike Moncrief, Mayor - NC

Resolution of Support from Local Government

Donovan Wheatfall, City Council, District 5 - I am not in opposition of this project being built.

Dale A. Fisseler, Assistant City Manager - The planned development Amelia Parc is consistent with the City's Consolidated Plan.

Individuals/Businesses: In Support 0 In Opposition 0

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition.

CONDITIONS OF COMMITMENT

Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

Receipt, review and acceptance of evidence that all other Phase I Environmental Site Assessment and subsequent environmental investigation report recommendations have been carried out with respect to asbestos and subsurface investigations; and a mitigation plan.

Receipt, review and acceptance of revised floor plans reflecting at least four elevators, based on generally accepted industry norms, or documentation which supports the acceptability of one elevator serving 150 upper floor senior units.

Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.



MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2007

Development Information, Public Input and Board Summary

Amelia Parc, TDHCA Number 07403

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits:	Credit Amount:	\$738,472
Recommendation: Recommend approval of a Housing Tax Credit Allocation not to exceed \$738,472 annually for ten years, subject to conditions.		
TDHCA Bond Issuance:	Bond Amount:	\$0
Recommendation:		
HOME Activity Funds:	Loan Amount:	\$0
HOME CHDO Operating Expense Grant:	Grant Amount:	\$0
Recommendation:		

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: March 7, 2007

PROGRAM: 4% HTC

FILE NUMBER: 07403

DEVELOPMENT NAME

Amelia Parc Senior Apartments

APPLICANT

Name: One Amelia Parc, L.P. **Contact:** Will Thorne
Address: 832 S. Carrier Parkway, Suite 100
City: Grand Prairie **State:** TX **Zip:** 75051
Phone: (469) 212-0635 **Fax:** (469) 519-0344 **Email:** wthorne@oneprimelp.com

KEY PARTICIPANTS

Name: OPLP Amelia Parc, Inc. **Title:** 0.01% Managing General Partner of Applicant
Name: One Prime, LP **Title:** Developer
Name: Hal T Thorne **Title:** Sole shareholder of MGP and Developer

PROPERTY LOCATION

Location: Approximately 5151 Mansfield Highway
City: Fort Worth **Zip:** 76119
County: Tarrant **Region:** 3 QCT DDA

REQUEST

<u>Program</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
HTC	\$738,472	N/A	N/A	N/A
Proposed Use of Funds:	New construction	Type:	Multifamily	
Target Population:	Elderly	Other:	Urban/Exurban	

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$738,472 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of evidence that all Phase I Environmental Site Assessment and subsequent environmental investigation report recommendations have been carried out with respect to asbestos and subsurface investigations; and a mitigation plan.
2. Receipt, review, and acceptance of revised floor plans reflecting at least four elevators, based on generally accepted industry norms, or documentation which supports the acceptability of one elevator serving 150 upper floor senior units.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 196 **# Res Bldgs** 7 **# Non-Res Bldgs** 1 **Age:** N/A yrs **Vacant:** N/A at / /
Net Rentable SF: 181,620 **Av Un SF:** 927 **Common Area SF:** é10,083 **Gross Bldg SF:** é191,703

ARCHITECTURAL REVIEW

The building and unit plans are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings.

STRUCTURAL MATERIALS

The structures will be constructed on a concrete slab. According to the plans provided in the application the exterior will be 70% masonry veneer, 5% cement fiber, and 25% stucco. The interior wall surfaces will be drywall and the roofs will be finished with composite shingles.

UNIT FEATURES

The interior flooring will be 90% carpet and 10% resilient covering. Threshold criteria for the 2006 QAP requires all development units to include: mini blinds or window coverings for all windows, a dishwasher, a disposal, a refrigerator, an oven/range, an exhaust/vent fan in bathrooms, and a ceiling fan in each living area and bedroom. New construction units must also include three networks: one for phone service, one for data service, and one for TV service. In addition, each unit will include: warm and cooled air and nine-foot ceilings.

ONSITE AMENITIES

In order to meet threshold criteria for total units of 150 or more, the Applicant has elected to provide an accessible walking path, a barbecue or picnic table for every 50 units, community dining room with kitchen, community gardens, community laundry room, controlled access gates, an enclosed sun porch or covered community porch, an equipped business center or computer learning center, full perimeter fencing, a furnished community room, a furnished fitness center, a library separate from the community room, public telephone(s) available to tenants 24 hours a day, secured entry to the residential buildings, an activity room, a service coordinators office in addition to the leasing offices, and a swimming pool.

Uncovered Parking: 254 spaces **Carports:** 60 spaces **Garages:** 20 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The subject is a 19-unit per acre new construction development located in Fort Worth. The development is comprised of 7 evenly connected elevator-served residential buildings as follows:

<u>No. of Buildings</u>	<u>No. of Floors</u>	<u>1BR</u>	<u>2BR</u>
1	4	8	9
1	4	22	8
1	4	22	30
1	4	9	16
1	4	9	16
1	4	22	8
1	4	8	9

The development includes a é9,327 square foot combined community and maintenance building and three separate 252 square foot laundry buildings. According to the architectural plans, the seven residential buildings appear to be linked by a number of corridors, and the Applicant indicates including only one elevator for the entire 196-unit development. Based on previous similar developments and generally accepted industry norms, the Underwriter would expect approximately one elevator per 50 units. Receipt, review, and acceptance of revised floor plans reflecting at least four elevators or documentation which supports the acceptability of one elevator serving 150 upper floor senior units is a condition of this report.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SITE ISSUES			
SITE DESCRIPTION			
Total Size:	<u>18.87 acres</u>	Scattered sites?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Flood Zone:	<u>Zone X</u>	Within 100-year floodplain?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Current Zoning:	<u>C – Medium Density Multifamily</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A
SITE and NEIGHBORHOOD CHARACTERISTICS			
Location: The site is located at approximately 5151 Mansfield Highway, Fort Worth in Tarrant County. Fort Worth is approximately 33 miles west of downtown Dallas and approximately 188 miles north of Austin.			
Adjacent Land Uses:			
€ North: Collett Little Road immediately adjacent and residential uses beyond;			
€ South: Mansfield Highway immediately adjacent and commercial and residential uses beyond;			
€ East: Vacant land immediately adjacent and IH 20, Loop 820 and commercial uses beyond; and			
€ West: Commercial and residential uses immediately adjacent and beyond.			
Site Access: According to the Market Analyst, “The site fronts the north side of Mansfield Highway, a four-lane, primary street, on the west side of Loop 820 to the southeast, and on the south side of Collett-Little Road. One curb cut planned from the Loop 820 service road. This site has good visibility and access with the main entry planned via one curb cut along Loop 820. No access is planned from Collett-Little Road or Mansfield Highway” (p.50).			
Public Transportation: According to the Market Analyst, “Private vehicular transportation is the most common form utilized throughout the neighborhood. The Fort Worth T serves the area with public bus transportation on Mansfield Highway to the northwest of the site” (p.53).			
Shopping & Services: Several major grocery/pharmacies, shopping centers, and a variety of other retail establishments and restaurants are located within one mile of the site. Schools, churches, and hospitals and health care facilities are also located within a short driving distance from the site.			
TDHCA SITE INSPECTION			
Inspector:	<u>Manufactured Housing Staff</u>	Date:	<u>12/18/2006</u>
Overall Assessment:	<input type="checkbox"/> Excellent <input checked="" type="checkbox"/> Acceptable <input type="checkbox"/> Questionable <input type="checkbox"/> Poor <input type="checkbox"/> Unacceptable		
Comments:	_____		
HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)			
A Phase I Environmental Site Assessment report dated March 9, 2006 was prepared by QORE, Inc. and contained the following findings and recommendations:			
Findings:			
€ Noise: In response to a deficiency request regarding noise the Applicant submitted a HUD 4128 report with noise calculations dated July 6, 2006 for the subject. The report indicates a final site evaluation for roadway, aircraft, and railway noise to be normally unacceptable. Receipt, review and acceptance of documentation from QORE, Inc., or other environmental noise professional, indicating an opinion on whether a further noise study or recommendation for mitigation and completion of any such mitigation is a condition of this report.			
€ Floodplain: “According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps (FIRM), Tarrant County, Texas, Community Panel Number 48439C0440J dated August 23, 2000, the subject property is located in Zone X, unshaded. The unshaded Zone X represents an area of minimal flooding” (p.iv).			
€ Asbestos-Containing Materials (ACM): Per a letter dated July 31, 2006 from QORE, Inc., “The subject property was improved with a pro-shop and a maintenance building located on the southwestern portion of the subject property. The pro-shop and maintenance building were reportedly constructed in 1993 and contain approximately 2,400 and 1,250 square feet of space, respectively. During QORE’s site visit, the			

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

maintenance building was observed with metal walls and roof and the floor was dirt/gravel. No suspect ACMs were noted in the maintenance building. Suspect ACMs observed in the pro-shop included ceiling systems (dropped-in ceiling tiles), wall systems, carpet mastic, covebase, and covebase mastic. QORE noted these materials to be in good condition with no evidence of significant damage. Based on the 1993 construction date of the pro-shop and observed conditions of the suspect ACMs, asbestos was not considered to present a *business environmental risk* to the subject property. However, ACM is regulated in Texas by the Texas Department of State Health Services (DSHS) under the Texas Health Protection Rules (TAHPR). The TAHPR rules require that, prior to renovation or demolition, the building owner perform a thorough survey to rebut the designation of building materials as asbestos-containing building materials. Texas does not recognize a “built after” date when buildings may be assumed to not contain asbestos.”

- ⊘ **Lead-Based Paint (LBP):** Per a letter dated July 31, 2006 from QORE, Inc., “Based upon the post-1978 construction date of the on-site improvements and relatively good physical condition of painted surfaces, a survey for lead-based-paint was not indicated and was not conducted. Lead-based paint does not appear to currently present a *business environmental risk* to the subject property.”
- ⊘ **Lead in Drinking Water:** The Applicant indicates through documentation and previous conversations substantiate that no site specific testing of drinking water for content was conducted, since the local city municipal utility district can supply the subject property once it is occupied. There are no water wells on the subject property that are to be used for potable water. Potable water is to be supplied to the subject by the municipal water company of the City of Fort Worth, Texas. According to the 2004 Annual Drinking Water Quality for the City of Fort Worth submitted in response to this site issue deficiency, The City of Fort Worth, Texas municipal water supply complies with the EPA drinking water requirements. No further action was required as to lead in drinking water.
- ⊘ **Radon:** Per a letter dated July 31, 2006 from QORE, Inc., “According to the EPA Map of Radon Zones (Texas), Tarrant County, Texas is located in EPA Radon Zone 3 (average indoor level less than two picoCuries per Liter). Based upon published information, a survey for radon was not indicated and was not conducted. Radon does not appear to currently present a *business environmental risk* to the subject property.”

Recommendations and Conclusions: “QORE had performed a Phase I Environmental Site Assessment of the proposed Village Creek Apartments property located at 5151 Mansfield Highway in Fort Worth, Tarrant County, Texas, in conformance with the scope and limitations of the American Society for Testing and Materials (ASTM) Practice E 1527-00...Based upon the information obtained to date, this assessment has revealed no evidence of *recognized environmental conditions* in connection with the subject property, except as noted below: The area of suspected dumping on the northeastern portion of the subject property. QORE recommends a subsurface assessment to further reduce uncertainty regarding the potential presence of petroleum or hazardous substances associated with or attributable to this *recognized environmental condition*.”

Receipt, review, and acceptance of evidence that all Phase I Environmental Site Assessment and subsequent environmental investigation report recommendations have been carried out especially with regard to asbestos, subsurface investigations and noise is a condition of this report.

INCOME SET-ASIDE

The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. To qualify as a Priority 2 Private Activity Bond allocation for a Qualified Residential Rental Project, the Applicant has elected to set-aside 100% of the units with rent and income restrictions at 60% of area median family income (§ 1372.0321).

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$26,640	\$30,420	\$34,260	\$38,040	\$41,100	\$44,100

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

MARKET HIGHLIGHTS

A market feasibility study dated November 30, 2006 was prepared by Butler Burgher (“Market Analyst”) and included the following findings:

Secondary Market Information: “The secondary market is defined as Tarrant County due to the central location of the site relative to the county lines” (p. 42). This area encompasses approximately 891 square miles and is equivalent to a circle with a radius of 17 miles.

Definition of Primary Market Area (PMA): “...the market area is defined as the area situated south of IH 30, east of IH 35W, north of IH 20/820 and US 287, west of Cooper Road (p. 41). This area encompasses approximately 83.64 square miles and is equivalent to a circle with a radius of 5 miles. This is a relatively large market area for a bond development but is acceptable for a development also targeting seniors.

Population: The estimated 2006 population of the PMA was 248,690 and is expected to increase by 6% to approximately 264,164 by 2011. Current Department guidelines allow a PMA to include up to 250,000 persons for developments targeting the senior population. The estimated 2006 age 55+ population of the PMA was 50,567 and is expected to increase by 20% to approximately 60,633 by 2011. Within the primary market area there were estimated to be 31,036 elderly households in 2006.

Total Market Demand: The Market Analyst utilized information on individuals that are age 55+ for baseline population and household figures (Exhibit D). The Analyst’s income band of \$21,390 to \$34,260 (p. 64) results in an income eligible adjustment rate of 14.84% (p. 64). The tenure appropriate adjustment rate of 17.04% is specific to the target population (p.65). The Market Analyst indicates a turnover rate of 40% applies based on average of IREM and data provided by The American Seniors Housing Association (p. 65).

MARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	30	8.68%	30	8%
Resident Turnover	314	91.32%	327	92%
TOTAL DEMAND	344	100%	357	100%

p. 67

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 57.01% based upon 344 units of demand and 196 unstabilized affordable housing in the PMA (including the subject) (p. 67). The Underwriter calculated an inclusive capture rate of 55% based upon a revised demand estimate for 357 affordable units. While high, this capture rate is less than both the 2006 and 2007 maximum levels of 100% and 75% respectively.

Unit Mix Conclusion: The Market Analyst did not comment on the appropriateness of the subject’s unit mix.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 944 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%)	\$652	\$652	\$0	\$720	-\$68
2-Bedroom (60%)	\$781	\$781	\$0	\$900	-\$119

(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 Market Analyst does not explicitly comment on the occupancy rates of the PMA, however, it is indicated that the local apartment submarket has witnessed a consistent occupancy level averaging in the high 80s% and is forecast to increase slightly to 89.9% over the next year (p.40).

Absorption Projections: “An absorption rate of 10 to 12 units/month is reasonable for the subject, as encumbered by LIHTC, considering the location on a primary roadway in southeastern Fort Worth. The development will serve the existing residential base in the PMA as the residents age, and some in-migration will occur as seniors move into the PMA to reside in new affordable senior units. The absorption rate will

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

result in a 9-month absorption period from date of completion to obtain stabilized physical occupancy” (p. 69).

Unstabilized, Under Construction, and Planned Development: “...there are 999 LIHTC units currently funded within the subject’s defined primary market area; of these only 139 units are Senior HTC units. This property, Villas by the Lake, was built in 1999 and has historically had strong occupancy (currently 97%) due to strong demand and limited competition. All of the HTC funded communities are stabilized and have been for over 12 months.” (p. 61).

The Applicant also plans to develop Village Creek (TDHCA #060415) a planned 4% HTC 252-unit development that will target families. This project will be located next door to the subject, and although the Applicant has made two separate applications with independent sources of financing, it should be noted that the two projects will operate similar to an Intergenerational Housing Development. Developments targeting families are not included in the inclusive capture rate calculation of developments exclusively targeting seniors and because these are funded from two different funding years and exist in a county with less than 1M in population, the one mile one year rule does not apply.

Finally, the Villas at Forest Hills (TDHCA #04089) is a 2004 awarded 100-unit development, Oak Timbers-Fort Worth South (TDHCA #05088) is a 2005 awarded 168-unit development, and Oak Timbers- Seminary (TDHCA #060038) is a 2006 awarded 128-unit development; all target elderly households. These developments are situated less than two miles outside the designated PMA. If these 396 units were included in the inclusive capture rate, it is certain the inclusive capture rate would exceed 75%.

Market Impact: The Market Analyst did not comment on the effect the subject development will have on the market area.

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s projected rents collected per unit were calculated by subtracting “Total Electric Units Only” tenant-paid utility allowances as of January 20, 2006, maintained by the Housing Authority of the City of Fort Worth, from the 2006 program gross rent limits. Tenants will be required to pay electric, and trash utilities.

The Applicant has included secondary income in excess of the Department guideline of \$15 per unit per month. A portion of the additional income is attributed to tenant rental of carport, garage and storage units. No additional documentation to support secondary income from these sources was provided; therefore, the Underwriter’s Year 1 estimate does not exceed the Department guideline. The Applicant’s vacancy and collection loss assumption is in line with current TDHCA guidelines and the resulting effective gross income is within 5% of the Underwriter’s estimate.

Expenses: The Applicant’s total annual operating expense projection at \$4,026 per unit is within 5% of the Underwriter’s estimate of \$3,931, derived the TDHCA database and third-party data sources. The Applicant’s property tax line item appears to be overstated (\$38K higher) when compared to the Underwriter’s estimate.

Conclusion: The Applicant’s effective gross income, total expenses and net operating income are each within 5% of Underwriter’s estimates; therefore, the Applicant’s Year 1 proforma is used to determine the development’s debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.15. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage to \$11,322,468 based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the “Financing Structure Analysis” section (below).

Long-Term Feasibility: The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter’s base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development

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MULTIFAMILY UNDERWRITING ANALYSIS**

can be characterized as feasible for the long-term.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 18.88 acres \$1,275,000 **Date of Valuation:** 9/15/2006
Appraiser: Chris Chevreaux **Firm:** Chevreaux & Associates **City:** Fort Worth

APPRAISAL ANALYSIS/CONCLUSIONS

An appraisal, provided by the purchaser, was performed by Chevreaux & Associates and dated September 15, 2006. The current "as-is" value is most important in the valuation and underwriting of this property because it should support the purchase price of the subject. For the "as-is" valuation, the primary approach used was the sales comparison approach. Four land sales dating from 2003 to 2004 for 10.73 to 26.29 acres were used to determine the underlying value of the land. In this case the value is higher than the purchase price.

ASSESSED VALUE

Land: 37.8133 acres \$411,787 **Assessment for the Year of:** 2006
Improvements: \$45,510 **Valuation by:** Tarrant County Appraisal District
Total: prorated 18.88 acres \$229,535 **Tax Rate:** 3.186277

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Unimproved commercial property contract (€ 18.88 acres)
Contract Expiration: 2/15/2007 **Valid through Board Date?** Yes No
Acquisition Cost: \$1,100,000 **Other:** _____
Seller: One Prime, LP **Related to Development Team?** Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The current owner, One Prime, LP, is also the developer; therefore the transaction represents an identity of interest. The Applicant submitted a Purchaser's Statement dated April 17, 2006 between Don Doherty and Earl Burleson and One Prime, LP for a 38.8358 acre tract containing the subject 18.88- acre site. According to the statement, the purchase price for the 38.8358 acre tract was \$2,500,000. The Applicant also submitted an Unimproved Commercial Property Contract between One Prime, LP and One Village Creek, LP, the Applicant, reflecting a purchase price of \$1,100,000 for the subject 18.88-acres. The Underwriter calculated the land cost by multiplying the per acre cost of \$64,374 times the actual site acreage of 18.88 acres to achieve a prorated land value of \$1,215,373. The Underwriter utilized the lesser of the two possible acquisition amounts, Applicant's proposal (\$1,100,000) and the prorated land value (\$1,215,373). The Applicant's proposal of \$1,100,000 is therefore the acquisition value included in the underwriting analysis.

Sitework Cost: The Applicant's claimed sitework costs of \$7,495 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$833K or 8% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This is a significant difference.

Fees: The Applicant's contractor general requirements and contractor general and administrative fees exceed the 6% and 2% maximums allowed by HTC guidelines by a total of \$60,611 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs.

Conclusion: Despite the significant difference in direct construction costs, the Applicant's total development costs are still within 5% of the Underwriter's costs; therefore, the Applicant's costs are used to determine the development's need for permanent funds and to calculate eligible basis. As such, an eligible basis of \$16,262,820 supports annual tax credits of \$767,442. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
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allocation.

FINANCING STRUCTURE

PERMANENT BOND FINANCING

Source: KeyBank Real Estate Capital **Contact:** Jeffrey Rogers
Principal: \$11,600,700 **Interest Rate:** 5.80%, fixed, lender's estimate **Amort:** 480 months
Documentation: Signed Term Sheet LOI Firm Commitment Conditional Commitment Application
Comments: 0.45% MIP

TAX CREDIT SYNDICATION

Source: Red Capital Group **Contact:** _____
Proceeds: \$7,199,387 **Net Syndication Rate:** 97.5% **Anticipated HTC:** \$738,472/year
Documentation: Signed Term Sheet LOI Firm Commitment Conditional Commitment Application
Comments: _____

OTHER

Amount: \$365,141 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Bond Financing: The tax-exempt bonds are to be issued by the Fort Worth Housing Finance Corporation and purchased by KeyBank. The Applicant's sources and uses are consistent with the terms reflected in the submitted letter of interest for permanent bond financing by KeyBank.

HTC 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 Applicant's proposed deferred developer's fees of \$365,141 amount to 17% of the total fees.

Financing Conclusions: The Applicant's total development cost estimate less the adjusted permanent loan of \$11,322,468 indicates the need for \$7,842,760 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$804,466 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$738,472), the gap-driven amount (\$804,466), and eligible basis-derived estimate (\$767,442), the Applicant's request of \$738,472 is recommended resulting in proceeds of \$7,199,387 based on a syndication rate of 97.5%.

The Underwriter's recommended financing structure indicates the need for \$643,373 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within five years of stabilized operation.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

- ⊘ The Applicant and Developer are related entities. This is a common relationship for HTC-funded developments.
- ⊘ The seller is regarded as a related party; this issue is addressed in the "Construction Cost Estimate Evaluation" section of this report.

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 Developer, One Prime, LP, submitted an unaudited financial statement as of September 30, 2006 reporting total assets of \$56.6M and consisting of \$1.3M in cash, \$4.2M in receivables, \$50.7M in real property, and \$430K in machinery, equipment, and fixtures. Liabilities totaled \$21.5M, resulting in a net worth of \$35.1M.

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€ The principal of the Developer, Hal Thorne, submitted an unaudited financial statement as of September 30, 2006 and is anticipated to be guarantor of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

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%.

€ Potential environmental risks exist regarding asbestos, subsurface petroleum and noise.

€ The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).

€ The seller of the property has an identity of interest with the Applicant.

Underwriter:	_____	Date:	March 7, 2007
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Diamond Thompson

Reviewing Underwriter:	_____	Date:	March 7, 2007
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Lisa Vecchietti

Director of Real Estate Analysis:	_____	Date:	March 7, 2007
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Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Amelia Parc Senior Apartments, Fort Worth, 4% HTC #07403

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC 60%	100	1	1	813	\$713	\$652	\$65,200	\$0.80	\$61.00	\$22.00
TC 60%	96	2	2	1,045	856	\$781	74,976	0.75	75.00	24.00
TOTAL:	196			AVERAGE: 927	\$783	\$715	\$140,176	\$0.77	\$67.86	\$22.98

INCOME				Total Net Rentable Sq Ft: <u>181,620</u>		TDHCA	APPLICANT	Comptroller's Region 3			
POTENTIAL GROSS RENT						\$1,682,112	\$1,682,112	IREM Region Fort Worth			
Secondary Income		Per Unit Per Month:	\$15.00			35,280	48,996	\$20.83	Per Unit Per Month		
Other Support Income: 50 carptrs, 20 strge, 20 gargs							28,200	\$11.99	Per Unit Per Month		
POTENTIAL GROSS INCOME						\$1,717,392	\$1,759,308				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(128,804)	(131,952)	-7.50%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions						0					
EFFECTIVE GROSS INCOME						\$1,588,588	\$1,627,356				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative				4.59%	\$372	0.40	\$72,987	\$59,084	\$0.33	\$301	3.63%
Management				3.70%	300	0.32	58,741	65,100	0.36	332	4.00%
Payroll & Payroll Tax				11.66%	945	1.02	185,213	169,294	0.93	864	10.40%
Repairs & Maintenance				5.41%	439	0.47	85,967	91,736	0.51	468	5.64%
Utilities				2.10%	171	0.18	33,432	41,160	0.23	210	2.53%
Water, Sewer, & Trash				3.81%	309	0.33	60,516	60,760	0.33	310	3.73%
Property Insurance				3.59%	291	0.31	56,977	47,040	0.26	240	2.89%
Property Tax	3.040277			8.84%	717	0.77	140,452	178,768	0.98	912	10.99%
Reserve for Replacements				3.50%	284	0.31	55,664	55,664	0.31	284	3.42%
Other: compl fees				1.29%	104	0.11	20,440	20,440	0.11	104	1.26%
TOTAL EXPENSES				48.50%	\$3,931	\$4.24	\$770,389	\$789,046	\$4.34	\$4,026	48.49%
NET OPERATING INC				51.50%	\$4,174	\$4.51	\$818,199	\$838,310	\$4.62	\$4,277	51.51%
DEBT SERVICE											
First Lien Mortgage				47.00%	\$3,809	\$4.11	\$746,625	\$756,046	\$4.16	\$3,857	46.46%
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				4.51%	\$365	\$0.39	\$71,573	\$82,264	\$0.45	\$420	5.06%
AGGREGATE DEBT COVERAGE RATIO							1.10	1.11			
RECOMMENDED DEBT COVERAGE RATIO								1.15			

CONSTRUCTION COST				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		5.51%	\$5,612	\$6.06	\$1,100,000	\$1,100,000	\$6.06	\$5,612	5.74%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.36%	7,495	8.09	1,469,006	1,469,006	8.09	7,495	7.66%
Direct Construction		50.15%	51,037	55.08	10,003,339	9,169,938	50.49	46,785	47.85%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Req'ts	5.87%	3.38%	3,437	3.71	673,690	673,690	3.71	3,437	3.52%
Contractor's G & A	2.00%	1.15%	1,171	1.26	229,447	238,037	1.31	1,214	1.24%
Contractor's Profit	4.15%	2.39%	2,429	2.62	476,074	476,074	2.62	2,429	2.48%
Indirect Construction		4.18%	4,259	4.60	834,766	834,766	4.60	4,259	4.36%
Ineligible Costs		5.05%	5,142	5.55	1,007,796	1,007,796	5.55	5,142	5.26%
Developer's G & A	1.99%	1.50%	1,531	1.65	300,000	300,000	1.65	1,531	1.57%
Developer's Profit	11.96%	9.02%	9,183	9.91	1,799,954	1,799,954	9.91	9,183	9.39%
Interim Financing		6.83%	6,949	7.50	1,361,966	1,361,966	7.50	6,949	7.11%
Reserves		3.46%	3,526	3.81	691,085	734,001	4.04	3,745	3.83%
TOTAL COST		100.00%	\$101,771	\$109.83	\$19,947,123	\$19,165,228	\$105.52	\$97,782	100.00%
Construction Cost Recap		64.43%	\$65,569	\$70.76	\$12,851,556	\$12,026,745	\$66.22	\$61,361	62.75%

SOURCES OF FUNDS				RECOMMENDED			
First Lien Mortgage	58.16%	\$59,187	\$63.87	\$11,600,700	\$11,600,700	\$11,322,468	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$2,099,954
HTC Syndication Proceeds	36.09%	\$36,732	\$39.64	7,199,387	7,199,387	7,199,387	% of Dev. Fee Deferred
Deferred Developer Fees	1.83%	\$1,863	\$2.01	365,141	365,141	643,373	31%
Additional (Excess) Funds Req'd	3.92%	\$3,989	\$4.31	781,895		0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$19,947,123	\$19,165,228	\$19,165,228	\$3,534,416

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Amelia Parc Senior Apartments, Fort Worth, 4% HTC #07403

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$49.22	\$8,938,462
Adjustments				
Exterior Wall Finish	5.60%		\$2.76	\$500,554
Elderly/9-Ft. Ceilings	6.70%		3.30	598,877
Roofing			0.00	0
Subfloor			(0.56)	(101,707)
Floor Cover			2.22	403,196
Porches/Balconies	\$16.23	18,572	1.66	301,377
Plumbing	\$680	288	1.08	195,840
Built-In Appliances	\$1,675	196	1.81	328,300
Stairs	\$1,650	210	1.91	346,500
Enclosed Corridors	\$39.30		0.00	0
Heating/Cooling			1.73	314,203
Fire Sprinkler	\$1.95	181,620	1.95	354,159
Comm &/or Aux Bldgs	\$58.93	10,083	3.27	594,231
Elevator	\$54,750.00	1	0.30	54,750
SUBTOTAL			70.64	12,828,741
Current Cost Multiplier	1.07		4.94	898,012
Local Multiplier	0.89		(7.77)	(1,411,162)
TOTAL DIRECT CONSTRUCTION COSTS			\$67.81	\$12,315,592
Plans, specs, survy, bld prm	3.90%		(\$2.64)	(\$480,308)
Interim Construction Interest	3.38%		(2.29)	(415,651)
Contractor's OH & Profit	11.50%		(7.80)	(1,416,293)
NET DIRECT CONSTRUCTION COSTS			\$55.08	\$10,003,339

PAYMENT COMPUTATION

Primary	\$11,600,700	Amort	480
Int Rate	5.80%	DCR	1.10
Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.10
Additional		Amort	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC

Primary Debt Service	\$728,718
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$109,592

Primary	\$11,322,468	Amort	480
Int Rate	5.80%	DCR	1.15
Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15
Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

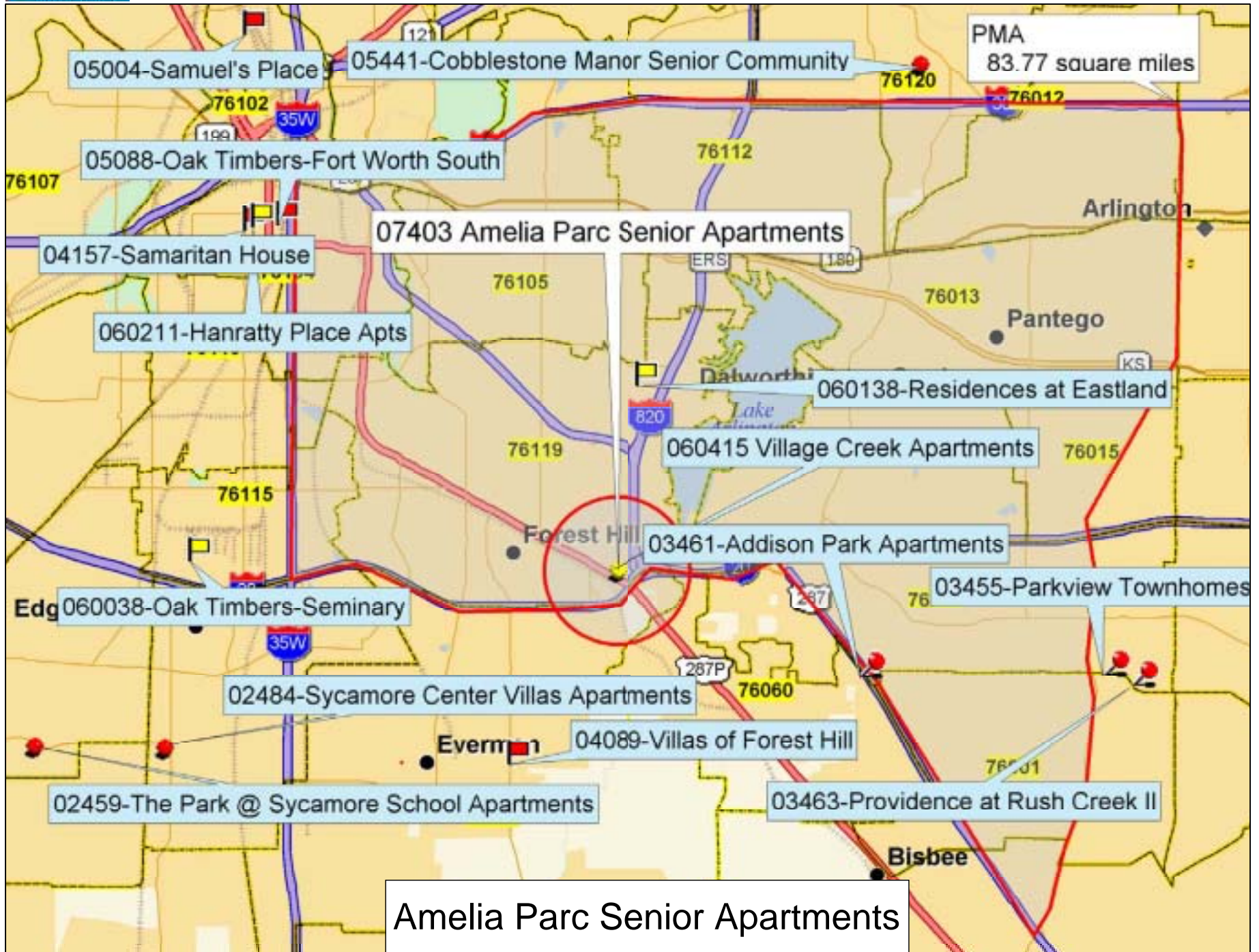
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,682,112	\$1,732,575	\$1,784,553	\$1,838,089	\$1,893,232	\$2,194,775	\$2,544,345	\$2,949,594	\$3,964,007
Secondary Income	48,996	50,466	51,980	53,539	55,145	63,929	74,111	85,915	115,462
Other Support Income: 50 carp	28,200	29,046	29,917	30,815	31,739	36,795	42,655	49,449	66,455
POTENTIAL GROSS INCOME	1,759,308	1,812,087	1,866,450	1,922,443	1,980,117	2,295,498	2,661,111	3,084,957	4,145,925
Vacancy & Collection Loss	(131,952)	(135,907)	(139,984)	(144,183)	(148,509)	(172,162)	(199,583)	(231,372)	(310,944)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,627,356	\$1,676,181	\$1,726,466	\$1,778,260	\$1,831,608	\$2,123,336	\$2,461,528	\$2,853,585	\$3,834,980
EXPENSES at 4.00%									
General & Administrative	\$59,084	\$61,447	\$63,905	\$66,461	\$69,120	\$84,095	\$102,314	\$124,481	\$184,262
Management	65,100	67053.1607	69064.75552	71136.69818	73270.79913	84940.93783	98469.82707	114153.5176	153412.7821
Payroll & Payroll Tax	169,294	176,066	183,108	190,433	198,050	240,958	293,162	356,677	527,969
Repairs & Maintenance	91,736	95,405	99,222	103,191	107,318	130,569	158,857	193,274	286,093
Utilities	41,160	42,806	44,519	46,299	48,151	58,584	71,276	86,718	128,364
Water, Sewer & Trash	60,760	63,190	65,718	68,347	71,081	86,480	105,217	128,012	189,489
Insurance	47,040	48,922	50,878	52,914	55,030	66,953	81,458	99,106	146,701
Property Tax	178,768	185,919	193,355	201,090	209,133	254,443	309,568	376,637	557,515
Reserve for Replacements	55,664	57,891	60,206	62,614	65,119	79,227	96,392	117,276	173,597
Other	20,440	21,258	22,108	22,992	23,912	29,092	35,395	43,064	63,745
TOTAL EXPENSES	\$789,046	\$819,957	\$852,085	\$885,477	\$920,185	\$1,115,342	\$1,352,110	\$1,639,399	\$2,411,148
NET OPERATING INCOME	\$838,310	\$856,224	\$874,381	\$892,783	\$911,423	\$1,007,994	\$1,109,418	\$1,214,187	\$1,423,832
DEBT SERVICE									
First Lien Financing	\$728,718	\$728,718	\$728,718	\$728,718	\$728,718	\$728,718	\$728,718	\$728,718	\$728,718
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	\$109,592	\$127,505	\$145,663	\$164,064	\$182,704	\$279,275	\$380,700	\$485,469	\$695,114
DEBT COVERAGE RATIO	1.15	1.17	1.20	1.23	1.25	1.38	1.52	1.67	1.95

HTC ALLOCATION ANALYSIS -Amelia Parc Senior Apartments, Fort Worth, 4% HTC #07403

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	\$1,100,000	\$1,100,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,469,006	\$1,469,006	\$1,469,006	\$1,469,006
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,169,938	\$10,003,339	\$9,169,938	\$10,003,339
(4) Contractor Fees & General Requirements				
Contractor overhead	\$238,037	\$229,447	\$212,779	\$229,447
Contractor profit	\$476,074	\$476,074	\$476,074	\$476,074
General requirements	\$673,690	\$673,690	\$638,337	\$673,690
(5) Contingencies				
(6) Eligible Indirect Fees				
	\$834,766	\$834,766	\$834,766	\$834,766
(7) Eligible Financing Fees				
	\$1,361,966	\$1,361,966	\$1,361,966	\$1,361,966
(8) All Ineligible Costs				
	\$1,007,796	\$1,007,796		
(9) Developer Fees				
Developer overhead	\$300,000	\$300,000	\$300,000	\$300,000
Developer fee	\$1,799,954	\$1,799,954	\$1,799,954	\$1,799,954
(10) Development Reserves				
	\$734,001	\$691,085		
TOTAL DEVELOPMENT COSTS	\$19,165,228	\$19,947,123	\$16,262,820	\$17,148,242

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			\$16,262,820	\$17,148,242
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$21,141,665	\$22,292,715
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$21,141,665	\$22,292,715
Applicable Percentage			3.63%	3.63%
TOTAL AMOUNT OF TAX CREDITS			\$767,442	\$809,226

Syndication Proceeds	0.9749	\$7,481,821	\$7,889,166
Total Tax Credits (Eligible Basis Method)		\$767,442	\$809,226
Syndication Proceeds		\$7,481,821	\$7,889,166
Requested Tax Credits		\$738,472	
Syndication Proceeds		\$7,199,387	
Gap of Syndication Proceeds Needed		\$7,842,760	
Total Tax Credits (Gap Method)		\$804,466	



Amelia Parc Senior Apartments

Applicant Evaluation

Project ID # **07403**

Name: **Amelia Park**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 5

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 1/3/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer S. Roth
 Date 1/3/2007

Single Family Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 12/22/2006

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer David Burrell
 Date 1/4/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 12/22/2006

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Maria Cazares
 Date 1/9/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 12/22/2006

**Housing Tax Credit Program
Board Action Request
March 20, 2007**

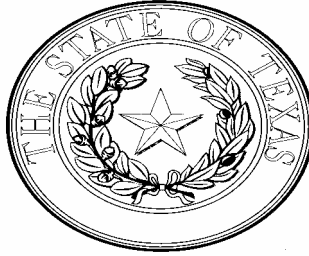
Action Item

Request, review, and board determination of one (1) four percent (4%) tax credit application with TDHCA as the Issuer.

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) four percent (4%) Tax Credit Determination Notice with **TDHCA** as the Issuer for a tax exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
07602	Villas of Mesquite Creek	Mesquite	TDHCA	252	252	\$25,334,461	\$17,210,000	\$715,386	\$715,386



MULTIFAMILY FINANCE PRODUCTION DIVISION

2007 Private Activity Multifamily Housing Revenue Bonds

**Villas of Mesquite Creek
200 Gross Road
Mesquite, Texas**

**One Mesquite Creek, L.P.
252 Units
Priority 3
\$15,000,000 Tax Exempt – Series 2007A
\$2,210,000 Taxable – Series 2007B**

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	HTC Profile and Board Summary
TAB 4	Sources & Uses of Funds Estimated Cost of Issuance
TAB 5	Department's Real Estate Analysis
TAB 6	Compliance Summary Report
TAB 7	Public Hearing Transcript (January 11, 2007)

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
March 20, 2007

Action Item

Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds, Series 2007 and Housing Tax Credits with TDHCA as the Issuer for the Villas of Mesquite Creek Apartments development.

Requested Action

Approve, Amend or Deny the staff recommendation for the Villas of Mesquite Creek Apartments.

Summary of the Villas of Mesquite Creek Apartments Transaction

Background and General Information: The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Statute (the "Statute"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. (*The Statute provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas.*) The pre-application for the 2007 Waiting List was received on September 14, 2006. The application was scored and ranked by staff. The application was induced at the November 9, 2006 Board meeting and submitted to the Texas Bond Review Board. The application received a Reservation of Allocation on February 7, 2007. The final date for bond delivery is on or before July 7, 2007, but the anticipated closing date is March 28, 2007. Located in Dallas County, the development includes new construction of 252 units targeted to a general population. This application was submitted under the Priority 3 category with the applicant proposing 100% of the units serving 60% of AMFI.

Organizational Structure and Compliance: The Borrower is One Mesquite Creek, L.P. and the General Partner is One Prime Property, Inc., which is comprised of Hal T. Thorne with 100% ownership interest. The Compliance Status Summary completed on January 9, 2007 reveals that the principals of the general partner have a total of five (5) properties that have no material noncompliance

Public Hearing: No one attended the public hearing conducted by the Department for the proposed development on January 11, 2007. A copy of the transcript is included in this presentation. The Department has received letters of support from Mayor Mike Anderson, Commissioner Kenneth Mayfield (does not represent the proposed development's district), Family Cathedral of Praise and one individual in the community. Letters of opposition have been received from Mesquite ISD Assistant Superintendent Michael Coffey and State Senator Robert Deuell. Due to the election in January and a change in elected officials, Department staff called Representative Latham's office to inform him of the development.

Census Demographics: The proposed site is located at approximately 700 Gross Road, Dallas County. Demographics for the census tract (0177.03) include AMFI of \$45,129; the total population is 3,880; the percent of the population that is minority is 35.49%; the percent of the population that is below the

poverty line is 10.02%; the number of owner occupied units is 742; the number renter occupied units is 644 and the number of vacant units is 64. (FFIEC Geocoding for 2006)

Summary of the Financial Structure

The applicant is requesting the Department’s approval and issuance of fixed rate bonds in an amount not to exceed \$15,000,000 in tax-exempt bonds and \$2,210,000 in taxable bonds. This is a FHA 221(d)(4) loan with credit enhancement provided by Ginnie Mae. The Bonds will carry a AAA rating and Citigroup Global Markets, Inc. will underwrite the transaction, which will be amortized over 38 years.

Recommendation

Staff Recommends the Board approve the issuance of up to \$17,210,000 in Multifamily Housing Mortgage Revenue Bonds, Series 2007 and \$715,386 in Housing Tax Credits for the Villas of Mesquite Creek Apartments.

RESOLUTION NO. 07-008

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (GNMA COLLATERALIZED MORTGAGE LOAN — VILLAS AT MESQUITE CREEK) SERIES 2007A AND MULTIFAMILY HOUSING REVENUE BONDS (GNMA COLLATERALIZED MORTGAGE LOAN — VILLAS AT MESQUITE CREEK) TAXABLE SERIES 2007B; 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 construction that will provide decent, safe, and affordable living environments for individuals and families of low, very low and extremely low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the “Board”) from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the “State”) intended to be occupied by individuals and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and (d) to make, commit to make, and participate in the making of mortgage loans, including federally insured loans, and to enter into agreements and contracts to make or participate in mortgage loans for residential housing for individuals and families of low, very low and extremely low income and families of moderate income; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan — Villas at Mesquite Creek) Series 2007A (the “Tax-Exempt Bonds”) and the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan — Villas at Mesquite Creek) Taxable Series 2007B (the “Taxable Bonds” and, together with the Tax-Exempt 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, a national banking association, as trustee (the “Trustee”), for the purpose of obtaining funds to finance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to One Mesquite Creek, L.P., a Texas limited partnership (the “Borrower”), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental development described on Exhibit A attached hereto (the “Development”) located within the State and required by the Act to be occupied by

individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on November 9, 2006, declared its intent to issue its revenue bonds to provide financing for the Development; and

WHEREAS, it is anticipated that the Department, the Borrower, Keycorp Real Estate Capital Markets, Inc., as lender (the "Lender"), and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") (i) for the purpose of providing funds to finance the loan to be originated by the Lender (the "Loan") to provide financing for the cost of acquisition and construction of the Development and related costs, and (ii) pursuant to which repayment of the Loan will be secured by a first lien Deed of Trust from the Borrower for the benefit of the Lender; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Bonds of a preliminary Official Statement (the "Official Statement") and to authorize the authorized representatives of the Department to deem the Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Official Statement as may be required to provide a final Official Statement for use in the public offering and sale of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Purchase Agreement") with the Borrower, Citigroup Global Markets Inc. (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 and/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 and/or another party to such Purchase Agreement; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Development which will be filed of record in the real property records of Dallas 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 Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Regulatory Agreement, the Asset Oversight Agreement, the Official 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 Article I hereof, 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 for approval, the Comptroller of Public Accounts of the State for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser or purchasers thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That the Chair of the Board or the Executive Director of the Department are hereby severally authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of and the redemption provisions related to, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair of the Board or the Executive Director of the Department of the Indenture and the Purchase Agreement; provided, however, that: (a) the interest rate on the Tax-Exempt Bonds shall not exceed 6.0% per annum; provided, that in no event shall the interest rate on the Tax-Exempt Bonds (including any default interest rate) exceed the maximum rate of interest permitted by applicable law; (b) the aggregate principal amount of the Tax-Exempt Bonds shall not exceed \$15,000,000; (c) the final maturity of the Tax-Exempt Bonds shall occur not later than 40 years from the date of issuance thereof; (d) the interest rate on the Taxable Bonds shall not exceed 8.0% per annum; provided, that in no event shall the interest rate on the Taxable Bonds (including any default interest rate) exceed the maximum rate of interest permitted by applicable law; (e) the aggregate principal amount of the Taxable Bonds shall not exceed \$2,500,000; (f) the final maturity of the Taxable Bonds shall occur not later than November 20, 2022; and (g) the price at which the Bonds are sold to the Underwriter and/or any additional party to the Purchase Agreement shall not exceed 103% of the principal amount thereof.

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

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

Section 1.5--Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Dallas County, Texas.

Section 1.6--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 and to deliver the Purchase Agreement to the Borrower and the Underwriter and any additional party to the Purchase Agreement as appropriate.

Section 1.7--Approval, Execution, Use and Distribution of the Official Statement. That the form and substance of the Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Chair of the Board and the Executive Director of the Department are hereby severally

authorized to deem the Official Statement “final” for purposes of Rule 15c2-12 of the Securities and Exchange Commission; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Official Statement as may be required to provide a final Official Statement for the Bonds; that the authorized representatives of the Department named in this Resolution each are authorized hereby to accept the Official Statement; and that the distribution and circulation of the Official Statement by the Underwriter are 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 Bond Purchase Agreement and as may be approved by any authorized representative of the Department named in this Resolution and the Department’s counsel.

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 - Official Statement
- 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 to the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Development's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Development.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

Section 2.3--Certification of the Minutes and Records. That the Secretary to the Board is hereby 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 Development in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Development are hereby ratified and confirmed.

Section 2.6--Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors, analysts and consultants to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.

Section 2.7--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and/or Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.8--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be Citigroup Global Markets Inc.

ARTICLE III
CERTAIN FINDINGS AND DETERMINATIONS

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

(a) Need for Housing Development.

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

(ii) that the 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 financing of the Development is a public purpose and will provide a public benefit, and

(iv) that the Development will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

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

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the Loan in accordance with its terms, and

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

(c) Public Purpose and Benefits.

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

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

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

Section 3.3--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 3.4--Waiver of Rules. That the Board hereby waives the rules contained in Chapters 33 and 35, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

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

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

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

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the

Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 20th day of March, 2007.

By: /s/ Elizabeth Anderson
Elizabeth Anderson, Chair

[SEAL]

Attest: /s/ Kevin Hamby
Kevin Hamby, Secretary

EXHIBIT A

DESCRIPTION OF DEVELOPMENT

Owner: One Mesquite Creek, L.P., a Texas limited partnership

Development: The Development is a 252-unit multifamily facility to be known as Villas of Mesquite Creek and to be located at approximately the 700 block of Gross Road, Mesquite, Dallas County, Texas 75149. The Development will include a total of 12 three-story residential apartment buildings with approximately 238,456 net rentable square feet and an approximate average unit size of 956 square feet. The unit mix will consist of:

72	one-bedroom/one-bath units
132	two-bedroom/two-bath units
<u>48</u>	three-bedroom/two-bath units
<u>252</u>	Total Units

Unit sizes will range from approximately 742 square feet to approximately 1,141 square feet.

The Development will include a clubhouse with offices, a business/computer center, a fitness room, a community room, a child development room, a laundry room, kitchen facilities, and a social services room. 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.



MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2007

**Development Information, Public Input and Board Summary
Villas of Mesquite Creek, TDHCA Number 07602**

BASIC DEVELOPMENT INFORMATION

Site Address: 700 Gross Rd. Development #: 07602
 City: Mesquite Region: 3 Population Served: Family
 County: Dallas Zip Code: 75149 Allocation: Urban/Exurban
 HOME Set Asides: CHDO Preservation General Purpose/Activity: NC
 Bond Issuer: TDHCA

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: One Mesquite Creek, L.P.
 Owner Contact and Phone Will Thorne (469) 212-0635
 Developer: One Prime, L.P.
 Housing General Contractor: Integrated Construction and Development
 Architect: RPGA Design Group, Inc.
 Market Analyst: Butler Burgher, Inc.
 Syndicator: Red Capital Group, Inc.
 Supportive Services: Common Threads, Inc.
 Consultant: Not Utilized

UNIT/BUILDING INFORMATION

<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	Total Restricted Units:	252	
0	0	0	252	0	72	132	48	0	0	Market Rate Units:	0	
Type of Building:											Owner/Employee Units:	0
<input checked="" type="checkbox"/>	4 units or more per building										Total Development Units:	252
<input type="checkbox"/>	Duplex										Total Development Cost:	\$25,334,461
<input type="checkbox"/>	Triplex										Number of Residential Buildings:	12
<input type="checkbox"/>	Fourplex										HOME High Total Units:	0
<input type="checkbox"/>	Detached Residence										HOME Low Total Units:	0
<input type="checkbox"/>	Single Room Occupancy											
<input type="checkbox"/>	Transitional											
<input type="checkbox"/>	Townhome											

Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
4% Housing Tax Credits with Bonds:	\$715,386	\$715,386	0	0	0%
TDHCA Bond Allocation Amount:	\$16,750,900	\$17,210,000	38	40	5.25%
HOME Activity Fund Amount:	\$0	\$0	0	0	0%
HOME CHDO Operating Grant Amount:	\$0	\$0			



MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2007

Development Information, Public Input and Board Summary
Villas of Mesquite Creek, TDHCA Number 07602

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Deuell, District 2 O US Representative: Hensarling, -NC, District 5,
TX Representative: Latham, District 101 NC US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Mike Anderson, Mayor -S Resolution of Support from Local Government []
Tammi Nunn, Principal Planner - The planned development, Villas of Mesquite Creek, is consistent with
the City's Development Guide (Consolidated Plan). Michael Coffey, Asst Superintendent, Mesquite ISD, -O

Kenneth Mayfield, Dallas County Commissioner, District 4, -S

Individuals/Businesses: In Support: 2 In Opposition 0

Neighborhood Input:

Pleasant Ridge Homeowner's Association On behalf of the Pleasant Ridge Homeowners Association, I would like to express
our support for the Mesquite Creek Apartments.

General Summary of Comment:

Public Hearing:
Number that attended: 0
Number that spoke: 0
Number in support: 0
Number in opposition: 0
Number Neutral: 0

CONDITIONS OF COMMITMENT

- Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
Receipt, review, and acceptance by cost certification of evidence that all Phase I Environmental Site Assessment and subsequent environmental investigation report recommendations regarding the drainage feature and debris on site have been carried out.
Receipt, review, and acceptance by cost certification of proper noise abatement addressing roadway noise to the levels identified as being acceptable in the HUD 4128 provided as part of the environmental investigation.
Receipt, review, and acceptance prior to closing of documentation confirming the bond structure with regard to the taxable and tax exempt portions and including the bond underwriter's amortization/bond repayment pro formas.
Board acceptance of possible mandatory bond redemption of \$1,940,000 at conversion to a permanent mortgage.
Receipt, review, and acceptance of a commitment by the contractor to defer fees or alternative financing of up to \$323,901.
Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.



MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2007

Development Information, Public Input and Board Summary

Villas of Mesquite Creek, TDHCA Number 07602

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits:	Credit Amount:	\$715,386
Recommendation: Recommend approval of a Housing Tax Credit Allocation not to exceed \$715,386 annually for ten years, subject to conditions.		
TDHCA Bond Issuance:	Bond Amount:	\$17,210,000
Recommendation: Recommend approval of issuance of \$15,000,000 in Tax Exempt Mortgage Revenue Bonds and up to \$2,210,000 in Taxable Mortgage Revenue Bonds with a blended fixed interest rate underwritten at 5.25% and repayment term of 40 years with a 38 year amortization plus construction period, subject to conditions.		
HOME Activity Funds:	Loan Amount:	\$0
HOME CHDO Operating Expense Grant:	Grant Amount:	\$0
Recommendation:		

Villas at Mesquite Creek Apartments

Estimated Sources & Uses of Funds

Sources of Funds

Series 2007 Tax-Exempt Bond Proceeds	\$ 15,000,000
Series 2007 Taxable Bond Proceeds	\$ 2,210,000
Tax Credit Proceeds	6,920,336
Deferred Development Fee	85,306
Total Sources	<u>\$ 24,215,642</u>

Uses of Funds

Acquisition and Site Work Costs	\$ 3,760,000
Direct Hard Construction Costs	11,725,000
Other Construction Costs (General Require, Overhead, Profit)	1,676,944
Indirect Construction Costs (Architectural, Engineering, etc)	350,000
Developer Fees and Overhead	2,609,275
Direct Bond Related	290,493
Bond Purchase Costs	304,700
Other Transaction Costs	3,223,160
Real Estate Closing Costs	276,070
Total Uses	<u>\$ 24,215,642</u>

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (.50% of Issuance)	\$ 75,000
TDHCA Application Fee	11,000
TDHCA Bond Administration Fee (2 years)	30,000
TDHCA Bond Compliance Fee (\$40 per unit)	10,080
TDHCA Bond Counsel and Direct Expenses (Note 1)	85,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	5,000
Trustee Fee	8,663
Trustee's Counsel (Note 1)	5,500
Rating Agency	15,000
OS Printing/Mailing	2,000
Attorney General Transcript Fee	9,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
Total Direct Bond Related	<u>\$ 290,493</u>

Villas at Mesquite Creek Apartments

Bond Purchase Costs	
Underwriter's Fee	172,100
Underwriter's Counsel	30,000
Organization/Legal	52,600
Borrower's Legal Expenses	50,000
Total Bond Purchase Costs	\$ 304,700
Other Transaction Costs	
Tax Credit Related Costs	99,932
Initial Operating Deficit	652,099
HUD Working Capital	330,206
Construction Period Interest	1,326,680
Social Services Escrow	55,000
Soft Cost Contingency	556,773
Negative Arbitrage Deposit	165,000
Public Hearing Fees	2,000
Miscellaneous	35,470
Total Other Transaction Costs	\$ 3,223,160
Real Estate Closing Costs	
Title and Recording	126,070
Taxes and Insurance	150,000
Total Real Estate Costs	\$ 276,070
Estimated Total Costs of Issuance	\$ 4,094,423

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: March 8, 2007

PROGRAM: 4% HTC/BOND

FILE NUMBER: 07602

DEVELOPMENT NAME

Villas of Mesquite Creek

APPLICANT

Name: One Mesquite Creek, L.P. **Contact:** William B. Thorne
Address: 832 South Carrier Parkway, Suite 100
City: Grand Prairie **State:** TX **Zip:** 75051
Phone: (469) 212-0635 **Fax:** (469) 519-0344 **Email:** wthorne@oneprimelp.com

KEY PARTICIPANTS

Name: OPLP Mesquite Creek, Inc. **Title:** 1% Managing General Partner of Applicant
Name: One Prime, L.P. **Title:** Developer
Name: One Prime Property, Inc. **Title:** 1% Owner of Developer
Name: Hal T. Thorne **Title:** Owner: 100% of GP; 99% of Developer; 100% of One Prime Property, Inc.

PROPERTY LOCATION

Location: 200 Gross Road
City: Mesquite **Zip:** 75149
County: Dallas **Region:** 3 QCT DDA

REQUEST

<u>Program</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
HTC	\$715,386 ¹	N/A	N/A	N/A
MRB	\$17,210,000 ¹	5.25%	38 yrs	40 yrs
Proposed Use of Funds:	New construction	Type:	Multifamily	
Target Population:	Family	Other:	Urban/Exurban, General	

RECOMMENDATION

- RECOMMEND APPROVAL OF ISSUANCE OF \$15,000,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS AND UP TO \$2,210,000 IN TAXABLE MORTGAGE REVENUE BONDS WITH A BLENDED FIXED INTEREST RATE UNDERWRITTEN AT 5.25% AND REPAYMENT TERM OF 40 YEARS WITH A 38-YEAR AMORTIZATION PLUS CONSTRUCTION PERIOD, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$715,386 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

¹ Request as of February 23, 2007 includes \$15,000,000 in tax-exempt bonds and \$2,210,000 in taxable bonds

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

CONDITIONS

1. Receipt, review, and acceptance by cost certification of evidence that all Phase I Environmental Site Assessment and subsequent environmental investigation report recommendations regarding the drainage feature and debris on site have been carried out.
2. Receipt, review, and acceptance by cost certification of proper noise abatement addressing roadway noise to the levels identified as being acceptable in the HUD 4128 provided as part of the environmental investigation.
3. Receipt, review and acceptance prior to closing of documentation confirming the bond structure with regard to the taxable and tax exempt portions and including the bond underwriter's amortization/bond repayment proformas.
4. Board acceptance of possible mandatory bond redemption of \$1,940,000 at conversion to a permanent mortgage.
5. Receipt, review and acceptance of a commitment by the contractor to defer fees or alternative financing of up to \$323,901.
6. 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: 252 **# Res Bldgs** 12 **# Non-Res Bldgs** 2 **Age:** N/A yrs **Vacant:** N/A at / /
Net Rentable SF: 238,456 **Av Un SF:** 946 **Common Area SF:** 8,343 **Gross Bldg SF:** 246,799

ARCHITECTURAL REVIEW

The building and unit plans are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings.

STRUCTURAL MATERIALS

The structures will be constructed on a concrete slab. According to the plans provided in the application the exterior will be 69% masonry veneer, 11% cement fiber, and 20% stucco. The interior wall surfaces will be drywall and the roofs will be finished with composite shingles.

UNIT FEATURES

The interior flooring will be carpet and resilient covering. Threshold criteria for the 2006 QAP requires all development units to include: mini blinds or window coverings for all windows, a dishwasher, a disposal, a refrigerator, an oven/range, an exhaust/vent fan in bathrooms, and a ceiling fan in each living area and bedroom. New construction units must also include three networks: one for phone service, one for data service, and one for TV service. In addition, each unit will include: microwave, an ice maker in the refrigerator, a self-cleaning oven, laundry connections, a forced air unit, individual water heater, and nine-foot ceilings.

ONSITE AMENITIES

In order to meet threshold criteria for total units of 200 or more, the Applicant has elected to provide a barbecue or picnic table for every 50 units, community laundry room, controlled access gates, a covered pavilion that includes barbecue grills and tables, an equipped business center or computer learning center, full perimeter fencing, a furnished community room, a furnished fitness center, a gazebo with sitting area, public telephone(s) available to tenants 24 hours a day, secured entry to the residential buildings, service coordinators office in addition to the leasing offices, a swimming pool, two children's playgrounds equipped for 5 to 12 year olds/two tot lots/one of each, a furnished and staffed children's activity center, and a sport court.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Findings:

- € **Noise:** The report on HUD Form 4128 found the noise level at the site to be “acceptable with proper noise attenuation” (Section Two: HUD Environmental Assessment and Compliance Findings).
- € **Floodplain:** “According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Dallas County, Texas, Community Panel Number 48113C0390 J, dated August 23, 2001, the subject property is located in Zone C, unshaded. The unshaded Zone C represents an area of minimal flooding” (p. iv).
- € **Asbestos and Lead-Based Paint:** “With regard to asbestos and lead-based paint, the site was vacant land...there were no suspect materials to address” (Britt Baylock, email 01/12/2007).
- € **Lead in Drinking Water:** “...site was vacant and no sources of drinking water to test. However, based on location the site should be serviced by the City of Mesquite and the water quality should be up to required standards” (Britt Baylock, email 01/12/2007).
- € **Radon:** “...according to the EPA Map of Radon Zones (Texas), Dallas County, Texas is located in EPA Radon Zones 3 (average indoor level less than two picoCuries per Liter). Based upon published information, a survey for radon was not indicated and was not conducted” (Britt Baylock, email 01/12/2007).
- € **Other:** “QORE’s site observations identified approximately 1,500 feet of a drainage feature (containing stormwater on the day of the assessment) noted through the central portion of the subject property. The drainage appears to be the result of stormwater runoff from a northeast-adjointing residential neighborhood. The drainage feature does not appear on the NWI or USGS topographic map; however it was identified in multiple historical aerial photographs of the subject property. Creeks, rivers, and similar water bodies greater than 300 feet in length generally are considered Jurisdictional Water of the U.S. by the USFWS. If the subject property is to be developed, precautions should be taken to minimize and/or prevent impact or alteration to the drainage area. In addition, federally governed Jurisdictional Waters of the U.S. require the approval of the U.S. Army Corps of Engineers (USACE) prior to disturbance or alteration” (p. iv).
- € **Recognized Environmental Concerns (RECs):** “Based on the information obtained by QORE to date, known or suspect environmental conditions associated with the subject property, including *recognized environmental conditions, historical recognized environmental conditions, de minimus* conditions, and other environmental conditions are summarized as follows: No suspect environmental conditions were identified” (p. 23).

Recommendations: “QORE has performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Practice E 1527-00 of Proposed Gross Road Apartments, the subject property. Any exceptions to, or deletions from, this practice are described in Section 11.0 of this report. This assessment has revealed no evidence of *recognized environmental conditions* in connection with the subject property, and the potential for environmental impact appears to be low. No further investigation is recommended at this time.

Household and construction debris on site should be removed and properly disposed. In the event that buried debris, septic systems, wells, or other subsurface features are encountered during site developments, they should be removed or closed in accordance with applicable regulations” (p. 23).

Conditions: In response to a request for clarification, the Applicant indicated the noise survey stated the maximum exterior sound level is 67 decibels. Standard insulated glass windows to obtain an interior noise level to not more than 45 decibels. However, receipt, review, and acceptance of proper noise abatement addressing roadway noise is a condition of this report.

Based on correspondence and the submitted site plan, the Applicant plans to fill the existing “natural ditch” with fill material reclaimed from a proposed detention pond. However, receipt, review, and acceptance by cost certification of evidence that adequately addresses the concerns in the Phase I Environmental Site Assessment and subsequent environmental investigation report recommendations regarding the drainage feature and debris on site and that appropriate actions have been carried out is a condition of this report.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

INCOME SET-ASIDE

The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. To qualify as a Priority 2 Private Activity Bond allocation for a Qualified Residential Rental Project, the Applicant has elected to set-aside 100% of the units with rent and income restrictions at 60% of area median family income (§ 1372.0321).

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

MARKET HIGHLIGHTS

A market feasibility study dated July 30, 2006 was prepared by Butler Burgher, Inc. (“Market Analyst”). Upon request the Market Analyst revised the primary market area to not exceed the 100,000 population limit for developments targeting families. The revised market study states the following:

Definition of Primary Market Area (PMA): The subject market area is defined as the area east of Peachtree Road, south of IH 30, north of Lake June Road, and west of Pioneer Road and Collins Road. This area encompasses approximately 27 square miles and is equivalent to a circle with a radius of 5.1 miles.

Population: The estimated 2006 population of the primary market area was 74,875 and is expected to increase by 3.7% to approximately 77,661 by 2011. Within the primary market area there were estimated to be 26,314 households in 2006.

Total Market Demand: The Market Analyst utilized a target household adjustment rate of 100% and a household size-appropriate adjustment rate of 100%. The Analyst’s income band of \$25,063 to \$43,080 results in an income eligible adjustment rate of 20.51% (email dated January 9, 2007). The tenure appropriate adjustment rate of 37.24% is specific to the general population (email dated January 9, 2007). The Market Analyst indicates a turnover rate of 65.2% applies based on 2005 IREM Apartment Report for Region 6 (p. 71).

MARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	15	1%	13	1%
Resident Turnover	1,311	99%	1,164	99%
TOTAL DEMAND	1,325	100%	1,177	100%

Source: email dated January 9, 2007

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 19.02% based upon 1,325 units of demand and 252 unstabilized affordable housing in the PMA (including the subject) (email dated January 9, 2007). The Underwriter calculated an inclusive capture rate of 21.4% based upon a supply of 252 unstabilized comparable affordable units divided by a revised demand estimate for 1,177 affordable units.

Unit Mix Conclusion: “The subject’s proposed mix of units is recommended and is competitive with the other product in the market” (p. 3).

Market Rent Comparables: The Market Analyst surveyed seven comparable apartment projects totaling 1,999 units in the market area (p. 76).

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI/SF)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%/742 SF)	\$645	\$662	-\$17	\$690	-\$45
1-Bedroom (60%/777 SF)	\$655	\$662	-\$7	\$710	-\$55
2-Bedroom (60%/966 SF)	\$790	\$797	-\$7	\$860	-\$70
2-Bedroom (60%/994 SF)	\$790	\$797	-\$7	\$880	-\$90
3-Bedroom (60%/1,118 SF)	\$900	\$919	-\$19	\$1,035	-\$135
3-Bedroom (60%/1,141 SF)	\$900	\$919	-\$19	\$1,045	-\$145

(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: “Occupancy is high as of 1Q 2006 at 93.6% and is preliminarily reported at 94% for 2Q 2006” (p. 73).

Absorption Projections: “The primary market area had positive net absorption of 310 units for the past 12 months, compared to the future absorption of 130 units expected for the next twelve months. No new units are forecast for completion in the PMA through April 2007 or later...An absorption rate of 15 units/month is reasonable for the subject, as encumbered by the 60% AMI income and rent restrictions, considering the location on a primary roadway in the City of Mesquite” (p. 73).

Unstabilized, Under Construction, and Planned Development: The Market Analyst identified one recently approved development within the PMA, Hillcrest Apartments, #060615. Hillcrest Apartments is a 352-unit rehabilitation development approved at the July 12, 2006 TDHCA Board meeting. The Market Analyst did not include Hillcrest Apartments in the capture rate calculation as an unstabilized development as it was 90% occupied at time of underwriting. In addition, as stated in the underwriting report for Hillcrest Apartments, the capture rate threshold for Hillcrest is not as informative for such a rehabilitation development since it is likely that the existing tenants will remain at the development once rehabilitated.

Market Impact: “The apartment submarket is notably stable compared to surrounding submarkets. The halt of new construction in the Mesquite submarket is allowing the market to stabilize somewhat. Although rental rates have declined, the submarket has fared well compared to the overall Dallas market. Continuing concessions and competition to retain tenants will hold rental rates and occupancy levels stable with the current trend...In addition, the submarket is nearing built-out, leaving little vacant land available for further development, and thereby increasing the demand to occupy existing housing” (p. 49).

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of March 1, 2001, maintained by the City of Mesquite Housing Authority from the 2006 program gross rent limits. The age of the last update for the utility allowance is a concern of the Underwriter; however, at utility allowance levels of \$86 to \$118 per unit, a sudden dramatic increase in the utility allowance is not likely. Tenants will be required to pay electric costs. The Applicant’s estimated secondary income of \$37.54/unit/month includes income from garages, carports and storage rental. The Underwriter was able to verify \$20/unit/month in secondary income from the TDHCA database. The Applicant’s estimated potential gross income is \$21K (0.9%) higher than the Underwriter’s.

Expenses: The Applicant’s total annual operating expense projection at \$4,088 per unit is not within 5% of the Underwriter’s estimate of \$4,348, derived from the TDHCA database and third-party data sources. The Applicant’s estimates for general and administrative expenses are \$21K lower than the Underwriter’s; repairs and maintenance is \$23K higher; and the property tax estimate is \$28K lower. The Applicant’s estimate of reserve for replacement at \$271 per unit annually is understated based on the requirements of the proposed permanent lender which was listed in the commitment letter at \$291 per unit per year.

Conclusion: The Applicant’s income is within 5% of the Underwriter’s estimates; however, the Applicant’s total expense and NOI are not within 5% of the Underwriter’s estimates. Therefore, this analysis will use the

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Underwriter's proforma to evaluate debt service capacity. The Applicant's estimated debt service differs by \$27K from the debt service calculated by the Underwriter using the terms in the submitted financing commitment. In addition, the Applicant's debt service estimate does not appear to include the Mortgage Insurance Premium (MIP) required by the proposed permanent lender.

The proforma and estimated debt service plus MIP result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.15. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Long-Term Feasibility: The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year net operating income and resized debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
Land: 27.237 acres	\$308,480	Assessment for the Year of:	2006
Building:	\$0	Valuation by:	Dallas County Appraisal District
Total Assessed Value:	\$308,480	Tax Rate:	2.841934
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Unimproved Commercial Contract (27.237 acres)		
Contract Expiration:	12/30/06 and one 30-day extension	Valid through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	\$1,500,000	Other:	_____
Seller:	Equitable Property	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION	
Acquisition Value: The site cost of \$55,072 per acre or \$5,952 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.	
Offsite Cost: The Applicant included offsite costs for utilities and paving. A third party estimate signed by a State registered engineer was provided in support of the \$250,000.	
Sitework Cost: The Applicant's claimed sitework costs of \$7,454 per unit are within current Department guidelines. Therefore, further third party substantiation is not required. The Applicant was questioned about the per unit site work cost. The estimate appears low due to the site plan's indication that a "natural ditch" runs diagonally across the site and a detention pond is proposed. The Applicant indicates the costs are reasonable based on the plan to use fill material excavated from the detention ponds to fill the ditch.	
Direct Construction Cost: The Applicant's direct construction cost estimate is \$816K or 6% lower than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate.	
Fees: The Applicant's contractor and developer fees are within current program limits.	
Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$20,557,076 supports annual tax credits of \$737,999. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.	

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

FINANCING STRUCTURE			
INTERIM TO PERMANENT BOND FINANCING			
Source:	KeyBank Real Estate Capital	Contact:	Jeff Rogers
Amount:	\$17,210,000	Interest Rate:	5.25%, fixed, lender's estimate
		Amort:	456 months
Documentation:	<input type="checkbox"/> Signed <input type="checkbox"/> Term Sheet <input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm Commitment <input type="checkbox"/> Conditional Commitment <input type="checkbox"/> Application		
Comments:	0.45% Mortgage Insurance Premium		
TAX CREDIT SYNDICATION			
Source:	Red Capital Group	Contact:	Jacob Wahlenmaier
Proceeds:	\$6,774,868	Net Syndication Rate:	99%
		Anticipated HTC:	\$686,544/year
Documentation:	<input type="checkbox"/> Signed <input type="checkbox"/> Term Sheet <input type="checkbox"/> LOI <input type="checkbox"/> Firm Commitment <input checked="" type="checkbox"/> Conditional Commitment <input type="checkbox"/> Application		
Comments:			
OTHER			
Amount:	\$971,313	Source:	Deferred Developer Fee
FINANCING STRUCTURE ANALYSIS			
<p><u>Interim to Permanent Bond Financing:</u> The development qualifies as a Private Activity Bond transaction because it is at least 51 percent financed by tax-exempt private activity bonds (§ 1372.0321, Texas Government Code). Key Bank Real Estate Capital is providing the interim to permanent bond financing with TDHCA as the issuer. The total loan amount is \$17,210,000 with an anticipated blended interest rate of 5.25% plus MIP of 0.45%. The stated term and amortization is 38 years plus the construction period. The lender commitment provided with the application did not detail the breakout of tax exempt bonds; however, since the tax-exempt bonds are limited to \$15M the remaining \$2,210,000 will be taxable bonds.</p> <p>Based on conversations with the lender the prevailing rate on the tax-exempt bonds is 5.15% to 5.20% while the rates on taxable bonds of this nature are 5.50% to 5.75%. At the lower end of these prevailing rates a blended rate of 5.25% appears to be achievable. However these rates are considerably less than the initially proposed maximum Board resolution rates of 6% and 8%, respectively. Updated financing structure documentation reflecting the lender's commitment to the tax-exempt/taxable structure, prevailing rates for each, and the bond underwriter's amortization/repayment proforma are typically supplied closer to closing, but their receipt, review and acceptance by the Department prior to closing is a condition of this report.</p> <p><u>HTC Syndication:</u> The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.</p> <p><u>Deferred Developer's Fees:</u> The Applicant's proposed deferred developer's fees of \$971,313 amount to 38% of the total fees.</p> <p><u>Financing Conclusions:</u> As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. Based upon the quoted blended interest rate, the current underwriting analysis assumes a decrease in the permanent loan amount to \$15,270,000. While the blended rate would decrease with a lower taxable tail, this decrease is roughly offset by the inclusion of the MIP of 0.45%, issuer spread of 0.1%, asset management fees and trustee fees. Board acceptance of possible mandatory bond redemption of \$1,940,000 at conversion to a permanent mortgage is a condition of this report. As a result the development's gap in financing will increase and alternative sources of funds to fill this gap will be required.</p> <p>The Applicant's total development cost estimate less the reduced permanent loan of \$15,270,000 indicates the need for \$10,064,461 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,006,647 annually would be required to fill the total gap in financing. Of the three possible tax credit allocations, Applicant's request (\$715,386), the gap-driven amount (\$1,006,647), and eligible basis-derived estimate (\$737,999), the Applicant's request of \$715,386 is recommended.</p>			

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

The Underwriter's recommended financing structure indicates the need for \$2,912,030 in additional permanent funds to fill the remainder of the financing gap. Deferral of 100% of the developer fee in addition to deferred contractor fees or other financing of up to \$323,901 are needed to fill this gap. Total deferrals of this amount do not appear to be repayable from development cashflow within ten years of stabilized operation, but do appear to be repayable within 15 years. Receipt, review and acceptance of a commitment by the contractor to defer fees as necessary is a condition of this report.

**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

€ The Applicant and 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.
- € The principal of the General Partner, Hal T. Thorne, submitted an unaudited financial statement as of September 30, 2006 and is anticipated to be guarantor of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- € The Applicant's estimated operating expenses and net operating income 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%.
- € Significant location risk exists regarding noise.
- € The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- € The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	_____	Date:	_____
	<i>Brenda Hull</i>		
Reviewing Underwriter:	_____	Date:	_____
	<i>Lisa Vecchietti</i>		
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Villas of Mesquite Creek, Mesquite, 4% HTC/MRB #07602

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC 60%	32	1	1	742	\$748	\$662	\$21,184	\$0.89	\$86.00	\$30.00
TC 60%	40	1	1	777	748	\$662	26,480	0.85	86.00	30.00
TC 60%	64	2	2	966	898	\$797	51,008	0.83	101.00	39.00
TC 60%	68	2	2	994	898	\$797	54,196	0.80	101.00	39.00
TC 60%	24	3	2	1,118	1037	\$919	22,056	0.82	118.00	42.00
TC 60%	24	3	2	1,141	1,037	\$919	22,056	0.81	118.00	42.00
TOTAL:	252		AVERAGE:	946	\$882	\$782	\$196,980	\$0.83	\$99.95	\$37.00

INCOME

Total Net Rentable Sq Ft: 238,456

POTENTIAL GROSS RENT

Secondary Income	Per Unit Per Month:	\$15.00
Other Income: garages, carports, storage	Per Unit Per Month:	\$5.00

POTENTIAL GROSS INCOME

Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%
Employee or Other Non-Rental Units or Concessions		

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.10%	\$365	0.39
Management	3.90%	347	0.37
Payroll & Payroll Tax	10.38%	923	0.98
Repairs & Maintenance	4.98%	443	0.47
Utilities	2.85%	254	0.27
Water, Sewer, & Trash	4.26%	379	0.40
Property Insurance	3.30%	294	0.31
Property Tax	2.841934 10.83%	964	1.02
Reserve for Replacements	3.27%	291	0.31
Other: compl fees	0.98%	88	0.09
TOTAL EXPENSES	48.86%	\$4,348	\$4.59
NET OPERATING INC	51.14%	\$4,551	\$4.81

DEBT SERVICE

Key Bank	46.67%	\$4,153	\$4.39
Mortgage Ins Premium	0.45% 3.45%	\$307	\$0.32
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	1.02%	\$91	\$0.10

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		5.68%	\$5,952	\$6.29
Off-Sites		0.95%	992	1.05
Sitework		7.32%	7,673	8.11
Direct Construction		51.19%	53,634	56.68
Contingency	0.00%	0.00%	0	0.00
General Req'ts	5.38%	3.15%	3,296	3.48
Contractor's G & A	1.79%	1.05%	1,099	1.16
Contractor's Profit	3.09%	1.81%	1,895	2.00
Indirect Construction		4.08%	4,273	4.52
Ineligible Costs		7.20%	7,540	7.97
Developer's G & A	4.05%	2.94%	3,081	3.26
Developer's Profit	9.46%	6.86%	7,189	7.60
Interim Financing		3.93%	4,113	4.35
Reserves		3.86%	4,041	4.27
TOTAL COST		100.00%	\$104,779	\$110.73
Construction Cost Recap		64.51%	\$67,597	\$71.44

SOURCES OF FUNDS

Key Bank	65.18%	\$68,294	\$72.17
Additional Financing	0.00%	\$0	\$0.00
HTC Syndication Proceeds	27.09%	\$28,386	\$30.00
Deferred Developer Fees	3.68%	\$3,854	\$4.07
Additional (Excess) Funds Req'd	4.05%	\$4,245	\$4.49
TOTAL SOURCES			

TDHCA	APPLICANT
\$2,363,760	\$2,331,840
45,360	62,990
15,120	50,518
\$2,424,240	\$2,445,348
(181,818)	(182,220)
0	0
\$2,242,422	\$2,263,128
\$91,870	\$71,148
87,483	90,367
232,690	232,849
111,726	134,828
64,008	50,000
95,508	83,660
74,050	62,093
242,928	214,850
73,332	68,400
22,080	22,080
\$1,095,674	\$1,030,275
\$1,146,748	\$1,232,853
\$1,046,481	\$1,019,085
77,445	
0	
\$22,821	\$213,768
1.02	1.21
1.15	

PER SQ FT	PER UNIT	% OF EGI
\$0.30	\$282	3.14%
0.38	359	3.99%
0.98	924	10.29%
0.57	535	5.96%
0.21	198	2.21%
0.35	332	3.70%
0.26	246	2.74%
0.90	853	9.49%
0.29	271	3.02%
0.09	88	0.98%
\$4.32	\$4,088	45.52%
\$5.17	\$4,892	54.48%
\$4.27	\$4,044	45.03%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.90	\$848	9.45%

TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$1,500,000	\$1,500,000	\$6.29	\$5,952	5.92%
250,000	250,000	1.05	992	0.99%
1,933,487	1,933,487	8.11	7,673	7.63%
13,515,776	12,337,027	51.74	48,956	48.70%
0	0	0.00	0	0.00%
830,656	830,656	3.48	3,296	3.28%
276,885	276,885	1.16	1,099	1.09%
477,628	477,628	2.00	1,895	1.89%
1,076,802	1,076,802	4.52	4,273	4.25%
1,900,054	1,900,054	7.97	7,540	7.50%
776,439	776,439	3.26	3,081	3.06%
1,811,690	1,811,690	7.60	7,189	7.15%
1,036,462	1,036,462	4.35	4,113	4.09%
1,018,353	1,127,331	4.73	4,474	4.45%
\$26,404,232	\$25,334,461	\$106.24	\$100,534	100.00%
\$17,034,432	\$15,855,683	\$66.49	\$62,919	62.59%

RECOMMENDED

\$17,210,000	\$17,210,000	\$15,270,000	Developer Fee Available
0	0	0	\$2,588,129
7,153,147	7,153,147	7,152,431	% of Dev. Fee Deferred
971,313	971,313	2,588,129	100%
1,069,772	1	323,901	15-Yr Cumulative Cash Flow
\$26,404,232	\$25,334,461	\$25,334,461	\$4,879,144

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Villas of Mesquite Creek, Mesquite, 4% HTC/MRB #07602

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$49.41	\$11,783,075
Adjustments				
Exterior Wall Finish	4.29%		\$2.12	\$505,258
9-Ft. Ceilings	3.00%		1.48	353,492
Roofing			0.00	0
Subfloor			(0.75)	(178,047)
Floor Cover			2.22	529,372
Porches/Balconies	\$20.33	22,587	1.93	459,194
Plumbing	\$680	540	1.54	367,200
Built-In Appliances	\$1,675	252	1.77	422,100
Stairs	\$1,650	96	0.66	158,400
Enclosed Corridors	\$39.49	39,558	6.55	1,562,305
Heating/Cooling			1.73	412,529
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$59.14	8,343	2.07	493,384
Other:	\$1.95	238,456	1.95	464,989
SUBTOTAL			72.69	17,333,252
Current Cost Multiplier	1.07		5.09	1,213,328
Local Multiplier	0.89		(8.00)	(1,906,658)
TOTAL DIRECT CONSTRUCTION COSTS			\$69.78	\$16,639,922
Plans, specs, survy, bld prm	3.90%		(2.72)	(648,957)
Interim Construction Interes	3.38%		(2.36)	(561,597)
Contractor's OH & Profit	11.50%		(8.02)	(1,913,591)
NET DIRECT CONSTRUCTION COSTS			\$56.68	\$13,515,776

PAYMENT COMPUTATION

Primary	\$17,210,000	Amort	456
Int Rate	5.25%	DCR	1.10

Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.02

Additional		Amort	
Int Rate		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$928,517
Mortgage Ins Premium	68,715
Additional Debt Service	0
NET CASH FLOW	\$149,516

Primary	\$15,270,000	Amort	456
Int Rate	5.25%	DCR	1.24

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	\$2,363,760	\$2,434,673	\$2,507,713	\$2,582,944	\$2,660,433	\$3,084,171	\$3,575,399	\$4,144,867	\$5,570,355
Secondary Income	45,360	46,721	48,122	49,566	51,053	59,185	68,611	79,539	106,894
Other Income: garages, carpor	15,120	15,574	16,041	16,522	17,018	19,728	22,870	26,513	35,631
POTENTIAL GROSS INCOME	2,424,240	2,496,967	2,571,876	2,649,033	2,728,503	3,163,083	3,666,881	4,250,920	5,712,880
Vacancy & Collection Loss	(181,818)	(187,273)	(192,891)	(198,677)	(204,638)	(237,231)	(275,016)	(318,819)	(428,466)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,242,422	\$2,309,695	\$2,378,985	\$2,450,355	\$2,523,866	\$2,925,852	\$3,391,864	\$3,932,101	\$5,284,414
EXPENSES at 4.00%									
General & Administrative	\$91,870	\$95,544	\$99,366	\$103,341	\$107,474	\$130,759	\$159,088	\$193,555	\$286,509
Management	87,483	90,107	92,810	95,595	98,463	114,145	132,326	153,402	206,159
Payroll & Payroll Tax	232,690	241,997	251,677	261,744	272,214	331,190	402,943	490,242	725,678
Repairs & Maintenance	111,726	116,195	120,843	125,676	130,703	159,021	193,473	235,389	348,434
Utilities	64,008	66,568	69,231	72,000	74,880	91,103	110,841	134,855	199,619
Water, Sewer & Trash	95,508	99,328	103,301	107,434	111,731	135,938	165,389	201,221	297,856
Insurance	74,050	77,012	80,093	83,296	86,628	105,396	128,231	156,013	230,937
Property Tax	242,928	252,645	262,751	273,261	284,191	345,762	420,673	511,813	757,608
Reserve for Replacements	73,332	76,265	79,316	82,489	85,788	104,374	126,987	154,499	228,697
Other	22,080	22,963	23,882	24,837	25,830	31,427	38,235	46,519	68,860
TOTAL EXPENSES	\$1,095,674	\$1,138,626	\$1,183,270	\$1,229,673	\$1,277,904	\$1,549,116	\$1,878,187	\$2,277,509	\$3,350,356
NET OPERATING INCOME	\$1,146,748	\$1,171,068	\$1,195,715	\$1,220,682	\$1,245,962	\$1,376,736	\$1,513,678	\$1,654,592	\$1,934,058
DEBT SERVICE									
First Lien Financing	\$928,517	\$928,517	\$928,517	\$928,517	\$928,517	\$928,517	\$928,517	\$928,517	\$928,517
Mortgage Insurance Premium	68,715	68,130	67,514	66,865	66,181	62,166	56,950	50,171	29,918
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$149,516	\$174,421	\$199,684	\$225,301	\$251,265	\$386,053	\$528,211	\$675,904	\$975,623
DEBT COVERAGE RATIO	1.15	1.18	1.20	1.23	1.25	1.39	1.54	1.69	2.02

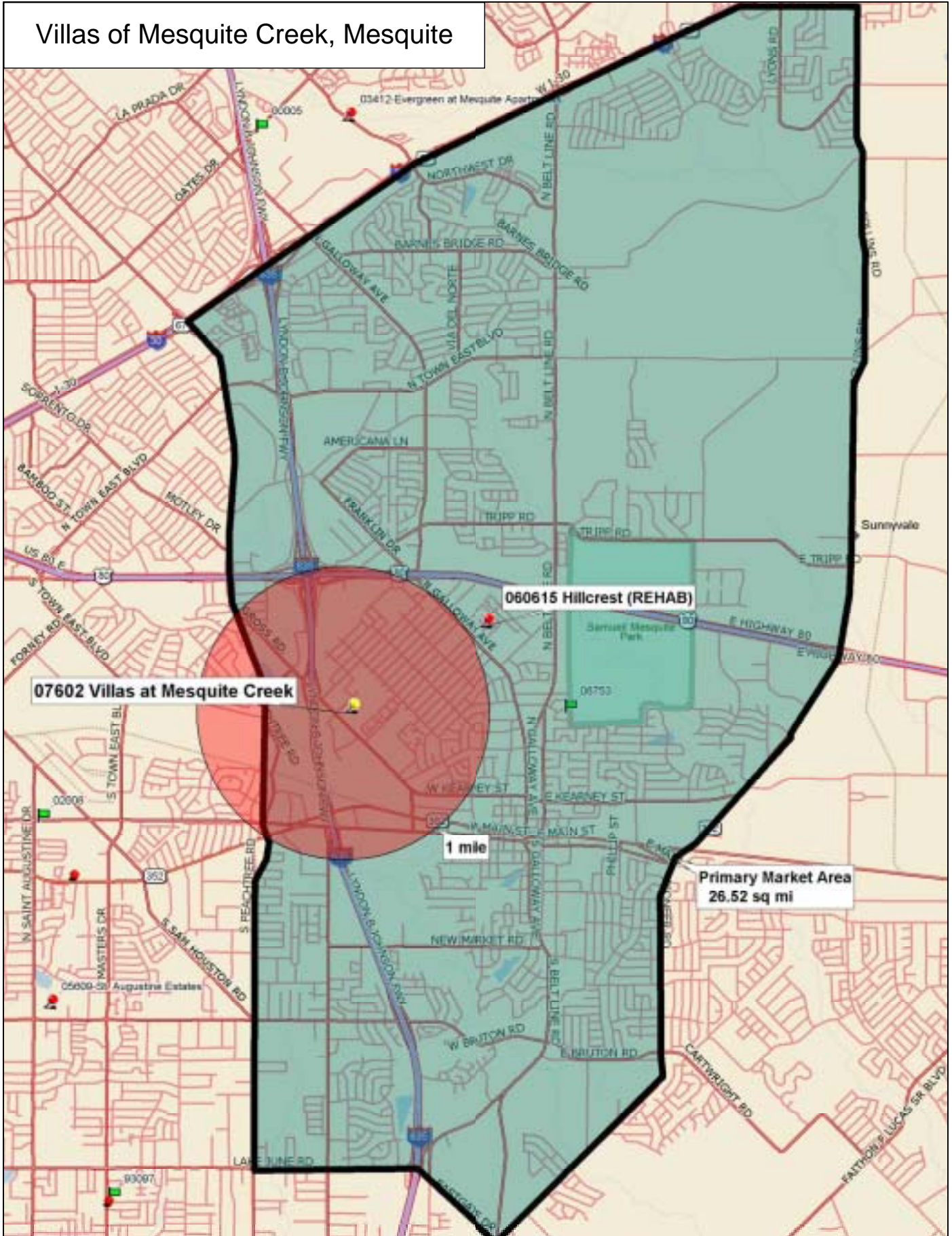
HTC ALLOCATION ANALYSIS -Villas of Mesquite Creek, Mesquite, 4% HTC/MRB #07602

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	\$1,500,000	\$1,500,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,933,487	\$1,933,487	\$1,933,487	\$1,933,487
Off-site improvements	\$250,000	\$250,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$12,337,027	\$13,515,776	\$12,337,027	\$13,515,776
(4) Contractor Fees & General Requirements				
Contractor overhead	\$276,885	\$276,885	\$276,885	\$276,885
Contractor profit	\$477,628	\$477,628	\$477,628	\$477,628
General requirements	\$830,656	\$830,656	\$830,656	\$830,656
(5) Contingencies				
(6) Eligible Indirect Fees				
	\$1,076,802	\$1,076,802	\$1,076,802	\$1,076,802
(7) Eligible Financing Fees				
	\$1,036,462	\$1,036,462	\$1,036,462	\$1,036,462
(8) All Ineligible Costs				
	\$1,900,054	\$1,900,054		
(9) Developer Fees				
Developer overhead	\$776,439	\$776,439	\$776,439	\$776,439
Developer fee	\$1,811,690	\$1,811,690	\$1,811,690	\$1,811,690
(10) Development Reserves				
	\$1,127,331	\$1,018,353		
TOTAL DEVELOPMENT COSTS	\$25,334,461	\$26,404,232	\$20,557,076	\$21,735,825

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			\$20,557,076	\$21,735,825
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$20,557,076	\$21,735,825
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$20,557,076	\$21,735,825
Applicable Percentage			3.59%	3.59%
TOTAL AMOUNT OF TAX CREDITS			\$737,999	\$780,316

Syndication Proceeds	0.9998	\$7,378,516	\$7,801,603
Total Tax Credits (Eligible Basis Method)		\$737,999	\$780,316
Syndication Proceeds		\$7,378,516	\$7,801,603
Requested Tax Credits		\$715,386	
Syndication Proceeds		\$7,152,431	
Gap of Syndication Proceeds Needed		\$10,064,461	
Total Tax Credits (Gap Method)		\$1,006,647	

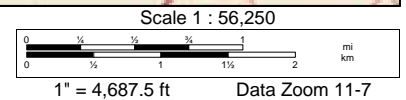
Villas of Mesquite Creek, Mesquite



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Applicant Evaluation

Project ID # **07602**

Name: **Mesquite Creek**

City: **Mesquite**

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

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

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 5

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 1/3/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer S. Roth
 Date 1/3/2007

Single Family Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 12/22/2006

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer David Burrell
 Date 1/4/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 12/22/2006

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Maria Cazares
 Date 1/9/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 12/22/2006

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

VILLAS OF MESQUITE CREEK

PUBLIC HEARING

Lakeside Activity Center
101 Holley Park Drive
Mesquite, Texas

January 11, 2007
6:00 p.m.

BEFORE:

SHARON GAMBLE, Housing Specialist

ON THE RECORD REPORTING
(512) 450-0342

P R O C E E D I N G S

MS. GAMBLE: Good evening. My name is Sharon Gamble. I'd like to proceed with the public hearing. Let the record show that it is 6:15 p.m., Thursday, January 11, 2007, and we are at the Lakeside Activity Center located at 101 Holley Park Drive, Mesquite, Texas.

I'm here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt mortgage 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 issue.

No decisions regarding the development will be made at this hearing. The Department's board is scheduled to meet to consider the transaction on March 8, 2007.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the board at any of their meetings. Department staff will also accept written comments from the public up to 5:00 p.m. on March 8, 2007 -- correction -- February 28, 2007.

The bonds will be issued as tax-exempt mortgage revenue bonds in the aggregate principal amount not to exceed \$15 million and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to One Mesquite Creek, LP, 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: a 252-unit multifamily residential rental development to be constructed on approximately 27.24 acres of land located at approximately the 700 block of Gross Road, Mesquite, Dallas County, Texas.

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

Let the record show that there are no attendees; therefore, the meeting is now adjourned. The time is now 6:20 p.m.

(Whereupon, at 6:20 p.m., the public hearing was concluded.)

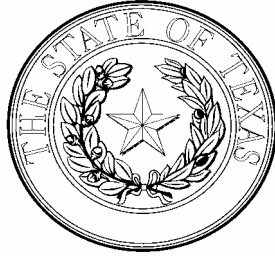
C E R T I F I C A T E

IN RE: Villas at Mesquite Creek
LOCATION: Mesquite, Texas
DATE: January 11, 2007

I do hereby certify that the foregoing pages, numbers 1 through 4, 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 & Community Affairs.

(Transcriber) 1/19/2007
(Date)

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



REQUEST FOR BOARD ACTION Multifamily Finance Production

Private Activity Bond Program – Waiting List

**2 Priority 2 Applications for 2007 Waiting List
1 Priority 1C Application for the 2007 Waiting List**

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation – March 20, 2007
TAB 2	Summary of Applications
TAB 3	Inducement Resolution
TAB 4	Prequalification Analysis Worksheet
TAB 5	Map of Development Site
TAB 6	Residences at Old Denton – Opposition
TAB 7	Residences at Old Denton – Developer Response

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

March 20, 2007

Action Item

Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2007.

Requested Action

Approve, amend or deny the Inducement Resolution to proceed with application submission to the Texas Bond Review Board for possible receipt of State Volume Cap issuance authority from the 2007 Private Activity Bond Program for three (3) applications.

Background

Each year, the State of Texas is notified of the allocation amount of private activity tax-exempt revenue bonds that may be issued within the state. Approximately \$402 million is set aside for multifamily until August 15th for the 2007 bond program year. TDHCA has a set aside of approximately \$88 million available for new 2007 applications.

Inducement Resolution 07-007 includes three (3) applications that were received on or before February 12, 2007. The Department currently has approximately \$26.6 million in volume cap available. These applications will reserve approximately \$45 million in 2007 state volume cap. Only one (1) will be able to receive an allocation and the others will await a reservation on the waiting list. Upon Board approval to proceed, the applications will be submitted to the Texas Bond Review Board for placement on the 2007 Waiting List. The Board has previously approved eighteen applications for the 2007 program year totaling \$131,805,000. The approval of the inducement resolution does not assure that the development will ultimately receive approval for a Housing Tax Credit Determination or the Issuance of Private Activity Bonds.

The Residences at Onion Creek - The proposed new construction development will be located at the North side of East Slaughter Lane, approximately half mile east of I-35, Travis County. Demographics for the census tract (24.20) include AMFI of \$50,794; the percent of the population that is below the poverty line is 12.69%; the total population is 9,543; the percent of the population that is minority is 74.77%; the number of owner occupied units is 1,995; number of renter occupied units is 737; and the number of vacant units is 104. (*)

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

The Residences on Old Denton Road - The proposed new construction development will be located at 8101 Old Denton Road, Fort Worth, Tarrant County. Demographics for the census tract (1139.15) include AMFI of \$77,972; the percent of the population that is below the poverty line is 3.02%; the total population is 8,151; the percent of the population that is minority is 30.44%; the number of owner occupied units is 2,323; number of renter occupied units is 210; and the number of vacant units is 42. (*)

Public Comment: The Department has received one letter of support from the Summerfields Neighborhood Association and 317 letters of opposition from the community, as well as a petition in

opposition with 58 signatures. Located behind this presentation are letters of opposition from State Representative Vicki Truitt, City Councilmember Daniel Scarth and City Councilmember Salvador Espino (does not represent the proposed development's district), the Manor Hill Homeowners Association and the North Fort Worth Alliance. Also included is an outline provided by the Developer identifying the effort they have made with the community and elected officials.

Lakeside Apartments - The proposed new construction development will be located near Mainland Medical Plaza and Palmer Highway, Texas City. Demographics for the census tract (7227) include AMFI of \$44,164; the percent of the population that is below the poverty line is 20.83%; the total population is 3,942; the percent of the population that is minority is 93.38%; the number of owner occupied units is 1,067; number of renter occupied units is 392; and the number of vacant units is 112.
(*)

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

Recommendation

Staff recommends the Board approve the Inducement Resolution as presented. Staff will present all appropriate information to the Board for a final determination for the issuance of the bonds and housing tax credits during the full application process for the bond issuance.

(*) Census Information from FFIEC Geocoding for 2006).

Texas Department of Housing and Community Affairs

2007 Multifamily Private Activity Bond Program - Waiting List

Application #	Development Information	Units	Bond Amount	Developer Information	Comments
07621	The Residences at Onion Creek N. side of E. Slaughter Ln., 1/2 mile East of I35	224	\$ 15,000,000	Onion Creek Housing Partners, Ltd. Dan Allgeier	Recommend
Priority 2	City: Austin County: Travis <i>New Construction</i>	General	Score - 85	580 Decker Dr Ste 208 Irving, TX 75062 (972) 748-0756	
07622	The Residences on Old Denton Road 8101 Old Denton Rd	214	\$ 15,000,000	Old Denton Housing Partners, Ltd. Dan Allgeier	Recommend
Priority 1C	City: Fort Worth County: Tarrant <i>New Construction</i>	General	Score - 82	580 Decker Dr Ste 208 Irving, TX 75062 (972) 748-0756	
07623	Lakeside Apartments Mainland Medical Plaza, Palmer Hwy	252	\$ 15,000,000	Palmer at Lakeside, LP Uwe Nahuina	Recommend
Priority 2	City: Texas City County: Galveston <i>New Construction</i>	General	Score - 72	9109 Balcones Club Drive Austin, Texas 78750 512-219-9500	
Totals for Recommended Applications		690	\$ 45,000,000		

RESOLUTION NO. 07-007

RESOLUTION DECLARING INTENT TO ISSUE MULTIFAMILY REVENUE BONDS WITH RESPECT TO RESIDENTIAL RENTAL DEVELOPMENTS; AUTHORIZING THE FILING OF APPLICATIONS FOR ALLOCATIONS OF PRIVATE ACTIVITY BONDS WITH THE TEXAS BOND REVIEW BOARD; AND AUTHORIZING OTHER ACTION RELATED THERETO

WHEREAS, the Texas Department of Housing and Community Affairs (the “Department”) has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended, (the “Act”) for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low, very low and extremely low income and families of moderate income (all as defined in the Act); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the “State”) intended to be occupied by persons and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, it is proposed that the Department issue its revenue bonds for the purpose of providing financing for multifamily residential rental developments (each a “Development” and collectively, the “Developments”) as more fully described in Exhibit A attached hereto. The ownership of each Development as more fully described in Exhibit A will consist of the ownership entity and its principals or a related person (each an “Owner” and collectively, the “Owners”) within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, each Owner has made not more than 60 days prior to the date hereof, payments with respect to its respective Development and expects to make additional payments in the future and desires that it be reimbursed for such payments and other costs associated with each respective Development from the proceeds of tax-exempt and taxable obligations to be issued by the Department subsequent to the date hereof; and

WHEREAS, each Owner has indicated its willingness to enter into contractual arrangements with the Department providing assurance satisfactory to the Department that 100 percent of the units of its Development will be occupied at all times by eligible tenants, as determined by the Governing Board of the Department (the “Board”) pursuant to the Act (“Eligible Tenants”), that the other requirements of the Act and the Department will be satisfied and that its Development will satisfy State law, Section 142(d) and other applicable Sections of the Code and Treasury Regulations; and

WHEREAS, the Department desires to reimburse each Owner for the costs associated with its Development listed on Exhibit A attached hereto, but solely from and to the extent, if any, of the proceeds of tax-exempt and taxable obligations to be issued in one or more series to be issued subsequent to the date hereof; and

WHEREAS, at the request of each Owner, the Department reasonably expects to incur debt in the form of tax-exempt and taxable obligations for purposes of paying the costs of each respective Development described on Exhibit A attached hereto; and

WHEREAS, in connection with the proposed issuance of the Bonds (defined below), the Department, as issuer of the Bonds, is required to submit for each Development an Application for Allocation of Private Activity Bonds (the "Application") with the Texas Bond Review Board (the "Bond Review Board") with respect to the tax-exempt Bonds to qualify for the Bond Review Board's Allocation Program in connection with the Bond Review Board's authority to administer the allocation of the authority of the state to issue private activity bonds; and

WHEREAS, the Board intends that the issuance of Bonds for any particular Development is not dependent or related to the issuance of Bonds (as defined below) for any other Development and that a separate Application shall be filed with respect to each Development; and

WHEREAS, the Board has determined to declare its intent to issue its multifamily revenue bonds for the purpose of providing funds to each Owner to finance its Development on the terms and conditions hereinafter set forth; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD THAT:

Section 1--Certain Findings. The Board finds that:

- (a) each Development is necessary to provide decent, safe and sanitary housing at rentals that individuals or families of low and very low income and families of moderate income can afford;
- (b) each Owner will supply, in its Development, well-planned and well-designed housing for individuals or families of low and very low income and families of moderate income;
- (c) the financing of each Development is a public purpose and will provide a public benefit;
- (d) each Owner is financially responsible; and
- (e) each Development will be undertaken within the authority granted by the Act to the Department and each Owner.

Section 2--Authorization of Issue. The Department declares its intent to issue its Multifamily Housing Revenue Bonds (the "Bonds") in amounts estimated to be sufficient to (a) fund a loan or loans to each Owner to provide financing for its Development in an aggregate principal amount not to exceed those amounts, corresponding to each respective Development, set forth in Exhibit A; (b) fund a reserve fund with respect to the Bonds if needed; and (c) pay certain costs incurred in connection with the issuance of the Bonds. Such Bonds will be issued as qualified residential rental development bonds. Final approval of the Department to issue the Bonds shall be subject to: (i) the review by the Department's credit underwriters for financial feasibility; (ii) review by the Department's staff and legal counsel of compliance with federal income tax regulations and state law requirements regarding tenancy in each Development; (iii) approval by the Bond Review Board, if required; (iv) approval by the Attorney General of the State of Texas (the "Attorney General"); (v) satisfaction of the Board that each Development meets the Department's public policy criteria; and (vi) the ability of the Department to issue such Bonds in compliance with all federal and state laws applicable to the issuance of such Bonds.

Section 3--Terms of Bonds. The proposed Bonds shall be issuable only as fully registered bonds in authorized denominations to be determined by the Department; shall bear interest at a rate or rates to be determined by the Department; shall mature at a time to be determined by the Department but in no event later than 40 years after the date of issuance; and shall be subject to prior redemption upon such terms and conditions as may be determined by the Department.

Section 4--Reimbursement. The Department reasonably expects to reimburse each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition of real property and construction of its Development and listed on Exhibit A attached hereto ("Costs of each respective Development") from the proceeds of the Bonds, in an amount which is reasonably estimated to be sufficient: (a) to fund a loan to provide financing for the acquisition and construction or rehabilitation of its Development, including reimbursing each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition and construction or rehabilitation of its Development; (b) to fund any reserves that may be required for the benefit of the holders of the Bonds; and (c) to pay certain costs incurred in connection with the issuance of the Bonds.

Section 5--Principal Amount. Based on representations of each Owner, the Department reasonably expects that the maximum principal amount of debt issued to reimburse each Owner for the costs of its respective Development will not exceed the amount set forth in Exhibit A which corresponds to its Development.

Section 6--Limited Obligations. The Owner may commence with the acquisition and construction or rehabilitation of its Development, which Development will be in furtherance of the public purposes of the Department as aforesaid. On or prior to the issuance of the Bonds, each Owner will enter into a loan agreement on an installment payment basis with the Department under which the Department will make a loan to the Owner for the purpose of reimbursing each Owner for the costs of its Development and each Owner will make installment payments sufficient to pay the principal of and any premium and interest on the applicable Bonds. The proposed Bonds shall be special, limited obligations of the Department payable solely by the Department from or in connection with its loan or loans to each Owner to provide financing for the Owner's Development, and from such other revenues, receipts and resources of the Department as may be expressly pledged by the Department to secure the payment of the Bonds.

Section 7--The Development. Substantially all of the proceeds of the Bonds shall be used to finance the Developments, each of which is to be occupied entirely by Eligible Tenants, as determined by the Department, and each of which is to be occupied partially by persons and families of low income such that the requirements of Section 142(d) of the Code are met for the period required by the Code.

Section 8--Payment of Bonds. The payment of the principal of and any premium and interest on the Bonds shall be made solely from moneys realized from the loan of the proceeds of the Bonds to reimburse each Owner for costs of its Development.

Section 9--Costs of Development. The Costs of each respective Development may include any cost of acquiring, constructing, reconstructing, improving, installing and expanding the Development. Without limiting the generality of the foregoing, the Costs of each respective Development shall specifically include the cost of the acquisition of all land, rights-of-way, property rights, easements and interests, the cost of all machinery and equipment, financing charges, inventory, raw materials and other supplies, research and development costs, interest prior to and during construction and for one year after completion of construction whether or not capitalized, necessary reserve funds, the cost of estimates and of engineering and legal services, plans, specifications, surveys, estimates of cost and of revenue, other

expenses necessary or incident to determining the feasibility and practicability of acquiring, constructing, reconstructing, improving and expanding the Development, administrative expenses and such other expenses as may be necessary or incident to the acquisition, construction, reconstruction, improvement and expansion of the Development, the placing of the Development in operation and that satisfy the Code and the Act. Each Owner shall be responsible for and pay any costs of its Development incurred by it prior to issuance of the Bonds and will pay all costs of its Development which are not or cannot be paid or reimbursed from the proceeds of the Bonds.

Section 10--No Commitment to Issue Bonds. Neither the Owners nor any other party is entitled to rely on this Resolution as a commitment to issue the Bonds and to loan funds, and the Department reserves the right not to issue the Bonds either with or without cause and with or without notice, and in such event the Department shall not be subject to any liability or damages of any nature. Neither the Owners nor any one claiming by, through or under each Owner shall have any claim against the Department whatsoever as a result of any decision by the Department not to issue the Bonds.

Section 11--No Indebtedness of Certain Entities. The Board hereby finds, determines, recites and declares that the Bonds shall not constitute an indebtedness, liability, general, special or moral obligation or pledge or loan of the faith or credit or taxing power of the State, the Department or any other political subdivision or municipal or political corporation or governmental unit, nor shall the Bonds ever be deemed to be an obligation or agreement of any officer, director, agent or employee of the Department in his or her individual capacity, and none of such persons shall be subject to any personal liability by reason of the issuance of the Bonds.

Section 12--Conditions Precedent. The issuance of the Bonds following final approval by the Board shall be further subject to, among other things: (a) the execution by each Owner and the Department of contractual arrangements providing assurance satisfactory to the Department that 100 percent of the units for each Development will be occupied at all times by Eligible Tenants, that all other requirements of the Act will be satisfied and that each Development will satisfy the requirements of Section 142(d) of the Code (except for portions to be financed with taxable bonds); (b) the receipt of an opinion from Vinson & Elkins L.L.P. or other nationally recognized bond counsel acceptable to the Department, substantially to the effect that the interest on the tax-exempt Bonds is excludable from gross income for federal income tax purposes under existing law; and (c) receipt of the approval of the Bond Review Board, if required, and the Attorney General.

Section 13--Certain Findings. The Board hereby finds, determines, recites and declares that the issuance of the Bonds to provide financing for each Development will promote the public purposes set forth in the Act, including, without limitation, assisting persons and families of low and very low income and families of moderate income to obtain decent, safe and sanitary housing at rentals they can afford.

Section 14--Authorization to Proceed. The Board hereby authorizes staff, Bond Counsel and other consultants to proceed with preparation of each Development's necessary review and legal documentation for the filing of an Application for the 2007 program year and the issuance of the Bonds, subject to satisfaction of the conditions specified in Section 2(i) and (ii) hereof. The Board further authorizes staff, Bond Counsel and other consultants to re-submit an Application that was withdrawn by an Owner so long as the Application is re-submitted within the current or following program year.

Section 15--Related Persons. The Department acknowledges that financing of all or any part of each Development may be undertaken by any company or partnership that is a "related person" to the respective Owner within the meaning of the Code and applicable regulations promulgated pursuant thereto, including any entity controlled by or affiliated with the respective Owner.

Section 16--Declaration of Official Intent. This Resolution constitutes the Department's official intent for expenditures on Costs of each respective Development which will be reimbursed out of the issuance of the Bonds within the meaning of Sections 1.142-4(b) and 1.150-2, Title 26, Code of Federal Regulations, as amended, and applicable rulings of the Internal Revenue Service thereunder, to the end that the Bonds issued to reimburse Costs of each respective Development may qualify for the exemption provisions of Section 142 of the Code, and that the interest on the Bonds (except for any taxable Bonds) will therefore be excludable from the gross incomes of the holders thereof under the provisions of Section 103(a)(1) of the Code.

Section 17--Authorization of Certain Actions. The Department hereby authorizes the filing of and directs the filing of each Application in such form presented to the Board with the Bond Review Board and each director of the Board are hereby severally authorized and directed to execute each Application on behalf of the Department and to cause the same to be filed with the Bond Review Board.

Section 18--Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 19--Books and Records. The Board hereby directs this Resolution to be made a part of the Department's books and records that are available for inspection by the general public.

Section 20--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State of the State of Texas (the "Secretary of State") and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 20th day of March, 2007.

[SEAL]

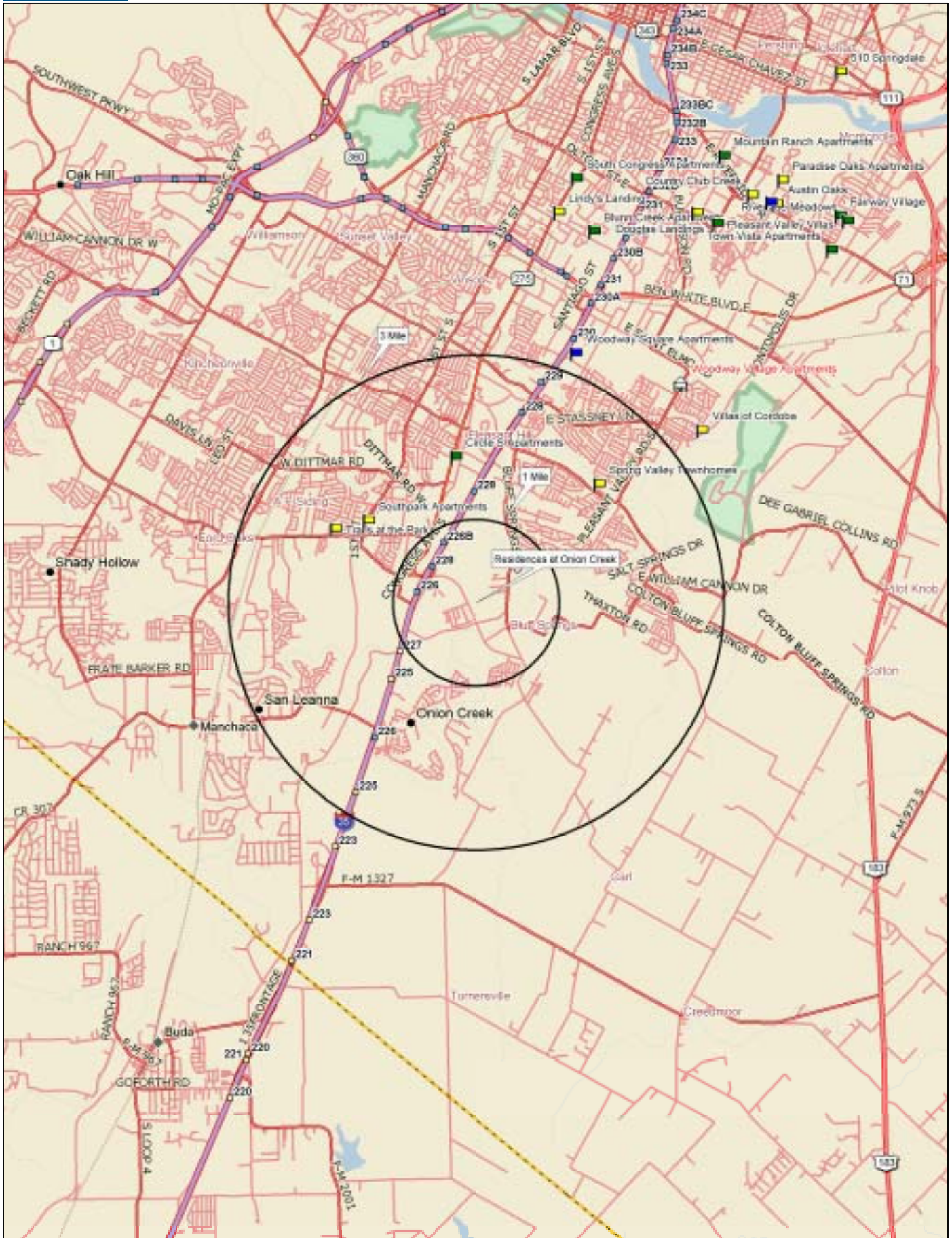
By: /s/ Elizabeth Anderson
Elizabeth Anderson, Chair

Attest: /s/ Kevin Hamby
Kevin Hamby, Secretary

EXHIBIT "A"

Description of each Owner and its Development

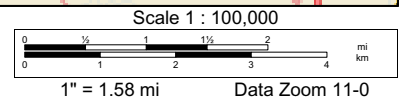
Project Name	Owner	Principals	Amount Not to Exceed
Lakeside Apartments	Palmer at Lakeside, LP, to be formed, or other entity	The General Partner will be Palmer at Lakeside GP, LLC, or other entity, the principal of which may be Terra Marquis, LLC, or other entity	\$15,000,000
Costs: (i) acquisition of real property located at approximately the 7500 block of Palmer Highway, Texas City, Galveston County, Texas; and (ii) the construction thereon of an approximately 252-unit multifamily residential rental housing project, in the amount not to exceed \$15,000,000.			
Project Name	Owner	Principals	Amount Not to Exceed
The Residence at Old Denton Road	Old Denton Housing Partners, Ltd., to be formed, or other entity	The General Partner will be NDG – Old Denton LLC, to be formed, or other entity, the principals of which will be Robert Hoskins and Sandra Hoskins	\$15,000,000
Costs: (i) acquisition of real property located at approximately the southeast corner of the intersection of Old Denton Road and Thompson Road at approximately the 8100 block of N. Old Denton Road, Fort Worth, Tarrant County, Texas; and (ii) the construction thereon of an approximately 224-unit multifamily residential rental housing project, in the amount not to exceed \$15,000,000.			
Project Name	Owner	Principals	Amount Not to Exceed
The Residence at Onion Creek	Onion Creek Housing Partnership, Ltd., to be formed, or other entity	The General Partner will be NDG – Onion Creek LLC, to be formed, or other entity, the principals of which will be Robert Hoskins and Sandra Hoskins	\$15,000,000
Costs: (i) acquisition of real property located on the north side of East Slaughter Lane, approximately one-half mile east of Interstate Highway 35 at approximately the 1400 block of East Slaughter Lane, Travis County, Texas; and (ii) the construction thereon of an approximately 224-unit multifamily residential rental housing project, in the amount not to exceed \$15,000,000.			

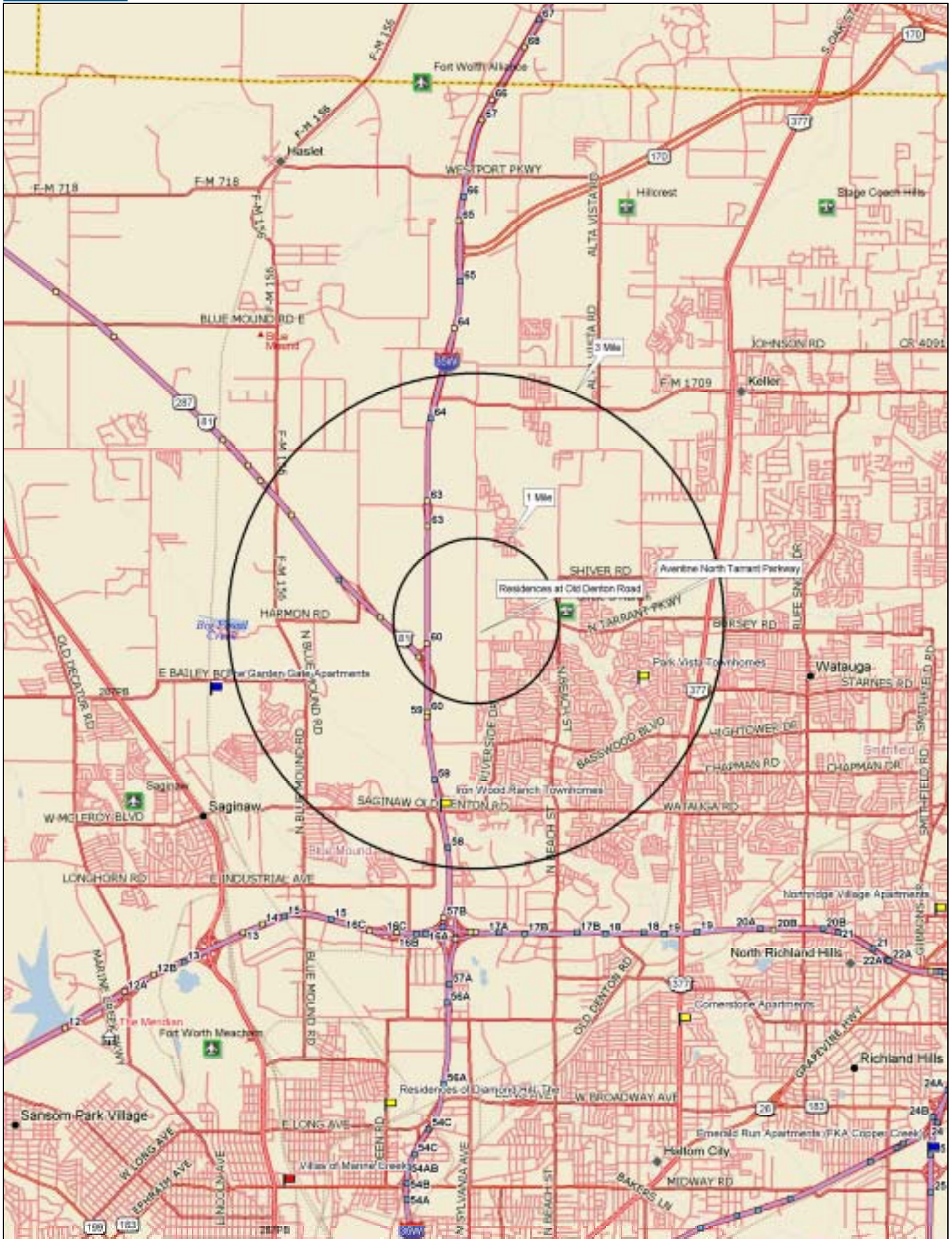


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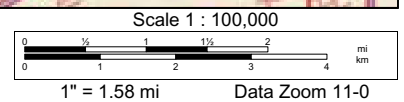


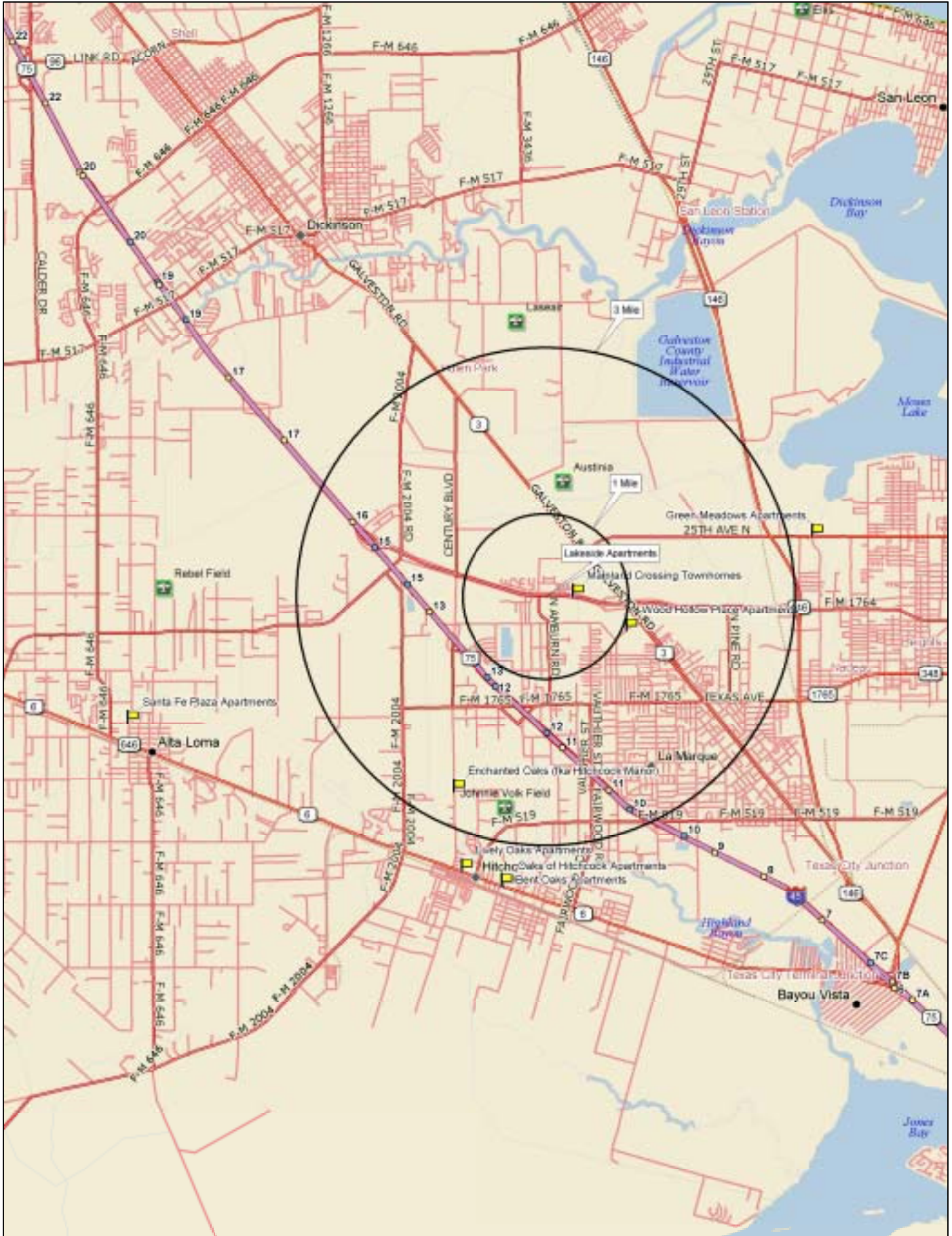


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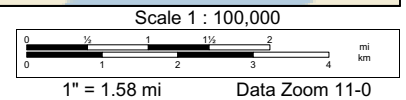




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**Residences at Old Denton (#07622)
Opposition**

HOUSE OF REPRESENTATIVES



CAPITOL OFFICE:
P.O. BOX 2910
AUSTIN, TX 78768-2910
(512) 463-0690
FAX: (512) 477-5770

E2.502 CAPITOL
EXTENSION

DISTRICT OFFICE:
1256 MAIN STREET, SUITE 248
SOUTHLAKE, TX 76092-7824
(817) 488-4098
FAX: (817) 488-4089
SOUTHLAKE TOWN SQUARE

VICKI TRUITT
DISTRICT 98

March 9, 2007

Ms. Teresa Morales
TDHCA
P.O. Box 13941
Austin, TX 78711-3941

Dear Ms. Morales,

For the record, I am opposed to the proposed housing project: The Residences at Old Denton Road multi-family affordable housing development to be located at 8101 Old Denton Road, Fort Worth, TX 76137.

There is insufficient infrastructure, not the least of which are roads, to accommodate the existing residents of this region. Approval of this project will only exacerbate the problem.

I cannot, in good conscience, support any plan to add more housing in an area where the existing residents already suffer the consequences of poor planning.

Thank you for your consideration of my opinion.

Sincerely,

A handwritten signature in black ink that reads "Vicki Truitt".

Vicki Truitt

Copy: Mr. Sal Espino, Councilman, City of Fort Worth
Mr. Mark Brast, Government Committee Chair – Manor Hill
Executive Board – North Fort Worth Alliance of Neighborhoods

CHAIRMAN:
HOUSE COMMITTEE ON PENSIONS AND INVESTMENTS
VICE CHAIRMAN:
SUNSET ADVISORY COMMISSION
MEMBER:
HOUSE COMMITTEE ON PUBLIC HEALTH

Daniel L. Scarth
CITY OF FORT WORTH – DISTRICT 4
1000 Throckmorton
Fort Worth, TX 76102
Telephone (817) 392-8804
District4@fortworthgov.org

VIA EMAIL

March 10, 2007

Ms. Teresa Morales
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
P.O. Box 13941
Austin, Texas 78711-3941

Re: Residences at Old Denton Road

Dear Ms. Morales:

I recently met with a neighborhood group of approximately 35 individuals who forwarded to me dozens of letters of opposition to the pre-application regarding a proposed multi-family project described as the Residences at Old Denton Road. These residents all live in close proximity to the subject development and are concerned with its affect on their neighborhood located in Fort Worth Council District 4.

The neighborhood residents near the proposed development are opposed to this project for the following reasons:

1. **More Traffic and Adverse Impact on Infrastructure.** The infrastructure in Far North Fort Worth continues to be burdened with more and more traffic. The conditions in this area would not adequately handle these additional units.
2. **Lack of Mass Transit.** There are no buses provided by the Fort Worth Transportation Authority for any routes that include Far North Fort Worth. Residents in the proposed project would not have sufficient access to mass Transit.
3. **Inconsistency with the City of Fort Worth's Comprehensive Plan.** The Comprehensive Plan for the City of Fort Worth provides for the use of mixed-use growth centers and retail to complement the single-family homes in Far North Fort Worth. The proposed project does not appear to be in line with existing neighborhood scale, architecture, and platting patterns. The Plan also promotes locating multi-family units within walking distance of public transportation, employment, recreation, and/or shopping to increase accessibility and decrease vehicular traffic generation. None of that occurs with this proposed project.
4. **Lack of Hospitals in the Area.** There are no hospitals in Far North Fort Worth to provide immediate and emergency health care to residents in the proposed development.

The City of Fort Worth is growing very fast and we are working hard to provide the level of city services and infrastructure that is required. This project will make that job more difficult; therefore the neighbors respectfully request that the pre-application for Residences at Old Denton Road not move forward.

Sincerely,

Danny Scarth
Councilmember – District 4
City of Fort Worth

SALVADOR ESPINO
CITY OF FORT WORTH – DISTRICT 2
1000 Throckmorton
Fort Worth, TX 76102
Telephone (817) 392-8802
sal.espino@fortworthgov.org

VIA EMAIL

March 9, 2007

Ms. Teresa Morales
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
P.O. Box 13941
Austin, Texas 78711-3941

Re: Residences at Old Denton Road

Dear Ms. Morales:

I write to you with respect to the pre-application regarding a proposed multi-family project described as the Residences at Old Denton Road. This community affects many of the neighborhoods located in Fort Worth Council District 2.

After conferring with the neighborhood residents near the proposed development, it is clear to me that the neighborhoods are **OPPOSED** to this project for the following reasons:

1. **More Traffic and Adverse Impact on Infrastructure.** The infrastructure in Far North Fort Worth continues to be burdened with more and more traffic. The conditions in this area would not adequately handle these additional units.
2. **Lack of Mass Transit.** There are no buses provided by the Fort Worth Transportation Authority for any routes that include Far North Fort Worth. Residents in the proposed project would not have sufficient access to mass Transit.
3. **Inconsistency with the City of Fort Worth's Comprehensive Plan.** The Comprehensive Plan for the City of Fort Worth provides for the use of mixed use growth centers and retail to complement the single family homes in Far North Fort Worth. The proposed project does not appear to be in line with existing neighborhood scale, architecture, and platting patterns. The Plan also promotes locating multi-family units within walking distance of public transportation, employment, recreation, and/or shopping to increase accessibility and decrease vehicular traffic generation. None of that occurs with this proposed project.
4. **Lack of Hospitals in the Area.** There are no hospitals in Far North Fort Worth to provide immediate and emergency health care to residents in the proposed development.

The neighborhoods in Far North Fort Worth are some of our newer neighborhoods. We are working extremely hard to continue to provide the level of city services and infrastructure that they merit. The neighborhoods respectfully request that the pre-application for Residences at Old Denton Road not move forward.

Sincerely,

Sal Espino
Councilmember – District 2
City of Fort Worth



March 6, 2007

TDHCA Board
Attn: Teresa Morales
P.O. Box 13941
Austin, TX 78711



RE: Residences on Old Denton

Dear Sirs,

I am the Chairman of the Governing Committee for Manor Hill HOA and am representing the HOA and I would like to submit this letter as a statement of opposition to the proposed development of the "Residences on Old Denton" multi-family housing development on Old Denton Rd in Fort Worth, TX. Our neighborhood is in close proximity to the proposed site and would share the same elementary school, Heritage Elementary. The proposed development would have direct negative impact for the following reasons;

1. The location of the potential project will impact in infrastructure of the local area in a negative way. The roads are not equipped to handle an influx of potential residence that this housing addition would bring and there is no public transportation.
2. Heritage Elementary is already at a max capacity and is in the process of having to bus Special Needs Children to other campuses. Keller ISD is currently suffering from overcrowding of classrooms at the current time and with the new housing addition it would only complicate the overcrowding.
3. The area is not adequately staffed with local law enforcement.
4. The area is not adequately staffed with Fire Departments.
5. No local hospitals in the area.
6. Currently in Keller and North Fort Worth there are 5 affordable housing additions within a 5 mile radius of the current housing addition, and they have ample vacancies. That being said there isn't a demand for this project to be completed and would prefer tax dollars spent to assist other areas of Texas that actually are in desperate need of this assistance.
7. Increased concern for security.
8. The location of the development is not consistent with the City of Fort Worth Comprehensive Plan.

Our neighborhood already feels the strain caused by the lack on infrastructure and crowded school space, as well as the direct strain of sharing limited police and fire services. We believe that going forward with this proposed development would be a disservice to the existing residents as well as the residents of the proposed development.

Thank you,

A handwritten signature in black ink that reads 'Mark Brast'.

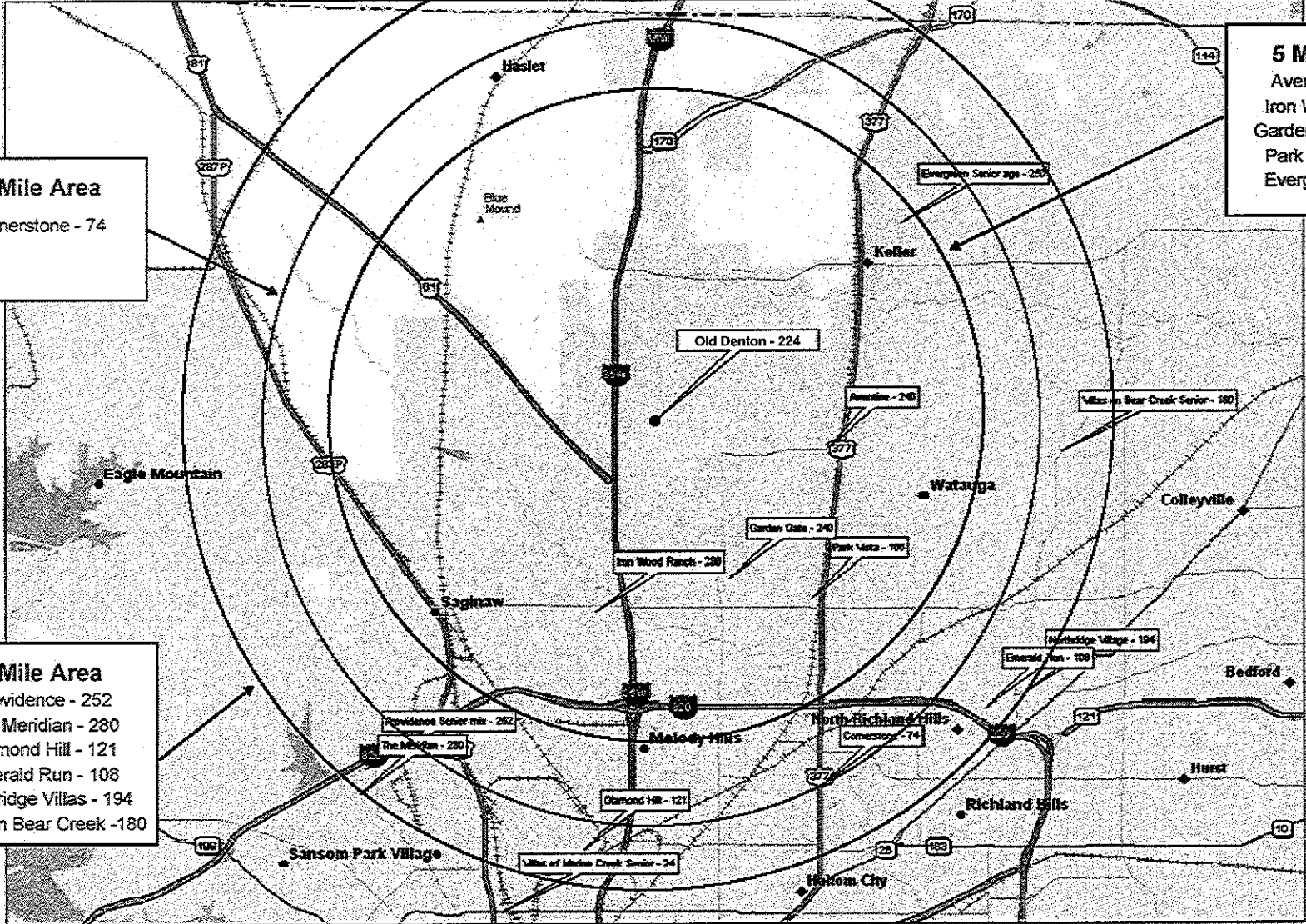
Mark Brast
Governing Committee Chairman
Manor Hill HOA

3941 Shiver Rd
Fort Worth, TX 76248

6 Mile Area
 Cornerstone - 74

5 Mile Area
 Aventine - 240
 Iron Wood - 280
 Garden Gate - 240
 Park Vista - 166
 Evergreen - 250

7 Mile Area
 Providence - 252
 The Meridian - 280
 Diamond Hill - 121
 Emerald Run - 108
 Northridge Villas - 194
 Villas on Bear Creek - 180



North Fort Worth Alliance

March 6, 2007

TDHCA Board
State of Texas
Attention: Ms. Teresa Morales
P.O. Box 13941
Austin, Texas 78711

RE: Position of Opposition to "Residences on Old Denton"

Dear Board Members,

The North Fort Worth Alliance of neighborhoods would like to formally oppose the proposed "Residences on Old Denton", a multi-family, affordable housing development in north Fort Worth, Texas. The North Fort Worth Alliance represents 19 neighborhoods containing over 14,000 households. Several of these neighborhoods have children who attend Heritage Elementary School, the boundaries of which would include this new proposed multi-family development.

The residents of Summerfield, as well as the adjoining Alliance neighborhoods, have requested the Alliance to join them in voicing opposition to this development. At this point, we understand that several hundred of the residents, who would be directly impacted by this multi-family development, have signed a letter of response objecting to this proposed development for the reasons listed below. The North Fort Worth Alliance also concurs with these statements.

1. The location of this proposed development will impact the infrastructure of the local area in a negative way. The roads are not equipped to handle the influx of additional traffic that this multi-family housing development would bring -- and there is no public transportation.
2. Heritage Elementary School is already at maximum capacity and is in the process of bussing Special Needs Children to other campuses. Keller ISD is suffering from overcrowding of classrooms at the current time. With the addition of a new multi-family housing development, it would only exacerbate the problems already being experienced.
3. This area is not adequately staffed with local law enforcement. Some neighborhoods have been forced to hire off-duty police officers and other security services to provide protection for their residents.
4. This area does not have adequate fire department services.
5. There are no local hospitals.
6. Currently in Keller and in north Fort Worth, there are five affordable housing additions within a five-mile radius of this proposed multi-family housing addition, and all of these current housing developments have ample vacancies. These vacancies would indicate that apparently there isn't a demand or need for this project to be completed. It would also seem that it would be preferable, as well as more logical, to spend these tax dollars in other areas of Texas where there are those who actually are in desperate need of this type of housing assistance.
7. There would be an increased concern for security due to the increase in population density.
8. Finally, the location of this development is not consistent with the City of Fort Worth's Comprehensive Plan.

The Alliance neighborhoods all share the strain caused by the lack of infrastructure and limited school space, as well as the direct impact of limited police and fire services. We believe that going forward with this proposed multi-family, affordable housing development would be a disservice to the existing residents as well as to the residents of the proposed development.

Sincerely yours,

LaraLee Phillips-Hogg
Executive Director
North Fort Worth Alliance

Teresa Morales

From: Mark Brast [Mark.Brast@Staubach.com]
Sent: Friday, March 09, 2007 5:34 PM
To: Teresa Morales
Cc: Lisa Black; momdemel@hotmail.com; laralee33@yahoo.com; jason.wylie@tklaw.com; Cmlotton@aol.com; kwstevenson@yahoo.com
Subject: FW: Rep. Truitt's Opposition Letter Concerning the Residences at Old Denton Road Development - Fort Worth, TX

Teresa – I would like to add a final item to our explanation of opposition to the development.

We have requested that Keller ISD review the attendance for Heritage elementary school whose boundaries include the development.

Per KISD Heritage Elementary will be at Max capacity in 2008 with 750 students. The developer is reporting only adding 116 students to the KISD enrolment however when the unit counts for the development were figured based on the Danter study as referenced on the TDHCA web site detailing affordable housing impact on a school district the total number of school age children were actually 178.

And regardless if the number is 116 or 178 once the development opens there will literally not be enough space to accommodate the additional students. An additional problem is the fact that there is also another existing track of land zoned multi-family a few blocks north on Old Denton (the same land Riverside Villas wished to develop) and at any time a multi-family development may go in and cause an incredible strain on the school system and add to the existing infrastructure issues.

Also I have attached the letter of opposition from Sen. Vicki Truitt

Thank you,

Mark Brast

Govt. Committee Chair - Manor Hill
 Executive Board - North Ft. Worth Alliance of Neighborhoods
 817.230.2604 (w) 817.750.0613 (h)
mark.brast@staubach.com

From: Cody W. Dumas [mailto:Cody.Dumas@house.state.tx.us]
Sent: Friday, March 09, 2007 2:55 PM
To: Mark Brast
Subject: FW: Rep. Truitt's Opposition Letter Concerning the Residences at Old Denton Road Development

From: Cody W. Dumas
Sent: Friday, March 09, 2007 2:53 PM
To: 'Teresa.Morales@tdhca.state.tx.us'
Cc: 'mark.brast@stauback.com'; 'Salvador.Espino@fortworthgov.org'
Subject: Rep. Truitt's Opposition Letter Concerning the Residences at Old Denton Road Development

Attached is State Representative Vicki Truitt's letter of opposition concerning The Residences at Old Denton Road multi-family affordable housing development that is under consideration by the Texas Department of Community and Housing Affairs. Please consider this opinion when hearing the case of this development.

Cody Dumas

3/12/2007

Impact of Low Income Housing Tax Credit Development on a Local School District

The Danter Company was commissioned to study the relative impact of LIHTC households with children on a local school district.

In order to identify the impact of LIHTC development on a local school district, The Danter Company surveyed resident managers and management companies at 59 LIHTC developments in a variety of locations, including urban, suburban, small cities

3,433 total units contained 4,913 children, an average of 1.43 children per rental unit

See case numbers below for Child per unit counts

	Children per unit	Pre-School	School age
Avg. all	1.43	0.66	0.78
2 bed	1.1	0.48	0.61
3 bed	1.89	0.73	1.16
4 bed	3.29	1.06	2.23

Study numbers applied to "Residences on Old Denton" proposed development

Development	Counts	Total Children	Pre-School	School age
Development	224	320.32	147.84	174.72
1 bed	32	NA	NA	NA
2 bed	96	105.6	46.08	58.56
3 bed	88	166.32	64.24	102.08
4 bed	8	26.32	8.48	17.84
Totals		298.24	118.8	178.48

Based on Danter Study numbers for Residences on Old Denton:

Total Children expected	298
Pre School	118
School Age	178

**Residences at Old Denton (#07622)
Developer Response**

NuRock Companies

580 Decker Drive ♦ Suite 208 ♦ Irving, Texas 75062
Phone 972-745-0756 ♦ Fax 678-218-1496

March 6, 2007

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

Re: Residences on Old Denton Road
Fort Worth, Texas
TDHCA #07622

Dear Ms. Morales:

We understand the Agency is receiving emails and other correspondence from some residents of North Fort Worth opposing the construction of the Residences on Old Denton Road. I would like to outline the significant effort NuRock has made to meet with the local neighborhood associations and the elected representatives to present the proposed Residences on Old Denton project, explain the tax credit program and discuss their concerns. NuRock representatives have had the following meetings:

December 6, 2006 – Jeff Baker, Planner and Bill Stone Assistant Superintendent of the Keller Independent School District. They indicated the affected schools currently have capacity for this project's students. We pointed out that we were building 224 units or over 80 units less than the property's current zoning allows. We described NuRock's Breakout program (the after school and summer learning program NuRock provides at every family oriented property) and how it works with the schools to aid resident's children. We discussed how the school district plans for growth. These gentlemen wanted to take a tour of other NuRock properties in the area.

December 18, 2006 – Tarrant County Commissioner Glen Whitley then County Judge elect. We presented the project and outlined the Breakout program. We also discussed the option of using the Tarrant County Housing Finance Corporation to issue the bonds.

December 19, 2006 – City of Fort Worth Councilman Sal Espino. The City's web page erroneously showed our site to be in Councilman Espino's district. After briefly presenting the project's features, Councilman Espino took no position on the project but encouraged us to meet with the neighborhood associations. He declined the invitation to tour NuRock properties as he has already visited the Residences of Diamond Hill in his district.

January 5, 2007 – Mr. Baker and Mr. Stone with the KISD toured NuRock's properties in Corinth (Tower Ridge) and Fort Worth (Residences at Diamond Hill) They viewed the properties and the Breakout facilities. NuRock made a commitment to work closely with the Keller ISD for the mutual benefit of our resident's children. We presented the fact that Breakout reduced our turnover which meant to them that the school district's need to bring new students "up to speed" was reduced. Both felt the ISD had capacity to take on the approximately 112 new students.

January 10, 2007 – City of Fort Worth Councilman Danny Scarth. We presented the project and outlined the Breakout program. He was neutral and asked us to communicate with the Summerfields Neighborhood Association.

January 11, 2007 – Tarrant County Commissioner Gary Fickes. We presented the project and outlined the Breakout program. He was generally in favor of workforce housing mentioning retail operators needing housing for employees.

January 16, 2007 – Senator Jane Nelson's field representative Ms. Haven Rowland. We presented the project and outlined the Breakout program. We asked for a future meeting with the Senator either in her Grapevine or Austin office.

January 18, 2007 -- Tarrant County Commissioner Fickes toured the Residences at Diamond Hill. He seemed impressed and suggested we speak with the Summerfields HOA as well.

January 23, 2007 -- Summerfields Neighborhood Association President Lance Griggs. We presented the project. NuRock agreed at this time to provide an 8 foot fence on the East property line and plant trees along this property line. We agreed to meet further with the association.

January 25, 2007 -- Summerfields Neighborhood Association wrote a letter of support which is attached.

February 15, 2007 Representative Vicki Truitt. We presented the project and outlined the Breakout program to Dan Sutherland, her Legislative Director. Representative Truitt briefly visited with us and indicated concern about the infrastructure in the area. After we explained the property had full infrastructure available she indicated her primary concern was the availability of sidewalks from the property to the schools. She took a copy of our presentation and indicated she would drive the area and call Jeff Baker at the school district that weekend and get back with us. We informed Jeff Baker that the Representative would be calling.

February 16, 2007 -- NuRock researched the existing sidewalks in the area, prepared a map showing that sidewalks were available from the site to all levels of schools and sent this information to the Representative's office. NuRock also researched if widening of Old Denton Road was in the City of Fort Worth's capital improvements programs in the future. Tom Leuschen, Capital Project's Manager with the City indicated it was not because the traffic counts didn't justify it. He referred us to the City's web page for those traffic counts. The counts on Old Denton are under 1,500 VPD each way. He indicated NuRock would be required to pay a Transportation Impact Fee as that program will be in place by the time we request building permits. Additionally, we might be required to improve the road in front of our property.

February 28, 2007 -- Officer T.D. Towns -- City of Fort Worth Police Department -- NuRock met with Officer Towns to discuss the development and Breakout program. We discussed ways to incorporate Police Department programs with our Breakout programs at this and other NuRock properties in Fort Worth.

March 2, 2007 -- Lara Lee Phillips-Hogg, the Executive Director of the North Fort Worth Alliance called NuRock's Irving office and asked for a meeting to discuss the development.

March 5, 2007 -- NuRock has responded by e-mail to Ms. Phillips-Hogg offering to make a presentation to a meeting of her organization.

We will continue to address the neighbor's and elected official's questions and concerns in our project design, construction and operation.

Sincerely,



Daniel Allgeier, Vice President
NuRock Development
dallgeier@nurock.com

Enclosures



December 19, 2006

Robert H. Sherman
SBG Development Services
2329 Ember Woods Drive
Roanoke, TX 76262

RE: 8108 Old Denton Road
W.W. Thompson Survey

To whom it may concern:

The above referenced property is currently shown on the City of Fort Worth Zoning Map No. 60-444 as zoned "C" Medium Density Multi-Family Residential District. The proposed/current use for this property, Multi-Family Residential, is in compliance with this zoning district. The "C" Medium Density Multi-Family Residential District permits uses as described in Chapter 4, Article 7, Pages 4-89 and 4-90 of the City of Fort Worth Zoning Ordinance No. 16086. A copy of Chapter 4, Article 7, Pages 4-89 and 4-90 are attached and made part of this letter. A duplicated portion of Zoning Map No. 60-444, which encompasses the location of the above-referenced property, is also attached and made a part of this letter.

Should you need additional information, contact me at (817) 392-8043.

Sincerely,

John Garfield
Applications Supervisor

JAG/lag



DEVELOPMENT DEPARTMENT

THE CITY OF FORT WORTH * 1000 THROCKMORTON STREET * FORT WORTH, TEXAS 76102-6311
FAX 817-392-7526

4.711 Medium Density Multifamily ("C") District

A. Purpose and Intent

It is the purpose of the Medium Density Multifamily ("C") District to provide a specific zone for medium density multifamily development, the construction and maintenance thereof as required by this Ordinance, approved under given guidelines to assure compatibility with surrounding properties, and such uses accessory thereto.

B. Uses

In the Medium Density Multifamily ("C") District, no building or land shall be used and no building shall be hereafter erected, reconstructed, altered or enlarged, nor shall a Certificate of Occupancy be issued, except in accordance with the use tables in Chapter 4, Articles 6 and 8 and the supplemental use standards of Chapter 5.

C. Property Development Standards

1. All one-family and two-family residential development may be developed under the property development standards of a one- or two-family district or the standards of Section 6.506, Unified Residential Development.
2. All multifamily residential development (3 or more dwelling units) shall meet the property development standards of Section 6.506, Unified Residential Development and the minimum dimension of lots and yards shall be as shown in the accompanying table.

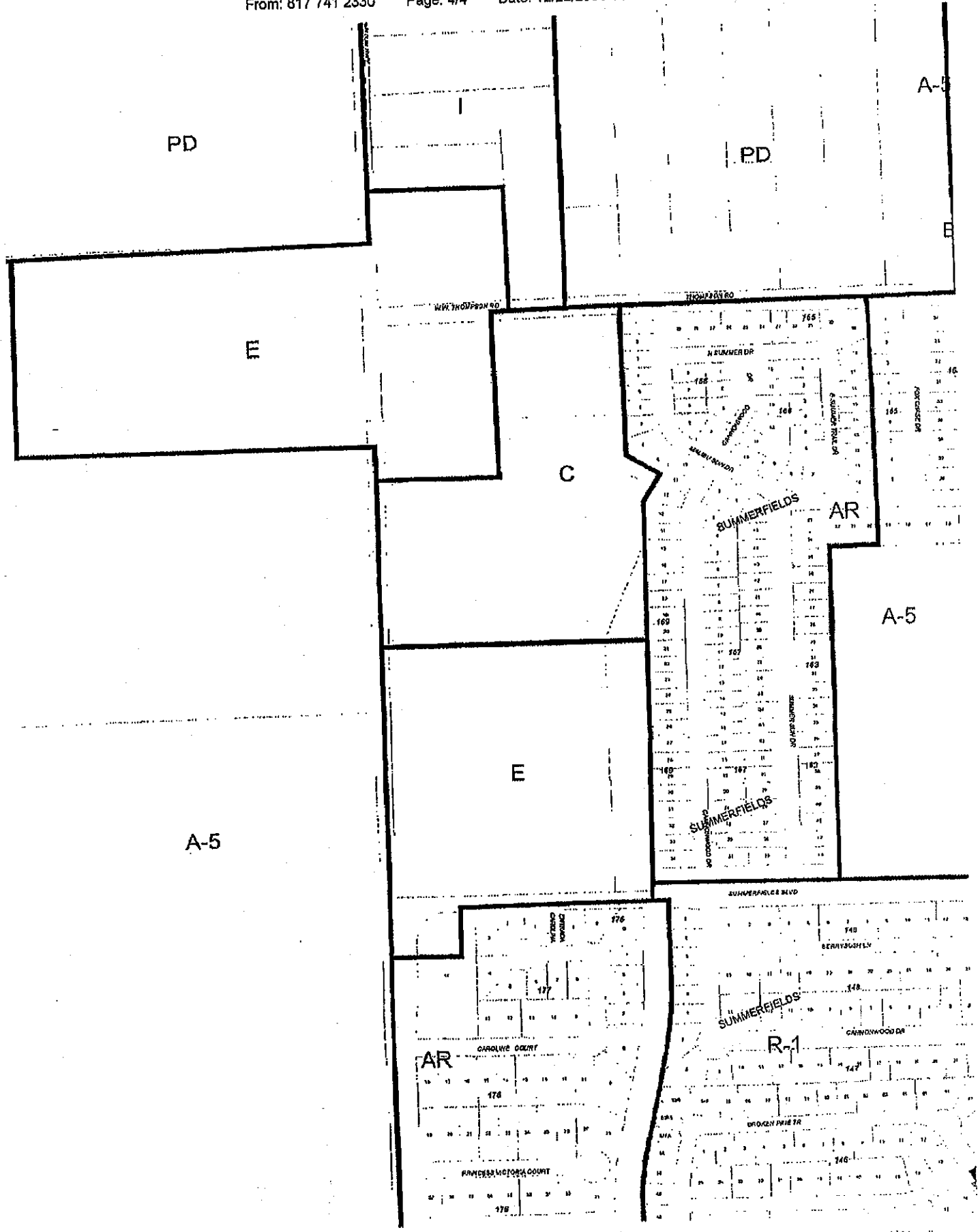
"C" District, Unified Residential Development	
Open Space	45 percent minimum (see Section 6.506)
Units per Acre	18 maximum
Front Yard*	20 feet minimum
Rear Yard	5 feet minimum
Side Yard*	
Interior lot	5 feet minimum
Corner lot **	20 feet minimum adjacent to side street
Residential Setback	30 feet minimum, depending on height (see Section 6.506D)
Height	32 feet maximum, slab to top plate (see Section 6.100)
Notes:	
*May be subject to projected front yard (Section 6.101F).	
** May be subject to other front, side and rear yard setback requirements (see Section 6.101C).	

COMMENTARY:

Carports – not allowed in front of building line or in required yards. (Sections 6.300B and 6.101A)

Fences - Up to 5 feet high in front yard and projected front yard for one-family and two-family residential dwellings per regulations in Section 5.305B.2; six-feet high in the front yard for multifamily developments subject to the Unified Residential requirements of Section 6.506 as constructed under Section 5.305B.3. (the design may include masonry columns to a maximum height of six feet, six inches); 2 feet high in public open space easement and 8 feet high behind front yard.

3. For all nonresidential uses in the Medium Density Multifamily ("C") District, the minimum dimension of lots and yards and the height of buildings shall be as shown in the accompanying table.





The Summerfields Neighborhood Association
6613 Longleaf Lane
Fort Worth, Texas 76137
(817)847-5322 Fax (817)282-0104

January 25, 2007

To: Robert H. Sherman
2329 Ember Woods Drive
Roanoke, TX 76262

Subject: Letter of Support for the NuRock Companies Development of the Residences at Old Denton Road

Mr. Sherman,

Thank you for meeting with me this week and providing additional details about the subject project. We truly appreciate the opportunity to work with developers during the planning phase of a project and thank you for the opportunity to do so. We now better understand your planned development and are thus able to provide a favorable endorsement.

I came away from our meeting with the following understandings:

- No zoning changes or variances will be required
- The proposed development meets all Fort Worth ordinances and standards
- The project will be built with less unit density than allowed by city codes and ordinances
- The developer is requesting no tax abatements
- Landscaping and design considerations will give a special emphasis aimed at maximizing the privacy of those single family homes bordering your development, particularly those directly to the east

I was also very favorably impressed with the planned after school and summer camp programs that will be provided at your facility. We also applaud your coordination with the Keller Independent School District to provide tutors for the children in these programs and to identify to your complex's management any child with discipline or behavioral problems. Our association believes that such after school and youth programs are a major need in our community.

Please keep us informed as the development process proceeds so that we can assist with any issues or concerns that may arise. Again, thank you for working with us.

Sincerely,

Lance R. Griggs, President

Dan Allgeier

From: Dan Allgeier
Sent: Friday, February 16, 2007 10:24 AM
To: 'dan.sutherland@house.state.tx.us'
Cc: 'RHSHERMAN@aol.com'
Subject: Residences on Old Denton, Thompson and Old Denton Roads, Fort Worth
Attachments: Friday, February 16, 2007 (2).pdf

Thank you for your time yesterday. At our meeting we provided you with information about our proposed Residences on Old Denton Road, a 224 unit multifamily site located on 17 acres at the southeast corner of Thompson Road and Old Denton Road. We provided information about this project and NuRock.

Nurock is seeking Representative Truitt's support for our application for private activity bonds and tax credits from the Texas Department of Housing and Community Affairs to finance the cost of construction of this community. Here is more information about this project:

Zoning

The site is currently zoned for multifamily housing with an allowed density of 18 units per acre or over 300 units. The proposed property has 80 units less than the zoning will allow.

NuRock

NuRock Development is an experienced, successful developer of multifamily housing with other properties in Fort Worth. NuRock provides our award winning Breakout© Program to residents. In cooperation with the local school district this after school and summer learning program provides residents with care and academic help for their children at no additional cost beyond their rent. More is available on our website nurock.com. We can arrange a tour of our Residences at Diamond Hill or Tower Ridge properties, both near the Old Denton Road site.

Community Outreach

We have met with the Summerfield Home Owner's Association; Tarrant County Judge Whitley and Commissioner Fickes; Sal Espino and Danny Scarth, City Councilmen; Jeff Baker and Bill Stone with the Keller ISD; and a member of Senator Nelson's staff to present this project and ask for their support. We have received a positive response from each of these officials. We have written support from the Homeowner's Association, and are requesting written support from the State officials for the Texas Bond Review Board.

Infrastructure

At our meeting, the Representative expressed concern about the infrastructure in the area. There are water, sewer, storm drainage and other utilities available at our site with sufficient capacity to serve our development. There is a new fire station and a police substation less than 3 miles away. There is a T bus stop at the corner of Buttonwood and Summerfield less than half a mile from the site. There are shopping, banks, outdoor and indoor recreation facilities and a library within three miles as well. All levels of schools (elementary, intermediate, middle and high schools in Keller ISD) are within

3/7/2007

Dan Allgeier

From: RHSHERMAN@aol.com
Sent: Friday, February 16, 2007 3:29 PM
To: jrbaker@kellerisd.net
Cc: Dan Allgeier
Subject: Map of sidewalks
Attachments: sidewalks.pdf

Jeff:

This map shows all schools can be reached by sidewalk. Our kids will never need to use a street that does not have a sidewalk.

We will build sidewalks at our entrances that connect to the existing ones.

Regards,

Robert H. (Bob) Sherman
SBG Development Services, L. P.
2329 Ember Woods Dr.
Roanoke, TX 76262
Phone 817-741-2329
Fax 817-741-2329
Mob 214-533-0937

3/7/2007

reasonable walking distance.

Roads

The roads and sidewalks seemed to be the issue with which the Representative was most concerned. Riverside Drive becomes Old Denton Road at Summerfields. It is improved from Summerfields south being four-lane with a median a quarter mile south of the intersection with Summerfields. Additionally, it has been improved at the intersection with Heritage Trace Parkway to the north. Although Old Denton Road is not on any current schedule for widening by the City, they intend to take a portion of our property for additional right of way and we are planning our project with that in mind. We will be required to escrow a yet to be determined amount for the cost of this widening and will have to pay a yet to be implemented traffic impact fee.

The traffic counts on Old Denton and Thompson aren't that high according to the City's most recent traffic information. Old Denton at Heritage Trace Parkway carries 1,312 vehicles per day (vpd) north bound and 7400 N Riverside has a count of 3,020 vpd north bound. These are the closest locations on Old Denton with traffic counts. We will have exits on both Old Denton and Thompson Roads, so our residents will have a couple of routes to choose from. Thompson Road has traffic counts of over 3,000 vpd around Fossil Ridge High School, but otherwise carries only about 1,000 vpd. All of these are low traffic counts. As a basis of comparison, Basswood at I-35 carries over 8,000 vpd one way.

SIDEWALKS

We looked at the sidewalks in the area particularly as they relate to travel to and from the schools. From our property to the east there will be continuous sidewalks to Heritage Elementary. The campus of Fossil Ridge High School is only partly accessible by sidewalks but students probably will cut across the playing fields to get to the school anyway. To the South, when we complete sidewalks on our property and across the property to the south, which we will do, there will be continuous sidewalk to Chisholm Intermediate School. Fossil Hill Middle School is in the middle of a neighborhood without sidewalks, but all these streets are residential in nature. We will have better walking access to schools than most of the single family homes in the neighborhood.

We have attached a map showing the existing sidewalk locations.

After Representative Truitt has had the opportunity to look at the site we hope she can support this needed development. Please contact me with any additional questions.

*Dan Allgeier
Vice President
NuRock Development
580 Decker Drive
Suite 208
Irving, TX 75062
(972) 745-0756
direct fax (678) 218-1496
mobile (214) 277-4839*

3/7/2007

Subj: Re: Bob:
Date: 1/16/2007
To: jrbaker@kellerisd.net
CC: dallgeier@nurock.com

In a message dated 1/8/2007 9:49:10 P.M. Central Standard Time, jrbaker@kellerisd.net writes:

Bob:

Good evening. I hope you are doing well. I wanted to touch base with you regarding Nu Rock's proposed development in our district. Generally, I am required to develop a weekly update for our school board regarding any new development activity. This is just a synopsis of any upcoming new developments. I wanted to give you the opportunity to write or to provide a detailed summary of the potential development for the Thompson Road and Old Denton Road site. I think this would be a good opportunity for you to provide information that you would like for me to include in my weekly update to our school board regarding this project. I would need any information you would like to provide by Wednesday, January 17th.

Finally, I just want to say thank you for allowing us to view two of your properties. I definitely appreciate the tour. I hope you have a good day tomorrow and I look forward to hearing from you soon. Take care.

Sincerely,

Jeff

Jeff Baker
Keller Independent School District
350 Keller Parkway
Keller, Texas 76248
Director of Planning and Development
817-744-1207 (Work)
817-233-4960 (Cell)

Jeff:

Please call me today and I will give you the information to use. Basically it is as follows.

- 1 Use the unit mix and rents on the sheet entitled Volume 1 Tab 2 Populations served.
- 2 Use the Breakout information for the after school and summer kids programs.

3 Use the map for location.

4 Mention that there will be a Public Hearing probably at one of your schools in the next few months.

5 Also we will address your board separately if asked to do so.

We can't release the family / children count to you. We don't have the residents permission. It's also a liability issue identifying the ages of kids etc.

Regards,

Robert H. (Bob) Sherman

SBG Development Services, L. P.
2329 Ember Woods Dr.
Roanoke, TX 76262
Ph 817-741-2329
Fax 817-741-2330
Mob 214-533-0937

Subj: **Re: Meeting with the North Fort Worth Alliance Land Use Committee**
Date: 3/5/2007 8:58:07 A.M. Central Standard Time
From: **RHSHERMAN**
To: laralee33@yahoo.com

Lara:

Please call me at your earliest convenience to set up a meeting.

Regards,

Robert H. (Bob) Sherman

SBG Development Services, L. P.
2329 Ember Woods Dr.
Roanoke, TX 76262
Phone 817-741-2329
Fax 817-741-2329
Mob 214-533-0937

In a message dated 3/2/2007 5:40:10 P.M. Central Standard Time, laralee33@yahoo.com writes:

Sounds good.
Lara Lee

RHSHERMAN@aol.com wrote:

Lara:

I think that date is too early. NuRock likes to be thorough and make a good presentation and our planning is not quite finished. I will ask them on Monday and get back to you.

Regards,

Robert H. (Bob) Sherman

SBG Development Services, L. P.
2329 Ember Woods Dr.
Roanoke, TX 76262
Phone 817-741-2329
Fax 817-741-2329
Mob 214-533-0937

In a message dated 3/2/2007 11:36:59 AM Central Standard Time,

laralee33@yahoo.com writes:

Hi Robert,
Thanks for speaking with me on the phone this morning. We would like to take you up on your offer to meet concerning the project on Old Denton. Would you be available on the evening of the 6th or 7th?
Thanks,
Lara Lee
Executive Director - North Fort Worth Alliance

We won't tell. Get more on shows you hate to love
(and love to hate): Yahoo! TV's Guilty Pleasures list.

AOL now offers free email to everyone. Find out more about what's free from AOL at AOL.com.

Get your own web address.
Have a HUGE year through Yahoo! Small Business.

AOL now offers free email to everyone. Find out more about what's free from AOL at AOL.com.

BOND FINANCE DIVISION

BOARD ACTION REQUEST

March 20, 2007

Action Items

Presentation, Discussion and Possible Approval of Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A, (Program 69).

Required Action

Approval of resolution 07-005 authorizing issuance of Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A, (Program 69).

Background

As of February 26, 2007, 73% or \$96.5 million of the \$132 million of Program 68 lendable proceeds have been purchased, or are in the pipeline to be purchased. Of the \$35.5 million remaining in Program 68, \$30.5 million are restricted for families earning 60% Area Medium Family Income (AMFI). All unrestricted Hurricane Rita Gulf Opportunity Zone (Rita GO Zone) funds have been expended. If TDHCA's single family lending continues at its current pace, staff projects expending all statewide unrestricted funds by May 2007. In addition, staff has surveyed our lenders and there remains strong demand for our product.

The following table illustrates the various components of this proposed transaction.

Program	Series	Amount *	Purpose	Bond Description
69	2007 A	\$90,715,000	Tax-Exempt Take Out of Authority for Below Market Rate Mortgages	Variable Rate Demand Bonds Hedged with a Swap
69	2007 A	15,607,000	Tax-Exempt Take Out of Authority for Below Market Rate Mortgages for Rita GO Zone	Variable Rate Demand Bonds Hedged with a Swap
69	2007 A	37,305,000	Economic Refunding of Single Family 1997 Series A and Series D	Variable Rate Demand Bonds Hedged with a Swap
Total		<u>\$143,627,000</u>		

* Preliminary, subject to change

Bond Finance Division and the Texas Home Ownership Program Division have analyzed the current mortgage market and found mortgage rates in Texas are at approximately 5.50% with 2 points. In order for TDHCA mortgages to be competitive we are proposing an unassisted mortgage rate at 5.15% and an assisted mortgage rate at 6.15% (borrowers receiving a 5% grant for down payment assistance are typically not as rate sensitive.) TDHCA will provide approximately \$58 million of unassisted and \$48 million of assisted mortgages with this structure. Based on mortgage market

conditions in Texas at the time of pricing, Bond Finance can make adjustments to the unassisted and assisted mortgage rates to remain competitive.

No 0% funds remain, having been exhausted on previous bond deals, and the use of fixed rate bonds at current interest rates alone will not allow TDHCA to offer competitive rates *and* achieve full spread on Program 69 financing. The Department will be able to generate approximately \$4.7 million of new 0% funds with the refunding of \$27.1 million of 1997 Series A bonds and \$10.2 million of 1997 Series D bonds, but even using this newly created subsidy will not get TDHCA to full spread rates while still offering competitive rates. Therefore, to achieve full spread and have competitive mortgage rates, staff believes that it is necessary to consider a bond structure that is entirely variable rate demand bonds (to be hedged with an interest rate swap to reduce interest rate exposure) so the Department may replenish 0% funds. The use of 0% funds can be used to blend down the mortgage rate to achieve Department goals as well as subsidize down payment assistance. If all or a portion of the 0% fund is not needed for Program 69 it will be banked and used for programs to achieve competitive mortgage rates in the future.

The Department has prudently utilized a variable rate bond structure with a hedged swap four times in recent years when the market environment has warranted it and the rating agencies are very comfortable with our approach as evidenced by last year's S&P upgrade to AAA. Staff believes that mortgage interest rates created under this structure will be competitive enough with the conventional market for the Department to continue to generate demand for its lending products, achieve full spread, and potentially generate substantial subsidy for use in the future.

Staff successfully incorporated TDHCA's first variable rate demand bonds (VRDB) and an interest rate swap for 30% of the transaction total in March of 2004. Subsequently, TDHCA has issued VRDBs with swaps for 40% of the transaction total in October 2004, 100% of the transaction total in April 2005 and 30% of the transaction total in November 2006.

Staff recommends issuing 100% of this structure in the form of variable rate demand bonds. This structure will lower the cost of borrowing to the Department thereby allowing the Department to lower the mortgage rate to first-time homebuyers, while also generating future subsidy. In order to reduce interest rate exposure associated with unhedged variable interest rates that change according to market conditions, staff recommends implementing a hedge referred to as an interest rate swap. An interest rate swap is a contractual agreement whereby two parties, called counterparties, agree to exchange periodic interest payments. Through an interest rate swap agreement, TDHCA will pay a highly rated counterparty, Bear Stearns, a fixed interest rate. In exchange, Bear Stearns will pay TDHCA a variable interest rate which is reasonably expected to be similar to the variable interest rate TDHCA will pay on the variable rate demand bonds. An interest rate swap contract is a derivative security.

The interest rate swap proposed for this transaction will be very similar to a swap that TDHCA's entered into with Bear Stearns in 2005, with the exception that no bond insurance will be required due to the fact that our indenture rating is now rated AAA with Standard and Poor's. The mortgage rates and assistance offered by the Department in this transaction, in addition to achieving the primary goal of being very attractive to first-time homebuyers and borrowers in need of assistance, will also be at the maximum rates allowable under the Federal Tax Code (referred to as "full spread rates").

The table below reflects three structuring options – all assuming the same target mortgage rates – assuming (1) 100% fixed, (2) a mix of fixed and variable rate, and (3) 100% hedged variable rate bonds. Scenario 1 does not achieve full spread, and causes a reduction in the SFMRB indenture's wealth of approximately \$1.255 million. Scenario 2 is at full spread, does not reduce the indenture's

wealth, and generates \$1.414 million in future subsidy. Likewise, scenario 3 is at full spread without reducing the indenture’s wealth, but it generates substantially more subsidy -- approximately \$7.716 million – and has much lower transaction costs than either Scenario 1 or 2.

Scenario *	1	2	3
Bond Structure	100% Fixed Rate Bonds	70% Fixed Rate Bonds, 30% Hedged Variable Bonds	100% Hedged Variable Rate Bonds
Unassisted Mortgage Rate	5.15%	5.15%	5.15%
Assisted Mortgage Rate (5% Statewide)	6.15%	6.15%	6.15%
Assisted Mortgage Rate (5% Rita GO Zone)	6.15%	6.15%	6.15%
Projected Transaction Costs	\$950,000	\$815,000	\$320,000
Cost of Not Lending at “Full Spread”	\$1,255,000	\$0	\$0
Future Subsidy Generated	\$0	\$1,414,000	\$7,716,000

* Preliminary, subject to change.

Program 69’s mortgages will be securitized and will be marketed to very low, low and moderate income residents of Texas. If authorized, the rates are expected to be established in early May and the bond closing will be on June 5, 2007.

Continuing with the senior manager rotation plan, Bond Finance recommends Bear, Stearns & Co. Inc. as senior manager for this issuance of TDHCA’s proposed 2007 Series A bonds. In keeping with TDHCA’s policy of rotating firms in the co-senior and co-manager pool, Bond Finance recommends the following firms and roles for this transaction:

Firm	Role
George K. Baum & Co.	Co-Senior
Estrada Hinojosa	Co-Manager
Morgan Keegan	Co-Manager
M.R. Beal and Company	Co-Manager
Piper Jaffray	Co-Manager

In the bond market, a syndicate of bankers is needed to market the structure. The number of bonds available for sale typically dictates the size of the syndicate needed at the time of pricing. With TDHCA’s structures over \$100 million, a pool of bankers including the senior underwriter, co-senior and four co-managers have previously been successfully used to market the bonds.

Recommendation

Approval of resolution 07-005 authorizing issuance of Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A, (Program 69).

Transaction Overview

Program Designation	Program 69
Bond Indenture	Single Family Mortgage Revenue Bond Indenture
2007 Private Activity Bond Authority	\$106,322,000
1997 Series A Bond Refunding	\$ 27,120,000
1997 Series D Bond Refunding	\$ 10,185,000
Total Program 69 Issuance	<u>\$143,627,000</u>
Statewide Assisted Funds	\$ 32,774,000 (Very Low Income Reservation 60% AMFI for One Year)
Statewide Unassisted Funds	\$ 51,677,000
Statewide Unassisted Funds	\$ 6,264,000 Targeted Areas
Hurricane Rita GO Zone Assisted Funds	\$ 15,607,000
Total Approximate Lendable Proceeds	<u>\$106,322,000</u>
Down Payment Assistance (%)	5% (For Very Low Income Reservation and GO Zone)
Single Family Refunding Candidates	1997 Series A, 1997 Series D
Approximate Refunding Amount	\$ 37,305,000
Total Tax-exempt Issuance Amount	\$143,627,000

Transaction Timetable *

Activity	Key Dates
TDHCA Preliminary Approval	February 1, 2007
Bond Review Board Planning Session	March 13, 2007
TDHCA Approval Date	March 20, 2007
Bond Review Board Approval	March 22, 2007
Pricing	May 2, 2007
Pre-Closing/Closing Dates	June 4-5, 2007

* Timetable preliminary and subject to change

Mortgage Pipeline Information

Current lendable proceeds in existing programs as of February 26, 2007

Program Number	Current Allocation	Rate	Committed/ In Pipeline	Loans Purchased	Uncommitted Allocation
61	175,865,983	4.99%- 5.50%	1,218,483	174,647,500	0.00
62A	101,764,092	4.99%	5,914,647	95,849,445	0.00
66 *	241,384,473	5.625% 5.875% 6.125%	154,695,881	69,529,583	17,159,009
68 **	132,030,000	5.65% 5.99% 6.20%	66,066,382	30,455,348	35,508,270
TOTAL:	\$651,044,548		\$227,895,393	\$370,481,876	\$52,667,279

* Of the \$17.1 million uncommitted under Program 66, \$16.6 million are for families with income below 60% AMFI. This restriction will be lifted on June 29, 2007 and mortgage loans with down payment assistance will be made available to families with income up to 140% AMFI.

** Of the \$35.5 million uncommitted under Program 68, \$30.5 million are for families with income below 60% AMFI. This restriction will be lifted on November 16, 2007 and mortgage loans with down payment assistance will be made available to families with income up to 140% AMFI.

Resolution No. 07-005

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE BONDS, 2007 SERIES A; AUTHORIZING THE APPROVAL OF THE FORM AND SUBSTANCE OF THE SUPPLEMENTAL INDENTURE, THE DEPOSITORY AGREEMENT, THE PROGRAM GUIDELINES, THE SERVICING AGREEMENT, THE COMPLIANCE AGREEMENT, THE FUNDING AGREEMENT, THE BOND PURCHASE AGREEMENT, THE CONTINUING DISCLOSURE AGREEMENT, THE REMARKETING AGREEMENT, THE TENDER AGENT AGREEMENT, THE STANDBY BOND PURCHASE AGREEMENT, THE CONFIRMATION AND THE OFFICIAL STATEMENT FOR THE BONDS; AUTHORIZING THE APPROVAL OF THE FORM AND SUBSTANCE OF AMENDMENTS TO THE SINGLE FAMILY MORTGAGE REVENUE BOND TRUST INDENTURE IN CONNECTION WITH THE ISSUANCE OF THE BONDS; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended from time to time (the "Act"), for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department (the "Governing Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to acquire, and to enter into advance commitments to acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds and to enter into interest rate swap agreements related to such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Act and Chapter 1207, Texas Government Code, as amended, further authorize the Department to issue its revenue bonds for the purpose of refunding any bonds theretofore issued by the Department or the Texas Housing Agency, its predecessor (the "Agency"), under such terms, conditions and details as shall be determined by the Governing Board; and

WHEREAS, the Department has, pursuant to and in accordance with the provisions of the Act, issued, sold and delivered its Single Family Mortgage Revenue Bonds, 1997 Series A (the "1997 A Bonds") and its Single Family Mortgage Revenue Bonds, 1997 Series D (the "1997 D Bonds") pursuant to the Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 (as amended by supplemental indentures numbered First through Fifty-Third and any amendments thereto, collectively, the "Single Family Indenture") between the Department, as successor to the Agency, and The Bank of New York Trust Company, N.A., as successor trustee (the "Trustee"), to implement the various phases of the Agency's (now the Department's) Single Family Mortgage Revenue Bond Program; and

WHEREAS, Section 302 of the Single Family Indenture authorizes the issuance of additional Bonds for the purposes of acquiring Mortgage Loans or participations therein, payment of costs of issuance, funding of reserves, payments of certain Department expenses and refunding Bonds; and

WHEREAS, the Governing Board has determined to authorize the issuance of the Department's Single Family Mortgage Revenue Bonds, to be known as its Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A (the "2007 Series A Bonds") pursuant to the Single Family Indenture for the purposes of (i) providing funds to make and acquire qualifying mortgage loans (including participations therein through the purchase of mortgage-backed securities ("Mortgage Certificates") issued and guaranteed by Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") or Government National Mortgage Association ("Ginnie Mae")) (referred to herein as "Mortgage Loans"), to provide down payment and closing cost assistance, to fund capitalized interest and to pay a portion of the costs of issuance and (ii) refunding the Department's outstanding 1997 A Bonds and the Department's outstanding 1997 D Bonds (collectively, the "Refunded Bonds") within 90 days after the date of delivery of the 2007 Series A Bonds; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Fifty-Fourth Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the "Fifty-Fourth Supplemental Indenture") in substantially the form attached hereto relating to the 2007 Series A Bonds; and

WHEREAS, in connection with the issuance of the 2007 Series A Bonds, the Department desires to authorize the execution and delivery of the Fifty-Fifth Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the "Fifty-Fifth Supplemental Indenture") containing certain amendments to the Single Family Indenture, including, without limitation, deletion of references to the cash management mutual fund of a predecessor to the Trustee and amendment of the requirement for filing or recordation of mortgage instruments to require that Mortgage Certificates acquired with bond proceeds be registered in the name of the Trustee or its nominee, such Fifty-Fifth Supplemental Indenture to take effect upon receipt of the Trustee's written consent; and

WHEREAS, the Fifty-Fourth Supplemental Indenture and the Fifty-Fifth Supplemental Indenture are hereinafter collectively referred to as the "Supplemental Indentures"; and

WHEREAS, the Governing Board has determined to authorize the execution and delivery of a 2007 A Supplement to Depository Agreement relating to the 2007 Series A Bonds (the "Depository Agreement"), by and among the Department, the Trustee and the Texas Treasury Safekeeping Trust Company, in substantially the form attached hereto to provide for the holding, administering and investing of certain moneys and securities relating to the 2007 Series A Bonds; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Program Guidelines (the "Program Guidelines") in substantially the form attached hereto, setting forth the terms and conditions upon which Mortgage Loans will be purchased by the Department and the terms of such Mortgage Loans; and

WHEREAS, under the Program Guidelines, 100% of the funds available under the Department's single family mortgage purchase program designated as Bond Program No. 69 (the "Program") will be available to Mortgage Lenders participating in a controlled, first-come, first-served reservation system with (a) approximately 30% of such funds reserved in the first year of the Program to finance Mortgage Loans to eligible borrowers having a family income not exceeding 60% of applicable median family income, (b) approximately 20% of such funds reserved in the first year of the Program to finance Mortgage Loans to eligible borrowers in certain targeted areas and (c) approximately \$15,000,000 of such funds reserved in the first year of the Program to finance Mortgage Loans to eligible borrowers in the Hurricane Rita Gulf Opportunity Zone; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Program Administration and Servicing Agreement (the "Servicing Agreement") in substantially the form attached hereto setting forth the terms under which Countrywide Home Loans, Inc., as master servicer (the "Servicer"), will review, acquire, package and service the Mortgage Loans and sell the Mortgage Certificates to the Trustee on behalf of the Department; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Compliance Agreement (the "Compliance Agreement") in substantially the form attached hereto setting forth the terms under which Countrywide Home Loans, Inc., as compliance agent (the "Compliance Agent"), will review and examine certain documents submitted by the Mortgage Lenders in connection with the Mortgage Loans to ensure compliance with the requirements of the Department set forth therein; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Funding Agreement (the "Funding Agreement") in substantially the form attached hereto setting forth the terms under which the Servicer will advance funds to the Department to be used to pay a portion of the costs of issuance of the 2007 Series A Bonds; and

WHEREAS, the Governing Board has further determined that the Department should enter into one or more Bond Purchase Agreements relating to the sale of the 2007 Series A Bonds (collectively, the "Bond Purchase Agreement") with Bear, Stearns & Co. Inc. as representative of the group of underwriters listed on Exhibit A to this Resolution (the "Underwriters"), and/or any other parties to the Bond Purchase Agreement as authorized by the execution thereof by an authorized representative of the Department named in this Resolution, in substantially the form attached hereto setting forth certain terms and conditions upon which the Underwriters and/or any other parties will purchase the 2007 Series A Bonds from the Department and the Department will sell the 2007 Series A Bonds to the Underwriters and/or any other parties to the Bond Purchase Agreement; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") in substantially the form attached hereto between the Department and the Trustee; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Remarketing Agreement relating to the 2007 Series A Bonds (the "Remarketing Agreement") with Bear, Stearns & Co. Inc., as remarketing agent (the "Remarketing Agent"), in substantially the form attached hereto setting forth the terms under which the 2007 Series A Bonds will be remarketed from time to time; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Tender Agent Agreement relating to the 2007 Series A Bonds (the "Tender Agent Agreement") among the Department, the Remarketing Agent and The Bank of New York Trust Company, N.A., as tender agent and paying agent (the "Tender Agent"), in substantially the form attached hereto setting forth the terms under which the Tender Agent will purchase 2007 Series A Bonds subject to optional and mandatory tender by the owners thereof; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Standby Bond Purchase Agreement relating to the 2007 Series A Bonds (the "Standby Bond Purchase Agreement") with DEPFA BANK plc, acting by and through its New York Branch (the "Liquidity Bank"), and the Tender Agent, in substantially the form attached hereto setting forth the terms under which the Liquidity Bank will advance funds from time to time for the purchase of 2007 Series A Bonds; and

WHEREAS, the Governing Board has determined that it may reduce its obligation to pay interest on the 2007 Series A Bonds by issuing the 2007 Series A Bonds as variable rate bonds and entering into an interest rate swap transaction (the "Swap Transaction") with respect to the 2007 Series A Bonds, pursuant to which the Department would agree to pay the swap provider a fixed interest rate (the "Fixed Rate"), and the swap provider would agree to pay the Department a variable interest rate based upon a formulation approved

by an authorized representative of the Department named in this resolution (the “Floating Rate Option”), in each case on an initial notional principal amount equal to the anticipated principal amount of the 2007 Series A Bonds that will be reduced according to the anticipated amortization schedule of the 2007 Series A Bonds; and

WHEREAS, the expected close correlation between the Floating Rate Option and the interest rate payable by the Department on the 2007 Series A Bonds, when combined with the Fixed Rate payable by the Department, will result in the Department having a virtual “synthetic” fixed rate obligation with respect to the 2007 Series A Bonds; and

WHEREAS, the Governing Board has determined to enter into the Swap Transaction with Bear Stearns Financial Products Inc. or such other swap counterparty approved by an authorized representative of the Department named in this resolution (in any event, the “Swap Counterparty”); and

WHEREAS, the Department has previously entered into an ISDA Master Agreement dated April 14, 2005 and the Schedule thereto with Bear Stearns Financial Products Inc. and desires to enter into a confirmation of the Swap Transaction with the Swap Counterparty (the “Confirmation”); and

WHEREAS, the Governing Board desires to grant a subordinate lien on the Trust Estate (as defined in the Single Family Indenture) to the Swap Counterparty as set forth in the Fifty-Fourth Supplemental Indenture; and

WHEREAS, the Governing Board has been presented with a draft of an official statement to be used in the public offering of the 2007 Series A Bonds (the “Official Statement”) and the Governing Board desires to approve such Official Statement in substantially the form attached hereto; and

WHEREAS, the Governing Board has determined to authorize the investment of a portion of the proceeds of the 2007 Series A Bonds and any other amounts held under the Single Family Indenture with respect to the 2007 Series A Bonds in one or more guaranteed investment contracts (the “GICs”) on or after the closing date or such other investments as the authorized representatives named herein may approve; and

WHEREAS, the Governing Board desires to approve the use of an amount not to exceed \$250,000 of Department funds for any purpose authorized under the Act and the Single Family Indenture, including to pay a portion of the costs of issuance of the 2007 Series A Bonds, to fund down payment and closing cost assistance, to fund capitalized interest or to pay a portion of the redemption price of the Refunded Bonds; and

WHEREAS, in accordance with Section 2306.142(m) of the Act, the Governing Board has determined that the issuance of bonds to finance Mortgage Loans to meet the credit needs of borrowers in underserved economic and geographic submarkets in the State is unfeasible or would damage the financial condition of the Department and desires to authorize the authorized representatives of the Department named in this Resolution to seek from the Texas Bond Review Board a waiver of the requirements of Section 2306.142(l) of the Act; and

WHEREAS, the Governing Board hereby determines that the purpose for which the Department may issue the 2007 Series A Bonds constitutes “public works” as contemplated by Chapter 1371, Texas Government Code, as amended; and

WHEREAS, the Governing Board desires to approve the forms of the Supplemental Indentures, the Depository Agreement, the Program Guidelines, the Servicing Agreement, the Compliance Agreement, the Funding Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Remarketing Agreement, the Tender Agent Agreement, the Standby Bond Purchase Agreement, the Confirmation and the Official Statement, in order to find 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 to implement the Program in accordance with such documents by authorizing the issuance of the 2007 Series A Bonds, the execution and

delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the Program; 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 2007 Series A Bonds. That the issuance of the 2007 Series A Bonds is hereby authorized, all under and in accordance with the Single Family Indenture, and that, upon execution and delivery of the Fifty-Fourth Supplemental Indenture, the authorized representatives named herein are each hereby authorized to execute, attest and affix the Department's seal to the 2007 Series A Bonds and to deliver the 2007 Series A Bonds to the Attorney General of Texas (the "Attorney General") for approval, the Comptroller of Public Accounts of the State of Texas (the "Comptroller") for registration and the Trustee for authentication, and thereafter to deliver the 2007 Series A Bonds to or upon the order of the Underwriters and/or any other parties pursuant to the Bond Purchase Agreement.

Section 1.2--Authority to Approve Form of Documents, Determine Interest Rates, Principal Amounts, Maturities and Prices. That the Chair of the Governing Board or the Executive Director of the Department (i) are hereby authorized and empowered to determine whether the 2007 Series A Bonds shall be issued on a taxable or a tax-exempt basis and to determine whether the 2007 Series A Bonds will be issued as new money bonds, refunding bonds, or governmental purpose bonds (or any combination thereof) and (ii) are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, as amended, to fix and determine the interest rates (which will be determined from time to time by the Remarketing Agent), principal amounts and maturities of, and the prices at which the Department will sell to the Underwriters and/or any other parties to the Bond Purchase Agreement, the 2007 Series A Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair of the Governing Board or the Executive Director of the Department of the Fifty-Fourth Supplemental Indenture, the Bond Purchase Agreement, the Depository Agreement and the Official Statement; provided, however, that: (a) the net effective interest rate on the 2007 Series A Bonds shall not exceed 6.00% per annum, (b) the aggregate principal amount of the 2007 Series A Bonds shall not exceed \$150,000,000; (c) the final maturity of the 2007 Series A Bonds shall occur not later than September 1, 2039; (d) the price at which the 2007 Series A Bonds are sold to the Underwriters and/or any other parties to the Bond Purchase Agreement shall not exceed 105% of the principal amount thereof; and (e) the Underwriters' fee shall not exceed the amount approved by the Texas Bond Review Board. In no event shall the interest rate on the 2007 Series A Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law. Notwithstanding anything herein to the contrary, the interest rate on 2007 Series A Bonds held by the Liquidity Bank shall be determined as provided in the Standby Bond Purchase Agreement.

Section 1.3—Confirmation of Swap Transaction. That the authorized representatives of the Department named in this resolution are hereby severally authorized and directed to negotiate and enter into a Confirmation, provided that (i) the initial notional amount of the Swap Transaction is equal to the anticipated initial principal amount of the 2007 Series A Bonds, (ii) the Swap Transaction shall terminate on the anticipated final maturity date of the 2007 Series A Bonds, and (iii) the Fixed Rate may not exceed 6.00% per annum, and such authorized representatives are hereby severally directed and authorized, in the name and on behalf of the Department to execute and deliver, and, if requested, affix the seal of the Department to, the Confirmation.

Section 1.4--Approval, Execution and Delivery of the Supplemental Indentures. That the form and substance of the Supplemental Indentures 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 Supplemental Indentures, and to deliver the Supplemental Indentures to the Trustee.

Section 1.5--Approval of Depository Agreement. That the form and substance of the Depository Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Depository Agreement and to deliver the Depository Agreement to the Trustee and to the Texas Treasury Safekeeping Trust Company.

Section 1.6--Approval of Program Guidelines. That the form and substance of the Program Guidelines are hereby authorized and approved.

Section 1.7--Approval of Servicing Agreement. That the form and substance of the Servicing Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Servicing Agreement and to deliver the Servicing Agreement to the Trustee and the Servicer.

Section 1.8--Approval of Compliance Agreement. That the form and substance of the Compliance Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Compliance Agreement and to deliver the Compliance Agreement to the Compliance Agent.

Section 1.9--Approval of Funding Agreement. That the form and substance of the Funding Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Funding Agreement and to deliver the Funding Agreement to the Servicer and the Trustee.

Section 1.10--Approval, Execution and Delivery of the Bond Purchase Agreement. That the sale of the 2007 Series A Bonds to the Underwriters and/or any other parties pursuant to the Bond Purchase Agreement is hereby approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Underwriters and/or any other parties to the Bond Purchase Agreement.

Section 1.11--Approval of Continuing Disclosure Agreement. That the form and substance of the Continuing Disclosure Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Continuing Disclosure Agreement and to deliver the Continuing Disclosure Agreement to the Trustee.

Section 1.12--Approval, Execution and Delivery of the Remarketing Agreement. That the form and substance of the Remarketing Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Remarketing Agreement and to deliver the Remarketing Agreement to the Remarketing Agent.

Section 1.13--Approval, Execution and Delivery of the Tender Agent Agreement. That the form and substance of the Tender Agent Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Tender Agent Agreement and to deliver the Tender Agent Agreement to the Remarketing Agent and the Tender Agent.

Section 1.14--Approval, Execution and Delivery of the Standby Bond Purchase Agreement. That the form and substance of the Standby Bond Purchase Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute,

attest and affix the Department's seal to the Standby Bond Purchase Agreement and to deliver the Standby Bond Purchase Agreement to the Liquidity Bank.

Section 1.15--Approval of Subordinate Lien. That the Department hereby authorizes the granting of a subordinate lien on the Trust Estate to the Swap Counterparty.

Section 1.16--Official Statement. That the Official Statement relating to the 2007 Series A Bonds, in substantially the form presented to the Governing Board, is hereby approved; that prior to the execution of the Bond Purchase Agreement, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, are hereby authorized and directed to finalize the Official Statement for distribution by the Underwriters to prospective purchasers of the 2007 Series A Bonds, with such changes therein as the authorized representatives of the Department named in this Resolution may approve in order to permit such an authorized representative, for and on behalf of the Governing Board, to deem the Official Statement relating to the 2007 Series A Bonds final as of its date, except for such omissions as are permitted by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), such approval to be conclusively evidenced by the distribution of such Official Statement; and that within seven business days after the execution of the Bond Purchase Agreement, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, shall cause the final Official Statement, in substantially the form of the Official Statement attached hereto, with such changes as such an authorized representative may approve, such approval to be conclusively evidenced by such authorized representative's execution thereof, to be provided to the Underwriters in compliance with Rule 15c2-12.

Section 1.17--Approval of GIC Broker; Approval of Investment in GICs. That the Executive Director or the Director of Bond Finance and the Chair of the Governing Board are hereby authorized to select a GIC Broker, if any, and that the investment of funds held under the Single Family Indenture in connection with the 2007 Series A Bonds in GICs is hereby approved and that the Executive Director or the Director of Bond Finance of the Department is hereby authorized to complete arrangements for the investment in GICs or such other investments as the authorized representatives named herein may approve.

Section 1.18--Approval of Verification Agent. That the Executive Director or the Director of Bond Finance and the Chair of the Governing Board are hereby authorized to select a verification agent, if any.

Section 1.19--Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such other agreements, advance commitment agreements, 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 may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Single Family Indenture, the Swap Transaction, the Supplemental Indentures, the Depository Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Remarketing Agreement, the Standby Bond Purchase Agreement and the Confirmation.

Section 1.20--Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative, 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 1.21--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	-	Supplemental Indentures
Exhibit C	-	Depository Agreement
Exhibit D	-	Program Guidelines
Exhibit E	-	Servicing Agreement
Exhibit F	-	Compliance Agreement
Exhibit G	-	Funding Agreement
Exhibit H	-	Bond Purchase Agreement
Exhibit I	-	Continuing Disclosure Agreement
Exhibit J	-	Remarketing Agreement
Exhibit K	-	Tender Agent Agreement
Exhibit L	-	Standby Bond Purchase Agreement
Exhibit M	-	Confirmation
Exhibit N	-	Official Statement

Section 1.22--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 Governing Board, Executive Director of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department and the Secretary to the Governing Board.

Section 1.23--Department Contribution. That the contribution of Department funds in an amount not to exceed \$250,000 to be used for any purpose authorized under the Act and the Single Family Indenture, including to pay a portion of the costs of issuance of the 2007 Series A Bonds, to fund down payment and closing cost assistance, to fund capitalized interest or to pay a portion of the redemption price of the Refunded Bonds, is hereby authorized.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Submission to the Attorney General of Texas. That the Governing Board of the Department hereby approves the submission by the Department's Bond Counsel to the Attorney General of Texas, for his approval, of a transcript of the legal proceedings relating to the issuance, sale and delivery of the 2007 Series A Bonds and the Swap Transaction.

Section 2.2--Engagement of Other Professionals. That the Executive Director or the Director of Bond Finance is authorized to engage an accounting firm to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreement and the requirements of the purchasers of the 2007 Series A Bonds and Bond Counsel to the Department, provided such engagement is done in accordance with applicable State law.

Section 2.3--Certification of the Minutes and Records. That the Secretary and any Assistant Secretary to the Governing Board of the Department are hereby authorized to certify and authenticate minutes and other records on behalf of the Department for the Program, the issuance of the 2007 Series A Bonds and all other Department activities.

Section 2.4--Approval of Requests for Rating from Rating Agencies. That the Executive Director, the Director of Bond Finance and the Department's consultants are authorized to seek ratings from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Section 2.5--Ratifying Other Actions. That all other actions taken or to be taken by the Executive Director and the Department's staff in connection with the Program and the issuance of the 2007 Series A Bonds are hereby ratified and confirmed.

Section 2.6--Authority to Invest Funds. That the Executive Director or the Director of Bond Finance is hereby authorized to undertake all appropriate actions required under the Single Family Indenture and the Depository Agreement and to provide for investment and reinvestment of all funds held under the Single Family Indenture.

Section 2.7--Redemption of Refunded Bonds. That the Executive Director or the Director of Bond Finance is hereby authorized and directed: (i) to instruct the trustee for the Refunded Bonds to redeem the Refunded Bonds with a portion of the proceeds of the 2007 Series A Bonds not later than 90 days after the date of issuance of the 2007 Series A Bonds, (ii) to pay the redemption premiums, if any, with respect to the Refunded Bonds and (iii) to take all other actions necessary to cause such redemptions to occur. The Governing Board has determined that the proposed refundings are in the best interest of the Department and will provide a potential savings in debt payable by the Department. The manner in which the Refunded Bonds are being refunded does not make it practicable to make the determination required by Section 1207.008, Texas Government Code.

Section 2.8--Eligibility for Refunding Under Commercial Paper Program. That 2007 Series A Bonds qualify as "Refunding Bonds" for purposes of the Department's Amended and Restated Commercial Paper Resolution adopted on June 10, 1996, as amended from time to time.

Section 2.9--Waiver from Texas Bond Review Board. That the Governing Board of the Department ratifies actions taken by the authorized representatives of the Department named in this Resolution seeking from the Texas Bond Review Board a waiver of the requirements of Section 2306.142(l) of the Act in accordance with Section 2306.142(m) of the Act.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Determination of Interest Rate. That the Governing Board of the Department hereby declares that the Department shall fix and determine the interest rates on the Mortgage Loans for the Program at the time and in accordance with the procedures set forth in the Single Family Indenture and that such rates shall be established at levels such that the Mortgage Loans for the Program will produce, together with other available funds, the amounts required to pay for the Department's costs of operation with respect to the Program and debt service on the 2007 Series A Bonds, and enable the Department to meet its covenants with and responsibilities to the holders of the bonds issued under the Single Family Indenture without adversely affecting the exclusion from gross income for federal income tax purposes of interest on any of such tax-exempt bonds.

Section 3.2--Bonds to Finance Mortgage Loans in Underserved Economic and Geographic Markets. That, in accordance with Section 2306.142(m) of the Act, the Governing Board hereby finds that the issuance of bonds to finance Mortgage Loans to meet the credit needs of borrowers in underserved economic and geographic submarkets in the State is unfeasible or would damage the financial condition of the Department.

Section 3.3--Purpose of 2007 Series A Bonds. That the Governing Board hereby determines that the purpose for which the Department may issue the 2007 Series A Bonds constitutes "public works" as contemplated by Chapter 1371, Texas Government Code, as amended.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the 2007 Series A Bonds and the interest thereon, and the obligations of the Department to the Swap Counterparty, shall be limited obligations of the Department payable solely from the trust estate pledged under the Single Family Indenture to secure payment of the bonds issued under the Single Family Indenture and payment of the Department's costs and expenses for the Program thereunder and under the Single Family Indenture, and the obligations of the Department to the Swap Counterparty, and under no circumstances shall the 2007 Series A Bonds, or the obligations of the Department to the Swap Counterparty, be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the 2007 Series A Bonds, and the obligations of the Department to the Swap Counterparty, shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State.

Section 4.3--Purposes of Resolution. That the Governing Board of the Department has expressly determined and hereby confirms that the issuance of the 2007 Series A Bonds and the furtherance of the Program contemplated by this Resolution accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 4.4--Notice of Meeting. That written notice of the date, hour and place of the meeting of the Governing 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 Governing Board as required by Section 2306.032, Texas Government Code, as amended.

Section 4.5--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

[Signature Page Follows]

PASSED AND APPROVED this 20th day of March, 2007.

Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

EXHIBIT A

List of Underwriters

Senior Manager

Bear, Stearns & Co. Inc.

Co-Senior Manager

George K. Baum & Company

Co-Managers

Estrada Hinojosa & Company, Inc.

Morgan Keegan & Company, Inc.

M.R. Beal & Company

Piper Jaffray & Co.

ALL DOCUMENTS REFERRED TO IN THE FOREGOING RESOLUTION ARE ATTACHED TO THE ORIGINAL COPY OF SAID RESOLUTION, WHICH IS ON FILE IN THE OFFICIAL RECORDS OF THE DEPARTMENT, AND EXECUTED COUNTERPARTS OF SUCH EXHIBITS ARE INCLUDED IN THE OFFICIAL TRANSCRIPT OF PROCEEDINGS RELATING TO THE BONDS.

REPORT ITEMS



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Michael Gerber
From: Gordon Anderson
cc: Brooke Boston, Michael Lyttle
Date: March 9, 2007
Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for February 2007. The information provided focuses primarily on activities Executive and staff has taken on voluntarily, as opposed to those mandated by the Legislature (i.e., tax credit hearings, TEFRA hearings, etc.). This list may not account for every activity undertaken by staff, as there may be a limited number of events not brought to my attention.

For brevity sake, the chart provides the name of the event, its location, the date of the event, division(s) participating in the event, and an explanation of what role staff played in the event. Should you wish to obtain additional details regarding these events, I will be happy to provide you with this information.

TDHCA Outreach Activities, February 2007

A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public

Event	Location	Date	Division	Purpose
Manufactured Housing Institute National Convention	Austin	January 29*	Manufactured Housing	Presentation
First Thursday Income Eligibility Training	Austin	February 1	Portfolio Management and Compliance	Training
Houston Coalition to End Homelessness Conference	Houston	February 2	Policy and Public Affairs	Panelist
Senate Finance Committee	Austin	February 5	Executive, Legal, Policy and Public Affairs	Testimony, Monitoring
HUD/H-GAC/HOME Conference Call on CDBG Disaster Relief Funding	Austin	February 5	HOME	Facilitation
Texas Housing Forum	Austin	February 5-6	Policy and Public Affairs	Participant
HOME Training with DETCOG staff	Austin	February 6	HOME	Facilitation
Senate IRG Committee	Austin	February 7	Policy and Public Affairs	Monitoring
HOME Wednesday Workshop	Austin	February 7	Portfolio Management and Compliance	Training
House Committee on Appropriations/Subcommittee on General Government	Austin	February 8	Executive, Legal, Policy and Public Affairs	Testimony, Monitoring
Texas Apartment Association Board/Affordable Housing Subcommittee meeting	Austin	February 8	Portfolio Management and Compliance	Participant
HOME Program Task Force Meeting	Austin	February 8	HOME	Participant
Disability Advisory Workgroup Meeting	Austin	February 9	Executive, HOME, Homebuyer, Multifamily, Portfolio Management and Compliance, Policy and Public Affairs	Participant
Tax Credit Property Compliance Training	McAllen	February 13	Portfolio Management and Compliance	Training
Earl Carl Institute Housing Symposium	Houston	February 15	Homeownership	Panelist
Texas Association of African American Chambers of Commerce HUB Forum	Houston	February 15-16	Purchasing	Exhibitor
Completing the 2006 Annual Owner's Compliance Report	Austin	February 16	Portfolio Management and Compliance	Training
Texas Apartment Association Compliance Roundtable Conference	Austin	February 20	Portfolio Management and Compliance	Presentation
HUD HOME Program Meeting	Fort Worth	February 23	HOME	Participant
Mental Health Transformation Workgroup	Austin	February 23	Policy and Public Affairs	Participant

House Committee Border & International Affairs	Austin	February 26	Executive, Legal, Policy and Public Affairs	Testimony, Monitoring
Golden Triangle Chambers Day	Austin	February 26	Executive	Presentation
House Committee on Appropriations	Austin	February 27	Executive, Legal, Policy and Public Affairs	Testimony, Monitoring
Tax Credit Property Compliance Training	San Antonio	February 27	Portfolio Management and Compliance	Training
H-GAC Training for Environmental, Floodplain Management	Austin	February 28	HOME	Training

** Omitted from January's list of outreach activities*