

BOARD BOOK OF JANUARY 26, 2017



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

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

**A G E N D A
9:00 AM
January 26, 2017**

**William B. Travis Building
Room 1-111
1701 Congress Avenue
Austin, Texas**

CALL TO ORDER

ROLL CALL

J. Paul Oxer, Chairman

CERTIFICATION OF QUORUM

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

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

Resolution Recognizing February as *Black History Month*

CONSENT AGENDA

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

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

EXECUTIVE

- a) Presentation, Discussion, and Possible Action on Board Meeting Minutes summaries for the meetings of October 13, 2016; November 10, 2016; and December 15, 2016

J. Beau Eccles
Board Secretary

LEGAL

- b) Presentation, Discussion, and Possible Action regarding the adoption of Agreed Final Orders concerning related properties George Gervin Apartments (HTF 851X03 / CMTS 2651), George Gervin – Garden Apartments (HOME 535247A/ CMTS 4205), and George Gervin – Garden Apartments (HTF 859X02 / CMTS 4206)
- c) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Monterrey Villa Apartments (HTF 09801 / CMTS 2608)

Jeff Pender
Deputy General Counsel

COMMUNITY AFFAIRS

- d) Presentation, Discussion, and Possible Action on the selection of Subrecipients to administer the Low Income Home Energy Assistance Program (“LIHEAP”) Comprehensive Energy Assistance Program (“CEAP”) to provide services in Anderson, Collin, Denton, Dimmit, Ellis, Henderson, Hunt, Kaufman, La Salle, Maverick, Navarro, Rockwall, and Van Zandt counties
- e) Presentation, Discussion, and Possible Action on Awards for 2017 Community Services Block Grant Discretionary (“CSBG-D”) Direct Client Assistance Funds
- f) Presentation, Discussion, and Possible Action Ratifying the Award for Federal Fiscal Year (“FFY”) 2016 Community Services Block Grant (“CSBG”) Discretionary Funds to Urban Inter-Tribal Center of Texas

Michael DeYoung
Director

SINGLE FAMILY OPERATIONS AND SERVICES

- g) Presentation, Discussion, and Possible Action on Authority to Enter Into a Memorandum of Agreement ("MOA") between the Texas Department of Housing and Community Affairs ("TDHCA") and the General Land Office ("GLO") regarding the administration of the Community Development Block Grant Disaster Recovery ("CDBG DR") Program

Homero Cabello
Director

ASSET MANAGEMENT

- h) Presentation, Discussion and Possible Action regarding Material Amendment to the Housing Tax Credit Land Use Restriction Agreement
- | | |
|--------------------------------|----------|
| 99002 Tidwell Estates | Houston |
| 99043 Arbor Terrace Townhomes | Odessa |
| 02079 Arbor Oaks Apartments | Odessa |
| 04255 Freeport Oaks Apartments | Freeport |
- i) Presentation, Discussion and Possible Action regarding Placed in Service Deadline Extensions
- | | |
|---------------------------------|---------|
| 14088 Mariposa at Spring Hollow | Saginaw |
|---------------------------------|---------|

Raquel Morales
Director

MULTIFAMILY FINANCE

- j) Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer
- | | |
|-----------------------------|-------------|
| 16435 Oak Valley Apartments | San Antonio |
|-----------------------------|-------------|

Marni Holloway
Director

HOME AND HOMELESS PROGRAM

- k) Presentation, Discussion, and Possible Action to authorize the issuance of the 2017 HOME Investment Partnerships Program ("HOME") Single Family Development Program Notice of Funding Availability ("NOFA"), and the notification of the posting of the NOFA to the Department's website and in the *Texas Register*
- l) Presentation, Discussion, and Possible Action to authorize the issuance of the 2017 HOME Investment Partnerships Program ("HOME") Single Family Programs Homebuyer Assistance ("HBA") and Tenant-Based Rental Assistance ("TBRA") Open Cycle Notice of Funding Availability ("NOFA"), and the notification of the posting of the NOFA to the Department's website and in the *Texas Register*

Jennifer Molinari
Director

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:

- a) TDHCA Outreach Activities, December 2016 –January 2017
- b) Report on the Department's Swap Portfolio and recent activities with respect thereto
- c) Report on Advisory Groups to the Department
- d) Executive Report of Multifamily Program Amendments, Extensions and Ownership Transfers

Michael Lyttle
Chief, External Affairs
Monica Galuski
Director, Bond Finance
Timothy K. Irvine
Executive Director
Raquel Morales
Director, Asset Management

ACTION ITEMS

ITEM 3: REPORTS

- a) Report on allegations of a "cover up" at the Hidalgo County Community Service Agency ("Hidalgo")
- b) Report on 2018 Qualified Allocation Plan ("QAP") Project
- c) Report on the submission of National Housing Trust Fund Allocation Plan to the U.S. Department of Housing and Urban Development ("HUD")

Patricia Murphy
Chief, Compliance

Marni Holloway
Director, MF Finance

ITEM 4: INTERNAL AUDIT

- a) Presentation, Discussion and possible action on approval of the Internal Audit Charter
- b) Presentation and discussion of SAO reports
- c) Internal Audit review of Compliance Monitoring
- d) Report on the meeting of the Audit Committee
- e) Presentation and Discussion of the Internal Audit Self Assessment for Peer review

Mark Scott
Director

ITEM 5: ENFORCEMENT COMMITTEE

Presentation, Discussion, and Possible Action on recommendation to debar Ebenezer Anene for a period of ten years

Marni Holloway
Chair

ITEM 6: ASSET MANAGEMENT

Presentation, Discussion and Possible Action regarding Amendments to HOME Direct Loan Terms

Raquel Morales
Director

13232 Pine Lake Estates

Nacogdoches

ITEM 7: MULTIFAMILY FINANCE

- a) Presentation, Discussion, and Possible Action regarding an exemption under 10 TAC §10.101(a)(2) for 2017 Housing Tax Credit (“HTC”) Application #17010 Baxter Lofts
- b) Presentation, Discussion, and Possible Action regarding an exemption under 10 TAC §10.101(a)(2) for 2017 Housing Tax Credit (“HTC”) Application #17255 Trinity Oaks Apartments
- c) Presentation, Discussion, and Possible Action regarding a Request for Rural Designation under 10 TAC §10.204(5)
- d) Presentation, Discussion and Possible action regarding a request for waiver of rules for Bishop Court, HTC#16049
- e) Presentation, Discussion, and Possible Action regarding a material amendment to the Housing Tax Credit (“HTC”) Application of Bishop Courts in Bishop HTC #16049
- f) Presentation, Discussion, and Possible Action on a waiver relating to 10 TAC §10.101(b)(5) concerning Common Amenities associated with multifamily applications submitted under the 2017 program year

Marni Holloway
Director

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

Recognition of J. Paul Oxer, Chair

Timothy K. Irvine
Executive Director

EXECUTIVE SESSION

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

- 1. The Board may go into Executive Session Pursuant to Tex. Gov’t Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee;
- 2. Pursuant to Tex. Gov’t Code §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer;
- 3. Pursuant to Tex. Gov’t Code §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov’t Code Chapter 551; including seeking legal advice in connection with a posted agenda item;
- 4. Pursuant to Tex. Gov’t Code §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department’s ability to negotiate with a third person; and/or
- 5. Pursuant to Tex. Gov’t Code §2306.039(c) the Department’s internal auditor, fraud prevention coordinator or ethics advisor may meet in an executive session of the Board to discuss issues related to fraud, waste or abuse.

J. Paul Oxer
Chairman

OPEN SESSION

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

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Michael Lyttle, 512-475-4542, TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information.

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

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989, at least three (3) days before the meeting so that appropriate arrangements can be made.

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

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

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

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

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

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

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

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

Texas Department of Housing and Community Affairs
RESOLUTION

WHEREAS, February 2017 is Black History Month, and has a nationally designated theme of “The Crisis in Black Education;”

WHEREAS, the Texas Department of Housing and Community Affairs (the “Department”) recognizes the significance of Black History Month as an important time to acknowledge and celebrate the contributions of African Americans in Texas’ history and that of the nation;

WHEREAS, the Department recognizes the central role of education in improving lives and fostering success, and the role of stable housing in enhancing academic performance and achievement; and

WHEREAS, the Department recognizes that the ethnic and racial diversity of Texas enriches and strengthens our nation;

NOW, THEREFORE, it is hereby

RESOLVED, that the Texas Department of Housing and Community Affairs —

- (1) recognizes the significance of Black History Month as an important time to acknowledge, better understand, and celebrate the history of African Americans, and encourages the continued celebration of this month to provide an opportunity for all peoples of the State of Texas to learn more about this Crisis and its effects on the past, present and future of our Lone Star State; and
- (2) recognizes that in the pursuit of the goal and responsibility of providing equal housing opportunities for all, the Governing Board of the Texas Department of Housing and Community Affairs does hereby celebrate February 2017 as Black History Month in Texas and encourages all Texas individuals and organizations, public and private, to join and work together in this observance for equal education as well as equal housing treatment and opportunity for all.

Signed this twenty-sixth day of January 2017.



J. Paul Ozer, Chair

Leslie Bingham Escareño, Member

T. Tolbert Chisum, Member

Timothy K. Irvine, Executive
Director

Dr. Juan Muñoz, Vice Chair

Tom H. Gann, Member

J. B. Goodwin, Member

CONSENT AGENDA

1a

BOARD ACTION REQUEST

BOARD SECRETARY

JANUARY 26, 2017

Presentation, Discussion, and Possible Action on Board Meeting Minutes Summaries for October 13, 2016; November 10, 2016; and December 15, 2016

RECOMMENDED ACTION

Approve the Board Meeting Minutes Summaries for October 13, 2016; November 10, 2016; and December 15, 2016

RESOLVED, that the Board Meeting Minutes Summaries for October 13, 2016; November 10, 2016; and December 15, 2016, are hereby approved as presented.

Texas Department of Housing and Community Affairs Governing Board
Board Meeting Minutes Summary
October 13, 2016

On Thursday, the thirteenth day of October 2016, at 9:00 a.m., the regular meeting of the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA" or the "Department") was held in Room JHR 140, John H. Reagan Building, 105 W. 15th Street, Austin, Texas.

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

- J. Paul Oxer
- Leslie Bingham-Escareño
- Tom H. Gann
- J.B. Goodwin

J. Paul Oxer served as Chair, and James "Beau" Eccles, TDHCA General Counsel, served as secretary.

1) The Board unanimously approved the Consent Agenda as amended with the following item removed: Item 1(e) Presentation, Discussion, and Possible Action on Determination Notice for Housing Tax Credits with another Issuer for #16418 Pathways at Georgian Manor, Austin; #16419 Pathways at Manchaca Village, Austin; #16420 Pathways at North Loop, Austin; #16421 Pathways at Northgate, Austin; and #16422 Pathways at Shadowbend Ridge, Austin.

2) Action Item 1(e) – Presentation, Discussion, and Possible Action on Determination Notice for Housing Tax Credits with another Issuer for #16418 Pathways at Georgian Manor, Austin; #16419 Pathways at Manchaca Village, Austin; #16420 Pathways at North Loop, Austin; #16421 Pathways at Northgate, Austin; and #16422 Pathways at Shadowbend Ridge, Austin – was presented by Marni Holloway, TDHCA Director of Multifamily Finance. Following public comment (listed below), the Board unanimously approved staff recommendation to issue the determination notices.

- The Honorable Celia Israel, State Representative for Texas House District 50, testified in support of staff recommendation
- Mike Gerber, Housing Authority of the City of Austin ("HACA"), thanked TDHCA staff and recognized HACA tenants in attendance interested in Board's action on Action Item 1(e)
- Michael Lyttle, TDHCA Chief of External Affairs, read a letter into the record from HUD which contained additional information on the item

3) Chairman Oxer exercised his discretion on consideration of the order of items on the agenda to take up Action Item 5(a) – Presentation, Discussion, and Possible Action to adopt an order to terminate the entity formerly known as Urban League of Greater Dallas and North Central Texas, now doing business as Urban Community Centers of North Texas, as a designated eligible entity under the Community Services Block Grant ("CSBG") Act and to terminate contracts with that entity and further directing staff of the Department to initiate the necessary actions to identify a replacement eligible entity and to take such other measures as may be lawfully available to provide for delivery of Community Services Block Grant Services to eligible Texans in Dallas County – presented by Michael DeYoung, TDHCA Director of Community Affairs. Because the item was a contested matter, Nichole Bunker-Henderson from the Office of the

Attorney General served as general counsel for this item only. The Board unanimously approved staff recommendation to carry out the aforementioned tasks.

4) Chairman Oxer exercised his discretion on consideration of the order of items on the agenda to take up Action Item 7 – Presentation, Discussion, and Possible Action regarding material amendments to Housing Tax Credit Applications #15119 Liberty Square and Liberty Village, Groesbeck; and #15251 Casa Verde, Laredo – presented by Raquel Morales, TDHCA Director of Asset Management, with additional information provided by Tim Irvine, TDHCA Executive Director, and Mr. Eccles. The Board unanimously approved staff recommendation for #15119 to approve the amendment request.

Casa Verde

- Mr. Lyttle read a letter into the record from HUD which contained additional information on the item and supported the request from #15251 Casa Verde
- Pete Saenz, Mayor of the City of Laredo, testified in opposition to staff recommendation
- Timothy Stostad, staffer for the Honorable Judith Zaffirini, State Senator for Texas Senate District 21, read a letter into the record from Sen. Zaffirini opposing staff recommendation
- Rod Solomon, counsel for Laredo Housing Authority, testified in opposition to staff recommendation
- Doak Brown, Brownstone Development, testified in opposition to staff recommendation
- Gloria Ann Freeman, tenant at Russell Terrace, testified in opposition to staff recommendation
- Arturo Garcia, City of Laredo, testified in opposition to staff recommendation
- Gabriel Lopez, Laredo-Webb County Veterans Organization, testified in opposition to staff recommendation
- Jose Ceballos, Laredo Housing Authority, provided additional comments on the matter
- Elizabeth Alonzo Villarreal, NeighborWorks Laredo, testified in opposition to staff recommendation
- Mary Galindo, Bethany House of Laredo, testified in opposition to staff recommendation
- Toni Jackson, attorney, testified in support of staff recommendation
- The following individuals registered in writing their opposition to the staff recommendation and did not wish to speak: José D'Jesus Collazo, Bulmaro Cruz, Anita C. Garcia, G. Gina Magallanes, Edna Morales, Maria Morales, Julia Orduña, Cynthia V. Riley, Sara Rodriguez, Mario Sauzo, and Gisele Uribe.

Following the aforementioned comment, the applicant requested to pull the item from any further consideration at the October 2016 meeting.

5) Action Item 3(a) – Presentation, Discussion and Possible Action on approval of the Fiscal Year 2017 Internal Audit Work Plan – was presented by Mark Scott, TDHCA Director of Internal Audit. The Board unanimously approved the audit plan.

6) Action Item 3(b) – Internal Audit: Review of Fair Housing Activities – was presented by Mr. Scott. The Board heard the report and took no action.

7) Action Item 3(c) – Report of the meeting of the Audit Committee – was presented by Mr. Scott. The Board heard the report and took no action.

8) Action Item 4 – Presentation, Discussion, and Possible Action on Timely Filed Underwriting Appeals under the Departments' Multifamily Program Rules for #15273 Merritt Hill Country, Dripping Springs – was presented by Brent Stewart, TDHCA Director of Real Estate Analysis, with additional information from Mr. Irvine and Megan Sylvester, TDHCA Legal Division. Following public comment (listed below), the Board unanimously approved the appeal and denied staff recommendation.

- Mahesh Aiyer, Citi Community Capital, testified in opposition to staff recommendation
- Cynthia Bast, attorney for Locke Lord, testified in opposition to staff recommendation
- Colby Dennison, #15273 applicant, provided information on the proposed development
- Terri Anderson, Anderson Development and Construction, asked the Board to provide specific guidance to staff on the matter

9) Action Item 5(b) – Presentation, Discussion, and Possible Action regarding termination of the Program Year (“PY”) 2016 Low Income Home Energy Assistance Program (“LIHEAP”) Community Energy Assistance Program (“CEAP”) contract to Community Services Agency of South Texas (“CSA”); award of 24.99% of their PY 2016 CEAP contract for the specific service areas covered by CSA to alternate providers; the commencement of the 30-day notification period required by Tex. Gov’t Code §2105.203 and §2105.301; and the authorization of staff to identify a provider, through release and subsequent award of a Request for Application (“RFA”) or through a direct designation, to temporarily and permanently administer the CEAP in Dimmit, La Salle, and Maverick counties, the area served by CSA – was presented by Mr. DeYoung with additional information from Mr. Irvine and Patricia Murphy, TDHCA Chief of Compliance. Following public comment (listed below), the Board unanimously approved staff recommendation to carry out the aforementioned tasks outlined in the agenda item.

- David Ojeda, Community Services Agency of South Texas, testified in opposition to staff recommendation

10) Action Item 5(c) – Presentation, Discussion, and Possible Action regarding approval to proceed in accordance with applicable state and federal law with termination of the Eligible Entity Status and the contract for Community Services Block Grant contract funds with Community Services Agency of South Texas – was presented by Mr. DeYoung with additional information from Mr. Eccles, Ms. Murphy, and Ms. Sylvester. The Board unanimously approved staff recommendation to terminate the entity's eligible entity status and its contract with TDHCA.

11) Action Item 5(d) – Presentation, Discussion, and Possible Action regarding suspension of the Program Year (“PY”) 2016 Low Income Home Energy Assistance Program (“LIHEAP”) Community Energy Assistance Program (“CEAP”) contract to Community Services, Inc. (“CSI”); award of 24.99% of their PY 2016 CEAP contract for the specific service areas covered by CSI to alternate providers; the commencement of the 30-day notification period required by Tex. Gov’t Code §2105.203 and §2015.301; and the authorization of staff to identify a provider, through release and subsequent award of a Request for Application (“RFA”) or through a direct designation, to temporarily and permanently administer the CEAP in Anderson, Collin, Denton, Ellis, Henderson, Hunt, Kaufman, Navarro, Rockwall, and Van Zandt counties, the area served by CSI – was presented by Mr. DeYoung with additional information from Ms. Murphy. The Board unanimously approved staff recommendation to carry out the aforementioned tasks outlined in the agenda item.

12) Action Item 5(e) – Presentation, Discussion, and Possible Action on waiver of 10 TAC §1.304(b) and appeal of Executive Award Review Advisory Committee recommendation not to make a 2017

Comprehensive Energy Assistance Program award to Community Services, Inc. and enter into a contract for same – was presented by Ms. Murphy with additional information from Mr. Irvine. The Board unanimously approved staff recommendation to grant the waiver but deny the appeal.

13) At 12:28 p.m. the Board went into Executive Session and reconvened in open session at 1:33 p.m. No action was taken in Executive Session.

14) Action Item 6(a) – Presentation, Discussion and Possible Action on proposed 10 TAC Chapter 13 concerning Multifamily Direct Loan Rule, and directing its publication for public comment in the Texas Register – was presented by Ms. Holloway. The Board unanimously approved staff recommendation to publish the draft rule.

15) Action Item 6(b) – Presentation, Discussion and Possible Action on the proposed repeal of 10 TAC Chapter 10 Subchapter E concerning Post Award and Asset Management Requirements and a proposed new 10 TAC Chapter 10 Subchapter E and directing their publication for public comment in the Texas Register – was presented by Ms. Morales. The Board unanimously approved staff recommendation to repeal the existing rule and publish the draft rule.

16) The following public comment was made on matters other than items for which there were posted agenda items:

- Emily Abling, New Hope Housing, commented on the importance of the QAP and multifamily rules being similar in policy and approach to assist urban core developments
- Tim Alcott, San Antonio Housing Authority, commented that the draft language in the 2017 QAP for urban core developments in at-risk transactions was ideal and thanked staff

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

There being no further business to come before the Board, the meeting adjourned at 1:46 p.m. The next meeting is set for Thursday, November 10, 2016.

Secretary

Approved:

Chair

Texas Department of Housing and Community Affairs Governing Board
Board Meeting Minutes Summary
November 10, 2016

On Thursday, the tenth day of November 2016, at 9:00 a.m., the regular meeting of the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA" or the "Department") was held in Room JHR 140, John H. Reagan Building, 105 W. 15th Street, Austin, Texas.

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

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

J. Paul Oxer served as Chair, and James "Beau" Eccles, TDHCA General Counsel, served as secretary.

Chairman Oxer invited Stella Rodriguez, Executive Director for the Texas Association of Community Action Agencies, to provide brief public comment. Ms. Rodriguez thanked staff for working with the community action agency statewide network to develop Community Affairs rules.

1) The Board unanimously approved the Consent Agenda as presented.

2) Action Item 3 – Quarterly Report on Texas Homeownership Division Activity – was presented by Cathy Gutierrez, TDHCA Director of Homeownership Programs. The Board heard the report and took no action.

3) Action Item 4 – Presentation, Discussion and Possible Action regarding Material Amendment to the Housing Tax Credit Application #15251 Casa Verde, Laredo – was presented by Raquel Morales, TDHCA Director of Asset Management, with additional information from Tim Irvine, TDHCA Executive Director, and Mr. Eccles. Following public comment (listed below), the Board unanimously denied the staff recommendation to deny the amendment request presented in the Board materials and, instead, approved an amended staff recommendation provided orally approving the amendment request with conditions.

- Jose Ceballos, Laredo Housing Authority, provided additional information on the matter
- Rod Solomon, Laredo Housing Authority, provided additional information on the matter
- Doak Brown, Brownstone Development and applicant for #15251, provided additional information on the matter
- Michael Lyttle, TDHCA Chief of External Affairs, read a letter into the record from the Honorable Tracy O. King, State Representative for Texas House District 80, in opposition to staff recommendation
- Mr. Lyttle read a letter into the record from the Honorable Judith Zaffirini in opposition to staff recommendation
- Timothy Stostad, staff member for Sen. Zaffirini, testified in support of the amended staff recommendation

- Peggy Henderson, TDHCA staff, reported that 15 persons submitted written comment in opposition to staff recommendation

4) Action Item 5(a) – Presentation, Discussion, and Possible Action on a Determination regarding Eligibility under 10 TAC §10.101(a)(4) related to Undesirable Neighborhood Characteristics for The Pointe at Crestmont (#16429) in Houston – was presented by Marni Holloway, TDHCA Director of Multifamily Finance, with additional information from Mr. Eccles. Following public comment (listed below), the Board unanimously denied staff recommendation to determine the site ineligible; as a result of the Board’s action, the site was ruled eligible.

- Mr. Lyttle read a letter into the record from Houston City Councilman Dwight Boykins in opposition to staff recommendation
- Barry Palmer, attorney for Coats Rose representing the applicant, testified in opposition to staff recommendation
- Kenneth Campbell, Houston Police Department, provided additional information on the matter
- Richard Mudd, City of Houston Housing and Community Development, provided additional information on the matter
- Charles Cave, resident of Crestmont Park, testified in opposition to staff recommendation
- Dr. Murphy Lee Simon, Jr., Bethel Institutional Missionary Baptist Church, testified in opposition to staff recommendation
- Lloyd Anderson, Crestmont Park area resident, testified in opposition to staff recommendation
- Odeal Buhl, Crestmont Park area resident, testified in opposition to staff recommendation

5) Action Item 5(b) – Presentation, Discussion, and Possible Action to adopt the 2017 Multifamily Programs Procedures Manual – was presented by Ms. Holloway. The Board unanimously approved staff recommendation to adopt the manual.

6) Action Item 5(c) – Presentation, Discussion, and Possible Action on Timely Filed Appeals under the Department’s Multifamily Program Rules for #16502 Freedoms Path at Kerrville, Kerrville – was presented by Ms. Holloway with additional information from Mr. Irvine, Mr. Eccles, Megan Sylvester, TDHCA Legal Division, and Brent Stewart, TDHCA Director of Real Estate Analysis. Following public comment (listed below), the Board unanimously approved staff recommendation to deny the appeal.

- Tamea Dula, attorney for Coats Rose representing the appellant, testified in opposition to staff recommendation
- Craig Taylor, Communities for Veterans, provided additional information on the matter

7) At 12:13 p.m. the Board went into Executive Session and reconvened in open session at 1:37 p.m. No action was taken in Executive Session.

8) Chairman Oxer exercised his discretion on consideration of the order of items on the agenda to take up Action Item 6(b) – Presentation, Discussion, and Possible Action on orders adopting the repeals of 10 TAC Chapter 10 Subchapter A, concerning General Information and Definitions; Subchapter B, concerning Site and Development Requirements and Restrictions; Subchapter C, concerning Application Submission Requirements, Ineligibility Criteria, Board Decisions, and Waiver of Rules; and Subchapter G, concerning Fee Schedule, Appeals, and Other Provisions; and orders adopting the new Subchapter A, concerning General Information and Definitions; Subchapter B, concerning Site and Development Requirements and

Restrictions; Subchapter C, concerning Application Submission Requirements, Ineligibility Criteria, Board Decisions, and Waiver of Rules for Applications; and Subchapter G, concerning Fee Schedule, Appeals, and Other Provisions; and directing their publication in the Texas Register – which was presented by Ms. Holloway with additional information from Mr. Irvine, Mr. Eccles, and Sharon Gamble, TDHCA 9% Competitive Housing Tax Credit Program Administrator. Following public comment (listed below), the Board unanimously approved staff recommendation to adopt the order repealing the 2016 rules and publishing the 2017 rules.

- Mr. Lyttle read a letter into the record from the Honorable Brian Birdwell, State Senator for Texas Senate District 22, which provided comments on the proposed draft rules
- Scott Marks, attorney with Coats Rose, provided comments on the proposed draft rules
- Janine Sisak, Texas Affiliation of Affordable Housing Providers, provided comments on the proposed draft rules
- Sarah Anderson, S. Anderson Consulting, provided comments on the proposed draft rules
- Bobby Bowling, Texas Affiliation of Affordable Housing Providers, provided comments on the proposed draft rules
- Dan Allgeier, Rural Rental Housing Association of Texas, provided comments on the proposed draft rules
- Terri Anderson, Anderson Development and Construction, provided comments on the proposed draft rules
- Mr. Irvine read a letter into the record from the Honorable Larry Phillips, State Representative for Texas House District 62; the Honorable Byron Cook, State Representative for Texas House District 8; the Honorable Drew Darby, State Representative for Texas House District 72; the Honorable Trent Ashby, State Representative for Texas House District 57; the Honorable DeWayne Burns, State Representative for Texas House District 58; the Honorable Travis Clardy, State Representative for Texas House District 11; the Honorable Chris Paddie, State Representative for Texas House District 9; the Honorable Drew Springer, State Representative for Texas House District 68; the Honorable Gary VanDeaver, State Representative for Texas House District 1; and the Honorable John Raney, State Representative for Texas House District 14. The jointly signed letter provided comments on the proposed draft rules.

9) Action Item 6(a) – Presentation, Discussion, and Possible Action on an order adopting the repeal of 10 TAC Chapter 11 concerning the Housing Tax Credit Program Qualified Allocation Plan, and an order adopting the new 10 TAC Chapter 11 concerning the Housing Tax Credit Program Qualified Allocation Plan, and directing its publication in the Texas Register – was presented by Ms. Holloway. Following public comment (listed below), the Board unanimously approved staff recommendation to adopt an order repealing the 2016 rules and publishing the 2017 rules.

- Tracey Fine, National Church Residences, provided comments on the proposed draft rules
- Janine Sisak, Texas Affiliation of Affordable Housing Providers, provided comments on the proposed draft rules
- Sarah Anderson, Texas Coalition of Affordable Developers, provided comments on the proposed draft rules
- John Guttman, JAS Development Company, provided comments on the proposed draft rules
- Terri Anderson, Anderson Development and Construction, provided comments on the proposed draft rules

10) Action Item 6(c) – Presentation, Discussion, and Possible Action on order adopting the repeal of 10 TAC Chapter 10 Subchapter D concerning Underwriting and Loan Policy and an order adopting new 10 TAC Chapter 10 Subchapter D concerning Underwriting and Loan Policy and directing its publication in the Texas Register – was presented by Mr. Stewart. The Board unanimously approved staff recommendation to adopt an order repealing the 2016 rules and publishing the 2017 rules.

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

There being no further business to come before the Board, the meeting adjourned at 3:30 p.m. The next meeting is set for Thursday, December 15, 2016.

Secretary

Approved:

Chair

Texas Department of Housing and Community Affairs Governing Board
Board Meeting Minutes Summary
December 15, 2016

On Thursday, the fifteenth day of December 2016, at 9:00 a.m., the regular meeting of the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA" or the "Department") was held in Room JHR 140, John H. Reagan Building, 105 W. 15th Street, Austin, Texas.

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

- J. Paul Oxer
- Dr. Juan Muñoz
- Leslie Bingham-Escareño
- Tom H. Gann

J. Paul Oxer served as Chair, and James "Beau" Eccles, TDHCA General Counsel, served as secretary.

The Board unanimously approved a resolution commemorating December 21, 2016, as Homeless Persons Memorial Day in Texas.

1) The Board unanimously approved the Consent Agenda as presented.

2) Action Item 3(a) – Report and discussion regarding recent developments in the Tax Credit Investment Market – was presented by Tim Irvine, TDHCA Executive Director, with additional information from Brent Stewart, TDHCA Director of Real Estate Analysis. The Board heard the report, listed to public comment (listed below) and took no action.

- Granger MacDonald, MacDonald Companies, provided information on the item
- Nicole Flores, R4 Capital and the Texas Affiliation of Affordable Housing Providers ("TAAHP"), provided information on the item
- Dan Kierce, RBC Capital Markets and TAAHP, provided information on the item
- Janine Sisak, TAAHP, provided information on the item
- Barry Palmer, Coats Rose, provided information on the item
- Sarah Anderson, Texas Coalition of Affordable Developers, provided information on the item
- Terri Anderson, Anderson Development and Construction, provided information on the item

3) Action Item 3(b) – Report regarding submission to the Texas Legislature of the legislatively required reports on Homelessness among Veterans in Texas and Youth Homelessness in Texas – was presented by Michael Lyttle, TDHCA Chief of External Affairs, with additional information provided by Naomi Cantu, TDHCA Coordinator for Homelessness Programs and Policy. The Board heard the report and took no action.

4) Action Item 4(a) – Presentation, Discussion, and Possible Action on Resolution No. 17-011 approving increase in authorization for Taxable Mortgage Purchase Program; authorizing the execution of documents and instruments relating to the foregoing; and containing other provisions relating to the subject – was presented by Monica Galuski, TDHCA Director of Bond Finance. The Board unanimously approved staff recommendation to approve the resolution.

5) Action Item 4(b) – Presentation, Discussion, and Possible Action on Resolution No. 17-012 approving increases in the maximum amount of outstanding advances under Advances and Security Agreement with Federal Home Loan Bank of Dallas and maximum amount on deposit in escrow to secure such advances; authorizing the execution of documents and instruments relating thereto; making certain findings and determinations in connection therewith; and containing other provisions relating to the subject – was presented by Ms. Galuski. The Board unanimously approved staff recommendation to approve the resolution.

6) Action Item 5(a) – Presentation, Discussion, and Possible Action on Conditional Emergency Solutions Grants (“ESG”) Awards for Continuum of Care (“CoC”) Lead Agencies to Perform an ESG Local Competition Program – was presented by Jennifer Molinari, TDHCA Director of HOME. The Board unanimously approved staff recommendation to make the awards.

7) Action Item 5(b) – Presentation, Discussion, and Possible Action Regarding Authorization to Release a Notice of Funding Availability (“NOFA”) for Fiscal Year (“FY”) 2017 and 2018 Emergency Solutions Grants (“ESG”) Program – was presented by Ms. Cantu. The Board unanimously approved staff recommendation to release the NOFA.

8) Action Item 6(a) – Presentation, Discussion and Possible Action on order adopting the repeal of 10 TAC Chapter 10 Subchapter E concerning Post Award and Asset Management Requirements and an order adopting new 10 TAC Chapter 10 Subchapter E concerning Post Award and Asset Management Requirements and directing its publication in the Texas Register – was presented by Raquel Morales, TDHCA Director of Asset Management. The Board unanimously approved staff recommendation to repeal the 2016 rules and adopt the 2017 rules.

9) Action Item 6(b) – Presentation, Discussion and Possible Action on order adopting the new 10 TAC Chapter 13 concerning Multifamily Direct Loan Program and directing its publication in the Texas Register – was presented by Marni Holloway, TDHCA Director of Multifamily Finance. Following public comment (listed below), the Board unanimously approved staff recommendation to adopt and publish the new rule.

- Sarah Anderson, S. Anderson Consulting, provided comment on the rule
- Terri Anderson, Anderson Development and Construction, provided comment on the rule
- Janine Sisak, TAAHP, provided comment on the rule

10) Action Item 7(a) – Presentation, Discussion, and Possible Action on appeal of denial of carryover for Housing Tax Credit (“HTC”) application for Abbington Place (HTC #16018) – was presented by Ms. Holloway, with additional information from Mr. Irvine, Mr. Eccles, and Mr. Stewart. Following public comment (listed below), the Board unanimously approved staff recommendation to deny the appeal.

- Bill Rea, Rea Venture, testified in opposition to staff recommendation
- Sean Brady, Rea Venture, testified in opposition to staff recommendation
- Cynthia Bast, Locke Lord, testified in opposition to staff recommendation
- Toni Jackson, Jones Walker, testified in support of staff recommendation
- Chris Applequist, Miller Valentine, testified in support of staff recommendation
- Robbye Meyer, Arx Advantage, testified in opposition to staff recommendation

11) Action Item 7(b) – Presentation, Discussion, and Possible Action regarding a material amendment to the Housing Tax Credit (“HTC”) Application for Abbington Place (HTC #16018) – was presented by Ms. Holloway. Following public comment (listed below), the Board unanimously approved staff recommendation to deny the amendment request.

- Robbye Meyer, Arx Advantage, testified in opposition to staff recommendation
- Cynthia Bast, Locke Lord, testified in opposition to staff recommendation
- Toni Jackson, Jones Walker, testified in support of staff recommendation
- Sean Brady, Rea Venture, testified in opposition to staff recommendation
- Chris Applequist, Miller Valentine, testified in support of staff recommendation

12) Action Item 7(c) – Presentation, Discussion and Possible Action on the 2017-1 Multifamily Direct Loan Program Notice of Funding Availability and directing its publication in the Texas Register – was presented by Ms. Holloway. Following public comment (listed below), the Board unanimously approved staff recommendation to release and publish the NOFA.

- Janine Sisak, TAAHP, provided comment on the item

13) Charlie Duncan, Texas Low Income Housing Information Service, testified in opposition to staff recommendation on Consent Agenda Item 1(l).

14) The following public comment was made on matters other than items for which there were posted agenda items:

- Donna Rickenbacker, Marquis Development, provided comment in honor of Dr. Muñoz

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

There being no further business to come before the Board, the meeting adjourned at 12:30 p.m. The next meeting is set for Thursday, January 26, 2017.

Secretary

Approved:

Chair

1b

BOARD ACTION REQUEST

LEGAL DIVISION

JANUARY 26, 2017

Presentation, Discussion, and Possible Action regarding the adoption of Agreed Final Orders concerning related properties George Gervin Apartments (HTF 851X03 / CMTS 2651), George Gervin – Garden Apartments (HOME 535247A/ CMTS 4205), and George Gervin – Garden Apartments (HTF 859X02 / CMTS 4206)

RECOMMENDED ACTION

WHEREAS, George Gervin Apartments (HTF 851X03 / CMTS 2651), George Gervin – Garden Apartments (HOME 535247A/ CMTS 4205), and George Gervin – Garden Apartments (HTF 859X02 / CMTS 4206), owned by George Gervin Youth Center, Inc. (“Owner”), have uncorrected compliance findings relating to the applicable land use restriction agreements and the associated statutory and rule requirements;

WHEREAS, on December 13, 2016, Owner’s representatives participated in an informal conference with the Enforcement Committee and agreed, subject to Board approval, to enter into an Agreed Final Order for each property assessing an administrative penalty of \$250 for CMTS 2651, \$500 for CMTS 4205, and \$500 for CMTS 4206, with the full amount for each property to be forgiven if all violations are resolved as specified in the Agreed Final Orders on or before April 26, 2017;

WHEREAS, unresolved compliance findings for CMTS 2651 include failure to have acceptable written tenant selection criteria;

WHEREAS, unresolved compliance findings for CMTS 4205 include violation for failure to have acceptable written tenant selection criteria; violation for transient usage of units 101 and 102; violation for failure to execute required lease language for unit 101; Household Income Above Limit Upon Initial Occupancy violations for units 102, 103, and 104; and student occupancy violations for units 103 and 104;

WHEREAS, unresolved compliance findings for CMTS 4206 include: violation for failure to have acceptable written tenant selection criteria and Household Income Above Limit Upon Initial Occupancy violations for units 301, 302, 303 and 304; and

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

NOW, therefore, it is hereby

RESOLVED, that an Agreed Final Order assessing an administrative penalty of \$250 for CMTS 2651, \$500 for CMTS 4205, and \$500 for CMTS 4206, subject to full forgiveness as outlined above for noncompliance at related properties owned by George Gervin Youth Center, Inc., substantially in the form presented at this meeting, and authorizing any non-substantive technical corrections, is hereby adopted as the order of this Board.

BACKGROUND

George Gervin Youth Center, Inc. ("Owner") is the owner of three related and adjacent properties located at 511 Yucca Street, San Antonio, Bexar County:

- George Gervin Apartments, HTF 851X03 / CMTS 2651 ("CMTS 2651"), a low income apartment complex composed of 4 units.
- George Gervin – Garden Apartments, HOME 535247A/ CMTS 4205 ("CMTS 4205"), a low income apartment complex composed of 4 units.
- George Gervin – Garden Apartments, HTF 859X02 / CMTS 4206 ("CMTS 4206"), a low income apartment complex composed of 4 units.

Barbara Hawkins is the Chief Executive Officer and Frances Boynes is the Chief Financial Officer. Records of the Texas Secretary of State list the following members and/or officers: Ronald Graf (Director), Deborah Valdez (Director), Raul Rodriguez (Director / Secretary / Treasurer), Roger Martin (Director / President), Dr. Carl Elder (Director). CMTS lists Frances Boynes as the primary contact(s) for Owner. The property is self managed, with Tonya Roberts listed in CMTS as the onsite manager.

The properties were awarded interest free loans by TDHCA and are each subject to a Land Use Restriction Agreement ("LURA") signed as follows:

Property	TDHCA Funding	LURA
CMTS 2651	HTF Loan, in original principal amount of \$189,183	Effective 1999. 30 year plus 10 month term.
CMTS 4205	HOME Loan, in original principal amount of \$200,000	Effective 2001. 30 year term.
CMTS 4206	HTF Loan, in original principal amount of \$250,000	Effective 2003. 20 year term.

Owner was previously referred for an administrative penalty for a low income unit being used on a transient basis for CMTS 4205, but that referral was closed informally when full corrections were received. Owner has been referred again, and partial corrections were received before the informal conference date.

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

1. CMTS 2651:
 - a. Lease violation relating to failure to post the Tenant Rights and Resources Guide in a common area in the office;
 - b. Failure to provide pre-onsite documentation as required.
2. CMTS 4205:
 - a. Lease violation relating to failure to post the Tenant Rights and Resources Guide in a common area in the office;
 - b. Failure to provide pre-onsite documentation as required.

3. CMTS 4206:
 - a. Lease violation relating to failure to post the Tenant Rights and Resources Guide in a common area in the office; and
 - b. Failure to provide pre-onsite documentation as required.

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

1. CMTS 2651:
 - a. Failure to maintain acceptable written tenant selection criteria;
2. CMTS 4205:
 - a. Failure to maintain acceptable written tenant selection criteria;
 - b. Using units 101 and 102 on a transient basis;
 - c. Lease violation relating to failure to execute required lease language for unit 101;
 - d. Household income violations for units 102, 103, and 104; and
 - e. Low income units occupied by nonqualified full-time students for units 103 and 104;
3. CMTS 4206:
 - a. Failure to maintain acceptable written tenant selection criteria; and
 - b. Household income violations for units 301, 302, 303, and 304.

Owner representatives Barbara Hawkins (CEO), Frances Boynes (CFO), and Tonya Roberts (onsite management and operations) participated in an informal conference with the Enforcement Committee on December 13, 2016, and agreed to sign individual Agreed Final Orders for each property with the following terms:

1. An administrative penalty of \$250 for CMTS 2651, \$500 for CMTS 4205, and \$500 for CMTS 4206, subject to full forgiveness by property as indicated below;
2. Owner must submit written tenant selection criteria as indicated in the Agreed Final Orders on or before February 25, 2017;
3. Owner must correct all other file monitoring violations as indicated in the Agreed Final Orders, and submit full documentation of the corrections to TDHCA on or before April 26, 2017;
4. Tonya Roberts and one other representative must attend First Thursday Income Eligibility Training, then provide copies of completion certificates to TDHCA, on or before April 26, 2017;
5. If Owner complies with all requirements and addresses all violations as required by property, the full administrative penalty will be forgiven; and
6. If Owner violates any provision of an Agreed Final Order, the full administrative penalty will immediately come due and payable under that Agreed Final Order.

Consistent with direction from the Department's Enforcement Committee, a probated and, upon successful completion of probation, forgivable administrative penalties in the amounts of \$250 for CMTS 2651, \$500 for CMTS 4205, and \$500 for CMTS 4206 are recommended. This will be a reportable item of consideration under previous participation for any new award to the principals of the owner.

ENFORCEMENT ACTION AGAINST
GEORGE GERVIN YOUTH CENTER,
INC. WITH RESPECT TO GEORGE
GERVIN APARTMENTS
(HTF FILE # 851X03 / CMTS # 2651)

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BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 26th day of January, 2017, the Governing Board (“Board”) of the Texas Department of Housing and Community Affairs (“TDHCA”) considered the matter of whether enforcement action should be taken against **GEORGE GERVIN YOUTH CENTER, INC.**, a Texas nonprofit corporation (“Respondent”).

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

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

WAIVER

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

FINDINGS OF FACT

Jurisdiction:

1. During 2003, Respondent was awarded an allocation of HTF funds by the Board, in the amount of \$189,183 to build and operate George Gervin Apartments (“Property”) (HTF File No. 851X03 / CMTS No. 2651 / LDLD No. 649).
2. Respondent signed a land use restriction agreement (“LURA”) regarding the Property. The LURA was effective July 30, 1999, and filed of record at Document Number 99-0158161, of the Official Public Records of Real Property of Bexar County, Texas (“Records”), as

amended by a First Amendment executed to be effective May 18, 2001, and recorded of record at Document Number 2001-0094876 in the Records.

3. Respondent is a Texas nonprofit corporation that is qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

4. An on-site monitoring review was conducted on April 26, 2016, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and an August 10, 2016, corrective action deadline was set, however, the following violations were not corrected before the corrective action deadline:
 - a. Respondent failed to maintain written tenant selection criteria, a violation of 10 TAC §10.610 (Written Policies and Procedures), which requires all developments to establish written tenant selection criteria that meet minimum TDHCA requirements.
 - b. Respondent failed to post a laminated copy of the Tenant Rights and Resources Guide in a common area of the leasing office, a violation of 10 TAC §10.613 (Lease Requirements), which requires owners to post a laminated copy of the Guide in a common area of the leasing office and provide a copy to each household during the application process and upon any subsequent change to common amenities, unit amenities, or services. This violation was corrected on November 13, 2016, 95 days past the deadline, after intervention by the Enforcement Committee.
 - c. Respondent failed to submit pre-onsite documentation, a violation of 10 TAC §10.607 and §10.618, which require all developments to submit necessary documentation as requested in preparation for an upcoming monitoring review. This violation was corrected on November 13, 2016, 95 days past the deadline, after intervention by the Enforcement Committee.
5. The following violations remain outstanding at the time of this order:
 - a. Tenant selection criteria violation described in FOF #4.a.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503 and 10 TAC §2.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).

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

3. Respondent violated 10 TAC §10.610 by not maintaining written tenant selection criteria meeting TDHCA requirements;
4. Respondent violated leasing requirements in 10 TAC §10.613 by failing to post a laminated copy of the Tenant Rights and Resources Guide in a common area of the leasing office;
5. Respondent violated 10 TAC §10.607 and §10.618 by not submitting pre-on-site documentation including a unit status report and entrance interview questionnaire in preparation for the monitoring review;
6. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules, the Board has personal and subject matter jurisdiction over Respondent pursuant to Tex. Gov't Code §2306.041 and §2306.267.
7. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
8. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code § 2306.053 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to Tex. Gov't Code §2306.041.
9. An administrative penalty of \$250 is an appropriate penalty in accordance with 10 TAC §2.

[remainder of page intentionally blank]

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

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$250, subject to deferral as further ordered below.

IT IS FURTHER ORDERED that Ms. Roberts and at least one other staff member for Respondent, shall attend First Thursday Income Eligibility Training offered by TDHCA and submit a completion certificate on or before April 26, 2017.

IT IS FURTHER ORDERED that Respondent shall fully correct the file monitoring violations as indicated in the attachments and submit full documentation of the corrections to TDHCA on or before April 26, 2017.

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

IT IS FURTHER ORDERED that if Respondent fails to satisfy any conditions or otherwise violates any provision of this order, or the property is sold before the terms and conditions of this Agreed Final Order have been fully satisfied, then the full administrative penalty in the amount of \$250 shall be immediately due and payable to the Department. Such payment shall be made by cashier's check payable to the "Texas Department of Housing and Community Affairs" upon the earlier of (1) within thirty days of the date the Department sends written notice to Respondent that it has violated a provision of this Order, or (2) the property closing date if sold before the terms and conditions of this Agreed Final Order have been fully satisfied.

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

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

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 TAC 10.406, a copy of which is included at Attachment 2, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

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

[Remainder of page intentionally blank]

Attachment 1

File Monitoring Violation Resources and Instructions

1. Refer to the following link for all references to the rules at 10 TAC §10 that are referenced below:
[http://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=10&sch=F&rl=Y](http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=10&sch=F&rl=Y)
2. Refer to the following link for copies of forms that are referenced below:
<http://www.tdhca.state.tx.us/pmcomp/forms.htm>
3. Technical support and training presentations are available at the following links:
Video/Audio Training: <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>
Income and Rent Limits: <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>
FAQ's: <http://www.tdhca.state.tx.us/pmcomp/compFaq.htm>
Tenant file guidelines are at Attachment 3
4. **All corrections must be submitted via CMTS:** See link for steps to upload documents
<http://www.tdhca.state.tx.us/pmcdocs/CMTSUserGuide-AttachingDocs.pdf>.
5. **Important notes -**
 - i. Do not backdate any documents listed below.
 - ii. A transfer of a qualified household from another unit is not sufficient to correct any findings. If there is a tenant income certification or household income above limit violation, a transfer from another unit will simply cause the finding to transfer to that unit.
6. **Written tenant selection criteria** – Respondent submitted written tenant selection criteria, however, the criteria were incomplete.

Submit updated written tenant selection criteria addressing all requirements at 10 TAC §10.610, including but not limited to the requirement to state that the Development will comply with state or federal fair housing and anti-discrimination laws. Staff recommends using the rule as a checklist. A webinar presentation is available at <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>. A cheat sheet for further verification is available at <http://www.tdhca.state.tx.us/pmcdocs/15-AOCR-TSC.pdf>, however, please note that the cheat sheet was only published as an aide for annual reporting and, as such, should not be relied upon as a primary resource; you are required to follow all requirements of the rule.

Attachment 2:

Texas Administrative Code

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

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

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

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

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

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

(2) If the LURA requires ownership or material participation in ownership by a qualified non-profit organization, but the Development did not receive Tax Credits pursuant to §42(h)(5) of the Code, the

Development Owner must show that the transferee is a non-profit organization that complies with the LURA.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ENFORCEMENT ACTION AGAINST
GEORGE GERVIN YOUTH CENTER,
INC. WITH RESPECT TO GEORGE
GERVIN - GARDEN APARTMENTS
(HOME FILE # 535247 / CMTS # 4205)

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BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 26th day of January, 2017, the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA") considered the matter of whether enforcement action should be taken against **GEORGE GERVIN YOUTH CENTER, INC.**, a Texas nonprofit corporation ("Respondent").

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

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

WAIVER

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

FINDINGS OF FACT

Jurisdiction:

1. During 2001, Respondent was awarded an allocation of HOME funds by the Board, in the amount of \$200,000 to build and operate George Gervin - Garden Apartments ("Property") (HOME file No. 535247A / CMTS No. 4205 / LDLD No. 512).
2. Respondent signed a land use restriction agreement ("LURA") regarding the Property. The LURA was effective May 18, 2001, and filed of record at Document Number 2001-0094874, of the Official Public Records of Real Property of Bexar County, Texas ("Records"), as amended by a First Amendment executed to be effective May 18, 2001.

3. Respondent is a Texas nonprofit corporation that is qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

4. An on-site monitoring review was conducted on April 26, 2016, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and an August 22, 2016, corrective action deadline was set, however, the following violations were not corrected before the corrective action deadline:
 - a. Respondent failed to maintain written tenant selection criteria, a violation of 10 TAC §10.610 (Written Policies and Procedures), which requires all developments to establish written tenant selection criteria that meet minimum TDHCA requirements.
 - b. Respondent failed to post a laminated copy of the Tenant Rights and Resources Guide in a common area of the leasing office, a violation of 10 TAC §10.613 (Lease Requirements), which requires owners to post a laminated copy of the Guide in a common area of the leasing office and provide a copy to each household during the application process and upon any subsequent change to common amenities, unit amenities, or services. This violation was corrected on November 13, 2016, 83 days past the deadline, after intervention by the Enforcement Committee.
 - c. Respondent failed to submit pre-onsite documentation, a violation of 10 TAC §10.607 and §10.618, which require all developments to submit necessary documentation as requested in preparation for an upcoming monitoring review. This violation was corrected on November 13, 2016, 83 days past the deadline, after intervention by the Enforcement Committee.
 - d. Respondent made units 101 and 102 available on a transient basis, a violation of 10 TAC §10.613, which requires each household to have a written and executed lease;
 - e. Respondent failed to execute required lease provisions or exclude prohibited lease language for unit 101, a violation of 10 TAC §60.110 (Lease Requirements), which requires leases to include specific language protecting tenants from eviction without good cause and prohibiting owners from taking certain actions such as locking out or seizing property, or threatening to do so, except by judicial process.
 - f. Respondent failed to provide documentation that household incomes were within prescribed limits upon initial occupancy for units 102, 103, and 104, a violation of 10 TAC §10.611 (Determination, Documentation and Certification of Annual Income) and Section 2.4 of the LURA, which require screening of tenants to ensure qualification for the program;

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

- g. Respondent failed to ensure that the households in units 103 and 104 qualified for occupancy, by allowing the units to be occupied by non-qualified full time students and/or not maintaining evidence of an exception, a violation of 10 TAC §10.612 (Tenant File Requirements), which requires developments to screen for student status.
5. The following violations remain outstanding at the time of this order:
- a. Tenant selection criteria violation described in FOF #4.a;
 - b. Transient usage for units 101 and 102 described in FOF #4.d;
 - c. Lease violation described in FOF #4.e;
 - d. Household income violations for units 102, 103, and 104 described in FOF #4.f;
 - e. Student occupancy violations for units 103 and 104 described in FOF #4.g;

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503 and 10 TAC §2.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Respondent violated 10 TAC §10.610 by not maintaining written tenant selection criteria meeting TDHCA requirements;
4. Respondent violated leasing requirements in 10 TAC §10.613 by failing to post a laminated copy of the Tenant Rights and Resources Guide in a common area of the leasing office;
5. Respondent violated 10 TAC §10.607 and §10.618 by not submitting pre-on-site documentation including a unit status report and entrance interview questionnaire in preparation for the monitoring review;
6. Respondent violated 10 TAC §10.613 by making units 101 and 102 available on a transient basis;
7. Respondent violated 10 TAC §10.613 in 2015, by failing to provide lease including specific language required by the Department regarding tenant protections;
8. Respondent violated 10 TAC §10.611 and Section 2.4 of the LURA by failing to provide documentation that household incomes were within prescribed limits upon initial occupancy for units 102, 103, and 104;
9. Respondent violated 10 TAC §10.612 by failing to screen for student status for units 103 and 104.

10. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules, the Board has personal and subject matter jurisdiction over Respondent pursuant to Tex. Gov't Code §2306.041 and §2306.267.
11. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
12. Because Respondent has violated rules promulgated pursuant to Tex. Gov't. Code § 2306.053 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to Tex. Gov't Code §2306.041.
13. An administrative penalty of \$500 is an appropriate penalty in accordance with 10 TAC §2.

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

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$500, subject to deferral as further ordered below.

IT IS FURTHER ORDERED that Respondent shall submit written tenant selection criteria as indicated in the attachments on or before February 25, 2017.

IT IS FURTHER ORDERED that Ms. Roberts and at least one other staff member for Respondent, shall attend First Thursday Income Eligibility Training offered by TDHCA and submit a completion certificate on or before April 26, 2017.

IT IS FURTHER ORDERED that Respondent shall fully correct the file monitoring violations as indicated in the attachments and submit full documentation of the corrections on or before April 26, 2017.

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

IT IS FURTHER ORDERED that if Respondent fails to satisfy any conditions or otherwise violates any provision of this order, or the property is sold before the terms and conditions of this Agreed Final Order have been fully satisfied, then the full administrative penalty in the amount of \$500 shall be immediately due and payable to the Department. Such payment shall be made by cashier's check payable to the "Texas Department of Housing and Community Affairs" upon the earlier of (1) within thirty days of the date the Department sends written notice to Respondent that it has violated a provision of this Order, or (2) the property closing date if sold before the terms and conditions of this Agreed Final Order have been fully satisfied.

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

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

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 TAC 10.406, a copy of which is included at Attachment 4, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

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

[Remainder of page intentionally blank]

Attachment 1

File Monitoring Violation Resources and Instructions

1. Refer to the following link for all references to the rules at 10 TAC §10 that are referenced below:

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

2. Refer to the following link for copies of forms that are referenced below:

<http://www.tdhca.state.tx.us/pmcomp/forms.htm>

3. Technical support and training presentations are available at the following links:

Video/Audio Training: <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>

Income and Rent Limits: <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>

FAQ's: <http://www.tdhca.state.tx.us/pmcomp/compFaq.htm>

Tenant file guidelines are at Attachment 3

4. **All corrections must be submitted via CMTS:** See link for steps to upload documents <http://www.tdhca.state.tx.us/pmcdocs/CMTSUserGuide-AttachingDocs.pdf>.

5. **Important notes -**

- i. Do not backdate any documents listed below.
- ii. A transfer of a qualified household from another unit is not sufficient to correct any findings. If there is a tenant income certification or household income above limit violation, a transfer from another unit will simply cause the finding to transfer to that unit.

6. **Written tenant selection criteria** – Respondent submitted written tenant selection criteria, however, the criteria were incomplete.

Submit updated written tenant selection criteria addressing all requirements at 10 TAC §10.610, including but not limited to the requirement to state that the Development will comply with state or federal fair housing and anti-discrimination laws. Staff recommends using the rule as a checklist. A webinar presentation is available at:

<http://www.tdhca.state.tx.us/pmcomp/presentations.htm>. A cheat sheet for further verification is available at <http://www.tdhca.state.tx.us/pmcdocs/15-AOCR-TSC.pdf>, however, please note that the cheat sheet was only published as an aide for annual reporting and, as such, should not be relied upon as a primary resource; you are required to follow all requirements of the rule.

6. **Units 101 and 102 used on transient basis, and noncompliance with lease requirements for unit 101 –**

If the same household(s) that were present at the time of the 4/26/2016 onsite review are still present, provide the household(s) a one year lease contract; if both parties mutually agree to a shorter lease term, provide written evidence the household requested a shorter term. Submit ensure executed lease contract to the Department for review.

If a new household has occupied the unit(s), submit a new full tenant file*.

Remember that the lease must conform with your LURA and TDHCA requirements and indicate a rent below the maximum rent limits, which can be found at

<http://www.tdhca.state.tx.us/pmcomp/irl/index.htm> When determining the rent, ensure that the tenant's rent, plus the utility allowance, plus any housing subsidies, plus any mandatory fees, are below the maximum limits set by TDHCA. 10 TAC §10.613(a) prohibits the eviction or termination of tenancy of low income households for reasons other than good cause throughout the affordability period in accordance with Revenue Ruling 2004-82. In addition, 10 TAC §10.613(e) prohibits developments from locking out or threatening to lock out any development resident, or seizing or threatening to seize personal property of a resident, except by judicial process, for purposes of performing necessary repairs or construction work, or in case of emergency. The prohibitions must be included in the lease or lease addendum. The Texas Apartment Association has an affordable lease addendum that has incorporated this required language. If you are not a TAA member, you can draft a lease addendum using the requirements outlined above.

7. **Units 103 and 104 occupied by nonqualified full-time students** – If the same household(s) that were present at the time of the 4/26/2016 onsite review are still present, follow the instructions at Attachment 2. If a new household has occupied the unit(s), submit a full tenant file*.
8. **Household income above limit for units 102, 103, and 104:** Follow the instructions below and submit documentation

Circumstance with respect to units listed above	Instruction
If unit is occupied by a qualified household	Follow the instructions outlined separately for each unit in Attachment 2. If the circumstances outlined in the instructions at Attachment 2 no longer exist because that household has moved out, follow the instructions below.
If unit is occupied by a new qualified household	Submit the full tenant file*.
If unit is occupied by a nonqualified household on a month-to-month lease	<p>A. Follow your normal procedures for terminating residency and provide a copy of documentation to TDHCA.</p> <p>B. As soon as the unit is occupied by a qualified household, you must submit the full tenant file*. Receipt after 4/26/2017 is acceptable for this circumstance provided that Requirement A above is fulfilled.</p>
If unit is occupied by a nonqualified household with a non-expired lease	<p>A. Issue a nonrenewal notice to tenant and provide a copy to TDHCA.</p> <p>B. As soon as the unit is occupied by a qualified household, you must submit the full tenant file*. Receipt after 4/26/2017 is acceptable for this circumstance provided that Requirement A above is fulfilled.</p>
If unit has been vacant <i>more than</i> 30 days	<p>A. Unit must be made ready for occupancy by 4/26/2017 and a letter certifying that it is vacant but ready for occupancy must be submitted to TDHCA.</p> <p>B. As soon as the unit is occupied by a qualified household, you must submit the full tenant file*. Receipt after 4/26/2017 is acceptable for this circumstance provided that Requirement A above is fulfilled.</p>

<p>If unit has been vacant <i>less than 30</i> days</p>	<p>A. If unit is vacant but ready for occupancy, a letter certifying to that effect must be submitted to TDHCA.</p> <p>B. If unit is not ready for occupancy, submit a letter to TDHCA including details regarding work that is required and when the unit will be ready for occupancy (no more than 30 days from the date of vacancy).</p> <p>C. As soon as the unit is occupied by a qualified household, you must submit the full tenant file*. Receipt after 4/26/2017 is acceptable for this circumstance provided that Requirements A and B above are fulfilled.</p>
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**Full tenant file must include: tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Tenant Rights and Resources Guide Acknowledgment.*

Attachment 2

Excerpt from Detail Findings and Corrective Action Report, attached to TDHCA Monitoring Report dated 5/24/2016

For copies of any attachments mentioned in this section, see Monitoring Report uploaded by TDHCA to CMTS on 5/24/2016

Unit # 103	Bldg. # 1		
Finding	Low-income unit occupied by nonqualified full-time student(s) / Program unit occupied by nonqualified full-time students		
Noncompliance Date	04/09/2013	Current Status Uncorrected - Not Reportable to IRS	Correction Date
Reason	At move-in the unit was comprised of one household member under the age of 24 years old that indicated he/she was a student. The HOME Final Rule adopted the Section 8 Housing Choice Voucher program restrictions found in 24 CFR 5.612 as the definition of students for HOME assisted units. The household also disclosed as having been a part of the foster care system which is an exemption to the student requirements under the U.S. Department of Education's definition of an independent student. Since the household's student status or this possible exemption was not documented, the Department cannot reasonably determine student eligibility.		
Corrective Action	Obtain and submit verification of student status for calendar years 2013, 2014, 2015 and 2016 to determine if the individual was enrolled at an institute of higher education either part or full-time using the Department's Student Verification form (attached). If the student was enrolled anytime during their occupancy, obtain and submit verification that the individual was an orphan or a ward of the court through the age of 18 years old or that the individual meets another student exemption. If the individual is a student enrolled at an institute of higher education and does not meet exemptions, then to correct certify the household under current circumstances (income, assets and student status) using current income limits. Treat the unit as over-income (OI) and determine 30% of their adjusted income. Charge rent accordingly as the lease permits with a 30 day written notice of the new rent amount. Submit all documentation to the Department for review that evidences compliance with the HOME Rule requirement. Attached is the 2013 HOME Final Rule Requirements Applicability Chart, see Definitions of Students and Notes on how to correct for additional guidance.		
Unit # 104	Bldg. # 1		
Finding	Low-income unit occupied by nonqualified full-time student(s) / Program unit occupied by nonqualified full-time students		
Noncompliance Date	04/20/2013	Current Status Uncorrected - Not Reportable to IRS	Correction Date
Reason	At move-in the unit was comprised of one household member under the age of 24 years old that indicated he/she was a student. The HOME Final Rule adopted the Section 8 Housing Choice Voucher program restrictions found in 24 CFR 5.612 as the definition of students for HOME assisted units. The household also disclosed as having been a part of the foster care system which is an exemption to the student requirements under the U.S. Department of Education's definition of an independent student. Since the household's student status or this possible exemption was not documented, the Department cannot reasonably determine student eligibility.		
Corrective Action	Obtain and submit verification of student status for calendar years 2013, 2014, 2015 and 2016 to determine if the individual was enrolled at an institute of higher education either part or full-time using the Department's Student Verification form (attached). If the student was enrolled anytime during their occupancy, obtain and submit verification that the individual was an orphan or a ward of the court through the age of 18 years old or that the individual meets another student exemption. If the individual is a student enrolled at an institute of higher education and does not meet exemptions, then to correct certify the over-income (OI) and determine 30% of their adjusted income. Charge rent accordingly as the lease permits with a 30 day written notice of the new rent amount. Submit all documentation to the Department for review that evidences compliance with the HOME Rule requirement. Attached is the 2013 HOME Final Rule Requirements Applicability Chart, see Definitions of Students and Notes on how to correct for additional guidance.		
Unit # 102	Bldg. # 1		
Finding	Household income above income limit upon initial occupancy / Program Unit not leased to Low-Income household		
Noncompliance Date	12/19/2013	Current Status Uncorrected - Not Reportable to IRS	Correction Date
Reason	The household's file was not available during the onsite review and Department staff could not determine eligibility.		
Corrective Action	Submit the household's initial file for Department review, including copies of the application, verifications of income and assets, executed Income Certification form, first and signatory page of the lease contract, applicable lease addendums including the first, Fair Housing Disclosure Notice and the Supportive Service and Amenities form. In addition, submit all of the household's annual income recertification documents for years 2014 and 2015.		

Attachment 3

Tenant File Guidelines

The following technical support does not represent a complete list of all file requirements and is intended only as a guide. All onsite staff responsible for accepting and processing applications should sign up for First Thursday Training in order to get a full overview of the process. Sign up at <http://www.tdhca.state.tx.us/pmcomp/COMPtrain.html>. Forms discussed below are available at: <http://www.tdhca.state.tx.us/pmcomp/forms.htm>.

1. **Intake Application:** The Department does not have a required form to screen households, but we make this form available for that purpose. It is required that households be screened for household composition, income and assets. Applicants must complete all blanks on the application and answer all questions. Any lines left intentionally blank should be marked with "none" or "n/a." The application must be signed and dated by all adult household members, using the date that the form is actually completed.
2. **Verify Income:** Each source of income and asset must be documented for every adult household member based upon the information disclosed on the application. There are multiple methods:
 - a. **First hand verifications:** Paystubs or payroll print-outs that show gross income. If you choose this method, ensure that you consistently collect a specified number of consecutive check stubs as defined in your management plan;
 - b. **Employment Verification Form:** Part 1 must be completed by you and signed by the tenant. Part 2 must be completed by the employer. To prevent fraud, you must submit the form directly to the employer and must not allow the tenant to handle it. You should ensure that the person completing the employer portion has authority to do so and has access to all applicable information in order to verify the employment income. If you receive the verification via mail, retain the envelope. If you receive it via fax, ensure that the fax stamp is on it;
 - c. **Verification of non-employment income:** You must obtain verifications for all other income sources, such as child support, social security, and/or unemployment benefits;
 - d. **Telephone Verifications:** these are acceptable *only* for clarifying discrepancies and cannot be used as primary form of verification. Include your name, the date, the name of the person with whom you spoke, and your signature;
 - e. **Certification of Zero Income:** If an adult household member does not report any sources of income on the application, this form can be used to document thorough screening and to document the source of funds used to pay for rent, utilities, and/or other necessities.

3. **Verify Assets:** Regardless of their balances, applicants must report all assets owned, including assets such as checking or savings accounts. The accounts are typically disclosed on the application form, but you must review all documentation from the tenant to ensure proper documentation of the household's income and assets. For instance, review the credit report (if you pull one), application, pay stubs, and other documents to ensure that all information is consistent. Examples of ways to find assets that are frequently overlooked: Review pay stubs for assets such as checking and retirement accounts that the household may have forgotten to include in the application. These accounts must also be verified. Format of verifications:
 - a. **Under \$5000 Asset Certification Form:** If the total cash value of the assets owned by members of the household is less than \$5,000, as reported on the Intake Application, the TDHCA Under \$5,000 Asset Certification form may be used to verify assets. If applicable, follow the instructions to complete one form per household that includes everyone's assets, even minors, and have all adults sign and date using the date that the form is actually completed.
 - b. **First hand verifications** such as bank statements to verify a checking account. Ensure that you use a consistent number of consecutive statements, as identified in your management plan.
 - c. **3rd party verifications** using the TDHCA Asset Verification form. As with the "Employment Verification Form" discussed above, Part 1 must be completed by you and signed by the tenant. Part 2 must be completed by the financial institution. To prevent fraud, you must submit the form directly to the employer and must not allow the tenant to handle it. You should ensure that the person completing the financial institution's portion has authority to do so and has access to all applicable information in order to verify the asset(s). If you receive the verification via mail, retain the envelope. If you receive it via fax, ensure that the fax stamp is on it.
4. **Tenant Income Certification Form:** Upon verification of all income and asset sources disclosed on the application and any additional information found in the documentation submitted by the tenant, the next step is to annualize the sources on the Income Certification Form, add them together, and compare to the applicable income limit for household size which can be found at <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>. Be sure to include any income derived from assets. The form must include (and be signed by) each adult household member.
5. **Lease:** Must conform with your LURA and TDHCA requirements and indicate a rent below the maximum rent limits, which can be found at <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>. When determining the rent, ensure that the tenant's rent, plus the utility allowance, plus any housing subsidies, plus any mandatory fees, are below the maximum limits set by TDHCA. 10 TAC §10.613(a) prohibits the eviction or termination of tenancy of low income households for reasons other than good cause throughout the affordability period in accordance with Revenue Ruling 2004-82. In addition, 10 TAC §10.613(e) prohibits HTC developments from locking out or threatening to lock out any development resident, or seizing or threatening to seize personal property of a resident, except by judicial process, for purposes of performing necessary repairs or construction work, or in case of emergency. The prohibitions must be included in the lease or lease addendum. The Texas Apartment Association has an affordable lease addendum that has incorporated this required language. If you are not a TAA member, you can draft a lease addendum using the requirements outlined above.

6. **Tenant Rights and Resources Guide:** As of 1/8/2015, the Fair Housing Disclosure Notice and Tenant Amenities and Services Notice have been replaced by the Tenant Rights and Resources Guide, a copy of which is available online at: <http://www.tdhca.state.tx.us/pmcdocs/FairHousingDisclosureBooklet.doc>.

In accordance with 10 TAC §10.613(k), a laminated copy of this guide must be posted in a common area of the leasing office. Development must also provide a copy of the guide to each household during the application process and upon any subsequent changes to the items described at paragraph b) below. The Tenant Rights and Resources Guide includes:

- a) Information about Fair Housing and tenant choice; and
- b) Information regarding common amenities, unit amenities, and services.

A representative of the household must receive a copy of the Tenant Rights and Resources Guide and sign an acknowledgment of receipt of the brochure prior to, but no more than 120 days prior to, the initial lease execution date.

In the event that there is a prior finding for a Fair Housing Disclosure Notice, Tenant Amenities and Services Notice, the Tenant Rights and Resources Guide was not provided timely, or the household does not certify to receipt of the Tenant Rights and Resources Guide, correction will be achieved by providing the household with the Tenant Rights and Resources Guide and receiving a signed acknowledgment. A copy of the acknowledgment form is available at: <http://www.tdhca.state.tx.us/pmcdocs/FairHousingDisclosureSignaturePage.pdf>.

Attachment 4:

Texas Administrative Code

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ENFORCEMENT ACTION AGAINST
GEORGE GERVIN YOUTH CENTER,
INC. WITH RESPECT TO GEORGE
GERVIN - GARDEN APARTMENTS
(HTF FILE # 851X02 / CMTS # 4206)

§
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§

BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 26th day of January, 2017, the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA") considered the matter of whether enforcement action should be taken against **GEORGE GERVIN YOUTH CENTER, INC.**, a Texas nonprofit corporation ("Respondent").

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

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

WAIVER

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

FINDINGS OF FACT

Jurisdiction:

1. During 2003, Respondent was awarded an allocation of HTF funds by the Board, in the amount of \$250,000 to build and operate George Gervin - Garden Apartments ("Property") (HTF File No. 851X02 / CMTS No. 4206 / LDLD No. 648).
2. Respondent signed a land use restriction agreement ("LURA") regarding the Property. The LURA was effective June 12, 2003, and filed of record at Document Number 20030165214, of the Official Public Records of Real Property of Bexar County, Texas ("Records").

3. Respondent is a Texas nonprofit corporation that is qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

4. An on-site monitoring review was conducted on April 26, 2016, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and an August 11, 2016, corrective action deadline was set, however, the following violations were not corrected before the corrective action deadline:
 - a. Respondent failed to maintain written tenant selection criteria, a violation of 10 TAC §10.610 (Written Policies and Procedures), which requires all developments to establish written tenant selection criteria that meet minimum TDHCA requirements.
 - b. Respondent failed to post a laminated copy of the Tenant Rights and Resources Guide in a common area of the leasing office, a violation of 10 TAC §10.613 (Lease Requirements), which requires owners to post a laminated copy of the Guide in a common area of the leasing office and provide a copy to each household during the application process and upon any subsequent change to common amenities, unit amenities, or services. This violation was corrected on November 13, 2016, 94 days past the deadline, after intervention by the Enforcement Committee.
 - c. Respondent failed to submit pre-onsite documentation, a violation of 10 TAC §10.607 and §10.618, which require all developments to submit necessary documentation as requested in preparation for an upcoming monitoring review. This violation was corrected on November 13, 2016, 94 days past the deadline, after intervention by the Enforcement Committee.
 - d. Respondent failed to provide documentation that household incomes were within prescribed limits upon initial occupancy for units 301, 302, 303, and 304, a violation of 10 TAC §10.611 (Determination, Documentation and Certification of Annual Income) and Section 2.2 of the LURA, which require screening of tenants to ensure qualification for the program;
5. The following violations remain outstanding at the time of this order:
 - a. Tenant selection criteria violation described in FOF #4.a;
 - b. Household income violations for units 301, 302, 303, and 304 described in FOF #4.d;

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

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503 and 10 TAC §2.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Respondent violated 10 TAC §10.610 by not maintaining written tenant selection criteria meeting TDHCA requirements;
4. Respondent violated leasing requirements in 10 TAC §10.613 by failing to post a laminated copy of the Tenant Rights and Resources Guide in a common area of the leasing office;
5. Respondent violated 10 TAC §10.607 and §10.618 by not submitting pre-on-site documentation including a unit status report and entrance interview questionnaire in preparation for the monitoring review;
6. Respondent violated 10 TAC §10.611 and Section 2.2 of the LURA by failing to provide documentation that household incomes were within prescribed limits upon initial occupancy for units 301, 302, 303, and 304;
7. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules, the Board has personal and subject matter jurisdiction over Respondent pursuant to Tex. Gov't Code §2306.041 and §2306.267.
8. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
9. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code § 2306.053 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to Tex. Gov't Code §2306.041.
10. An administrative penalty of \$500 is an appropriate penalty in accordance with 10 TAC §2.

[remainder of page intentionally blank]

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

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$500, subject to deferral as further ordered below.

IT IS FURTHER ORDERED that Respondent shall submit written tenant selection criteria as indicated in the attachments on or before February 25, 2017.

IT IS FURTHER ORDERED that Ms. Roberts and at least one other staff member for Respondent, shall attend First Thursday Income Eligibility Training offered by TDHCA and submit a completion certificate on or before April 26, 2017.

IT IS FURTHER ORDERED that Respondent shall fully correct the file monitoring violations as indicated in the attachments and submit full documentation of the corrections to TDHCA on or before April 26, 2017.

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

IT IS FURTHER ORDERED that if Respondent fails to satisfy any conditions or otherwise violates any provision of this order, or the property is sold before the terms and conditions of this Agreed Final Order have been fully satisfied, then the full administrative penalty in the amount of \$500 shall be immediately due and payable to the Department. Such payment shall be made by cashier's check payable to the "Texas Department of Housing and Community Affairs" upon the earlier of (1) within thirty days of the date the Department sends written notice to Respondent that it has violated a provision of this Order, or (2) the property closing date if sold before the terms and conditions of this Agreed Final Order have been fully satisfied.

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

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

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 TAC 10.406, a copy of which is included at Attachment 3, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

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

[Remainder of page intentionally blank]

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

By: _____
Name: J. Paul Oxer
Title: Chair of the Board of TDHCA

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

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this ___ day of January, 2017, personally appeared J. Paul Oxer, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

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

(Seal)

Notary Public, State of Texas

Attachment 1

File Monitoring Violation Resources and Instructions

1. Refer to the following link for all references to the rules at 10 TAC §10 that are referenced below:

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

2. Refer to the following link for copies of forms that are referenced below:

<http://www.tdhca.state.tx.us/pmcomp/forms.htm>

3. Technical support and training presentations are available at the following links:

Video/Audio Training: <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>

Income and Rent Limits: <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>

FAQ's: <http://www.tdhca.state.tx.us/pmcomp/compFaqs.htm>

Tenant file guidelines are at Attachment 3

4. **All corrections must be submitted via CMTS:** See link for steps to upload documents <http://www.tdhca.state.tx.us/pmcdocs/CMTSUserGuide-AttachingDocs.pdf>.

5. **Important notes -**

- i. Do not backdate any documents listed below.
- ii. A transfer of a qualified household from another unit is not sufficient to correct any findings. If there is a tenant income certification or household income above limit violation, a transfer from another unit will simply cause the finding to transfer to that unit.

6. **Written tenant selection criteria** – Respondent submitted written tenant selection criteria, however, the criteria were incomplete.

Submit updated written tenant selection criteria addressing all requirements at 10 TAC §10.610, including but not limited to the requirement to state that the Development will comply with state or federal fair housing and anti-discrimination laws. Staff recommends using the rule as a checklist.

A webinar presentation is available at: <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>. A cheat sheet for further verification is available at <http://www.tdhca.state.tx.us/pmcdocs/15-AOCR-TSC.pdf>, however, please note that the cheat sheet was only published as an aide for annual reporting and, as such, should not be relied upon as a primary resource; you are required to follow all requirements of the rule.

6. Household income above limit for units 301, 302, 303, and 304: No files were present at the time of the review and Respondent indicated the files had been lost during a move. Follow the instructions below and submit documentation. See Attachment 2 for file guidelines.

Circumstance with respect to units listed above	Instruction
If unit is occupied by a qualified household	Submit the full tenant file* for the current household.
If unit is occupied by a nonqualified household on a month-to-month lease	<p>A. Follow your normal procedures for terminating residency and provide a copy of documentation to TDHCA.</p> <p>B. As soon as the unit is occupied by a qualified household, you must submit the full tenant file*. Receipt after 4/26/2017 is acceptable for this circumstance provided that Requirement A above is fulfilled.</p>
If unit is occupied by a nonqualified household with a non-expired lease	<p>A. Issue a nonrenewal notice to tenant and provide a copy to TDHCA.</p> <p>B. As soon as the unit is occupied by a qualified household, you must submit the full tenant file*. Receipt after 4/26/2017 is acceptable for this circumstance provided that Requirement A above is fulfilled.</p>
If unit has been vacant <i>more than</i> 30 days	<p>A. Unit must be made ready for occupancy by 4/26/2017 and a letter certifying that it is vacant but ready for occupancy must be submitted to TDHCA.</p> <p>B. As soon as the unit is occupied by a qualified household, you must submit the full tenant file*. Receipt after 4/26/2017 is acceptable for this circumstance provided that Requirement A above is fulfilled.</p>
If unit has been vacant <i>less than</i> 30 days	<p>A. If unit is vacant but ready for occupancy, a letter certifying to that effect must be submitted to TDHCA.</p> <p>B. If unit is not ready for occupancy, submit a letter to TDHCA including details regarding work that is required and when the unit will be ready for occupancy (no more than 30 days from the date of vacancy).</p> <p>C. As soon as the unit is occupied by a qualified household, you must submit the full tenant file*. Receipt after 4/26/2017 is acceptable for this circumstance provided that Requirements A and B above are fulfilled.</p>

**Full tenant file must include: tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Tenant Rights and Resources Guide Acknowledgment.*

Attachment 2

Tenant File Guidelines

The following technical support does not represent a complete list of all file requirements and is intended only as a guide. All onsite staff responsible for accepting and processing applications should sign up for First Thursday Training in order to get a full overview of the process. Sign up at <http://www.tdhca.state.tx.us/pmcomp/COMPtrain.html>. Forms discussed below are available at: <http://www.tdhca.state.tx.us/pmcomp/forms.htm>.

1. **Intake Application:** The Department does not have a required form to screen households, but we make this form available for that purpose. It is required that households be screened for household composition, income and assets. Applicants **must** complete all blanks on the application and answer all questions. Any lines left intentionally blank should be marked with "none" or "n/a." The application must be signed and dated by all adult household members, using the date that the form is actually completed.
2. **Verify Income:** Each source of income and asset must be documented for every adult household member based upon the information disclosed on the application. There are multiple methods:
 - a. **First hand verifications:** Paystubs or payroll print-outs that show gross income. If you choose this method, ensure that you consistently collect a specified number of consecutive check stubs as defined in your management plan;
 - b. **Employment Verification Form:** Part 1 must be completed by you and signed by the tenant. Part 2 must be completed by the employer. To prevent fraud, you must submit the form directly to the employer and must not allow the tenant to handle it. You should ensure that the person completing the employer portion has authority to do so and has access to all applicable information in order to verify the employment income. If you receive the verification via mail, retain the envelope. If you receive it via fax, ensure that the fax stamp is on it;
 - c. **Verification of non-employment income:** You must obtain verifications for all other income sources, such as child support, social security, and/or unemployment benefits;
 - d. **Telephone Verifications:** these are acceptable *only* for clarifying discrepancies and cannot be used as primary form of verification. Include your name, the date, the name of the person with whom you spoke, and your signature;
 - e. **Certification of Zero Income:** If an adult household member does not report any sources of income on the application, this form can be used to document thorough screening and to document the source of funds used to pay for rent, utilities, and/or other necessities.

3. **Verify Assets:** Regardless of their balances, applicants must report all assets owned, including assets such as checking or savings accounts. The accounts are typically disclosed on the application form, but you must review all documentation from the tenant to ensure proper documentation of the household's income and assets. For instance, review the credit report (if you pull one), application, pay stubs, and other documents to ensure that all information is consistent. Examples of ways to find assets that are frequently overlooked: Review pay stubs for assets such as checking and retirement accounts that the household may have forgotten to include in the application. These accounts must also be verified. Format of verifications:
 - a. **Under \$5000 Asset Certification Form:** If the total cash value of the assets owned by members of the household is less than \$5,000, as reported on the Intake Application, the TDHCA Under \$5,000 Asset Certification form may be used to verify assets. If applicable, follow the instructions to complete one form per household that includes everyone's assets, even minors, and have all adults sign and date using the date that the form is actually completed.
 - b. **First hand verifications** such as bank statements to verify a checking account. Ensure that you use a consistent number of consecutive statements, as identified in your management plan.
 - c. **3rd party verifications** using the TDHCA Asset Verification form. As with the "Employment Verification Form" discussed above, Part 1 must be completed by you and signed by the tenant. Part 2 must be completed by the financial institution. To prevent fraud, you must submit the form directly to the employer and must not allow the tenant to handle it. You should ensure that the person completing the financial institution's portion has authority to do so and has access to all applicable information in order to verify the asset(s). If you receive the verification via mail, retain the envelope. If you receive it via fax, ensure that the fax stamp is on it.
4. **Tenant Income Certification Form:** Upon verification of all income and asset sources disclosed on the application and any additional information found in the documentation submitted by the tenant, the next step is to annualize the sources on the Income Certification Form, add them together, and compare to the applicable income limit for household size which can be found at <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>. Be sure to include any income derived from assets. The form must include (and be signed by) each adult household member.
5. **Lease:** Must conform with your LURA and TDHCA requirements and indicate a rent below the maximum rent limits, which can be found at <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>. When determining the rent, ensure that the tenant's rent, plus the utility allowance, plus any housing subsidies, plus any mandatory fees, are below the maximum limits set by TDHCA. 10 TAC §10.613(a) prohibits the eviction or termination of tenancy of low income households for reasons other than good cause throughout the affordability period in accordance with Revenue Ruling 2004-82. In addition, 10 TAC §10.613(e) prohibits HTC developments from locking out or threatening to lock out any development resident, or seizing or threatening to seize personal property of a resident, except by judicial process, for purposes of performing necessary repairs or construction work, or in case of emergency. The prohibitions must be included in the lease or lease addendum. The Texas Apartment Association has an affordable lease addendum that has incorporated this required language. If you are not a TAA member, you can draft a lease addendum using the requirements outlined above.

6. **Tenant Rights and Resources Guide:** As of 1/8/2015, the Fair Housing Disclosure Notice and Tenant Amenities and Services Notice have been replaced by the Tenant Rights and Resources Guide, a copy of which is available online at: <http://www.tdhca.state.tx.us/pmcdocs/FairHousingDisclosureBooklet.doc>.

In accordance with 10 TAC §10.613(k), a laminated copy of this guide must be posted in a common area of the leasing office. Development must also provide a copy of the guide to each household during the application process and upon any subsequent changes to the items described at paragraph b) below. The Tenant Rights and Resources Guide includes:

- a) Information about Fair Housing and tenant choice; and
- b) Information regarding common amenities, unit amenities, and services.

A representative of the household must receive a copy of the Tenant Rights and Resources Guide and sign an acknowledgment of receipt of the brochure prior to, but no more than 120 days prior to, the initial lease execution date.

In the event that there is a prior finding for a Fair Housing Disclosure Notice, Tenant Amenities and Services Notice, the Tenant Rights and Resources Guide was not provided timely, or the household does not certify to receipt of the Tenant Rights and Resources Guide, correction will be achieved by providing the household with the Tenant Rights and Resources Guide and receiving a signed acknowledgment. A copy of the acknowledgment form is available at: <http://www.tdhca.state.tx.us/pmcdocs/FairHousingDisclosureSignaturePage.pdf>.

Attachment 3:

Texas Administrative Code

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1c

BOARD ACTION REQUEST

LEGAL DIVISION

JANUARY 26, 2017

Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Monterrey Villa Apartments (HTF 09801 / CMTS 2608)

RECOMMENDED ACTION

WHEREAS, Monterrey Villa Apartments, owned by LL Real Property, LLC. (“Owner”), has uncorrected compliance findings relating to the applicable land use restriction agreement and the associated statutory and rule requirements;

WHEREAS, representatives for Owner have attended multiple informal conferences and signed a prior Agreed Final Order in 2013;

WHEREAS, Respondent complied with the terms of the 2013 Agreed Final Order, paying a partial penalty of \$2,500, with an additional \$2,500 forgiven;

WHEREAS, TDHCA identified the following new violations that were not timely resolved: leasing violation for failure to post Tenant Rights and Resources Guide, utility allowance violation and associated gross rent violations for overcharged rents, affirmative marketing plan violation, and written tenant selection criteria violation.

WHEREAS, on December 13, 2016, Owner’s representatives participated in an informal conference with the Enforcement Committee and agreed, subject to Board approval, to enter into an Agreed Final Order assessing an administrative penalty of \$7,000, with \$3,750 to be paid on or before February 25, 2017 and the remaining \$3,750 to be forgiven if all violations are resolved as specified in the Agreed Final Order on or before February 25, 2017; and

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

NOW, therefore, it is hereby

RESOLVED, that an Agreed Final Order assessing an administrative penalty of \$7,000, subject to partial forgiveness as outlined above for noncompliance at Monterrey Villa Apartments, substantially in the form presented at this meeting, and authorizing any non-substantive technical corrections, is hereby adopted as the order of this Board.

BACKGROUND

LL Real Property LLC ("Owner") is the owner of Monterrey Villa Apartments ("Property"), a low income apartment complex composed of 36 units, located in Harris County. Records of the California Secretary of State list the following members and/or officers: Ling Li Liang and Lixia Liang. CMTS lists Lily Liang (also known as Ling Li Liang) as the primary contact for Owner. The property is self managed.

The Property is subject to a Land Use Restriction Agreement ("LURA") signed by a prior owner in 1998 in consideration for a Housing Trust Fund allocation in the amount of \$544,500 to acquire and operate the Property. Current owner acquired the property in 2007 and did not receive prior Department approval, but the LURA remains in effect per Section 7.8 of the LURA which stipulates that its restrictions run with the land.

Owner was previously referred for an administrative penalty for reporting violations and file monitoring violations. Owner first attended an informal conference in 2012, and the Enforcement Committee voted to temporarily suspend a decision due to the extent of the file monitoring violations and the owner's lack of program knowledge. They recommended training, set a 90-day deadline to submit corrections, and indicated that the Committee would consider a penalty and any outstanding issues of noncompliance based upon the results of a follow-up onsite monitoring review to be conducted on or after the Committee deadline. Owner representatives attended training and TDHCA conducted a follow-up monitoring review. Although many corrections had been resolved, multiple violations remained. Compliance provided technical support during the onsite review, and set a corrective action deadline. Owner submitted two corrective responses, both of which failed to correct any additional violations despite extensive technical support. The Committee met again in 2013 and corrections were again submitted, but were again unacceptable. The Committee ultimately recommended a \$5,000 administrative penalty, with \$2,500 payable and \$2,500 forgivable if all violations were resolved as required by the Order.

Owner complied with the terms of the 2013 Agreed Final Order and tenant files have since improved immensely, however, Owner is still struggling with other file requirements. Owner is also consistently submitting incorrect corrective documentation when violations are identified by the Department. Utility allowance problems are ongoing and significant since this violation has caused rent to be overcharged for numerous residents.

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

1. Lease violations relating to failure to post the Tenant Rights and Resources Guide in a common area in the office; and
2. Failure to maintain compliant tenant selection criteria.

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

1. Utility allowance violation and associated gross rent violations; and
2. Affirmative Marketing Plan violation.

Owner participated in a third informal conference with the Enforcement Committee on December 13, 2016, and agreed to sign an Agreed Final Order with the following terms:

1. A \$7,000 administrative penalty, subject to partial forgiveness as indicated below;
2. Owner must submit \$3,750 portion of the administrative penalty on or before February 25, 2017;
3. Owner must correct the file monitoring violations as indicated in the Agreed Final Order, and submit full documentation of the corrections to TDHCA on or before February 25, 2017;
4. If Owner complies with all requirements and addresses all violations as required, the remaining administrative penalty in the amount of \$3,750 will be forgiven; and
5. If Owner violates any provision of the Agreed Final Order, the full administrative penalty will immediately come due and payable.

Consistent with direction from the Department's Enforcement Committee, a probated and, upon successful completion of probation, partially forgivable administrative penalty in the amount of \$7,000 is recommended. This will be a reportable item of consideration under previous participation for any new award to the principals of the owner.

ENFORCEMENT ACTION AGAINST
LL REAL PROPERTY, LLC
WITH RESPECT TO
MONTERREY VILLA APARTMENTS
(HTF FILE # 09801 / CMTS # 2608)

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BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 26th day of January, 2017, the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA") considered the matter of whether enforcement action should be taken against **LL REAL PROPERTY, LLC**, a California limited liability company ("Respondent").

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

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

WAIVER

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

FINDINGS OF FACT

Jurisdiction:

1. During 1998, W.I. Miller & Associates, Inc., a Texas corporation ("Prior Owner") was awarded a Housing Trust Fund allocation by the Board, in the total amount of \$544,500 to acquire and operate Monterrey Villa Apartments ("Property") (HTC file No. 09801 / CMTS No. 2608 / LDLD No. 179).
2. Prior Owner signed a land use restriction agreement ("LURA") regarding the Property. The LURA was effective March 5, 1998, and filed of record at Document Number S907352 of the Official Public Records of Real Property of Harris County, Texas ("Records"). In

accordance with Section 2 of the LURA, the LURA is a restrictive covenant/deed restriction encumbering the property and binding on all successors and assigns for the full term of the LURA.

3. Respondent took ownership of the Property via a General Warranty Deed with Vendor's Lien that was effective June 1, 2007, and filed of record at Document Number 20070371231 in the Records. Although an Agreement to Comply was not signed, Respondent is bound to the terms of the LURA in accordance with Section 7.8 thereof.

Compliance Violations¹:

4. Property has a history of violations and previously signed an Agreed Final Order on September 29, 2013, agreeing to a \$5,000 Administrative Penalty which was to be partially forgivable provided that Respondent complied with all requirements. Respondent paid a \$2,500 portion of the administrative penalty and submitted corrective documentation as required by the 2013 Agreed Final Order.
5. An on-site monitoring review was conducted on October 20, 2016, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and a April 14, 2016, corrective action deadline was set, however, the following violations were not corrected before the corrective action deadline:
 - a. Respondent failed to post a laminated copy of the Tenant Rights and Resources Guide in a common area of the leasing office, a violation of 10 TAC §10.613 (Lease Requirements), which requires owners to post a laminated copy of the Guide in a common area of the leasing office and provide a copy to each household during the application process and upon any subsequent change to common amenities, unit amenities, or services. This violation was corrected on November 11, 2016, 211 days past the deadline, after intervention by the Enforcement Committee.
 - b. Respondent failed to properly calculate the utility allowance for the property and potentially overcharged rents as a result, a violation of 10 TAC §10.614 (Utility Allowances), which requires all developments to establish a utility allowance.
 - c. Respondent failed to provide a compliant affirmative marketing plan, a violation of 10 TAC §10.617 (Affirmative Marketing Requirements), which requires developments to maintain an affirmative marketing plan that meets minimum requirements and to distribute marketing materials to selected marketing organizations that reach groups identified as least likely to apply and to the disabled. An affirmative marketing plan was received in response to an administrative penalty informal conference notice, but the plan omitted the required marketing materials to prove that the development was carrying out marketing to the disabled;

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

- d. Respondent failed to maintain written tenant selection criteria, a violation of 10 TAC §10.610 (Written Policies and Procedures), which requires all developments to establish written tenant selection criteria that meet minimum TDHCA requirements. This violation was corrected on December 21, 2016, 251 days past the deadline, after intervention by the Enforcement Committee.
6. The following violations remain outstanding at the time of this order:
 - a. Utility Allowance violation described in FOF #6.b; and
 - b. Affirmative Marketing Plan violation described in FOF #6.c.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503 and 10 TAC §2.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Respondent violated leasing requirements in 10 TAC §10.613 by failing to post a laminated copy of the Tenant Rights and Resources Guide in a common area of the leasing office;
4. Respondent violated 10 TAC §10.614 by failing to properly calculate a utility allowance, and potentially overcharging rent as a result;
5. Respondent violated 10 TAC §10.617 by failing to provide a complete affirmative marketing plan;
6. Respondent violated 10 TAC §10.610, by not maintaining written tenant selection criteria meeting TDHCA requirements;
7. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules, the Board has personal and subject matter jurisdiction over Respondent pursuant to Tex. Gov't Code §2306.041 and §2306.267.
8. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
9. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code § 2306.053 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to Tex. Gov't Code §2306.041.
10. An administrative penalty of \$7,000 is an appropriate penalty in accordance with 10 TAC §2.

Based upon the foregoing findings of fact and conclusions of law, and an assessment of the factors set forth in Tex. Gov't Code §2306.042 to be considered in assessing such penalties as applied

specifically to the facts and circumstances present in this case, the Board of the Texas Department of Housing and Community Affairs orders the following:

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$7,000, subject to partial deferral as further ordered below.

IT IS FURTHER ORDERED that Respondent shall pay and is hereby directed to pay a \$3,750 portion of the assessed administrative penalty by cashier's check payable to the "Texas Department of Housing and Community Affairs" on or before February 25, 2017.

IT IS FURTHER ORDERED that Respondent shall fully correct the file monitoring violations as indicated in the attachments and submit full documentation of the corrections to TDHCA on or before February 25, 2017.

IT IS FURTHER ORDERED that if Respondent timely and fully complies with the terms and conditions of this Agreed Final Order, correcting all violations as required, the satisfactory performance under this order will be accepted in lieu of the remaining assessed administrative penalty in the amount of \$3,750 and that remaining amount of the administrative penalty will be deferred and forgiven.

IT IS FURTHER ORDERED that if Respondent fails to satisfy any conditions or otherwise violates any provision of this order, or the property is sold before the terms and conditions of this Agreed Final Order have been fully satisfied, then the remaining administrative penalty in the amount of \$3,750 shall be immediately due and payable to the Department. Such payment shall be made by cashier's check payable to the "Texas Department of Housing and Community Affairs" upon the earlier of (1) within thirty days of the date the Department sends written notice to Respondent that it has violated a provision of this Order, or (2) the property closing date if sold before the terms and conditions of this Agreed Final Order have been fully satisfied.

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

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

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 TAC 10.406, a copy of which is included at Attachment 2, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

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

[Remainder of page intentionally blank]

Approved by the Governing Board of TDHCA on January 26, 2017.

By: _____
Name: J. Paul Ozer
Title: Chair of the Board of TDHCA

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

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this ____ day of January, 2017, personally appeared J. Paul Ozer, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

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

(Seal)

Notary Public, State of Texas

Attachment 1

File Monitoring Violation Resources and Instructions

1. Refer to the following link for all references to the rules at 10 TAC §10 that are referenced below:

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

2. Refer to the following link for copies of forms that are referenced below:

<http://www.tdhca.state.tx.us/pmcomp/forms.htm>

3. Technical support and training presentations are available at the following links:

Video/Audio Training: <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>

Income and Rent Limits: <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>

Utility Allowance: <http://www.tdhca.state.tx.us/pmcomp/utility-allowance.htm>

Online Reporting: <http://www.tdhca.state.tx.us/pmcomp/reports.htm>

FAQ's: <http://www.tdhca.state.tx.us/pmcomp/compFaq.htm>

4. **All corrections must be submitted via CMTS:** See link for steps to upload documents <http://www.tdhca.state.tx.us/pmcdocs/CMTSUserGuide-AttachingDocs.pdf>.

5. **Important notes -**

- i. Do not backdate any documents listed below.
- ii. A transfer of a qualified household from another unit is not sufficient to correct any findings. If there is a tenant income certification or household income above limit violation, a transfer from another unit will simply cause the finding to transfer to that unit.

6. **Utility Allowance** – An updated utility allowance was submitted on 12/21/2016, along with the rent roll for 11 of the 36 units. This analysis should have been done for all 36 units.

To correct:

- i. Implement the new utility allowance for the rest of the units.
- ii. Reduce rents to comply with TDHCA rent limits. When determining rent, ensure that the tenant's rent, plus the utility allowance, plus any housing subsidies, plus any mandatory fees, are below the maximum allowable rent limit set by TDHCA.
- iii. Submit an updated Unit Status Report showing the corrected utility allowance amount and current/reduced rent amount for each unit.
- iv. Refund rents as necessary and provide evidence of the refunds.

Regarding refunds:

- i. Refunds, not account credits: 10 TAC § 10.622(d) requires Respondent to refund (not credit) overcharged rents to affected residents.
- ii. Resident moved out and cannot be located: 10 TAC §10.622(e) states that if Respondent is unable to locate a resident to whom a refund is owed, the funds must be deposited into a trust account for the tenant. The account must remain open for the shorter of a four (4) year period, or until all funds are claimed. If funds are not claimed after the four year period, the unclaimed funds must be remitted to the Texas Comptroller of Public Accounts Unclaimed Property Holder Reporting Section to be disbursed as required by Texas unclaimed property statutes.

7. **Affirmative marketing plan** – An unacceptable plan was submitted on November 11, 2016, then an updated plan was submitted on December 21, 2016. The updated plan addressed concerns outlined by the Compliance Division and Enforcement Committee, and also indicated that Respondent is marketing to the Asian Chamber of Commerce, but did not include evidence of those marketing efforts.

To correct:

- a. Submit evidence of marketing to the Asian Chamber of Commerce, such as letters and flyers. Ensure that said marketing materials comply with all requirements of 10 TAC §10.617. Remember that 10 TAC §10.617(f)(5) requires marketing materials to include the Fair Housing Logo and give contact information that prospective tenants can access if reasonable accommodations are needed in order to complete the application process. This contact information sentence must include the terms “reasonable accommodation” and must be in English and Spanish. Here is a sample of an acceptable sentence recently included in marketing materials from another property: *“Individuals who need to request a reasonable accommodation to complete the application process should contact the apartment manager at XXX-XXX-XXXX. Personas con discapacidad que necesitan solicitar un acomodacion razonable para completar el proceso de aplicacion deben comunicarse con el Administrador del apartment al XXX-XXX-XXXX.”*

Attachment 2:

Texas Administrative Code

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

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

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

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

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

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

(2) If the LURA requires ownership or material participation in ownership by a qualified non-profit organization, but the Development did not receive Tax Credits pursuant to §42(h)(5) of the Code, the

Development Owner must show that the transferee is a non-profit organization that complies with the LURA.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1d

BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action on the selection of Subrecipients to administer the Low Income Home Energy Assistance Program ("LIHEAP") Comprehensive Energy Assistance Program ("CEAP") to provide services in Anderson, Collin, Denton, Dimmit, Ellis, Henderson, Hunt, Kaufman, La Salle, Maverick, Navarro, Rockwall, and Van Zandt counties

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Gov't Code, §§2306.053, .092, and .097, the Texas Department of Housing and Community Affairs (the "Department") is provided the authority to administer the CEAP;

WHEREAS, the Department administers the CEAP from LIHEAP funds from the U.S. Department of Health and Human Services;

WHEREAS, on October 13, 2016, the Department initiated proceedings to remove the CEAP funds from the two current administrators of the CEAP in two coverage areas: one area covering Anderson, Collin, Denton, Ellis, Henderson, Hunt, Kaufman, Navarro, Rockwall, and Van Zandt counties, and the other area covering Dimmit, La Salle and Maverick counties;

WHEREAS, upon notification of such proceedings the administrator for Anderson, Collin, Denton, Ellis, Henderson, Hunt, Kaufman, Navarro, Rockwall, and Van Zandt counties did not pursue an appeal or hearing, and, therefore, it is confirmed that there is no existing permanent utility assistance provider in these counties and the CEAP awards from this Request for Applications ("RFA") can be made in these counties without conditions relative to that removal process;

WHEREAS, upon notification of such proceedings, the administrator for Dimmit, La Salle, and Maverick counties did pursue a request for a hearing, and therefore the process is still underway as the Department pursues the non-renewal of the administrator in those counties; however, to retain ongoing services throughout this process an award of 24.99% of the 2017 CEAP award amount is made to the successful respondent for these counties as a temporary provider;

WHEREAS, on November 12, 2015, the Department received authorization from this Board to release a Request for Applications ("RFA") in cases in which program coverage is not in place;

WHEREAS, on November 17, 2016, the Department released an RFA and received nine responses by the December 16, 2016, deadline, of which eight satisfied the required criteria;

WHEREAS, Texoma Council of Governments ("TCOG"), Economic Opportunities Advancement Corporation ("EOAC"), Greater East Texas Community Action Program ("GETCAP"), and Community Council of South Central Texas, Inc. ("CCSCT") are the highest scoring respondents and have satisfied the threshold requirements and Previous Participation Review, and their awards were recommended by the Executive Award Review and Advisory Committee ("EARAC") in accordance with 10 TAC Chapter 1, Subchapter C on January 13, 2017; and

WHEREAS, the eight respondents that satisfied threshold requirements have been issued scoring notices, and to the extent any possible appeals are filed, the final resolution of this action is contingent on the conclusion of those appellate rights;

NOW, therefore, it is hereby

RESOLVED, that TCOG, EOAC, and GETCAP are awarded 2017 CEAP funds for Anderson, Collin, Denton, Ellis, Henderson, Hunt, Kaufman, Navarro, Rockwall, and Van Zandt counties, in the amounts shown in Exhibit A, and shall be the designated network providers to receive CEAP funds for the associated counties until such time that the designation requires review; and

FURTHER RESOLVED, that CCSCT is awarded 24.99% of the 2017 CEAP funds for Dimmit, La Salle, and Maverick counties, as a portion of the amounts shown in Exhibit A.

BACKGROUND

At the Board meeting of October 13, 2016, the Board approved the Department's request to remove and nonrenew the CEAP funds from Community Services, Inc. ("CSI") and Community Services Agency of South Texas ("CSA") and allowing temporary providers in Anderson, Collin, Denton, Dimmit, Ellis, Henderson, Hunt, Kaufman, La Salle, Maverick, Navarro, Rockwall, and Van Zandt counties.

At the Board meeting of November 12, 2015, the Board provided broad authorization to staff to release an RFA and enter into agreements with one or more entities to administer any one or more of the CSBG, LIHEAP, or DOE WAP programs for the benefit of providing continued services to eligible low income

households in a service area whenever it deems such action necessary or advisable to address a possible loss of services in an area of the state under one or more these programs.

The RFA issued on November 17, 2016, encouraged applicant organizations to apply for one or more of four pre-identified groupings of counties in CSI’s and CSA’s service area. The application deadline was December 16, 2016. Staff received nine applications – one each from CSA, TCOG, EOAC, GETCAP, CCSCT, South Texas Development Council (“STDC”), Community Action Social Services and Education (“CASSE”), Inc., and two from Texas Neighborhood Services (“TNS”). These were reviewed and eight of the nine were found to satisfy the required threshold requirements. The application submitted by CSA did not satisfy the RFA requirement that “in order to be a qualified applicant, the applicant cannot owe the Department more than \$25,000” and that “an applicant cannot be delinquent in their submission of their Single Audit either at the time of application or at the time of the award.” CSA was therefore terminated for failure to meet threshold requirements and their application was not reviewed. CSA was provided the opportunity to appeal that termination, but chose not to do so.

The breakout of which entities submitted for which groupings are below.

Area	Counties	Applicant(s)	Highest Scoring Respondent
Group A	Collin, Denton, Hunt, Rockwall	TCOG, TNS	TCOG
Group B	Ellis, Navarro	EOAC, TNS	EOAC
Group C	Anderson, Henderson, Kaufman, Van Zandt	GETCAP	GETCAP
Group D	Dimmit, La Salle, Maverick	CCSCT, STDC, CASSE, CSA	CCSCT

Groups A, B, and D required scoring and evaluation between two or more respondents. After eliminating CSA from Group D, all remaining applicants in all group areas scored above the minimum point threshold. GETCAP was the only applicant for Group C, and having met the threshold score, is the recommended provider.

With the ongoing proceedings of the removal of CEAP from the current provider in Dimmit, La Salle, and Maverick counties, utility services are being recommended to be provided by CCSCT with 24.99% of the 2017 CEAP funds. Awards for TCOG, EOAC, GETCAP, and CCSCT were reviewed and recommended by the Executive Award Review and Advisory Committee (“EARAC”) in accordance with 10 TAC Chapter 1, Subchapter C.

Attachment A

2017 CEAP Allocation:

Group A: TCOG

County	Estimated Allocation (\$)
Collin	871,209
Denton	816,913
Hunt	325,311
Rockwall	7,554
TOTAL	2,020,987

Group B: EOAC

County	Estimated Allocation (\$)
Ellis	263,673
Navarro	227,107
TOTAL	490,780

Group C: GETCAP

County	Estimated Allocation (\$)
Anderson	241,813
Henderson	356,638
Kaufman	188,887
Van Zandt	244,915
TOTAL	1,032,253

Group D: CCSCT

County	Estimated 24.99% of Allocation
Dimmit	36,206
La Salle	27,678
Maverick	105,879
TOTAL	169,763

1e

BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action on Awards for 2017 Community Services Block Grant Discretionary ("CSBG-D") Direct Client Assistance Funds

RECOMMENDED ACTION

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

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

WHEREAS, at the Board meeting of October 13, 2016, the Department established a set aside of \$1,600,000 for CSBG discretionary projects, of which up to \$650,000 was programmed for Direct Client Assistance;

WHEREAS, a Notice of Funding Announcement ("NOFA") was released on November 2, 2016, for Direct Client Assistance and eligible entities interested in applying completed and returned applications;

WHEREAS, staff has reviewed and evaluated the applications received under the NOFA for Direct Client Assistance and recommends Board approval of awards totaling \$341,250 to the 21 eligible applicants that applied, met the requirements for funding, and have received a recommendation for an award from the Executive Award Review Advisory Committee ("EARAC"); and

WHEREAS, the Executive Award Review Advisory Committee ("EARAC") met on January 13, 2017, and proposed conditions as described below;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees, be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to take any and all such actions as they or any of them may deem necessary or advisable to effectuate the awards, as represented herein, of \$341,250 for direct client assistance.

BACKGROUND

The Department set aside a total of \$650,000 in State CSBG Discretionary funds for Direct Client Assistance as approved at the Board meeting of October 13, 2016, and released a NOFA requesting that interested eligible entities submit a budget and performance statement. Staff has reviewed the 22 submittals and is recommending that 21 of the 22 eligible entities be funded. Staff recommends an award of \$16,250 to each of the successful entities. The entities will have access to the funds upon execution of a contract, limited only

to direct client assistance, excluding case management salaries. Examples of how funds may be used include assisting eligible clients with obtaining job associated uniforms and training; assisting eligible clients with direct educational expenses (e.g., tuition, textbooks, etc.); assisting clients with the cost of transportation to and from work and other necessary functions; and assisting eligible clients in the cost of certain health care needs. Based on the previous participation review, discussed below, EARAC recommended that one of the 22 applications be denied its award, one of the applications be awarded with conditions, and the remaining 20 approved without conditions. Please refer to Attachment A.

The Previous Participation Rule (10 TAC, Chapter 1, Subchapter C, §1.302) includes a review of CSBG-D awards prior to contract execution. These discretionary awards are subject to this review. The review has been performed and the following entities have been recommended by EARAC for denial or award with conditions:

Agency	Issue
Cameron & Willacy Counties Community Projects, Inc.	EARAC recommends denial of the award based on five unresolved monitoring deficiencies and the entity's not having a current single audit.
County of Hidalgo Community Service Agency	Approved conditioned upon resolution of the findings noted in the single audit to the satisfaction of the Department. This condition must be met prior to the contract execution, but not to exceed 90 days from Board approval.

Cameron and Willacy Counties Community Projects, Inc. was notified of EARAC's recommendation on January 13, 2017. Their deadline to appeal is January 20, 2017.

Attachment A reflects all 21 applicants recommended for funding and the funding recommendation amounts; the entity with an asterisk is the one for which the award is conditional, and that condition is identified in the previous table.

Attachment A

Funding Recommendations for Program Year 2017 Community Services Block Grant
Discretionary Funds for CSBG Network Direct Client Assistance

#	CSBG Eligible Entity	Award Recommendation
1	Aspermont Small Business Development Center, Inc.	\$16,250
2	Central Texas Opportunities, Inc.	\$16,250
3	City of Fort Worth	\$16,250
4	City of San Antonio, Department of Human Services	\$16,250
5	Combined Community Action, Inc. of Central Texas	\$16,250
6	Community Action Committee of Victoria Texas	\$16,250
7	Community Action Corporation of South Texas	\$16,250
8	Community Action Social Services and Education, Inc.	\$16,250
9	Community Council of South Central Texas, Inc.	\$16,250
10	Community Services of Northeast Texas, Inc.	\$16,250
11	Concho Valley Community Action Agency	\$16,250
12	Economic Opportunities Advancement Corporation of Planning Region XI	\$16,250
13	Hidalgo Community Service Agency*	\$16,250
14	Panhandle Community Services	\$16,250
15	Rolling Plains Management Corporation	\$16,250
16	South Plains Community Action Association, Inc.	\$16,250
17	South Texas Development Council	\$16,250
18	Texas Neighborhood Services	\$16,250
19	Webb County Community Action Agency	\$16,250
20	West Texas Opportunities	\$16,250
21	Williamson-Burnet County Opportunities, Inc.	\$16,250
	TOTAL	\$341,250

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

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BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action Ratifying the Award for Federal Fiscal Year ("FFY") 2016 Community Services Block Grant ("CSBG") Discretionary Funds to Urban Inter-Tribal Center of Texas

RECOMMENDED ACTION

WHEREAS, on July 28, 2016, the Board approved the award of \$100,000 to the Urban Inter-Tribal Center of Texas for an urban employment and education project and supportive services for 50 Native Americans;

WHEREAS, the award recommended to the Board by the Executive Award Review and Advisory Committee ("EARAC") reflected a condition on the award, and the Board approved the award with the condition: "Approved conditioned on submittal of the required Single Audit and resolution of any findings identified in the Single Audit to the Department's satisfaction prior to contract execution, but no later than October 31, 2016.";

WHEREAS, Urban Inter-Tribal Center of Texas did not satisfy the condition by the October 31, 2016, deadline stated in the condition, but has subsequently submitted said audit, and concerns identified in the audit appear to be sufficiently addressed;

WHEREAS, the monitoring staff revisited Urban Inter-Tribal Center of Texas on December 16, 2016, and the on-site review resulted in no findings;

WHEREAS, EARAC has revisited this issue and approved the award without conditions; and

WHEREAS, to promptly provide urban employment and education services for 50 Native Americans, staff has proceeded to execute the contract with Urban Inter-Tribal Center of Texas based on their satisfaction of the substance of the condition;

NOW, therefore, it is hereby

RESOLVED, that the Board ratifies the award of \$100,000 to Urban Inter-Tribal Center of Texas without conditions.

BACKGROUND

On July 28, 2016, the Board approved awards of CSBG discretionary funds, among them an award of \$100,000 to the Urban Inter-Tribal Center of Texas for an urban employment and education project and supportive services for 50 Native Americans. The award had the following condition recommended by EARAC and approved by the Board: "Approved conditioned on submittal of the required Single Audit and resolution of any findings identified in the Single Audit to the

Department's satisfaction prior to contract execution, but no later than October 31, 2016." The audit was originally due prior to the October 31 due date, but had not yet been submitted.

Urban Inter-Tribal Center of Texas submitted the audit by October 31, 2016, but they did not resolve the findings identified in the Single Audit by that date. The findings have since been resolved and the Compliance Division monitored Urban Inter-Tribal Center of Texas the week of December 16, 2016. The on-site review resulted in no findings. While there are some areas for enhanced training, which the Department will provide, the issues do not warrant imposing additional conditions. As such, the Department is requesting that the Board ratify the award of the contract without conditions.

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BOARD ACTION REQUEST
SINGLE FAMILY OPERATIONS & SERVICES
January 26, 2017

Presentation, Discussion, and Possible Action on Authority to Enter Into a Memorandum of Understanding ("MOA") between the Texas Department of Housing and Community Affairs ("TDHCA") and the General Land Office ("GLO") regarding the administration of the Community Development Block Grant Disaster Recovery ("CDBG DR") Program.

RECOMMENDED ACTION

WHEREAS, in 2011, Governor Rick Perry, directed that the CDBG DR Program be transferred from TDHCA to the GLO and this was confirmed in SB2 by the 82nd Legislature;

WHEREAS, an MOA was put in place in September 2011 between TDHCA and the GLO to address ongoing mutual activities relating to the CDBG DR Program; and

WHEREAS, GLO is requesting a new MOA be put in place to address the remaining mutual activities specifically relating to the releases of lien for manufactured housing units (MHUs) assisted with CDBG DR Hurricane Rita, Round II, funds that have achieved the required grant period, and to authorize the GLO to have continued use of the TDHCA Housing Contract System (TDHCA HCS);

NOW, therefore, it is hereby

RESOLVED, that the Executive Director is hereby authorized to execute an MOA between TDHCA and GLO regarding administration of the CDBG DR program.

BACKGROUND

Effective July 1, 2011, in accordance with a letter from Governor Rick Perry, the GLO was named the lead agency for administration of CDBG DR funds. Upon passage of Senate Bill 2, of the 82nd Legislature, first Special Legislative Session, Section 33, all activities and funding related to the administration of the CDBG DR program transferred to the GLO. The first MOA was executed to be effective September 1, 2011, to memorialize the transfer of the CDBG DR program, provide for sub-servicing of single family and multifamily CDBG DR loans, and provide use of the TDHCA HCS and HCS technical assistance related to CDBG DR activities. The first MOA was further amended to extend the termination of the first MOA to August 31, 2015. The GLO requests this second MOA between TDHCA and GLO to finalize all remaining MHU CDBG DR liens, and provide for continuation of access to the HCS. This second MOA will have a termination date of August 31, 2017.

Upon approval of the Board, the MOA will be fully executed by the duly authorized officers or representatives of TDHCA and GLO.



**MEMORANDUM OF AGREEMENT BETWEEN
TEXAS GENERAL LAND OFFICE AND
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
GLO CONTRACT NO. 16-XXX-000-XXXX**

The **TEXAS GENERAL LAND OFFICE** (“the GLO”) and the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS** (the “TDHCA”), collectively “the Parties,” hereby enter into this Memorandum of Agreement (“MOA”), pursuant to the Interagency Cooperation Act, Chapter 771, TEX. GOV’T CODE, for software maintenance and lien release activities for the existing active Manufactured Housing Unit (“MHU”) liens under the GLO Community Development and Revitalization Program.

WHEREAS, the TDHCA and the Texas Department of Rural Affairs were designated as the state agencies responsible for the administration of the Hurricane Rita, Round II, Community Development Block Grant for Disaster Recovery (CDBG-DR), CFDA No. xxxx.

WHEREAS, Texas Governor Rick Perry designated the GLO as the lead agency for the administration of all CDBG-DR funds, effective July 1, 2011; and

WHEREAS, liens placed on MHUs by the TDHCA during the TDHCA’s administration of the program were not transferred to the GLO; and

WHEREAS, MHU owners may have met CDBG-DR program obligations and may be entitled to the release of said liens; and

WHEREAS, the Parties wish to cooperate to release the liens and thereby free the Parties from any further obligation related to the MHUs; and

WHEREAS, the TDHCA maintains software applications utilized for CDBG-DR program activities.

NOW, THEREFORE, the Parties hereby agree to perform the activities outlined below:

1. **RELEASE OF LIEN PROCESSING SERVICES** – The GLO and the TDHCA agree that the following will be the responsibilities of TDHCA:
 - A. **MANUFACTURED HOUSING RELEASE OF LIENS** – The TDHCA shall execute the GLO-drafted Statements of Ownership and Location and the attendant Form B in order to release up to One Hundred Thirty (130) liens placed on manufactured housing units during the course of the CDBG-DR program. A

copy of each form is attached hereto and incorporated herein for all purposes as **Attachment A**.

B. TOTAL CONSIDERATION – Total consideration under this Section 1 of this MOA shall not exceed **SEVEN HUNDRED FIFTY AND 00/100 DOLLARS (\$750.00)**.

2. **COMPLIANCE MONITORING AND TRACKING SYSTEM (“CMTS”) AND HOUSING CONTRACT SYSTEM (“HCS”) HOUSING SERVICES** – TDHCA shall continue to provide the GLO with hosting services and employee account administration services for CMTS and HCS at no cost for the duration of this MOA. As of the execution date of the MOA, the GLO does not anticipate the need to submit future software enhancement or database support requests to TDHCA. In the event that such requests are required due to unexpected circumstances, TDHCA shall continue to provide the GLO with these services at an hourly rate of **FORTY-FIVE AND 00/100 DOLLARS (\$45.00)** per hour, for a maximum of 500 hours and total amount not to exceed **TWENTY-TWO THOUSAND FIVE HUNDRED AND 00/100 DOLLARS (\$22,500.00)** for the duration of this MOA, based on actual services performed. All software enhancement or database support requests which are estimated by TDHCA to require 50 hours or more to complete are subject to TDHCA Information Systems Steering Committee review and approval prior to the commencement of services.
3. **REIMBURSEMENT**
 - A. **RELEASE OF LIEN PROCESSING SERVICES** – For the services stated in Section 1 of this MOA, the TDHCA shall invoice the GLO prior to the termination of this MOA for the release of lien processing services performed.
 - B. **Software Enhancement and Database Support** – the TDHCA shall invoice the GLO, not more than once per month, for actual services performed at the rate stated in Section 2 of this MOA.
4. **AUDIT** – The TDHCA agrees that all records related to the funds, staff, duties, and equipment under this MOA, shall be subject to audit conducted by the GLO. The Internal Audit Division of the GLO will develop an audit plan for such audit, to begin at an agreed upon date as soon as practicable. The TDHCA agrees to assist and cooperate with the GLO in the inspection, examination, audit, and copying of relevant records.
5. **PUBLIC INFORMATION** – To the extent allowed by law, all press and other public inquiries made regarding activities related to loan servicing shall be referred to the GLO and handled in accordance with the Public Information Act, Chapter 552 of the Texas Government Code.
6. **EFFECTIVE DATE** – This MOA shall be effective as of the date last signed and, shall terminate on August 31, 2017.

7. **PROPER AUTHORITY** – Each party hereto represents and warrants that the person executing this MOA on its behalf has full power and authority to enter into this MOA. The TDHCA acknowledges that this MOA is effective for the period of time specified above.
8. **COUNTERPARTS** - This MOA may be executed in any number of counterparts, each of which shall be an original, and all such counterparts shall together constitute but one and the same MOA.
9. **SEVERABILITY** - If any provision contained in this MOA is held to be unenforceable by a court of law or equity, the MOA shall be construed as if such provision did not exist and the non-enforceability of such provision shall not be held to render any other provision or provisions of this MOA unenforceable.
10. **AMENDMENTS TO THIS MOA** – Any material revision of the terms and conditions of this MOA shall be by written agreement of the Parties.

SIGNATURE PAGE FOLLOWS

**SIGNATURE PAGE FOR MOA BETWEEN
TEXAS GENERAL LAND OFFICE AND
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
GLO CONTRACT NO. 16-xxx-000-xxxx**

GENERAL LAND OFFICE

**TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS**

Anne L. Idsal, Chief Clerk/
Deputy Land Commissioner

Timothy K. Irvine
Executive Director

Date of execution: _____

Date of execution: _____

OGC

DIV _____

DIR _____

SDD _____

DGC _____

GC _____

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ATTACHMENT A

COPIES OF STATEMENT OWNERSHIP AND LOCATION AND FORM B FORMS

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BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action to approve a material amendment to the Housing Tax Credit (“HTC”) Land Use Restriction Agreement (“LURA”) for Tidwell Estates (#99002)

RECOMMENDED ACTION

WHEREAS, Tidwell Estates (the “Development”) applied for 9% HTC in 1998 and received a forward commitment of 9% HTC in 1999 to construct 132 multifamily units in Houston, Harris County;

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

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

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

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

NOW, therefore, it is hereby

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

BACKGROUND

Tidwell Estates applied in 1998 and was approved for a forward commitment of 9% HTC in 1999 for the new construction of 132 multifamily units in Houston, Harris County. In a letter dated October 24, 2016, the Development Owner (Tidwell Estates, Ltd.) through its General Partner (IVE Tidwell, LLC – Isaac Matthews, Manager) requested approval to amend the LURA related to the ROFR provision. The letter also requests approval to release a 1.35-acre portion of the site, which currently contains a daycare center; however, as this item requires more discussion the owner has agreed to table this item and only proceed with the material LURA amendment related to the ROFR at this time.

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

The General Partner requests to amend the LURA to replace the two-year ROFR period with a 180-day ROFR period, which would also permit re-syndication and sale to a Qualified Entity. The property is at the end of its Compliance Period, and the partners in the Partnership are positioning themselves to transfer their partnership interest. A potential purchaser, which is a non-profit organization, has been identified and is expected to purchase the Development.

In 2015, the Texas Legislature passed HB 3576 which amended Tex. Gov't Code §2306.6725 to allow for a 180-day ROFR period and §2306.6726 to allow for a Qualified Entity to purchase a development under a ROFR provision of the LURA and satisfy the ROFR requirement. Additionally, §2306.6726, as amended by HB 3576, defines Qualified Entity to mean an entity described by, or an entity controlled by an entity described by, §42(i)(7)(A) of the Internal Revenue Code of 1986. The Department's 2016 Post Award and Asset Management Requirements implemented administrative procedures to allow a Development Owner to conform to the new ROFR provisions described in the amended statute.

The Development Owner must comply with the amendment and notification requirements under the Department's rule at Tex. Gov't Code §2306.6712 and 10 TAC §10.405(b). The Development Owner held a public hearing on the matter on November 21, 2016, at 1:00pm at the Development's management office/clubhouse. No public comment was received regarding the requested amendment.

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

Tidwell Estates, Ltd.
5325 Katy Freeway, Suite One
Houston, Texas 77007-2257

October 24, 2016

VIA HAND DELIVERY

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

Re: TDHCA File No. 99002 Tidwell Estates Apartment Homes (the "**Property**")

Dear Ms. Trevino:

The undersigned is the General Partner (herein so called) of Tidwell Estates, Ltd., a Texas limited partnership (the "**Partnership**") and the current owner of the Property. This letter constitutes a request for a material LURA amendment in order to: (1) modify the right of first refusal (the "**ROFR**") and (2) remove a portion of the real estate from the encumbrance of the LURA.

Background Information

The Property is at the end of its Compliance Period, and the partners in the Partnership are positioning themselves to transfer their Partnership interests. A potential purchaser, which is a non-profit organization, has been identified and is expected to purchase the Partnership interests, subject to LURA requirements. The Partnership is currently comprised of the General Partner and Hettig Asset Management Group V, Inc., as limited partner ("**HK**"). HK previously served as the Class A Limited Partner of the Partnership, The General Partner and HK acquired all the interests of the investor limited partner earlier this year. The purpose of this request is to help the Partnership prepare for the proposed transfer of Partnership interests.

Request to Amend the ROFR Period

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

Release of Portion of Legal Description

The Property includes a separate day care center, comprised of two buildings and related amenities. The day care center was not included in the eligible basis of the Property and is not a required amenity under the LURA. The day care center has been leased to and operated by an affiliate of the General Partner since inception. As part of the proposed change of ownership of the Partnership, the operator of the day care center wishes to acquire the facility to ensure its continued operation. The day care center will continue to be available to residents of the Property, as it has in the past. Thus, the Partnership respectfully requests that the legal description for the LURA be revised to omit the following:

UNRESTRICTED RESERVE "A" OF TIDWELL ESTATES PARK, an addition in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. 426002 of the Map Records of Harris County, Texas.

This will facilitate the Partnership's ability to transfer the day care center to the operator. A survey showing the land to be excluded from the LURA is attached as Exhibit A, highlighted in yellow. If an electronic copy of the survey is required, we are happy to provide it.

LURA Amendment

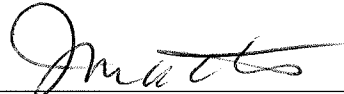
In accordance with Section 10.405(b) of the Rules, the General Partner, acting on behalf of the Partnership, is delivering a fee in the amount of \$2500. In addition, the General Partner, acting on behalf of the Partnership, commits to hold a public hearing, as required by the Rules, and to notify all residents, investors, lenders, and appropriate elected officials. Drafts of the public hearing notices are attached for your consideration. Upon approval from TDHCA, the General Partner, acting on behalf of the Partnership, will proceed to set a date and time for the Public Hearing and will provide TDHCA with evidence that the notice has been delivered and the hearing has been conducted. With that, the General Partner, acting on behalf of the Partnership, requests staff recommendation, in support of this request, to be considered at the December 15, 2016 TDHCA Board meeting.

Lucy Trevino
October 24, 2016
Page 3

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

Sincerely,

IVE Tidwell, LLC

By: 
Isaac Matthews, Manager

Attachments

cc: Hettig Asset Management Group V, Inc.
Walker & Dunlop

Tidwell Estates, Ltd.
5325 Katy Freeway, Suite One
Houston, Texas 77007-2257

November 16, 2016

Representative Jarvis Johnson
P.O. Box 2910
Austin, Texas 78768

Dear Representative Jarvis Johnson:

Tidwell Estates, Ltd. (the "**Owner**") is the owner of the Tidwell Estates Apartment Homes (the "**Community**") which is located at 1200 W. Tidwell Road, Houston, Texas 77091. In order to help finance the construction and development of the Community, the Owner received federal funding through the Texas Department of Housing and Community Affairs (the "**Department**").

A contractual restriction imposed by the Department mandates that if the Owner decides to sell the Community at a certain time, a right of first refusal requires the Owner to offer the Community for sale to a non-profit organization or a tenant organization for a period of up to two years. Recent changes in Texas law allow for changes to the right of first refusal requirement, including reducing the two-year period to a 180-day period and permitting the Owner to transfer the Community to certain kinds of entities in the right of first refusal process. The Owner is asking TDHCA to modify its contract so that these changes permitted by Texas law will apply.

Moreover in addition to the Community, the Owner owns a day care facility on-site, which is encumbered by the LURA. The operator of the day care center wishes to acquire the facility, so Owner is asking TDHCA to remove the day care center from the restrictions of the LURA.

In making its decision whether to approve Owner's request, the Department considers the opinions and views of the members of the Community and its elected representatives. Accordingly, there will be a public meeting to discuss this matter. This meeting will take place at the Community's management office/clubhouse on November 21, 2016 at 1:00 p.m.

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

Sincerely,

Tidwell Estates, Ltd.

By: IVE Tidwell, LLC,
its general partner

By: 
Name: W. Barry Kahn
Title: Manager

Tidwell Estates, Ltd.
5325 Katy Freeway, Suite One
Houston, Texas 77007-2257

November 16, 2016

Mayor Sylvester Turner
City of Houston
P.O. Box 1562
Houston, TX 77251

Dear Mayor Sylvester Turner:

Tidwell Estates, Ltd. (the "**Owner**") is the owner of the Tidwell Estates Apartment Homes (the "**Community**") which is located at 1200 W. Tidwell Road, Houston, Texas 77091. In order to help finance the construction and development of the Community, the Owner received federal funding through the Texas Department of Housing and Community Affairs (the "**Department**").

A contractual restriction imposed by the Department mandates that if the Owner decides to sell the Community at a certain time, a right of first refusal requires the Owner to offer the Community for sale to a non-profit organization or a tenant organization for a period of up to two years. Recent changes in Texas law allow for changes to the right of first refusal requirement, including reducing the two-year period to a 180-day period and permitting the Owner to transfer the Community to certain kinds of entities in the right of first refusal process. The Owner is asking TDHCA to modify its contract so that these changes permitted by Texas law will apply.

Moreover in addition to the Community, the Owner owns a day care facility on-site, which is encumbered by the LURA. The operator of the day care center wishes to acquire the facility, so Owner is asking TDHCA to remove the day care center from the restrictions of the LURA.

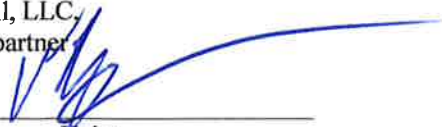
In making its decision whether to approve Owner's request, the Department considers the opinions and views of the members of the Community and its elected representatives. Accordingly, there will be a public meeting to discuss this matter. This meeting will take place at the Community's management office/clubhouse on November 21, 2016 at 1:00 p.m.

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

Sincerely,

Tidwell Estates, Ltd.

By: IVE Tidwell, LLC,
its general partner

By: 
Name: W. Barry Kahn
Title: Manager

Tidwell Estates, Ltd.
5325 Katy Freeway, Suite One
Houston, Texas 77007-2257

November 16, 2016

Dear Resident:

The Tidwell Estates Apartment Homes (the "**Community**") is owned by Tidwell Estates Ltd. (the "**Owner**"). In order to help finance the construction and development of the Community, the Owner received federal funding through the Texas Department of Housing and Community Affairs (the "**Department**") (Phone: 512-475-3800; Website: www.tdhca.state.tx.us).

A contractual restriction imposed by the Department mandates that if the Owner decides to sell the Community at a certain time, a right of first refusal requires the Owner to offer the Community for sale to a non-profit organization or a tenant organization for a period of up to two years. Recent changes in Texas law allow for changes to the right of first refusal requirement, including reducing the two-year period to a 180-day period and permitting the Owner to transfer the Community to certain kinds of entities in the right of first refusal process. The Owner is asking TDHCA to modify its contract so that these changes permitted by Texas law will apply.

Moreover in addition to the Community, the Owner owns a day care facility on-site, which is encumbered by the LURA. The operator of the day care center wishes to acquire the facility, so Owner is asking TDHCA to remove the day care center from the restrictions of the LURA.

In making its decision whether to approve Owner's request, the Department considers the opinions and views of the members of the Community. Accordingly, there will be a public meeting to discuss this matter. This meeting will take place at the Community's management office/clubhouse on November 21, 2016 at 1:00 p.m.

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

We appreciate that Tidwell Estates is your home and we invite you to attend and give your input on this proposal.

Thank you for choosing Tidwell Estates as your home.

Sincerely,

Tidwell Estates, Ltd.

By: IVE Tidwell, LLC,
its general partner

By: 
Name: W. Barry Kahn
Title: Manager

Tidwell Estates, Ltd.
5325 Katy Freeway, Suite One
Houston, Texas 77007-2257

November 16, 2016

Senator John Whitmire
P.O. Box 12068
Capitol Station
Austin, Texas 78711

Dear Senator John Whitmire:

Tidwell Estates, Ltd. (the "**Owner**") is the owner of the Tidwell Estates Apartment Homes (the "**Community**") which is located at 1200 W. Tidwell Road, Houston, Texas 77091. In order to help finance the construction and development of the Community, the Owner received federal funding through the Texas Department of Housing and Community Affairs (the "**Department**").

A contractual restriction imposed by the Department mandates that if the Owner decides to sell the Community at a certain time, a right of first refusal requires the Owner to offer the Community for sale to a non-profit organization or a tenant organization for a period of up to two years. Recent changes in Texas law allow for changes to the right of first refusal requirement, including reducing the two-year period to a 180-day period and permitting the Owner to transfer the Community to certain kinds of entities in the right of first refusal process. The Owner is asking TDHCA to modify its contract so that these changes permitted by Texas law will apply.

Moreover in addition to the Community, the Owner owns a day care facility on-site, which is encumbered by the LURA. The operator of the day care center wishes to acquire the facility, so Owner is asking TDHCA to remove the day care center from the restrictions of the LURA.

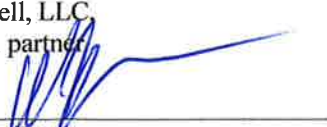
In making its decision whether to approve Owner's request, the Department considers the opinions and views of the members of the Community and its elected representatives. Accordingly, there will be a public meeting to discuss this matter. This meeting will take place at the Community's management office/clubhouse on November 21, 2016 at 1:00 p.m.

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

Sincerely,

Tidwell Estates, Ltd.

By: IVE Tidwell, LLC,
its general partner

By: 
Name: W. Barry Kahn
Title: Manager

U800153

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TDHCA #: 99002

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

12/27/00 201409356 U800153 \$55.00

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS FOR LOW-INCOME HOUSING TAX CREDITS (this "Declaration"), dated as of November 2, 2000, is made by and between Tidwell Estates, Ltd. (together with its successors and assigns, the "Project Owner") and The Texas Department of Housing & Community Affairs, an instrumentality of the State of Texas and a public corporation (together with any successor to its rights, duties and obligations, the "Department"), and is given by Project Owner as a condition precedent to [the determination that the Project, as defined herein, satisfies the requirements of the State of Texas's Qualified Allocation Plan] the allocation of low-income housing tax credits (the "Tax Credits"), pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto (the "Code"), by the Department. This Declaration incorporates the extended low-income housing commitment required by Section 42(h)(6) of the Code and is promulgated in accordance with the provisions of Chapter 2306, Tex. Gov. Code, (the "Act"), as may be amended from time to time.

WITNESSETH:

WHEREAS, the Project Owner is or shall be the Project Owner of a low income rental housing development, known as or to be known as Tidwell Estates Apartment Homes (the "Project Improvements"), on real property located in the City of Houston, County of Harris, State of Texas, more particularly described in Exhibit A hereto (the "Project Land") (the Project Improvements and the Project Land being collectively referred to herein as the "Project");

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

WHEREAS, the Project Owner has applied to the Department for an allocation of Tax Credits to the Project in an amount not to exceed \$ 656,385 Tax Credit dollars annually;

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

WHEREAS, the Department has determined that the Project would support an annual allocation of Tax Credits in the amount of \$ 656,385;

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

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

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

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

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

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SECTION 1 - DEFINITIONS

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

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

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

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

"Board" means the governing Board of the Department.

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

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

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

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

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

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

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

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

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

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

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

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

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

"State" means the State of Texas.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 4 - INCOME RESTRICTIONS/RENTAL RESTRICTIONS

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

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

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

(Check applicable percentage election)

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

(c) The Project will contain a total of 132 Units (including Units occupied by a resident manager or other employee, such that they are not treated as "residential rental units" for purposes of Section 42 of the Code), of which at least 75 percent of the Units treated as residential rental units will be Low-Income Units. The amount of Tax Credits allocated to the Project is based on the requirement that the Minimum Applicable Fraction for each building in the Project will be as specified, building-by-building, at Appendix A hereto. During the Term of this Declaration, Units at the Project shall be leased and rented or made available to members of the general public who qualify as Low-Income Tenants, such that each building in the Project shall at all times satisfy the Minimum Applicable Fraction for such building. The Project Owner's failure to ensure that each building in the Project complies with such requirement will cause the Department to report such fact to the Service and may result in the reduction and recapture by the Service of Tax Credits, as well as other enforcement action.

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

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

SECTION 5 - TERM OF DECLARATION

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

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

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

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

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

SECTION 6 - ENFORCEMENT, ADMINISTRATION AND COMPLIANCE

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

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

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

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

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

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

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

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

(i) Upon a determination by the Department that the Project Owner has failed to maintain the Project in good and habitable condition and suitable for occupancy as hereinabove required, the Project Owner agrees, upon the Department's direction, to establish a reserve for replacement and repairs to the Project in such initial amount and with such monthly deposits as the Department may direct. Such reserve shall be held for the benefit of the Project Owner and the Project by such party as the Department shall direct, and disbursements shall be made therefrom only upon direction of or approval by the Department.

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

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

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

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

SECTION 7 - FEES

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

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

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

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

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

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

SECTION 8 - MISCELLANEOUS

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

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

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

To the Project Owner: I.V. Enterprises, Inc.
1177 West Loop South, Suite 1475
Houston, Texas 77027
Attn: Isaac Matthews

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

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

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

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

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

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

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

PROJECT OWNER:

Tidwell Estates, Ltd.

By: I.V. Enterprises, Inc.

By: [Signature]

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on the 2nd day of November, 2000

by Isaac Matthews,
Name

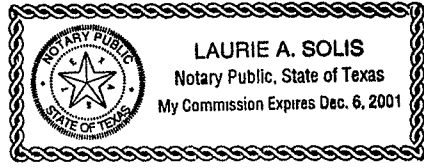
President, I.V. Enterprises, Inc., General Partner
Title

of Tidwell Estates, Inc.,
Project Owner Name

a Texas limited partnership,
Type of Partnership

on behalf of said limited partnership,
Type of Partnership

[Signature]
Notary Public



**TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS**

309

By: [Signature]

STATE OF TEXAS

COUNTY OF TRAVIS

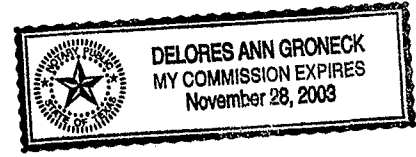
This instrument was acknowledged before me on the 21st day of DECEMBER, 2000

by DAISY A. STINER

EXECUTIVE DIRECTOR
Title

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

[Signature]
Notary Public, State of Texas



ADDENDUM A TO DECLARATION - CONSENT AND SUBORDINATION OF LIENHOLDER

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

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

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

Lienholder acknowledges and agrees that, pursuant to Section 5(b)(1) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure, upon the recorded declaration of the party so acquiring the building (unless it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lienholder hereby acknowledges and agrees that the acquisition of the Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(c) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

Executed to be effective the 13 day of November, 2000.

LIENHOLDER: SOUTHWEST BANK OF TEXAS, N.A.

By: *Christopher Denison*

Name: CHRISTOPHER DENISON

Title: SENIOR VICE PRESIDENT

STATE OF TEXAS

COUNTY OF MONTGOMERY COUNTY

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that CHRISTOPHER DENISON, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, being informed of the contents of such document, executed the same voluntarily. Given under my hand, official seal this 13 day of November, 2000.



Natalie R. Rodriguez
Notary Public

My Commission expires: 12-23-03

ADDENDUM A TO DECLARATION - CONSENT AND SUBORDINATION OF LIENHOLDER

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

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

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

Lienholder acknowledges and agrees that, pursuant to Section 5(b)(1) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure, upon the recorded declaration of the party so acquiring the building (unless it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lienholder hereby acknowledges and agrees that the acquisition of the Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(c) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

Executed to be effective the 20th day of NOVEMBER, 2000.

LIENHOLDER: CONTINENTAL WINGATE ASSOCIATES, INC.

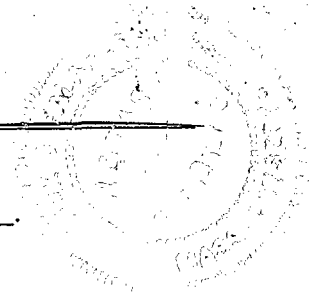
By: Jeffrey M. Goodman
Name: JEFFREY M. GOODMAN
Title: SENIOR VICE PRESIDENT

STATE OF Massachusetts
COUNTY OF Norfolk

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that Jeffrey M. Goodman, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, being informed of the contents of such document, executed the same voluntarily. Given under my hand, official seal this 20th day of November, 2000.

Dirk J. Falardeau
Notary Public

My Commission expires: Dirk J. Falardeau
My Commission Expires
February 16, 2007



536-48-0153

EXHIBIT A TO DECLARATION - LEGAL DESCRIPTION

CORRECTION FIELD NOTES OF A TRACT OF LAND CONTAINING 8.871 ACRES SITUATED IN THE SAMUEL McCLELLAND SURVEY, ABSTRACT 544, HARRIS COUNTY, TEXAS, BEING ALL OF A 8.094 ACRE TRACT, KNOWN AS TRACT TWO AND ALL OF A 0.777 ACRE TRACT CALLED 0.7728 ACRES, KNOWN AS TRACT ONE, CONVEYED TO RICHARD G. SEDCELEY RECORDED BY DEED IN HARRIS COUNTY CLERK'S FILE NO.(S) R 261222 OF THE REAL PROPERTY RECORDS OF HARRIS COUNTY, TEXAS SAID 8.871 ACRES BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1/2" IRON ROD, SET, AT THE SOUTHWEST INTERSECTION OF PAUL QUINN ROAD AND WHEATLEY ROAD AND BEING THE NORTHEAST CORNER OF SAID 8.094 ACRES, ALSO BEING THE NORTHEAST CORNER OF A 30 FOOT WIDE EASEMENT CONTAINING 0.32 ACRES AND CONVEYED TO THE HARRIS COUNTY FLOOD CONTROL DISTRICT, RECORDED IN A RIGHT-OF-WAY EASEMENT RECORDED IN HARRIS COUNTY CLERK'S FILE NO.(S) B 044675 OF THE REAL PROPERTY RECORDS OF SAID COUNTY AND FOR THE NORTHEAST CORNER OF THE HEREIN DESCRIBED,

THENCE, SOUTH 02° 27' 13" EAST, ALONG THE WEST RIGHT-OF-WAY LINE WHEATLEY ROAD ALSO THE EAST LINE OF SAID 30 FOOT EASEMENT AND THE EAST LINE OF SAID 8.094 ACRES, A DISTANCE OF 273.84 FEET (CALLED S 02° 23' 57" E - 273.20') TO A 1/2" IRON ROD, SET, FOR THE "POINT OF CURVE" OF THE HEREIN DESCRIBED TRACT;

THENCE, ALONG AN ARC TO THE LEFT HAVING A RADIUS OF 1195.92 FEET AND AN ARC LENGTH OF 53.98 FEET (CALLED 53.82 FEET) TO A 1/2" IRON ROD, SET, FOR THE "END OF CURVE" OF THE HEREIN DESCRIBED TRACT;

THENCE, SOUTH 05° 19' 37" EAST, ALONG THE WEST RIGHT-OF-WAY LINE OF SAID ROAD AND THE EAST LINE OF SAID EASEMENT A DISTANCE 53.01 FEET (CALLED S 04° 58' 40" E) TO A 1/2" IRON ROD, SET, FOR THE AN ANGLE POINT OF THE HEREIN DESCRIBED TRACT;

THENCE, SOUTH 45° 55' 27" WEST, A DISTANCE OF 20 37 FEET (CALLED S 42° 23' 38" E - 20 32 FEET) TO A 1/2" IRON ROD, SET, IN THE NORTH RIGHT-OF-WAY LINE OF WEST TIDWELL ROAD AND BEING THE SOUTHEAST CORNER OF SAID 8.094 ACRES AND FOR THE SOUTHEAST CORNER OF THE HEREIN DESCRIBED TRACT,

THENCE, SOUTH 89° 46' 11" WEST, (CALLED S 89° 43' 35" W), ALONG THE NORTH RIGHT-OF-WAY LINE OF SAID WEST TIDWELL AND THE SOUTH LINE OF SAID 8.094 ACRES, AT 14 75 FEET PASS A 5/8" IRON ROD, FOUND, CONTINUING A TOTAL DISTANCE OF 311.46 (CALLED 311.80 FEET) FEET TO A 1/2" IRON ROD, SET, FOR THE "POINT OF CURVE" OF THE HEREIN DESCRIBED TRACT;

THENCE, ALONG AN ARC TO THE LEFT HAVING A RADIUS OF 3869.91 FEET AND AN ARC LENGTH OF 148.63 FEET TO A 5/8" IRON ROD, FOUND, FOR THE "END OF CURVE" OF THE HEREIN DESCRIBED TRACT;

THENCE, SOUTH 87° 31' 16" WEST, ALONG THE NORTH RIGHT-OF-WAY LINE OF WEST TIDWELL ROAD AND THE SOUTH LINE OF 8.094 ACRES, A DISTANCE OF 453.17 FEET (CALLED S 87° 33' 53" W - 453.02 FEET) TO A 1/2" IRON ROD, FOUND, BEING THE SOUTHEAST CORNER OF SAID 0.777 ACRES AND THE SOUTHWEST CORNER OF SAID 8.094 ACRES AND FOR AN ANGLE POINT OF THE HEREIN DESCRIBED TRACT,

THENCE, SOUTH 87° 34' 42" WEST, ALONG THE NORTH RIGHT-OF-WAY LINE OF WEST TIDWELL ROAD AND THE SOUTH LINE OF SAID 0.777 ACRES, A DISTANCE OF 89.88 FEET (CALLED S 87° 33' 33" W - 90 00 FEET) TO A 1/2" IRON ROD, FOUND, BEING THE SOUTHWEST CORNER OF SAID 0.777 ACRES, ALSO THE SOUTHEAST CORNER OF LOT 3, IN BLOCK 19, OF HIGHLAND HEIGHTS ANNEX NO. 4, CONVEYED TO SAMUEL C. SHEPERD RECORDED BY DEED IN HARRIS COUNTY CLERK'S FILE NO.(S) H 551554 OF THE REAL PROPERTY RECORDS OF SAID COUNTY AND FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT,

THENCE, NORTH 02° 27' 18" WEST, ALONG THE WEST LINE OF SAID 0.777 ACRES AND THE EAST LINE OF SAID ANNEX NO. 4 TRACT, A DISTANCE OF 376.68 FEET (CALLED N 02° 29' 47" W - 373.80 FEET) TO A 5/8" IRON ROD, FOUND, IN THE SOUTH RIGHT-OF-WAY LINE OF PAUL QUINN ROAD AND BEING THE NORTHWEST CORNER OF SAID 0.777 ACRES AND FOR THE NORTHWEST CORNER OF THE HEREIN DESCRIBED TRACT,

THENCE, NORTH 87° 28' 22" EAST, ALONG SAID ROAD AND NORTH LINE OF SAID 0.777 ACRES, A DISTANCE OF 89.76 FEET (CALLED N 87° 14' 13" E - 90.00 FEET) TO A 5/8" IRON ROD, FOUND, BEING THE NORTHEAST CORNER OF SAID 0.777 ACRES AND THE NORTHWEST CORNER OF SAID 8.094 ACRES AND FOR AN ANGLE POINT OF THE HEREIN DESCRIBED TRACT,

THENCE, NORTH 87° 22' 33" EAST ALONG THE SOUTH RIGHT-OF-WAY LINE OF SAID ROAD AND NORTH LINE OF SAID 8.094 ACRES AT A DISTANCE OF 894.20 FEET PASS A 5/8" IRON ROD, FOUND, BEING THE NORTHWEST CORNER OF SAID DRAINAGE EASEMENT, IN ALL A TOTAL DISTANCE OF 924.20 FEET (CALLED N 87° 14' 15" E - 924.70 FEET) TO THE "POINT OF BEGINNING" AND CONTAINING 8.871 ACRES OF LAND.

THE SOUTH RIGHT-OF-WAY LINE OF PAUL QUINN ROAD AND THE NORTH LINE OF SAID 8.094 ACRES WAS USED FOR THE CONTROL BEARING OF THIS TRACT.

EXHIBIT "A"

APPENDIX A - ADDITIONAL USE RESTRICTIONS

(Check all restrictions which were elected at the time of Application.)

 Additional Rent and Occupancy Restrictions

At least 30 Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income. The rents for these Units must not be higher than the allowable tax credit rents at the 50% AMGI level.

 Additional Rent and Occupancy Restrictions for Developments with below market rate HOME funding included in the total eligible basis and utilizing the "9%" Applicable Percentage

At least 40% Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income.

 Longer Compliance Period and Extended Use Period

The Compliance Period shall be a period of _____ consecutive taxable years and the Extended Use Period shall be a period of _____ consecutive taxable years, each commencing with the first year of the Credit Period.

 Material Participation by Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall control the Project as defined in the QAP and shall materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the Project. At the time this Declaration is filed, the qualified nonprofit organization which shall own such interest and shall so materially participate in the development and operation of the Project is _____. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified nonprofit organization.

 Historically Underutilized Businesses (HUB)

Throughout the Compliance Period, unless otherwise permitted by the Department, the HUB shall remain the Managing General Partner. The HUB must also maintain regular, continuous, and substantial participation in the development, operation and ownership of the project. At the time this Declaration is filed, the HUB which serves as the Managing General Partner is I.V. Enterprises, Inc.. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified HUB.

 Supportive Services

Throughout the Compliance Period, unless otherwise permitted by the Department, a Local Tax Exempt Organization shall provide the following special supportive services that would not otherwise be available to the tenants: job training, parenting classes, substance abuse counseling, job referral services, personal and teamwork development, health and safety education, HIV/Aids education, discounted child care.

At the time this Declaration is filed, the organization(s) providing these services is Child and Adult Development Center of Houston, Inc.

The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified Tax Exempt Organization.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - CONTINUED

 Transitional Housing for the Homeless

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide transitional housing for homeless persons, on a non-transient basis, with supportive services designed to assist Tenants in locating and retaining permanent housing.

 Public Housing Waiting Lists

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall consider prospective Tenants referred to from the waiting list of the Housing Authority of City of Houston.

ELDERLY DEVELOPMENTS¹ **1996 Elderly Projects**

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project which:

- (i) is intended for, and solely occupied by persons 60 years of age or older (excluding those occupied by an employee or owner); and
- (ii) adheres to policies and procedures which demonstrate a firm commitment by the owner and manager to provide housing for persons 60 years of age or older.

 1997 Elderly Projects

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project:

- (i) in which all of the Units are intended for, and occupied by at least one person who is 62 years of age or older (excluding those occupied by an employee or owner); and
- (ii) that adheres to policies and procedures which demonstrate a firm commitment by the owner and manager to provide housing for Persons 62 years of age or older.

 1998 & 1999 Elderly Projects

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project which:

- (I) is intended for, and solely occupied by Persons 62 years of age or older; or
- (ii) in which all Units (excluding those occupied by an employee or owner) are constructed for, and occupied by at least one Person who is 60 years of age or older; and
- (iii) which adheres to policies and procedures which demonstrate a firm commitment by the owner and manager to provide housing for Persons 60 years of age or older.

¹ Note: The Federal Fair Housing Act requires, generally, that projects which are limited to occupancy by older persons either (i) be restricted to households in which all members are 62 years or older or (ii) to households in which at least one member is 55 years or older. See 24 C.F.R. §§100.300-100.304 for exact requirements. All tax credit projects must comply with these requirements, as applicable under Federal law, in addition to the Declaration.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - HANDICAPPED ACCESSIBILITY

(Only Projects which made a Handicapped Accessibility election should include this page as part of the LURA.)

Handicapped Accessibility for 1996 Allocations

Throughout the Compliance Period, unless otherwise permitted by the Department, the percentage of Units which are/will be designed to meet American National Standards for buildings and facilities providing accessibility and usability for Persons with Disabilities [ANSI A117.1 - 1986 or successor] and will conform to the Fair Housing Act is indicated below. "Equipped" means that features that make the Units fully usable to such persons are installed in the Units at the time of construction or provisions have been included in construction for easy modification to meet the ANSI A117.1 standards. For Units targeted for tenants with mental disabilities, the Project must maintain a referral agreement with an entity that provides on-site supportive services specifically designed for such tenants.

- 6% to 10% of Units are set-aside for persons with physical disabilities or targeted for persons with mental disabilities.
- 11% to 15% of Units are set-aside for persons with physical/mental disabilities.
- 16% + of Units are set-aside for persons with physical/mental disabilities.

Handicapped Accessibility for 1997 and 1998 Allocations

Throughout the Compliance Period, unless otherwise permitted by the Department, the percentage of Units which are/will be designed to meet American National Standards for buildings and facilities providing accessibility and usability for Persons with Disabilities (ANSI A117.1 - 1992 or successor) and will conform to the Fair Housing Act is indicated below. "Equipped" means that features that make the Units fully usable to such persons are installed in the Units at the time of construction or provisions have been included in construction for easy modification to meet the ANSI A117.1 standards. The Department will require a minimum of two years during which set-aside units must either be occupied by tenants who are physically or mentally disabled or held vacant while being marketed to such tenants. If after this two year period, the Project Owner is unable to locate qualified Persons with disabilities following a good-faith effort, the units may be rented to tenants without disabilities, provided that the next available unit (from among those set-aside for Persons with disabilities) shall first be made available to Persons with disabilities. To comply with this provision all Project Owners must maintain a waiting list of qualified tenants with disabilities throughout the Compliance Period. When such Units become available, Project Owners must contact persons on the waiting list and/or provide notice to local service providers that such Units are available.

- 6% to 10% of Units are set-aside for persons with physical or mental disabilities;
- 11% to 15% of Units are set-aside for persons with physical/mental disabilities; or,
- 16% + of Units are set-aside for persons with physical/mental disabilities.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - HANDICAPPED ACCESSIBILITY

(Only Projects which made a Handicapped Accessibility election should include this page as part of the LURA.)

 Handicapped Accessibility for 1999 Allocations – Option §50.6(c)(6)(B)(i)

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner agrees to set aside units for Persons with Disabilities. The Department will require a minimum of nine months during which the set aside units must either be occupied by tenants who are physically or mentally disabled or held vacant while being marketed to such tenants. The nine month period will begin on the date that each building receives its certificate of occupancy. For buildings which do not receive a certificate of occupancy, the nine month period will begin on the placed in service date as provided in the Cost Certification Manual. When a qualified tenant is located, the Project Owner will be responsible for adapting the unit per the tenant's requirements. The cost of adapting the unit will be borne by the Project Owner. If the Project Owner is unable to locate qualified Persons with Disabilities following a good-faith effort throughout the nine month set aside period, then the units may be rented to tenants without disabilities, provided that the next available unit (from among those set aside for Persons with Disabilities) shall first be made available to Persons with Disabilities. To comply with this provision, the Project Owner must maintain a waiting list of qualified tenants with disabilities throughout the Compliance Period. Each time a Unit set aside for Persons with Disabilities becomes available, the Project Owner must contact persons on the waiting list and/or provide notice to local service providers that such Units are available. If the waiting list or the local service provider cannot locate a qualified tenant for the next available unit, then the unit may be rented to a tenant without disabilities.

- (a) For physical disabilities, such Units must be designed to meet American National Standards for buildings and facilities providing accessibility and usability for Persons with Disabilities (ANSI A117.1 - 1986) and will conform to the Fair Housing Act.
- (b) For persons with mental disabilities, there must be a contract to provide appropriate supportive services for persons with mental disabilities between the Project Owner and an experienced service provider.

- At least 7% of the Units are set-aside for persons with physical or mental disabilities; or
- at least 10% of the Units are set-aside for persons with physical or mental disabilities.

 Handicapped Accessibility for 1999 Allocations – Option §50.6(c)(6)(B)(ii)

The subject development provides Units specifically accessible to persons with physical, visual or hearing disabilities as required by §504 of the Rehabilitation Act of 1973. As required by §504, a one time inspection and corresponding Accessibility Transition Plan will be required upon completion of construction. Project Owners making this election must also comply with the Fair Housing Act.

- At a minimum, 5% of the units must be usable for persons with mobility impairments and 2% of the units shall be made accessible for people with hearing or visual impairments; or
- at a minimum 10% of the units must be usable for persons with mobility impairments and 2% of the units shall be made accessible for people with hearing or visual impairments.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - RIGHT OF FIRST REFUSAL

(Only Projects which made a Right of First Refusal election should include this page as part of the LURA.)

 Right of First Refusal to Tenant or Qualified Nonprofit Organizations for 1997 allocations

The Project Owner has entered into an Agreement for Provision of the Right of First Refusal with the Department. If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, this agreement shall serve as evidence that the sponsor agrees to provide, and provides, to a qualified nonprofit organization (as defined in §42 (h) (5) (C) of the code) or a tenant organization, a right of first refusal to purchase the Project for the minimum purchase price provided in, and in accordance with the requirements of §42 (i) (7) (B) of the Code as shown below.

“(B) Minimum purchase price. The minimum purchase price under this subparagraph is an amount equal to the sum of-

- (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and
- (ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii).”

Sponsor will provide this right of first refusal in either of the following ways:

(Check Only One)

- (i) by entering into an agreement with a specific qualified nonprofit organization (or tenant organization) providing for such right of first refusal. The qualified nonprofit organization will be _____ . *In the event that this organization is not operating when the right of first refusal is to be made, the right of first refusal must be provided to another qualified nonprofit organization.*
- (ii) by entering into an agreement with the Department providing that upon the earlier of:
 - (I) the Sponsor's determination to sell the Project, or
 - (II) the Sponsor's request to the Department, pursuant to §42 (h) (6) (I)² of the Code, to find a buyer who will purchase the Project pursuant to a "qualified contract" within the meaning of §42 (h) (6) (F) of the Code, the Department shall be authorized to identify a qualified nonprofit organization (or tenant organization) to which the Sponsor shall sell the Project at the minimum purchase price provided in §42 (i) (7) (B) of the Code (as fully described above).

² “(I) Period for finding buyer. The period referred to in this subparagraph is the 1-year period beginning on the date (after the 14th year of the compliance period) the taxpayer submits a written request to the housing credit agency to find a person to acquire the taxpayer's interest in the low-income portion of the building.”

APPENDIX A - ADDITIONAL USE RESTRICTIONS - RIGHT OF FIRST REFUSAL

(Only Projects which made a Right of First Refusal election should include this page as part of the LURA.)

Right of First Refusal to Tenant or Qualified Nonprofit Organizations for 1998 and 1999 allocations

The Project Owner has entered into an Agreement for Provision of the Right of First Refusal with the Department. If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, this agreement shall serve as evidence that the sponsor agrees to provide, and provides, to a qualified nonprofit organization (as defined in §42 (h) (5) (C) of the code) or a tenant organization, a right of first refusal to purchase the Project for the minimum purchase price provided in, and in accordance with the requirements of §42 (i) (7) (B) of the Code as shown below.

“(B) Minimum purchase price. The minimum purchase price under this subparagraph is an amount equal to the sum of-

- (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and
- (ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii).”

Sponsor agrees that the LURA with respect to the Project will, in substance, contain the following terms:

(i) Upon the earlier to occur of:

(I) the Sponsor's determination to sell the Project, or

(II) the Sponsor's request to the Department, pursuant to §42 (h)(6)(I) of the Code, to find a buyer who will purchase the Project pursuant to a "qualified contract" within the meaning of §42 (h)(6)(F) of the Code, the Sponsor shall provide a notice of intent to sell the Project ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Sponsor determines that it will sell the Project at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period.

(ii) During the two years following the giving of Notice of Intent, the Sponsor may enter into an agreement to sell the Project only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(I) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department;

(II) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(III) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iii) After the later to occur of (I) the end of the Compliance Period or (II) two years from delivery of a Notice of Intent, the Sponsor may sell the Project without regard to any right of first refusal established by the LURA if: (x) no offer to purchase the Project at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or (y) a period of 120 days has expired from the date of acceptance of such offer without the sale having occurred, provided that the failure to close within such 120-day period shall not have been caused by the Sponsor or matters related to the title for the Project.

(iv) At any time prior to the giving of the Notice of Intent, the Sponsor may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Project for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Project by such organization in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

(v) The Department shall, at the request of the Sponsor, identify in the LURA a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal

to purchase the Project at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

APPENDIX A - MINIMUM APPLICABLE FRACTION BY BUILDING

Building Number	Building Identification Number (BIN)	Minimum Applicable Fraction
1.	TX-99-00200	75%
2.	TX-99-00201	75%
3.	TX-99-00202	75%
4.	TX-99-00203	75%
5.	TX-99-00204	75%
6.	TX-99-00205	75%
7.	TX-99-00206	75%
8.	TX-99-00207	75%
9.	TX-99-00208	75%
10.	TX-99-00209	75%
11.	TX-99-00210	75%
12.	TX-99-00211	75%
13.	TX-99-00212	75%
14.	TX-99-00213	75%
15.	TX-99-00214	75%
16.	TX-99-00215	75%
17.	TX-99-00216	75%
18.	TX-99-00217	75%
19.	TX-99-00218	75%
20.	TX-99-00219	75%
21.	TX-99-00220	75%
22.	TX-99-00221	75%
23.	TX-99-00222	75%
24.	TX-99-00223	75%
25.	TX-99-00224	75%
26.	TX-99-00225	75%
27.	TX-99-00226	75%
28.	TX-99-00227	75%
29.	TX-99-00228	75%
30.	TX-99-00229	75%
31.	TX-99-00230	75%
32.	TX-99-00231	75%
33.	TX-99-00232	75%
34.	TX-	
35.	TX-	
36.	TX-	
37.	TX-	
38.	TX-	

536-48-0165

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW
THE STATE OF TEXAS
COUNTY OF HARRIS

I hereby certify that this instrument was FILED in File Number Sequence on the date and at the time stamped hereon by me and was duly RECORDED. In the Official Public Records of Real Property of Harris County, Texas on

DEC 27 2000



Dorely B. Kaufman

COUNTY CLERK
HARRIS COUNTY, TEXAS

Dorely B. Kaufman
COUNTY CLERK
HARRIS COUNTY, TEXAS

2000 DEC 27 PM 2:43

FILED

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action to approve a material amendment to the Housing Tax Credit (“HTC”) Land Use Restriction Agreement (“LURA”) for Arbor Terrace Townhomes (#99043)

RECOMMENDED ACTION

WHEREAS, Arbor Terrace Townhomes (the “Development”) received an award of 9% Housing Tax Credits in 1999 to construct 128 multifamily units in Odessa, Ector County;

WHEREAS, the HTC application for the Development received points and/or other preferences for agreeing to provide a Right of First Refusal (“ROFR”) to purchase the Development and for having a Historically Underutilized Business (“HUB”), namely Kilday Realty Corp., participate as the Managing General Partner in the ownership of the Development;

WHEREAS, the LURA for the Development requires a two-year ROFR period and requires that throughout the Compliance Period, unless otherwise permitted by the Department, the HUB must hold an ownership interest, and must maintain regular, continuous, and substantial participation in the development and operation of the Development;

WHEREAS, the Development is within the extended Compliance Period, as defined in the LURA;

WHEREAS, the HUB principal has retired, and, therefore, Kilday Realty Corp. will be unable to retain its HUB certification;

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

WHEREAS, 10 TAC §10.406(g) allows for a HUB requirement to be removed if the HUB will maintain its ownership interest but is unable to maintain its HUB status, as long as the LURA does not require such continual ownership or a material LURA amendment is approved;

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

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

NOW, therefore, it is hereby

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

BACKGROUND

Arbor Terrace Townhomes was approved in 1999 for the construction of 128 multifamily units in Odessa, Ector County. In a letter dated December 19, 2016, Antiqua Partners, LP (the “Development Owner”) through its General Partner (Kilday Realty Corp. – Royce R. Kilday, Vice President) requested approval to amend the LURA related to the ROFR provision and to the requirement for the HUB to remain the Managing General Partner and to maintain regular, continuous, and substantial participation in the development and operation of the Development throughout the Compliance Period.

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

The request letter dated December 19, 2016, states that the HUB principal, Dianne Kilday, President of Kilday Realty Corp., has retired and therefore Kilday Realty Corp. will be unable to retain its HUB certification. While the HUB status will be removed, the entities will remain in the ownership structure and all other ownership entities will stay in place. The General Partner requests that the HUB restriction be removed from the LURA.

The General Partner also requests that the two-year ROFR period be replaced with the 180-day ROFR period, which permits re-syndication and sale to a Qualified Entity. In 2015, the Texas Legislature passed HB 3576 which amended Tex. Gov’t Code §2306.6725 to allow for a shorter 180-day ROFR period and §2306.6726 to define and allow for a Qualified Entity to purchase a development under a ROFR provision of the LURA and satisfy the ROFR requirement. It is worth noting that while Qualified Entity was newly defined in HB 3576 and incorporated into statute, the set order of priority related to the specific types of nonprofit organizations that would have a right to purchase a property under the ROFR provision was not eliminated or changed. HB 3576 defines Qualified Entity to mean an entity described by, or an entity controlled by an entity described by, §42(i)(7)(A) of the Internal Revenue Code of 1986. The Department’s 2016 Post Award and Asset Management Requirements implemented administrative procedures to allow a Development Owner to conform to the new ROFR provisions described in the amended statute.

The Development Owner must comply with the amendment and notification requirements under the Department’s rule at Tex. Gov’t Code §2306.6712 and 10 TAC §10.405(b). The Development Owner held a

public hearing on the matter on January 12, 2017, at 6:00 pm at the Development's management office/clubhouse.

Staff recommends approval of the requested material LURA amendment, subject to no negative public comment received, as presented herein.

Kilday Realty Corp
1717 St. James Place, Ste.150
Houston, Texas 77056

December 19, 2016

Ms. Dee Patience
Asset Resolution Manager – Region 9&12
Texas Dept. of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78711-3941

Re: Arbor Terrace Townhomes [Arbor Terrace] TDHCA 99043
HUB Certificate for Kilday Realty Corp, Dianne Kilday, President, General Partner Owner

Dear Ms. Patience:

The purpose of this letter is to respectfully request an amendment to the LURA for the above captioned tax credit community in Odessa, Texas, [1] to allow the HUB to retire and no longer be required in the LURA, and [2] to replace the Right of First Refusal [ROFR] from the old language to the updated definition and language for the ROFR.

The HUB principal, Dianne Kilday, President of Kilday Realty Corp, has retired from seeking any new tax credit development or other business moving forward. The partnership General Partner and other ownership entities will remain as they are. Only the HUB status of the Managing General Partner owner will change, with it no longer to be required.

In accordance with TDHCA Asset Management rules, we plan to [1] have a public hearing in Odessa, Texas, [2] send notification letters to the residents [tenants] of Arbor Oaks, [3] to the Mayor of Odessa, Texas, [4] to the applicable Texas State Representative, and [5] to the applicable Texas State Senator, explaining the reason for the LURA amendment. All of this will be accomplished by at least seven (7) days prior to the TDHCA January board meeting to be held on January 26, 2017.

Thank you for your guidance, cooperation and assistance in accomplishing this amendment to the LURA for Arbor Terrace. Please advise of any additional information you need, or appropriate changes to this request letter or any other questions you may have.

Sincerely yours,



Royce R [Dick] Kilday,
Vice President of
Kilday Realty Corp

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

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS FOR LOW-INCOME HOUSING TAX CREDITS (this "Declaration"), dated as of July 24, 2001, is made by and between Antiqua Partners, L.P. (together with its successors and assigns, the "Project Owner") and The Texas Department of Housing & Community Affairs, an instrumentality of the State of Texas and a public corporation (together with any successor to its rights, duties and obligations, the "Department"), and is given by Project Owner as a condition precedent to [the determination that the Project, as defined herein, satisfies the requirements of the State of Texas's Qualified Allocation Plan] the allocation of low-income housing tax credits (the "Tax Credits"), pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto (the "Code"), by the Department. This Declaration incorporates the extended low-income housing commitment required by Section 42(h)(6) of the Code and is promulgated in accordance with the provisions of Chapter 2306, Tex. Gov. Code, (the "Act"), as may be amended from time to time.

WITNESSETH:

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

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

WHEREAS, the Project Owner has applied to the Department for an allocation of Tax Credits to the Project in an amount not to exceed \$ 923,028 Tax Credit dollars annually;

WHEREAS, the Project Owner has represented to the Department in the Project Owner's Low-Income Housing Tax Credit Application (the "Application"), authorized by the Department's Low-Income Rental Housing Tax Credit Rules (the "Department Rules"), that the Project Owner shall lease 100 % of the units in the Project to individuals or families whose income is 60 % or less of the area median gross income (including adjustments for family size), as more specifically provided herein;

WHEREAS, the Department has determined that the Project would support an annual allocation of Tax Credits in the amount of \$ 873,028;

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

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

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

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

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

SECTION 1 - DEFINITIONS

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

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

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

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

"Board" means the governing Board of the Department.

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

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

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

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

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

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

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

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

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

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

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

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

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

"State" means the State of Texas.

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

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

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

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

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

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

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

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

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

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

- (a) The Project Owner (i) is a Limited Partnership, duly organized and validly existing under the laws of the State of Texas, and is duly authorized and qualified to transact in the State any and all business contemplated by this Declaration and the Department Rules; (ii) possesses all requisite power, authority, licenses and permits to own its properties and assets and to conduct its business; and (iii) has all legal right, power and authority to execute and deliver this Declaration.
- (b) The execution and performance of this Declaration by the Project Owner (i) will not violate or, as applicable, have not violated, any provision of law, rule or regulation, or any order of any court or other department of the State or governmental body, (ii) will not violate or, as applicable, have not violated, any provision of any indenture, agreement, mortgage, mortgage note or other instrument to which the Project Owner is a party or by which it or the Project is bound, and (iii) will not result in the creation or imposition of any prohibited encumbrance of any nature.
- (c) The Project Owner has, at the time of execution and delivery of this Declaration, good and indefeasible fee simple title to **[or a leasehold interest extending at least ten years beyond the end of the Extended Use Period in]** the premises constituting the Project, free and clear of any lien or encumbrance, except those created by any loan documents relating to the Project, those which are created pursuant to this Declaration and those which are otherwise permitted encumbrances, as specifically set forth at Exhibit B hereto.
- (d) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of the Project Owner threatened, against or affecting it, or any of its properties or rights, which, if adversely determined, would materially impair its right to carry on business substantially as now conducted (and as now contemplated by this Declaration) or would materially adversely affect its financial condition.
- (e) The Project constitutes or will constitute, and the Project Owner covenants, that commencing with the last day of the first year of the Credit Period and continuing throughout the Term of this Declaration, it shall maintain the Project as, a "qualified low-income housing project", as defined in Section 42(g) of the Code.
- (f) Each Unit in the Project contains separate and complete physical facilities and fixtures for living, sleeping, eating, cooking and sanitation (unless the Project qualifies as a single-room occupancy project) which is to be used on other than a transient basis as provided in Section 42(i)(3) of the Code.
- (g) The Project Owner will comply fully and at all times with the requirements of Texas Law and the Federal Fair Housing Act.
- (h) During the Term of this Declaration, the Project Owner covenants, agrees and warrants that each Low-Income Unit is and will remain suitable for occupancy to the extent required by Texas Law and under regulations prescribed by the Secretary, taking into account local health, safety, and building codes.
- (i) The Project Owner covenants that it will not sell, transfer or exchange any portion of any building in the Project unless it sells, transfers or exchanges the entire building to the same person. Subject to the requirements of Section 42 of the Code and this Declaration, the Project Owner may sell, transfer or exchange the entire Project or any building in the Project at any time, provided that the Project Owner shall require, as a condition precedent to any such sale, transfer or exchange, that the successor owner and operator assume, in writing, in an Assumption Agreement acceptable to the Department, the Project Owner's obligations hereunder and under Section 42 of the Code, which Assumption Agreement shall be delivered to the Department in executed, recordable form prior to any such sale, transfer or exchange. This provision shall not act to waive any other restriction on sale, transfer or exchange of the Project or any building in the Project. The Project Owner agrees that the Department may void any sale, transfer or exchange of the Project if the successor owner and operator fails to execute and deliver an Assumption Agreement or if the Project Owner or the successor owner and operator otherwise acts in contravention of this Section 3(i).

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

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

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

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

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

SECTION 4 - INCOME RESTRICTIONS/RENTAL RESTRICTIONS

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

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

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

(Check applicable percentage election)

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

(c) The Project will contain a total of 128 Units (including Units occupied by a resident manager or other employee, such that they are not treated as "residential rental units" for purposes of Section 42 of the Code), of which at least 100% percent of the Units treated as residential rental units will be Low-Income Units. The amount of Tax Credits allocated to the Project is based on the requirement that the Minimum Applicable Fraction for each building in the Project will be as specified, building-by-building, at Appendix A hereto. During the Term of this Declaration, Units at the Project shall be leased and rented or made available to members of the general public who qualify as Low-Income Tenants, such that each building in the Project shall at all times satisfy the Minimum Applicable Fraction for such building. The Project Owner's failure to ensure that each building in the Project complies with such requirement will cause the Department to report such fact to the Service and may result in the reduction and recapture by the Service of Tax Credits, as well as other enforcement action.

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

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

SECTION 5 - TERM OF DECLARATION

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

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

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

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

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

SECTION 6 - ENFORCEMENT, ADMINISTRATION AND COMPLIANCE

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

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

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

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

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

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

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

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

(i) Upon a determination by the Department that the Project Owner has failed to maintain the Project in good and habitable condition and suitable for occupancy as hereinabove required, the Project Owner agrees, upon the Department's direction, to establish a reserve for replacement and repairs to the Project in such initial amount and with such monthly deposits as the Department may direct. Such reserve shall be held for the benefit of the Project Owner and the Project by such party as the Department shall direct, and disbursements shall be made therefrom only upon direction of or approval by the Department.

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

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

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

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

SECTION 7 - FEES

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

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

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

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

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

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

SECTION 8 - MISCELLANEOUS

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

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

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

To the Project Owner: Antiqua Partners, L.P.
5005 Riverway, Suite 230
Houston, Texas 77056
Attention : Dick Kilday

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

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

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

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

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

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

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

PROJECT OWNER:
Antiqua Parnters, L.P.

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

By: *Deanne Kilday*
Dinne Kilday
General Partner

By: *[Signature]*

STATE OF Texas
COUNTY OF Harris

STATE OF TEXAS
COUNTY OF TRAVIS

This instrument was acknowledged before me on the
24th day of July, 2001,
by *Dianne Kilday*
Name
General Partner

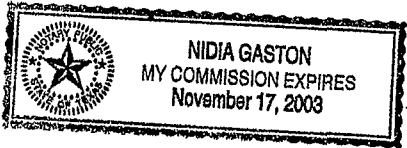
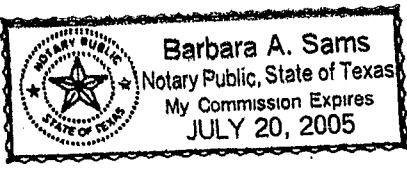
This instrument was acknowledged before me on the 11th
day of October, 2001,
by *Daisy A. Stuenkel*
Executive Director

Title
of Antiqua Partner, L.P.
Project Owner Name
a Texas Limited Partnership
Type of Partnership
on behalf of said Partnership
Type of Partnership

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

[Signature]
Notary Public

[Signature]
Notary Public, State of Texas



ADDENDUM A TO DECLARATION - CONSENT AND SUBORDINATION OF LIENHOLDER

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

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

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

Lienholder acknowledges and agrees that, pursuant to Section 5(b)(1) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure, upon the recorded declaration of the party so acquiring the building (unless it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lienholder hereby acknowledges and agrees that the acquisition of the Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(c) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

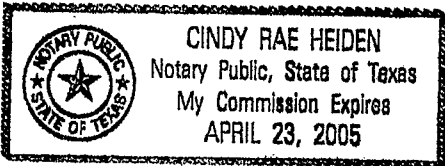
Executed to be effective the 31st day of July, 2001.

LIENHOLDER: Compass Bank

By: [Signature]
Name: Jason Walker
Title: Vice President

STATE OF Texas
COUNTY OF Harris

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that Jason Walker, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, being informed of the contents of such document, executed the same voluntarily. Given under my hand, official seal this 31st day of July, 2001.



[Signature: Cindy Rae Heiden]
Notary Public
My Commission expires: April 23, 2005

(Check all restrictions which were elected at the time of Application.)

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Additional Rent and Occupancy Restrictions

At least 39 Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income. The rents for these Units must not be higher than the allowable tax credit rents at the 50% AMGI level.

Additional Rent and Occupancy Restrictions for Developments with below market rate HOME funding included in the total eligible basis and utilizing the "9%" Applicable Percentage

At least 40% Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income.

Longer Compliance Period and Extended Use Period

The Compliance Period shall be a period of 25 consecutive taxable years and the Extended Use Period shall be a period of 40 consecutive taxable years, each commencing with the first year of the Credit Period.

Material Participation by Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall control the Project as defined in the QAP and shall materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the Project. At the time this Declaration is filed, the qualified nonprofit organization which shall own such interest and shall so materially participate in the development and operation of the Project is _____ . The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified nonprofit organization.

Historically Underutilized Businesses (HUB)

Throughout the Compliance Period, unless otherwise permitted by the Department, the HUB shall remain the Managing General Partner. The HUB must also maintain regular, continuous, and substantial participation in the development, operation and ownership of the project. At the time this Declaration is filed, the HUB which serves as the Managing General Partner is Kilday Realty Corp. . The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified HUB.

Supportive Services

Throughout the Compliance Period, unless otherwise permitted by the Department, a Local Tax Exempt Organization shall provide the following special supportive services that would not otherwise be available to the tenants: the most significant supportive service available to all households residing in the Arbor Terrace Apartments will be onsite day care by the Greater Opportunities of the Permian Basin, Inc to provide child care and other parenting skills via the Head Start Program.

The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified Tax Exempt Organization.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - CONTINUED

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Transitional Housing for the Homeless

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide transitional housing for homeless persons, on a non-transient basis, with supportive services designed to assist Tenants in locating and retaining permanent housing.

Public Housing Waiting Lists

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall consider prospective Tenants referred to from the waiting list of the Housing Authority of City of Odessa.

ELDERLY DEVELOPMENTS¹

1996 Elderly Projects

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project which:

- (i) is intended for, and solely occupied by persons 60 years of age or older (excluding those occupied by an employee or owner); and
- (ii) adheres to policies and procedures which demonstrate a firm commitment by the owner and manager to provide housing for persons 60 years of age or older.

1997 Elderly Projects

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project:

- (i) in which all of the Units are intended for, and occupied by at least one person who is 62 years of age or older (excluding those occupied by an employee or owner); and
- (ii) that adheres to policies and procedures which demonstrate a firm commitment by the owner and manager to provide housing for Persons 62 years of age or older.

1998 & 1999 Elderly Projects

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project which:

- (i) is intended for, and solely occupied by Persons 62 years of age or older; or
- (ii) in which all Units (excluding those occupied by an employee or owner) are constructed for, and occupied by at least one Person who is 60 years of age or older; and
- (iii) adheres to policies and procedures which demonstrate a firm commitment by the owner and manager to provide housing for Persons 60 years of age or older.

2000 Elderly Projects

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project which:

- (i) is intended for, and solely occupied by Persons 62 years of age or older; or
- (ii) is intended and operated for occupancy by at least one person 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one person who is 55 years of age or older; and

¹ Note: The Federal Fair Housing Act requires, generally, that projects which are limited to occupancy by older persons either (i) be restricted to households in which all members are 62 years or older or (ii) to households in which at least one member is 55 years or older. See 24 C.F.R. §§100.300-100.304 for exact requirements. All tax credit projects must comply with these requirements, as applicable under Federal law, in addition to the Declaration.

(iii) adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for persons 55 years of age or older.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - HANDICAPPED ACCESSIBILITY

(Only Projects which made a Handicapped Accessibility election should include this page as part of the LURA.)

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Handicapped Accessibility for 1996 Allocations

Throughout the Compliance Period, unless otherwise permitted by the Department, the percentage of Units which are/will be designed to meet American National Standards for buildings and facilities providing accessibility and usability for Persons with Disabilities [ANSI A117.1 - 1986 or successor] and will conform to the Fair Housing Act is indicated below. "Equipped" means that features that make the Units fully usable to such persons are installed in the Units at the time of construction or provisions have been included in construction for easy modification to meet the ANSI A117.1 standards. For Units targeted for tenants with mental disabilities, the Project must maintain a referral agreement with an entity that provides on-site supportive services specifically designed for such tenants.

- 6% to 10% of Units are set-aside for persons with physical disabilities or targeted for persons with mental disabilities.
- 11% to 15% of Units are set-aside for persons with physical/mental disabilities.
- 16% + of Units are set-aside for persons with physical/mental disabilities.

Handicapped Accessibility for 1997 and 1998 Allocations

Throughout the Compliance Period, unless otherwise permitted by the Department, the percentage of Units which are/will be designed to meet American National Standards for buildings and facilities providing accessibility and usability for Persons with Disabilities (ANSI A117.1 - 1992 or successor) and will conform to the Fair Housing Act is indicated below. "Equipped" means that features that make the Units fully usable to such persons are installed in the Units at the time of construction or provisions have been included in construction for easy modification to meet the ANSI A117.1 standards. The Department will require a minimum of two years during which set-aside units must either be occupied by tenants who are physically or mentally disabled or held vacant while being marketed to such tenants. If after this two year period, the Project Owner is unable to locate qualified Persons with disabilities following a good-faith effort, the units may be rented to tenants without disabilities, provided that the next available unit (from among those set-aside for Persons with disabilities) shall first be made available to Persons with disabilities. To comply with this provision all Project Owners must maintain a waiting list of qualified tenants with disabilities throughout the Compliance Period. When such Units become available, Project Owners must contact persons on the waiting list and/or provide notice to local service providers that such Units are available.

- 6% to 10% of Units are set-aside for persons with physical or mental disabilities;
- 11% to 15% of Units are set-aside for persons with physical/mental disabilities; or,
- 16% + of Units are set-aside for persons with physical/mental disabilities.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - HANDICAPPED ACCESSIBILITY

(Only Projects which made a Handicapped Accessibility election should include this page as part of the LURA.)

VOL. 1619 PAGE 0592

- Handicapped Accessibility for 1999 Allocations, Option §50.6(c)(6)(B)(i) or
Handicapped Accessibility for 2000 Allocations, Option §49.6(c)(6)(B)(i)**

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner agrees to set aside units for Persons with Disabilities. The Department will require a minimum of nine months during which the set aside units must either be occupied by tenants who are physically or mentally disabled or held vacant while being marketed to such tenants. The nine month period will begin on the date that each building receives its certificate of occupancy. For buildings which do not receive a certificate of occupancy, the nine month period will begin on the placed in service date as provided in the Cost Certification Manual. When a qualified tenant is located, the Project Owner will be responsible for adapting the unit per the tenant's requirements. The cost of adapting the unit will be borne by the Project Owner. If the Project Owner is unable to locate qualified Persons with Disabilities following a good-faith effort throughout the nine month set aside period, then the units may be rented to tenants without disabilities, provided that the next available unit (from among those set aside for Persons with Disabilities) shall first be made available to Persons with Disabilities. To comply with this provision, the Project Owner must maintain a waiting list of qualified tenants with disabilities throughout the Compliance Period. Each time a Unit set aside for Persons with Disabilities becomes available, the Project Owner must contact persons on the waiting list and/or provide notice to local service providers that such Units are available. If the waiting list or the local service provider cannot locate a qualified tenant for the next available unit, then the unit may be rented to a tenant without disabilities.

- (a) For physical disabilities, such Units must be designed to meet American National Standards for buildings and facilities providing accessibility and usability for Persons with Disabilities (ANSI A117.1 - 1986) and will conform to the Fair Housing Act.
- (b) For persons with mental disabilities, there must be a contract to provide appropriate supportive services for persons with mental disabilities between the Project Owner and an experienced service provider.

- At least 7% of the Units are set-aside for persons with physical or mental disabilities; or
 at least 10% of the Units are set-aside for persons with physical or mental disabilities.

- Handicapped Accessibility for 1999 Allocations, Option §50.6(c)(6)(B)(ii) or
Handicapped Accessibility for 2000 Allocations, Option §49.6(c)(6)(B)(ii)**

The subject development provides Units specifically accessible to persons with physical, visual or hearing disabilities as required by §504 of the Rehabilitation Act of 1973. As required by §504, a one time inspection and corresponding Accessibility Transition Plan will be required upon completion of construction. Project Owners making this election must also comply with the Fair Housing Act.

- At a minimum, 5% of the units must be usable for persons with mobility impairments and 2% of the units shall be made accessible for people with hearing or visual impairments; or
 at a minimum 10% of the units must be usable for persons with mobility impairments and 2% of the units shall be made accessible for people with hearing or visual impairments.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - RIGHT OF FIRST REFUSAL
(Only Projects which made a Right of First Refusal election should include this page as part of the LURA.)

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Right of First Refusal to Tenant or Qualified Nonprofit Organizations for 1997 allocations

The Project Owner has entered into an Agreement for Provision of the Right of First Refusal with the Department. If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, this agreement shall serve as evidence that the sponsor agrees to provide, and provides, to a qualified nonprofit organization (as defined in §42 (h) (5) (C) of the code) or a tenant organization, a right of first refusal to purchase the Project for the minimum purchase price provided in, and in accordance with the requirements of §42 (i) (7) (B) of the Code as shown below.

“(B) Minimum purchase price. The minimum purchase price under this subparagraph is an amount equal to the sum of-

- (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and
- (ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii).”

Sponsor will provide this right of first refusal in either of the following ways:

(Check Only One)

- (i) by entering into an agreement with a specific qualified nonprofit organization (or tenant organization) providing for such right of first refusal. The qualified nonprofit organization will be _____, *In the event that this organization is not operating when the right of first refusal is to be made, the right of first refusal must be provided to another qualified nonprofit organization.*
- (ii) by entering into an agreement with the Department providing that upon the earlier of:
 - (I) the Sponsor's determination to sell the Project, or
 - (II) the Sponsor's request to the Department, pursuant to §42 (h) (6) (I)² of the Code, to find a buyer who will purchase the Project pursuant to a "qualified contract" within the meaning of §42 (h) (6) (F) of the Code, the Department shall be authorized to identify a qualified nonprofit organization (or tenant organization) to which the Sponsor shall sell the Project at the minimum purchase price provided in §42 (i) (7) (B) of the Code (as fully described above).

² “(I) Period for finding buyer. The period referred to in this subparagraph is the 1-year period beginning on the date (after the 14th year of the compliance period) the taxpayer submits a written request to the housing credit agency to find a person to acquire the taxpayer's interest in the low-income portion of the building.”

APPENDIX A - ADDITIONAL USE RESTRICTIONS - RIGHT OF FIRST REFUSAL

(Only Projects which made a Right of First Refusal election should include this page as part of the LURA.)

VOL. 1619 PAGE 0594

Right of First Refusal to Tenant or Qualified Nonprofit Organizations for 1998, 1999 and 2000 allocations

The Project Owner has entered into an Agreement for Provision of the Right of First Refusal with the Department. If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, this agreement shall serve as evidence that the sponsor agrees to provide, and provides, to a qualified nonprofit organization (as defined in §42 (h) (5) (C) of the code) or a tenant organization, a right of first refusal to purchase the Project for the minimum purchase price provided in, and in accordance with the requirements of §42 (i) (7) (B) of the Code as shown below.

- “(B) Minimum purchase price. The minimum purchase price under this subparagraph is an amount equal to the sum of-
- (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and
 - (ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii).”

Sponsor agrees that the LURA with respect to the Project will, in substance, contain the following terms:

- (i) Upon the earlier to occur of:
 - (I) the Sponsor's determination to sell the Project, or
 - (II) the Sponsor's request to the Department, pursuant to §42 (h)(6)(I) of the Code, to find a buyer who will purchase the Project pursuant to a "qualified contract" within the meaning of §42 (h)(6)(F) of the Code, the Sponsor shall provide a notice of intent to sell the Project ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Sponsor determines that it will sell the Project at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period.
- (ii) During the two years following the giving of Notice of Intent, the Sponsor may enter into an agreement to sell the Project only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:
 - (I) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department;
 - (II) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and
 - (III) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.
- (iii) After the later to occur of (I) the end of the Compliance Period or (II) two years from delivery of a Notice of Intent, the Sponsor may sell the Project without regard to any right of first refusal established by the LURA if: (x) no offer to purchase the Project at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or (y) a period of 120 days has expired from the date of acceptance of such offer without the sale having occurred, provided that the failure to close within such 120-day period shall not have been caused by the Sponsor or matters related to the title for the Project.
- (iv) At any time prior to the giving of the Notice of Intent, the Sponsor may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Project for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Project by such organization in accordance with and subject to the priorities set forth in paragraph (ii) of this section.
- (v) The Department shall, at the request of the Sponsor, identify in the LURA a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Project at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

APPENDIX A - MINIMUM APPLICABLE FRACTION BY BUILDING

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Building Number	Building Identification Number (BIN)	Minimum Applicable Fraction
1.	TX-004301	100%
2.	TX-004302	100%
3.	TX-004303	100%
4.	TX-004304	100%
5.	TX-004305	100%
6.	TX-004306	100%
7.	TX-004307	100%
8.	TX-004308	100%
9.	TX-004309	100%
10.	TX-004310	100%
11.	TX-004311	100%
12.	TX-004312	100%
13.	TX-004313	100%
14.	TX-004314	100%
15.	TX-004315	100%
16.	TX-004316	100%
17.	TX-	
18.	TX-	
19.	TX-	
20.	TX-	
21.	TX-	
22.	TX-	
23.	TX-	
24.	TX-	
25.	TX-	
26.	TX-	
27.	TX-	
28.	TX-	
29.	TX-	
30.	TX-	
31.	TX-	
32.	TX-	
33.	TX-	
34.	TX-	
35.	TX-	
36.	TX-	
37.	TX-	
38.	TX-	

EXHIBIT A TO DECLARATION - LEGAL DESCRIPTION

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Lot 2, Block 3 of the Replat of Antiqua Terrace, 3rd Filing, recorded in Cabinet A, Page 147-D, a replat of Lot 1, Block 3, Antiqua Terrace 3rd Filing recorded in Cabinet A, Page 144-A of Plat Records of Ector County, Texas.

LEGAL DESCRIPTION

FIELD NOTES OF A 9.57 ACRE TRACT OF LAND IN SECTION 35, BLOCK 42, T-2-S, T & P RY. CO. SURVEY, ECTOR COUNTY, TEXAS.

BEGINNING at a rod with cap set in the east boundary line of Fitch Avenue, the southeast corner of Hendley Addition, an addition to the City of Odessa, Texas, plat of which is recorded in Cabinet A, Page 108-C, Ector County Plat Records, for the northwest corner of this tract, from which point the northeast corner of Section 35, Block 42, T-2-S, T & P Ry. Co. Survey, Ector County, Texas, bears N14°35'W, 2080.22 feet and N75°26'E, 2981.4 feet;

THENCE N75°26'30"E, 294.97 feet to a rod with cap set for the southwest corner of Davis Heights Addition, an addition to the City of Odessa, Texas, plat of which is recorded in Volume 9, Page 27, Ector County Plat Records, for an exterior corner of this tract;

THENCE S14°37'30"E, 25 feet to a rod with cap set in the south boundary line of Avenida de Mexico for an interior corner of this tract;

THENCE N75°26'30"E, along the south boundary line of Avenida de Mexico, 370 feet to a rod with cap set for a cutback corner the most northerly northeast corner of this tract;

THENCE S59°35'30"E, along said cutback, 28.30 feet to a rod with cap set in the west boundary line of Barrett Avenue for the most easterly northeast corner of this tract;

THENCE S14°37'30"E, along the west boundary line of Barrett Avenue, 7.16 feet to a rod with cap found for a point of curvature;

THENCE southeasterly with a curve to the left for the west boundary line of Barrett Avenue, Delta Angle = 19°53'30", Radius = 593.23 feet, a distance on curve of 205.95 feet to a rod with cap found for a point of tangency;

THENCE S34°31'E, along the west boundary line of Barrett Avenue, 87.42 feet to a rod with cap found for a point of curvature;

THENCE southeasterly with a curve to the right for the west boundary line of Barrett Avenue, Delta Angle = 8°17'36", Radius = 1048.97 feet, a distance on curve of 151.83 feet to a rod with cap set for point of tangency;

THENCE S26°13'24"E, along the west boundary line of Barrett Avenue, 71.49 feet to a rod with cap found for a cutback corner the most easterly southeast corner of this tract;

THENCE S24°03'53"W, along said cutback, 25.60 feet to a rod with cap found in the north boundary line of Laredo Drive for the most southerly southeast corner of this tract;

THENCE S74°33'14"W, along the north boundary line of Laredo Drive, 771.95 feet to a rod with cap found for cutback corner the most southerly southwest corner of this tract;

THENCE N59°47'20"W, along said cutback, 28.15 feet to a rod with cap found in the east boundary line of Fitch Avenue for the most westerly southwest corner of this tract;

THENCE N14°24'09"W, along the east boundary line of Fitch Avenue, 564.25 feet to the place of beginning and containing 9.57 acres of land.

ARBOR TERRACE APARTMENTS
1101 Fitch Ave.
Odessa, Tx 79761

December 30, 2016

Dear Valued Resident:

Please be advised that Antiqua Partners LP, owner of Arbor Terrace Apartments, HTC 99043, [Owner] located at 1101 Fitch Ave., Odessa, Tx 79761, desires and intends to amend its Land Use Restrictive Covenant [LURA] as follows:

[1] changing the restriction on Arbor Terrace Apartments, currently containing a Two [2] Year Right of First Refusal [ROFR] to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state tax law that provides for a One Hundred Eighty [180] Day time period for such ROFR notification; and requesting an additional change of

[2] removing the requirement that the ownership structure be an Historically Underutilized Business [HUB], as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

As a part of its due diligence and decision-making process, The Texas Department of Housing and Community Affairs [TDHCA or Department] requires us to notify you, our valued residents, in writing of these proposed amendment changes, prior to the changes taking place. The changes will not affect your lease, your rent payment, your security deposit, or the conditions of your unit or any apartment building. Nothing will change as to your residence at Arbor Terrace.

In addition to the above, TDHCA requires Owner to have a public meeting to discuss these changes with you. This meeting will take place in the community office/clubhouse of Arbor Oaks, on January 12, 2017 at 6:00pm in the Arbor Oaks Club House (1000 E. Monahans Street, Odessa, Tx 79761). If you are not able to attend this meeting, you also may submit any questions, concerns or comments in writing to asset.management@tdhca.state.tx.us or via mail to Texas Department of Community Affairs, Asset Management Division, P. O. Box 13941, Austin Texas 78711-3941

If you have any questions, please call the onsite management office.

Sincerely,



Michael V. Clark, CPM
President
UAH Property Management, LP

ARBOR TERRACE APARTMENTS
1101 Fitch Ave
Odessa, Tx 79761

January 4, 2017

Mayor David Turner
P.O.Box 4398
Odessa, Tx 79760

Re: Arbor Terrace Apartments
1101 Fitch Ave.
Odessa, Tx 79761

Dear Mayor Turner:

Antiqua Partners LP is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will

- (1) Change the restriction on Arbor Terrace Apartments, currently containing a Two (2) Year Right of First Refusal (ROFR) to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state Tax law that provides for a One Hundred Eighty (180) Day time period for such ROFR notification; and
- (2) Remove the requirement that the ownership structure be an Historically Underutilized Business (HUB), as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

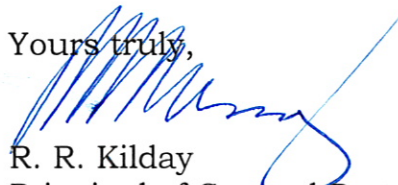
TDHCA Board rules require that notice of this request be given to the Mayor for the district in which Arbor Terrace Apartments is located.

A public hearing on this issue is scheduled at Arbor Oaks Club House as follows:

Location: Arbor Oaks Club House
1000 E Monahans Street
Odessa, Tx 79761
Date: January 12, 2017
Time: 6:00pm

You are invited to attend and offer your comments.

Yours truly,


R. R. Kilday
Principal of General Partner
Antiqua Partners LP

ARBOR TERRACE APARTMENTS
1101 Fitch Ave.
Odessa, Tx 79761

January 4, 2017

Representative Brooks Landgraf
P.O.Box 2910
Austin, Texas 78768

Re: Arbor Terrace Apartments
1101 Fitch Ave.
Odessa, Tx 79761

Dear Representative Landgraf:

Antiqua Partners LP is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will

- (1) Change the restriction on Arbor Terrace Apartments, currently containing a Two (2) Year Right of First Refusal (ROFR) to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state Tax law that provides for a One Hundred Eighty (180) Day time period for such ROFR notification; and
- (2) Remove the requirement that the ownership structure be an Historically Underutilized Business (HUB), as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

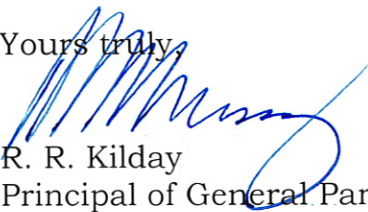
TDHCA Board rules require that notice of this request be given to the State Representative for the district in which Arbor Terrace Apartments is located.

A public hearing on this issue is scheduled at Arbor Oaks Club House as follows:

Location:	Arbor Oaks Club House 1000 E Monahans Street Odessa, Tx 79761
Date:	January 12, 2017
Time:	6:00pm

You are invited to attend and offer your comments.

Yours truly,



R. R. Kilday
Principal of General Partner
Antiqua Partners LP

ARBOR TERRACE APARTMENTS
1101 Fitch Ave.
Odessa, Tx 79761

January 4, 2017

The Honorable Senator Kel Seliger, District 31
P.O.Box 12068
Capital Station
Austin, Texas 78711

Re: Arbor Terrace Apartments
1101 Fitch Ave.
Odessa, Tx 79761

Dear Senator Seliger:

Antiqua Partners LP is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will

- (1) Change the restriction on Arbor Terrace Apartments, currently containing a Two (2) Year Right of First Refusal (ROFR) to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state Tax law that provides for a One Hundred Eighty (180) Day time period for such ROFR notification; and
- (2) Remove the requirement that the ownership structure be an Historically Underutilized Business (HUB), as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

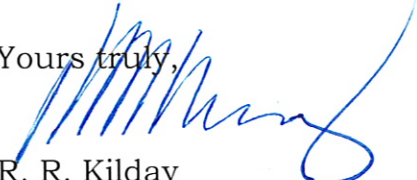
TDHCA Board rules require that notice of this request be given to the Senator for the district in which Arbor Terrace Apartments is located.

A public hearing on this issue is scheduled at Arbor Oaks Club House as follows:

Location:	Arbor Oaks Club House 1000 E Monahans Street Odessa, Tx 79761
Date:	January 12, 2017
Time:	6:00pm

You are invited to attend and offer your comments.

Yours truly,


R. R. Kilday
Principal of General Partner
Antiqua Partners LP

ARBOR TERRACE APARTMENTS
1101 Fitch Ave.
Odessa, Tx 79761

January 5, 2017

Midland Mortgage
33 North Garden Avenue, Suite 1200
Clearwater, Florida 33755

Re: Arbor Terrace Apartments

Please be advised that Antiqua Partners LP, owner of Arbor Terrace Apartments, HTC 99043, [Owner] located at 1101 Fitch Ave., Odessa, Tx 79761, desires and intends to amend its Land Use Restrictive Covenant [LURA] as follows:

[1] change the restriction_on Arbor Terrace Apartments, currently containing a Two [2] Year Right of First Refusal [ROFR] to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state tax law that provides for a One Hundred Eighty [180] Day time period for such ROFR notification; and requesting an additional change of

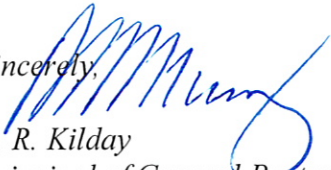
[2] remove the requirement that the ownership structure be an Historically Underutilized Business [HUB], as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

As a part of its due diligence and decision-making process, The Texas Department of Housing and Community Affairs [TDHCA or Department] requires us to notify you, our valued residents, in writing of these proposed amendment changes, prior to the changes taking place. The changes will not affect your lease, your rent payment, your security deposit, or the conditions of your unit or any apartment building. Nothing will change as to your residence at Arbor Terrace.

In addition to the above, TDHCA requires Owner to have a public meeting to discuss these changes with you. This meeting will take place in the community office/clubhouse of Arbor Oaks (1000 E Monahans Street, Odessa, Tx 79761), on January 12, 2017 at 6pm. If you are not able to attend this meeting, you also may submit any questions, concerns or comments in writing to asset.management@tdhca.state.tx.us or via mail to Texas Department of Community Affairs, Asset Management Division, P. O. Box13941, Austin Texas 78711-3941

If you have any questions, please call the onsite management office.

Sincerely,


R. R. Kilday
Principal of General Partner
Antiqua Partners LP

ARBOR TERRACE APARTMENTS
1101 Fitch Ave.
Odessa, Tx 79761

January 5, 2017

PNC Multifamily Capital Institutional FundXXI, LP
121 SW Morrison, Suite 1300
Portland, Oregon 97204
Attn: Rachel Bidou

Re: Arbor Terrace Apartments

Please be advised that Antiqua Partners LP, owner of Arbor Terrace Apartments, HTC 99043, [Owner] located at 1101 Fitch Ave., Odessa, Tx 79761, desires and intends to amend its Land Use Restrictive Covenant [LURA] as follows:

[1] change the restriction on Arbor Terrace Apartments, currently containing a Two [2] Year Right of First Refusal [ROFR] to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state tax law that provides for a One Hundred Eighty [180] Day time period for such ROFR notification; and requesting an additional change of

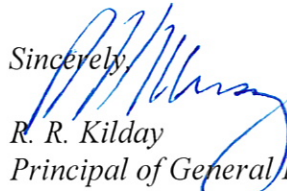
[2] remove the requirement that the ownership structure be an Historically Underutilized Business [HUB], as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

As a part of its due diligence and decision-making process, The Texas Department of Housing and Community Affairs [TDHCA or Department] requires us to notify you, our valued residents, in writing of these proposed amendment changes, prior to the changes taking place. The changes will not affect your lease, your rent payment, your security deposit, or the conditions of your unit or any apartment building. Nothing will change as to your residence at Arbor Terrace.

In addition to the above, TDHCA requires Owner to have a public meeting to discuss these changes with you. This meeting will take place in the community office/clubhouse of Arbor Oaks (1000 E Monahans Street, Odessa, Tx 79761), on January 12, 2017 at 6pm. If you are not able to attend this meeting, you also may submit any questions, concerns or comments in writing to asset.management@tdhca.state.tx.us or via mail to Texas Department of Community Affairs, Asset Management Division, P. O. Box 13941, Austin Texas 78711-3941

If you have any questions, please call the onsite management office.

Sincerely,


R. R. Kilday
Principal of General Partner
Antiqua Partners LP

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action to approve a material amendment to the Housing Tax Credit (“HTC”) Land Use Restriction Agreement (“LURA”) for Arbor Oaks Apartments (#02079)

RECOMMENDED ACTION

WHEREAS, Arbor Oaks Apartments (the “Development”) received an award of 9% Housing Tax Credits in 2002 to construct 120 multifamily units in Odessa, Ector County;

WHEREAS, the HTC application for the Development received points and/or other preferences for agreeing to provide a Right of First Refusal (“ROFR”) to purchase the Development and for having two Historically Underutilized Businesses (“HUBs”), namely Magill Development Company, LLC and Kilday Realty Corp., participate in the ownership of the Development;

WHEREAS, the LURA for the Development requires a two-year Right of First Refusal (“ROFR”) period and requires that throughout the Compliance Period, unless otherwise permitted by the Department, the HUB must hold an ownership interest, and must maintain regular, continuous, and substantial participation in the development and operation of the Development;

WHEREAS, the Development is within the Compliance Period, as defined in the LURA;

WHEREAS, the HUB principals have retired and therefore Magill Development Company, LLC and Kilday Realty Corp. will be unable to retain their HUB certifications;

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

WHEREAS, 10 TAC §10.406(g) allows for a HUB requirement to be removed if the HUB will maintain its ownership interest but is unable to maintain its HUB status, as long as the LURA does not require such continual ownership or a material LURA amendment is approved;

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

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

NOW, therefore, it is hereby

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

BACKGROUND

Arbor Oaks Apartments was approved in 2002 for the construction of 120 multifamily units in Odessa, Ector County. In a letter dated December 19, 2016, Arbor Terrace II, LP (the “Development Owner”) through its co-General Partner (Kilday Realty Corp. – Royce R. Kilday, Vice President) requested approval to amend the LURA related to the ROFR provision and the requirement for a HUB to hold an ownership interest and to maintain regular, continuous, and substantial participation in the development and operation of the Development throughout the Compliance Period.

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

The request letter dated December 19, 2016, states that the HUB principals, Dianne Kilday, President of Kilday Realty Corp., and Ginger Magill, President of Magill Development Company, LLC, have retired and therefore Kilday Realty Corp. and Magill Development Company, LLC will be unable to retain their HUB certifications. While the HUB status will be removed, the entities will remain in the ownership structure and all other ownership entities will stay in place. The General Partner requests that the HUB restriction be removed from the LURA.

The letter also requests that the two-year ROFR period be replaced with the 180-day ROFR period. In 2015, the Texas Legislature passed HB 3576 which amended Tex. Gov’t Code §2306.6725 to allow for a shorter 180-day ROFR period and §2306.6726 to define and allow for a Qualified Entity to purchase a development under a ROFR provision of the LURA and satisfy the ROFR requirement. It is worth noting that while Qualified Entity was newly defined in HB 3576 and incorporated into statute, the set order of priority related to the specific types of nonprofit organizations that would have a right to purchase a property under the ROFR provision was not eliminated or changed. HB 3576 defines Qualified Entity to mean an entity described by, or an entity controlled by an entity described by, §42(i)(7)(A) of the Internal Revenue Code of 1986. The Department’s 2016 Post Award and Asset Management Requirements implemented administrative procedures to allow a Development Owner to conform to the new ROFR provisions described in the amended statute.

The Development Owner must comply with the amendment and notification requirements under the Department’s rule at Tex. Gov’t Code §2306.6712 and 10 TAC §10.405(b). The Development Owner held a

public hearing on the matter on January 12, 2017, at 6:00 pm at the Development's management office/clubhouse.

Staff recommends approval of the requested material LURA amendment, subject to no negative public comment received, as presented herein.

Kilday Realty Corp
1717 St. James Place, Ste.150
Houston, Texas 77056

December 19, 2016

Ms. Dee Patience
Asset Resolution Manager – Region 9&12
Texas Dept. of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78711-3941

Re: Arbor Terrace II Apartments [Arbor Oaks Apartments], TDHCA 02079, Antiqua Development Joint Venture, General Partner
HUB Certificate for Dianne Kilday, President of Kilday Realty Corp, Gen Partner Co-Owner;
&
HUB Certificate for Jennifer Magill, President of Magill Development Co., LLC, General Partner Co-Owner

Dear Ms. Patience:

The purpose of this letter is to respectfully request an amendment to the LURA for the above captioned tax credit community in Odessa, Texas, [1] to allow both the HUBs to retire and no longer be required in the LURA, and [2] to replace the Right of First Refusal [ROFR] to change the old language to the updated definition of ROFR.

The HUBs principals, Dianne Kilday, President of Kilday Realty Corp, and Ginger Magill, President of Magill Development Corp have retired from seeking any new tax credit development or other business moving forward. The partnership General Partner and other ownership entities will remain as they are. Only the HUB status of the Managing General Partner owners will change, with it no longer to be required.

In accordance with TDHCA Asset Management rules, we plan to [1] have a public hearing in Odessa, Texas, [2] send notification letters to the residents [tenants] of Arbor Oaks, [3] to the Mayor of Odessa, Texas, [4] to the applicable Texas State Representative, and [5] to the applicable Texas State Senator, explaining the reason for the LURA amendment. All of these things will be accomplished by at least seven (7) days prior to the TDHCA January board meeting to be held on January 26, 2017.

Thank you for your guidance and assistance in accomplishing this amendment to the LURA for ArborTerrace. Please advise of any additional information you need, or appropriate changes to this request letter or any other questions you may have.

Sincerely yours,


Royce R [Dick] Kilday
Vice President of
Kilday Realty Corp

ARBOR OAKS APARTMENTS
1000 E Monhann
Odessa, Tx 79761

12/30/16

Dear Valued Resident:

Please be advised that Arbor Terrace II LP, owner of Arbor Oaks Apartments, HTC 02079, [Owner] located at 1000 E Monhann, Odessa, Tx 79761, desires and intends to amend its Land Use Restrictive Covenant [LURA] as follows:

[1] changing the restriction on Arbor Oaks Apartments, currently containing a Two [2] Year Right of First Refusal [ROFR] to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state tax law that provides for a One Hundred Eighty [180] Day time period for such ROFR notification; and requesting an additional change of

[2] removing the requirement that the ownership structure be an Historically Underutilized Business [HUB], as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

As a part of its due diligence and decision-making process, The Texas Department of Housing and Community Affairs [TDHCA or Department] requires us to notify you, our valued residents, in writing of these proposed amendment changes, prior to the changes taking place. The changes will not affect your lease, your rent payment, your security deposit, or the conditions of your unit or any apartment building. Nothing will change as to your residence at Arbor Oaks.

In addition to the above, TDHCA requires Owner to have a public meeting to discuss these changes with you. This meeting will take place in the community office/clubhouse of Arbor Oaks, on January 12, 2017 at 6:00pm. If you are not able to attend this meeting, you also may submit any questions, concerns or comments in writing to asset.management@tdhca.state.tx.us or via mail to Texas Department of Community Affairs, Asset Management Division, P. O. Box 13941, Austin Texas 78711-3941

If you have any questions, please call the onsite management office.

Sincerely,

Michael V. Clark, CPM
President
UAH Property Management, LP

3038

FIRST AMENDMENT TO DECLARATION OF LAND USE RESTRICTIVE COVENANTS/LAND USE RESTRICTION AGREEMENT FOR LOW-INCOME HOUSING CREDITS ("Amendment")

STATE OF TEXAS § COUNTY OF ECTOR §

This First Amendment to Declaration of Land Use Restrictive Covenants/Land Use Restriction Agreement for Low-Income Housing Credits ("Amendment") is executed to be effective as of the 1st day of September, 2004, by and between ARBOR TERRACE II, L.P., a Texas limited partnership (together with its successors and assigns, the "Project Owner") and the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas (together with any successor to its rights, duties and obligations, the "Department").

WITNESSETH:

WHEREAS, on September 1, 2004, the Project Owner and the Department executed that certain Declaration of Land Use Restrictive Covenants/Land Use Restriction Agreement For Low-Income Housing Credits (the "Declaration") which was recorded on December 29, 2004, under Document No. 00019410, in Volume 1896, Page 442 in the Official Records of Ector County, Texas; and

WHEREAS, by error or mistake the Declaration incorrectly set out the building numbers in Appendix A – Minimum Applicable Fraction By Building; and

WHEREAS, the Project Owner and the Department desire to amend the Declaration in the manner provided hereinbelow.

NOW, THEREFORE, for and in consideration of the mutual covenants and representations herein contained, the receipt and sufficiency of which are hereby acknowledged by the Department and the Project Owner, the Project Owner and the Department agree as follows:

- 1. Appendix A – Appendix A of the Declaration entitled "Appendix A – Minimum Applicable Fraction By Building" is hereby amended to read:

APPENDIX A – MINIMUM APPLICABLE FRACTION BY BUILDING

Building Number	Building Identification Number (BIN)	Minimum Applicable Fraction
1.	TX-02-07901	100%
2.	TX-02-07902	100%
3.	TX-02-07903	100%
4.	TX-02-07904	100%
5.	TX-02-07905	100%
6.	TX-02-07906	100%
7.	TX-02-07907	100%
8.	TX-02-07908	100%

2. Each capitalized term not expressly defined herein shall have the meaning given to such term in the Declaration.

3. All of the remaining terms and provisions of the Declaration shall be and remain in full force and effect.

4. This Amendment shall be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the Project Owner has executed this Amendment as of the day and year first above written.

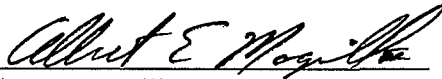
[Signatures begin on following page]

PROJECT OWNER:

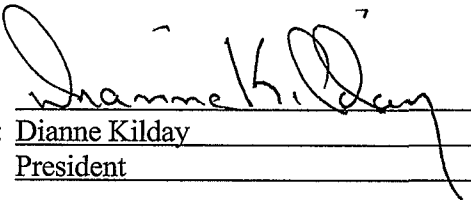
ARBOR TERRACE II, L.P., a Texas limited partnership

By: Antigua Development II Joint Venture, a Texas joint venture, general partner

By: Magill Development Company, L.L.C., a Texas limited liability company, its joint venture partner

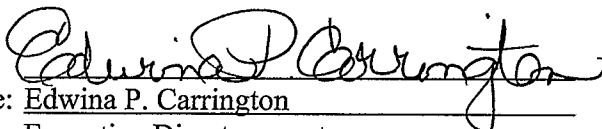
By: 
Name: Albert E. Magill, III
Title: Manager

By: Kilday Realty Corp., a Texas corporation, its joint venture partner

By: 
Name: Dianne Kilday
Title: President

DEPARTMENT:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas

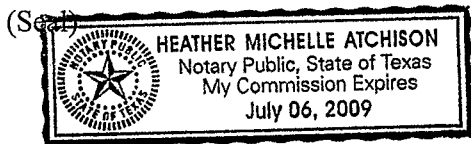
By: 
Name: Edwina P. Carrington
Title: Executive Director

STATE OF TEXAS §

COUNTY OF Harris §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Albert E. Magill, III, known to me to be Manager of Magill Development Company, L.L.C., a Texas limited liability company, joint venture partner of Antigua Development II Joint Venture, a Texas joint venture, sole general partner of **ARBOR TERRACE II, L.P.**, a Texas limited partnership, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the limited partnership, and that he executed the same as its general partner and as the act of such limited partnership and for the purposes and consideration expressed in the foregoing instrument.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 20 day of July, 2005.

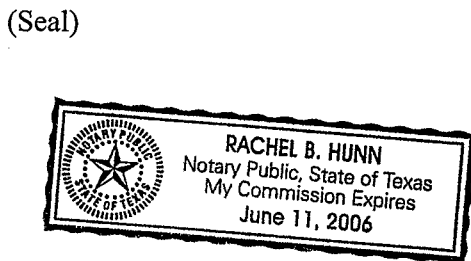


Heather Michelle Atchison
Notary Public, State of Texas

STATE OF TEXAS §
COUNTY OF Harris §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Dianne Kilday, President of Kilday Realty Corp., a Texas corporation, joint venture partner of Antigua Development II Joint Venture, a Texas joint venture, sole general partner of **ARBOR TERRACE II, L.P.**, a Texas limited partnership, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the limited partnership, and that he executed the same as its general partner and as the act of such limited partnership and for the purposes and consideration expressed in the foregoing instrument.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 20th day of July, 2005.



Rachel B. Hunn
Notary Public, State of Texas

STATE OF TEXAS §

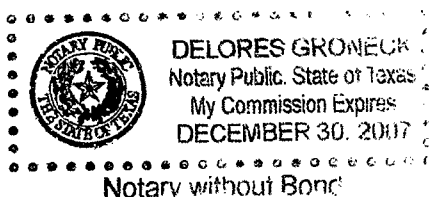
COUNTY OF TRAVIS §

This instrument was acknowledged before me on this 22nd day of July, 2005, by Edwina P. Carrington, Executive Director of the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**, a public and official agency of the State of Texas, on behalf of said agency.

(Seal)

Delores Groneck

Notary Public, State of Texas



PREPARED BY:

Texas Department of Housing
and Community Affairs
Legal Services
507 Sabine St., 9th Floor
Austin, Texas 78701
(512) 475-3902

AFTER RECORDING RETURN TO:

Texas Department of Housing
and Community Affairs
Portfolio Management and Compliance Division
P.O. Box 13941
Austin, Texas 78711-3941
Attn: Wendy Quackenbush

Filed for Record in:
Ector County
On: Aug 11, 2005 at 02:15P

As a:
Recording
Document Number: 00012580
Amount 22.00
Receipt Number - 23958
By: Lori Ann Coulson

STATE OF TEXAS
COUNTY OF ECTOR

I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the named records of:

Ector County
as stamped hereon by me.
Aug 11, 2005

ANY PROVISION WHICH RESTRICTS THE SALE,
RENTAL OR USE OF THE DESCRIBED
REAL PROPERTY BECAUSE OF COLOR OR RACE
IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Linda Haney, County Clerk
Ector County

TDHCA #: 02079

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

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS/LAND USE RESTRICTION AGREEMENT FOR LOW-INCOME HOUSING TAX CREDITS (this "Declaration"), dated as of September 1, 2004, is made by and between Arbor Terrace II, LP (together with its successors and assigns, the "Project Owner") and The Texas Department of Housing & Community Affairs, an instrumentality of the State of Texas and a public corporation (together with any successor to its rights, duties and obligations, the "Department"), and is given by Project Owner as a condition precedent to [the determination that the Project, as defined herein, satisfies the requirements of the State of Texas's Qualified Allocation Plan] the allocation of low-income housing tax credits (the "Tax Credits"), pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto (the "Code"), by the Department. This Declaration incorporates the extended low-income housing commitment required by Section 42(h)(6) of the Code and is promulgated in accordance with the provisions of Chapter 2306, Tex. Gov. Code, (the "Act"), as may be amended from time to time.

WITNESSETH:

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

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

WHEREAS, the Project Owner has applied to the Department for (check which applies):

an allocation of Tax Credits to the Project in an amount not to exceed \$ 1,060,162 Tax Credit dollars annually;

a determination that the Project satisfies the requirements of the State of Texas's Qualified Allocation Plan for Tax Credits in an amount not to exceed \$ _____ Tax Credit dollars annually;

WHEREAS, the Project Owner has represented to the Department in the Project Owner's Low-Income Housing Tax Credit Application (the "Application"), authorized by the Department's Low-Income Rental Housing Tax Credit Rules (the "Department Rules"), that the Project Owner shall lease 100 % of the units in the Project to individuals or families whose income is 60 % or less of the area median gross income (including adjustments for family size), as more specifically provided herein;

WHEREAS, the Department has determined that the Project would support an annual allocation of Tax Credits in the amount of \$ 925,169;

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

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

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

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

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

SECTION 1 - DEFINITIONS

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

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

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

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

"Board" means the governing Board of the Department.

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

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

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

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

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

"Income" means the income of a Tenant determined in a manner consistent with the requirements of Section 42(d)(2)(B) of the Code.

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

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

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

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

"Principal" means any person or entity that holds an ownership interest in the Project Owner and (i) has the power to direct any aspect of the operations of the Project Owner or (ii) is entitled to at least a [25%] share in any of the profits, losses, cash flow or residual value of the Project.

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

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

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

"State" means the State of Texas.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(g) The Project Owner will comply fully and at all times with the Department Rules.

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

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

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

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

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

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

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

(o) The Project Owner agrees to apply for and accept renewal of any rent subsidy contracts from which the Project benefits, if such subsidies are sufficient to maintain the economic viability of the Project.

SECTION 4 - INCOME RESTRICTIONS/RENTAL RESTRICTIONS

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

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

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

(Check applicable percentage election)

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

(c) The Project will contain a total of 120 Units (including Units occupied by a resident manager or other employee, such that they are not treated as "residential rental units" for purposes of Section 42 of the Code), of which at least 100 percent of the Units treated as residential rental units will be Low-Income Units. The amount of Tax Credits allocated to the Project is based on the requirement that the Minimum Applicable Fraction for each building in the Project will be as specified, building-by-building, at Appendix A hereto. During the Term of this Declaration, Units at the Project shall be leased and rented or made available to members of the general public who qualify as Low-Income Tenants, such that each building in the Project shall at all times satisfy the Minimum Applicable Fraction for such building. The Project Owner's failure to ensure that each building in the Project complies with such requirement will cause the Department to report such fact to the Service and may result in the reduction and recapture by the Service of Tax Credits, as well as other enforcement action.

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

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

(f) The Project Owner acknowledges that whether a Tenant is a Low-Income Tenant is a matter of fact, to be determined in accordance with applicable law, and the Project's Owner's determination as to such matter is not binding upon the Department or the Service.

SECTION 5 - TERM OF DECLARATION

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

(b) Notwithstanding subsection (a) above, but subject to any modified or additional requirements set forth in Appendix A, in which event the terms of this Agreement shall be modified as applicable, this Declaration shall terminate:

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

(2) following the end of the Compliance Period, but not earlier than 30 years following the date upon which the Project was first placed in service pursuant to the requirements of this Declaration, if the Project Owner has properly requested that the Department assist in procuring a "Qualified Contract", as defined in the Code, for the acquisition of a building and the Department is unable to present a Qualified Contract. To properly request the Department's assistance in procuring a Qualified Contract for the acquisition of a building, the Project Owner must submit a written request to the Department no earlier than one (1) year prior to the expiration of the Compliance Period, or on the last day of any subsequent year of the Extended Use Period. The Department will have one (1) year from the date of the Project Owner's written request to find a buyer to acquire the Project Owner's interest in the building. The Department will attempt to procure a Qualified Contract for the acquisition of any building only once during the Extended Use Period.

(3) following the end of the Compliance Period, subject to the consent of the Department, upon the acquisition of the Project by the Tenants of the Project, a qualified nonprofit organization or a government agency pursuant to a right of first refusal under Section 42(i)(7) of the Code.

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

SECTION 6 - ENFORCEMENT, ADMINISTRATION AND COMPLIANCE

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

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

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

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

(e) The Project Owner agrees that the Department may enforce all state and federal law, the Department Rules and the terms of any allocation of Tax Credits through this Declaration, and utilize for such purposes any and all

remedies available to the Department including but not limited to administrative or judicial action, appointment of trustee or receiver, or assume the management and operations of the Development.

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

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

(h) The Project Owner agrees that the Department may at any time order it and/or its managing agent or Project manager to do whatever is necessary to comply with or refrain from violating an applicable law, ordinance, Department Rules, or term of an agreement regarding the Project, and that the Department may file and prosecute a complaint against a managing agent, Project manager, or the Project Owner for a violation of any applicable law or ordinance. The Project Owner acknowledges and agrees that, in the event that the Project Owner is found to have violated an applicable law, ordinance, Department Rules, or term of an agreement regarding the Project, the Department shall have the right, among other remedies and without limitation, to limit or deny participation by the Project Owner in any of the programs operated or administered by the Department.

(i) Upon a determination by the Department that the Project Owner has failed to maintain the Project in good and habitable condition and suitable for occupancy as hereinabove required, the Project Owner agrees, upon the Department's direction, to establish a reserve for replacement and repairs to the Project in such initial amount and with such monthly deposits as the Department may direct. Such reserve shall be held for the benefit of the Project Owner and the Project by such party as the Department shall direct, and disbursements shall be made there from only upon direction of or approval by the Department.

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

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

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

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

SECTION 7 - FEES

(a) To compensate the Department for its responsibilities pursuant to the Act and the Code, the Project Owner shall pay to the Department an annual compliance monitoring fee for the first twelve month period of this Declaration in the amount of \$25 per Low-Income Unit in the Project. In no event shall the fee be less than \$100.

(b) In addition to the compliance monitoring fee required by Section 7(a), the Project Owner shall pay to the Department a building inspection fee for any inspections that the Department requires or performs. The amount of such fee(s) will be determined by the Department in accordance with Department Rules.

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

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

(e) The Project Owner agrees that it will pay the annual compliance monitoring fee and the building inspection fee(s) at the times required by the Department therefore and that it will pay all additional charges, fees, and expenses assessed hereunder by the Department within ten (10) days of receipt of written notice of any such assessment.

SECTION 8 - MISCELLANEOUS

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

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

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

To the Project Owner: Arbor Terrace II, LP
Attn: Albert E. Magill, III
6524 San Felipe #274
Houston, Texas 77057

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

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

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

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

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

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

PROJECT OWNER:

Arbor Terrace II, LP

By: Albert E. Magill III

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: Edwina P. Carrington

STATE OF Texas

STATE OF TEXAS

COUNTY OF Harris

COUNTY OF TRAVIS

This instrument was acknowledged before me on the 16th day of September, 2004

This instrument was acknowledged before me on the 15th day of DECEMBER, 2

by Albert E. Magill, III

by EDWINA P. CARRINGTON

Name

Name

Antiqua Development II Joint Venture -General Partne

EXECUTIVE DIRECTOR

Title

Title

of Arbor Terrace II, LP

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

Project Owner Name

a Limited Partnership

Type of Partnership

on behalf of said Limited Partnership

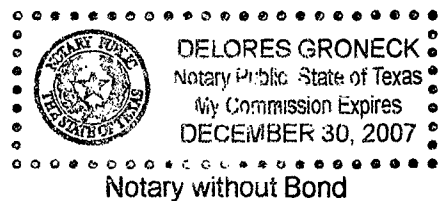
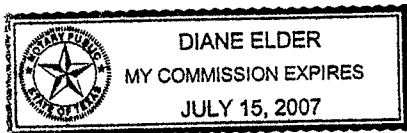
Type of Partnership

Diane Elder

Delores Groneck

Notary Public

Notary Public, State of Texas



ADDENDUM A TO DECLARATION - CONSENT AND SUBORDINATION OF LIENHOLDER

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

The undersigned lien holder ("Lien holder") hereby consents to the execution by Project Owner of the foregoing Declaration for Arbor Terrace II aka Arbor Oaks Apartments (the "Project Improvements").

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

Lien holder acknowledges and agrees that, pursuant to Section 5(b)(1) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure, upon the recorded declaration of the party so acquiring the building (unless it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lien holder hereby acknowledges and agrees that the acquisition of the Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(c) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

Executed to be effective the 1st day of September, 2004.

LIENHOLDER: Mitchell Mortgage Company, L.L.C.

By: 

Name: Don Hickey

Title: Senior Vice-President

STATE OF Texas

COUNTY OF ~~Harris~~ Montgomery

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that Don Hickey, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, being informed of the contents of such document, executed the same voluntarily. Given under my hand, official seal this 23 day of September, 2004.





Notary Public

My Commission expires: 3-28-2007

EXHIBIT A TO DECLARATION - LEGAL DESCRIPTION

EXHIBIT A

Being a 8.5 acre tract of land out of Section 35, Block 42, T-2-S, T & P Ry. Co. Survey, Ector County, Texas; said 8.5 acres being more fully described by metes and bounds as follows:

BEGINNING at a point in the south boundary line of Manchana Street and in the west boundary line of Terlingua Avenue and in an east boundary line of Sparks Terrace, plat of which is recorded in Volume 5, Page 45, Ector County Plat Records, for the northwest corner of this tract from which point the northwest corner of Section 35, Block 42, T-2-S, T & P Ry Co Survey, Ector County, Texas, bears S74°43'W, 1654.93 feet and N15°16'W, 3636.10 feet;

THENCE N74°33'30"E, along the south boundary line of said Manchana Street, 30.20 feet to a point of curvature;

THENCE easterly along a curve to the right, delta angle 13°00', radius 827.70 feet, arc length 187.8 feet, chord bearing N81°03'30"E, chord distance 187.40 feet to a point of tangency;

THENCE N87°33'30"E, along the south boundary line of said Manchana Street, 109.26 feet to a point of curvature;

THENCE easterly along a curve to the left, partial delta 8°20'14", radius 597.20 feet, arc length 86.90 feet, chord bearing N83°23'23"E, chord distance 86.82 feet to a point in a curve for the northeast corner of this tract;

THENCE S14°44'30"E, 833.50 feet to a point for the southwest corner of this tract;

THENCE S62°01'18"W, 411.56 feet to a point in the east boundary line of a City of Odessa 7.65 acre tract for the southwest corner of this tract;

THENCE N15°16'W, at 589.6 feet pass the northeast corner of said City of Odessa tract, in all 981.9 feet to the place of beginning and containing 8.50 acres of land.

APPENDIX A - ADDITIONAL USE RESTRICTIONS

(Check all restrictions which were elected at the time of Application.)

 Additional Rent and Occupancy Restrictions

At least 2 Units in the Project must be occupied by Tenants at or below 30% of Area Median Gross Income, with rents for these Units no higher than the allowable tax credit rents at such AMGI level. At least 12 Units in the Project must be occupied by Tenants at or below 40% of Area Median Gross Income, with rents for these Units no higher than the allowable tax credit rents at such AMGI level. At least 48 Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income, with rents for these Units no higher than the allowable tax credit rents at such AMGI level. **[IF COMMITMENT IS TO PROVIDE UNITS AT DIFFERENT INCOME LEVELS, SET FORTH EACH.]** If at recertification the Tenant's household income exceeds the applicable limit, then the Unit remains as a Unit restricted at the specified level of AMGI until the next available Unit of comparable or smaller size is designated to replace this Unit. Once the Unit exceeding the specified AMGI level is replaced, then the rent for the previously qualified Unit may be increased, subject to applicable Tax Credit requirements, lease provisions and local tenant-landlord laws.

 Additional Rent and Occupancy Restrictions for Developments with below market rate HOME funding included in the total eligible basis and utilizing the "9%" Applicable Percentage

At least 40% Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income.

 Longer Compliance Period and Extended Use Period

The Compliance Period shall be a period of 40 consecutive taxable years and the Extended Use Period shall be a period of 55 consecutive taxable years, each commencing with the first year of the Credit Period.

 Material Participation by Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall hold a controlling interest in the Project as required by the Department Rules, shall materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the Project and shall otherwise meet the requirements of Section 42(h)(5) of the Code. At the time this Declaration is filed, the qualified nonprofit organization which shall own such interest and shall so materially participate in the development and operation of the Project is _____ and is the [managing General Partner] [Managing Member] of the Project Owner. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified nonprofit organization.

 Joint Venture with Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall materially participate as one of the General Partners or Managing Members in the development and operation of the Project. At the time this Declaration is filed, the qualified nonprofit organization which shall own such interest and shall so materially participate in the development and operation of the Project is _____ and is a [General Partner] [Managing Member] of the Project Owner. The Project Owner shall notify the Department (i) of any change in the status or role of such

Historically Underutilized Businesses (HUB)

Throughout the Compliance Period, unless otherwise permitted by the Department, the HUB shall hold an ownership interest in the Project. The HUB must also maintain regular, continuous, and substantial participation in the development and operation of the Project. At the time this Declaration is filed, the HUB which holds an ownership interest in the Project is Magill Development Co., LLC/ Kilday Realty. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified HUB.

 Supportive Services

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner has contracted for the provision of the following special supportive services that would not otherwise be available to Tenants: _____

Training and children and adult life skills development

At the time this Declaration is filed, the organization(s) providing these services is Greater Opportunities of Permian Basin. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified provider.

 Transitional Housing for the Homeless

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide transitional housing for homeless persons, on a non-transient basis, with supportive services designed to assist Tenants in locating and retaining permanent housing.

 Public Housing Waiting Lists

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall consider prospective Tenants referred to from the waiting list of the Housing Authority of City of Odessa.

QUALIFIED ELDERLY DEVELOPMENTS¹ **Qualified Elderly Projects (2000 and later)**

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project which:

- (i) is intended for, and solely occupied by Persons 62 years of age or older; or
- (ii) is intended and operated for occupancy by at least one person 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one person who is 55 years of age or older; and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for persons 55 years of age or older.

¹ Note: The Federal Fair Housing Act requires, generally, that projects which are limited to occupancy by older persons either (i) be restricted to households in which all members are 62 years or older or (ii) to households in which at least one member is 55 years or older. See 24 C.F.R. §§100.300-100.304 for exact requirements. All tax credit projects must comply with these requirements, as applicable under Federal law, in addition to the Declaration.

Special Housing Development

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall operate the Project exclusively as one or more of the following:

- housing for persons with mental health/mental retardation issues;
- group home;
- transitional housing;
- congregate care facility;
- housing for persons with HIV/AIDS;
- [OTHER - SPECIFY] _____.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - HANDICAPPED ACCESSIBILITY

(Only Projects which made the applicable Handicapped Accessibility election should include this page as part of this Declaration.)

 Handicapped Accessibility for 1999 Allocations, Option §50.6(c)(6)(B)(i) and 2000 Allocations, Option §49.6(c)(6)(B)(i)

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner agrees to set aside Units for Persons with Disabilities. The Department will require a minimum of nine months during which the set aside Units must either be occupied by Tenants who are physically or mentally disabled or held vacant while being marketed to such tenants. The nine month period will begin on the date that each building receives its certificate of occupancy. For buildings which do not receive a certificate of occupancy, the nine month period will begin on the placed in service date as provided in the Cost Certification Manual. When a qualified Tenant is located, the Project Owner will be responsible for adapting the Unit per the tenant's requirements. The cost of adapting the Unit will be borne by the Project Owner. If the Project Owner is unable to locate qualified Persons with Disabilities following a good-faith effort throughout the nine month set aside period, then the Units may be rented to tenants without disabilities, provided that the next available Unit (from among those set aside for Persons with Disabilities) shall first be made available to Persons with Disabilities. To comply with this provision, the Project Owner must maintain a waiting list of qualified Tenants with disabilities throughout the Compliance Period. Each time a Unit set aside for Persons with Disabilities becomes available, the Project Owner must contact persons on the waiting list and/or provide notice to local service providers that such Units are available. If the waiting list or the local service provider cannot locate a qualified Tenant for the next available Unit, then the Unit may be rented to a Tenant without disabilities.

(a) For physical disabilities, such Units must be designed to meet American National Standards for buildings and facilities providing accessibility and usability for Persons with Disabilities (ANSI A117.1 - 1986) and will conform to the Fair Housing Act.

(b) For persons with mental disabilities, there must be a contract to provide appropriate supportive services for persons with mental disabilities between the Project Owner and an experienced service provider.

- At least 7% of the Units are set-aside for persons with physical or mental disabilities; or
 at least 10% of the Units are set-aside for persons with physical or mental disabilities.

 Handicapped Accessibility for 1999 Allocations, Option §50.6(c)(6)(B)(ii) and 2000 Allocations, Option §49.6(c)(6)(B)(ii)

The Project provides Units specifically accessible to persons with physical, visual or hearing disabilities as required by §504 of the Rehabilitation Act of 1973. As required by §504, a one time inspection and corresponding Accessibility Transition Plan will be required upon completion of construction. Project Owners making this election must also comply with the Fair Housing Act.

- At a minimum, 5% of the Units must be usable for persons with mobility impairments and 2% of the Units shall be made accessible for people with hearing or visual impairments; or
 at a minimum 10% of the Units must be usable for persons with mobility impairments and 2% of the Units shall be made accessible for people with hearing or visual impairments.

 Handicapped Accessibility for 2001 Allocations, Option §50.7(d)(1)(C)

For up to 5% of all LIHTC restricted units, the Project Owner shall provide reasonable accommodation(s) or modification(s) on a one-time basis in conformance with ANSI A117.1-1986 construction standards as requested by the tenant with a disability. The Project Owner shall incur the related expense(s) for the reasonable accommodation(s) and/or modification(s). For properties that are designed as townhouse units, the Project Owner must include one bathroom and one bedroom on the ground level of 5% of the LIHTC Units and meet Fair Housing standards.

Handicapped Accessibility for 2002 and later Allocations

The Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C. A minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for persons with mobility impairments. A Unit that is on an accessible route and is adaptable and otherwise compliant with sections 3-8 of the Uniform Federal Accessibility Standards (UFAS), meets this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for persons with hearing or vision impairments. Additionally, for Developments where some Units are two-story dwelling Units, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and include a minimum of one bedroom and one bathroom or powder room at the entry level.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - RIGHT OF FIRST REFUSAL

(Only Projects which made a Right of First Refusal election beginning in 2001 should include this page as part of the LURA.)

 Right of First Refusal to a Tenant or Qualified Nonprofit Organizations for 2001 and later allocations

The Project Owner has entered into an Agreement for Provision of the Right of First Refusal with the Department. If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, this agreement shall serve as evidence that the Project Owner agrees to provide, and provides, to a qualified nonprofit organization (as defined in §42 (h) (5) (C) of the code) or a tenant organization determined to be such by the Department (a "Tenant Organization"), a right of first refusal to purchase the Project for the Minimum Purchase Price provided in, and in accordance with the requirements of §42 (i) (7) (B) of the Code as shown below.

"(B) Minimum purchase price. The minimum purchase price under this subparagraph is an amount equal to the sum of-

- (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and
- (ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii)."

The following terms are hereby incorporated into this Declaration:

(i) Upon the earlier to occur of:

(I) the Project Owner's determination to sell the Project, or (II) the Project Owner's request to the Department, pursuant to §42 (h)(6)(I) of the Code, to find a buyer who will purchase the Project pursuant to a "qualified contract" within the meaning of §42 (h)(6)(F) of the Code, the Project Owner shall provide a notice of intent to sell the Project ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Project Owner determines that it will sell the Project at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period.

(ii) During the two years following the giving of Notice of Intent, the Project Owner may enter into an agreement to sell the Project only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(I) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department;

(II) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(III) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iii) At any time after the fifteenth year of the Compliance Period, but no earlier than two years after delivery of a Notice of Intent, the Project Owner may sell the Project without regard to any right of first refusal established by this Declaration if: (x) no offer to purchase the Project at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or (y) a period of 120 days has expired from the date of acceptance of such offer without the sale having occurred, provided that the failure to close within such 120-day period shall not have been caused by the Project Owner or matters related to the title for the Project.

(iv) At any time prior to the giving of the Notice of Intent, the Project Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Project for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Project by such organization in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

(v) The Department shall, at the request of the Project Owner, identify in this Declaration a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Project at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

APPENDIX A - MINIMUM APPLICABLE FRACTION BY BUILDING

Building Number	Building Identification Number (BIN)	Minimum Applicable Fraction
1.	TX-02-07901	100%
2.	TX-02-07902	100%
3.	TX-02-07903	100%
4.	TX-02-07904	100%
5.	TX-02-07905	100%
6.	TX-02-07906	100%
7.	TX-02-07907	100%
8.	TX-02-07908	100%
9.	TX-02-07909	100%
10.	TX-	
11.	TX-	
12.	TX-	
13.	TX-	
14.	TX-	
15.	TX-	
16.	TX-	
17.	TX-	
18.	TX-	
19.	TX-	
20.	TX-	
21.	TX-	
22.	TX-	
23.	TX-	
24.	TX-	
25.	TX-	
26.	TX-	
27.	TX-	
28.	TX-	
29.	TX-	
30.	TX-	
31.	TX-	
32.	TX-	
33.	TX-	
34.	TX-	
35.	TX-	
36.	TX-	
37.	TX-	
38.	TX-	

Filed for Record in:
Ector County
On: Dec 29, 2004 at 01:19P

As a:

Recording
Document Number: 00019410
Amount 54.00
Receipt Number - 7631
By: Lori Ann Coulson

STATE OF TEXAS
COUNTY OF ECTOR

I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the named records of:

Ector County
as stamped hereon by me.
Dec 29, 2004

ANY PROVISION WHICH RESTRICTS THE SALE,
RENTAL OR USE OF THE DESCRIBED
REAL PROPERTY BECAUSE OF COLOR OR RACE
IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Linda Haney, County Clerk
Ector County

ARBOR OAKS APARTMENTS
1000 E Monahans Street
Odessa, Tx 79761

January 4, 2017

The Honorable Senator Kel Seliger, District 31
P.O.Box 12068
Capital Station
Austin, Tx 78711

Re: Arbor Oaks Apartments
1000 E Monahans Street
Odessa, Tx 79761

Dear Senator Seliger:

Arbor Terrace II LP is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will

- (1) Change the restriction on Arbor Oaks Apartments, currently containing a Two (2) Year Right of First Refusal (ROFR) to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state Tax law that provides for a One Hundred Eighty (180) Day time period for such ROFR notification; and
- (2) Remove the requirement that the ownership structure be an Historically Underutilized Business (HUB), as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

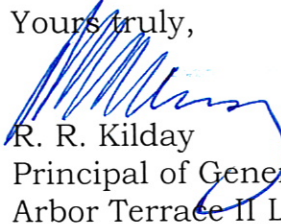
TDHCA Board rules require that notice of this request be given to the Senator for the district in which Arbor Oaks Apartments is located.

A public hearing on this issue is scheduled at Arbor Oaks Club House as follows:

Location:	Arbor Oaks Club House 1000 E Monahans Street Odessa, Tx 79761
Date:	January 12, 2017
Time:	6:00pm

You are invited to attend and offer your comments.

Yours truly,


R. R. Kilday
Principal of General Partner
Arbor Terrace II LP

ARBOR OAKS APARTMENTS
1000 E Monahans
Odessa, Tx 79761

January 4, 2017

Mayor David Turner
P.O.Box 4398
Odessa, Tx 79760

Re: Arbor Oaks Apartments
1000 E Monahans Street
Odessa, Tx 79761

Dear Mayor Turner:

Arbor Terrace II LP is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will

- (1) Change the restriction on Arbor Oaks Apartments, currently containing a Two (2) Year Right of First Refusal (ROFR) to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state Tax law that provides for a One Hundred Eighty (180) Day time period for such ROFR notification; and
- (2) Remove the requirement that the ownership structure be an Historically Underutilized Business (HUB), as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

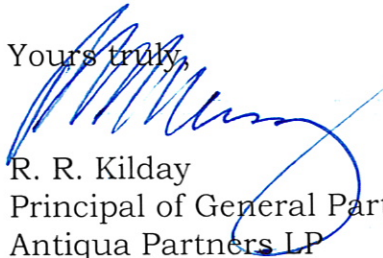
TDHCA Board rules require that notice of this request be given to the Mayor for the district in which Arbor Oaks Apartments is located.

A public hearing on this issue is scheduled at Arbor Oaks Club House as follows:

Location:	Arbor Oaks Club House 1000 E Monahans Street Odessa, Tx 79761
Date:	January 12, 2017
Time:	6:00pm

You are invited to attend and offer your comments.

Yours truly,



R. R. Kilday
Principal of General Partner
Antiqua Partners LP

ARBOR OAKS APARTMENTS
1000 E Monahans
Odessa, Tx 79761

January 4, 2017

Representative Brooks Landgraf
P.O.Box 2910
Austin, Texas 78768

Re: Arbor Oaks Apartments
1000 E Monahans Street
Odessa, Tx 79761

Dear Representative Landgraf:

Arbor Terrace II LP is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will

- (1) Change the restriction on Arbor Oaks Apartments, currently containing a Two (2) Year Right of First Refusal (ROFR) to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state Tax law that provides for a One Hundred Eighty (180) Day time period for such ROFR notification; and
- (2) Remove the requirement that the ownership structure be an Historically Underutilized Business (HUB), as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

TDHCA Board rules require that notice of this request be given to the State Representative for the district in which Arbor Oaks Apartments is located.

A public hearing on this issue is scheduled at Arbor Oaks Club House as follows:

Location:	Arbor Oaks Club House 1000 E Monahans Street Odessa, Tx 79761
Date:	January 12, 2017
Time:	6:00pm

You are invited to attend and offer your comments.

Yours truly,



R. R. Kilday
Principal of General Partner
Antiqua Partners LP

ARBOR OAKS APARTMENTS
1000 E Monahans Street
Odessa, Tx 79761

January 5, 2017

Tiffany Riley
Wells Fargo Commercial Mortgage Servicing
401 South Tryon Street
8th Floor
Charlotte, NC 28202

Re:Arbor Oaks Apartments

Please be advised that Arbor Terrace II LP, owner of Arbor Oaks Apartments, HTC 02079, [Owner] located at 1000 E Monahans Street, Odessa, Tx 79761, desires and intends to amend its Land Use Restrictive Covenant [LURA] as follows:

[1] change the restriction on Arbor Oaks Apartments, currently containing a Two [2] Year Right of First Refusal [ROFR] to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state tax law that provides for a One Hundred Eighty [180] Day time period for such ROFR notification; and requesting an additional change of

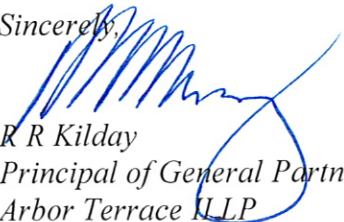
[2] remove the requirement that the ownership structure be an Historically Underutilized Business [HUB], as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

As a part of its due diligence and decision-making process, The Texas Department of Housing and Community Affairs [TDHCA or Department] requires us to notify you, our valued residents, in writing of these proposed amendment changes, prior to the changes taking place. The changes will not affect your lease, your rent payment, your security deposit, or the conditions of your unit or any apartment building. Nothing will change as to your residence at Arbor Oaks.

In addition to the above, TDHCA requires Owner to have a public meeting to discuss these changes with you. This meeting will take place in the community office/clubhouse of Arbor Oaks, on January 12, 2017 at 6:00pm. If you are not able to attend this meeting, you also may submit any questions, concerns or comments in writing to asset.management@tdhca.state.tx.us or via mail to Texas Department of Community Affairs, Asset Management Division, P. O. Box13941, Austin Texas 78711-3941

If you have any questions, please call the onsite management office.

Sincerely,


R R Kilday
Principal of General Partner
Arbor Terrace ~~LLP~~

ARBOR OAKS APARTMENTS
1000 E Monahans Street
Odessa, Tx 79761

January 5, 2017

Eva Clarke
Boston Financial Investment Management, LP
101 Arch Street
Boston, MA 02110

Re:Arbor Oaks Apartments

Please be advised that Arbor Terrace II LP, owner of Arbor Oaks Apartments, HTC 02079, [Owner] located at 1000 E Monahans Street, Odessa, Tx 79761, desires and intends to amend its Land Use Restrictive Covenant [LURA] as follows:

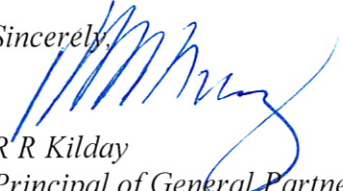
[1] change the restriction_on Arbor Oaks Apartments, currently containing a Two [2] Year Right of First Refusal [ROFR] to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state tax law that provides for a One Hundred Eighty [180] Day time period for such ROFR notification; and requesting an additional change of

[2] remove the requirement that the ownership structure be an Historically Underutilized Business [HUB], as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

As a part of its due diligence and decision-making process, The Texas Department of Housing and Community Affairs [TDHCA or Department] requires us to notify you, our valued residents, in writing of these proposed amendment changes, prior to the changes taking place. The changes will not affect your lease, your rent payment, your security deposit, or the conditions of your unit or any apartment building. Nothing will change as to your residence at Arbor Oaks.

In addition to the above, TDHCA requires Owner to have a public meeting to discuss these changes with you. This meeting will take place in the community office/clubhouse of Arbor Oaks, on January 12, 2017 at 6:00pm. If you are not able to attend this meeting, you also may submit any questions, concerns or comments in writing to asset.management@tdhca.state.tx.us or via mail to Texas Department of Community Affairs, Asset Management Division, P. O. Box13941, Austin Texas 78711-3941

If you have any questions, please call the onsite management office.

Sincerely,

R R Kilday
Principal of General Partner
Arbor Terrace II LP

ARBOR OAKS APARTMENTS
1000 E Monhann
Odessa, Tx 79761

12/30/16

Dear Valued Resident:

Please be advised that Arbor Terrace II LP, owner of Arbor Oaks Apartments, HTC 02079, [Owner] located at 1000 E Monhann, Odessa, Tx 79761, desires and intends to amend its Land Use Restrictive Covenant [LURA] as follows:

[1] changing the restriction on Arbor Oaks Apartments, currently containing a Two [2] Year Right of First Refusal [ROFR] to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state tax law that provides for a One Hundred Eighty [180] Day time period for such ROFR notification; and requesting an additional change of

[2] removing the requirement that the ownership structure be an Historically Underutilized Business [HUB], as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

As a part of its due diligence and decision-making process, The Texas Department of Housing and Community Affairs [TDHCA or Department] requires us to notify you, our valued residents, in writing of these proposed amendment changes, prior to the changes taking place. The changes will not affect your lease, your rent payment, your security deposit, or the conditions of your unit or any apartment building. Nothing will change as to your residence at Arbor Oaks.

In addition to the above, TDHCA requires Owner to have a public meeting to discuss these changes with you. This meeting will take place in the community office/clubhouse of Arbor Oaks, on January 12, 2017 at 6:00pm. If you are not able to attend this meeting, you also may submit any questions, concerns or comments in writing to asset.management@tdhca.state.tx.us or via mail to Texas Department of Community Affairs, Asset Management Division, P. O. Box 13941, Austin Texas 78711-3941

If you have any questions, please call the onsite management office.

Sincerely,



Michael V. Clark, CPM
President
UAH Property Management, LP

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action to approve a material amendment to the Housing Tax Credit (“HTC”) Land Use Restriction Agreement (“LURA”) for Freeport Oaks Apartments (HTC# 04255)

RECOMMENDED ACTION

WHEREAS, Freeport Oaks Apartments (the “Development”) received an award of 9% Housing Tax Credits in 2004 to construct 100 multifamily units in Freeport, Brazoria County;

WHEREAS, the HTC application for the Development received points and/or other preferences for agreeing to provide a Right of First Refusal (“ROFR”) to purchase the Development and for having a Historically Underutilized Business (“HUB”), namely Kilday Realty Corp., participate in the ownership of the Development;

WHEREAS, the LURA for the Development requires a two-year ROFR period and requires that throughout the Compliance Period, unless otherwise permitted by the Department, the HUB must hold an ownership interest, and must maintain regular, continuous, and substantial participation in the development and operation of the Development;

WHEREAS, the Development is within the Compliance Period, as defined in the LURA;

WHEREAS, the HUB principal has retired, and, therefore, Kilday Realty Corp. will be unable to retain its HUB certification;

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

WHEREAS, 10 TAC §10.406(g) allows for a HUB requirement to be removed if the HUB will maintain its ownership interest but is unable to maintain its HUB status, as long as the LURA does not require such continual ownership or a material LURA amendment is approved;

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

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

NOW, therefore, it is hereby

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

BACKGROUND

Freeport Oaks Apartments was approved in 2004 for the construction of 100 multifamily units in Freeport, Brazoria County. In a letter dated December 19, 2016, Freeport Oaks LP (the “Development Owner”) through its General Partner (Freeport Oaks Partners LLC – Royce R. Kilday, Vice President of Kilday Realty Corp.) requested approval to amend the LURA related to the ROFR provision and to remove the requirement for the HUB to hold an ownership interest and to maintain regular, continuous, and substantial participation in the development and operation of the Development throughout the Compliance Period.

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

The request letter dated December 19, 2016, states that the HUB principal, Dianne Kilday, President of Kilday Realty Corp., has retired, and, therefore, Kilday Realty Corp. will be unable to retain its HUB certification. While the HUB status will be removed, the entities will remain in the ownership structure and all other ownership entities will stay in place. The General Partner requests that the HUB restriction be removed from the LURA.

The General Partner also requests that the two-year ROFR period be replaced with the 180-day ROFR period, which permits re-syndication and sale to a Qualified Entity. In 2015, the Texas Legislature passed HB 3576 which amended Tex. Gov’t Code §2306.6725 to allow for a shorter 180-day ROFR period and §2306.6726 to define and allow for a Qualified Entity to purchase a development under a ROFR provision of the LURA and satisfy the ROFR requirement. It is worth noting that while Qualified Entity was newly defined in HB 3576 and incorporated into statute, the set order of priority related to the specific types of nonprofit organizations that would have a right to purchase a property under the ROFR provision was not eliminated or changed. HB 3576 defines Qualified Entity to mean an entity described by, or an entity controlled by an entity described by, §42(i)(7)(A) of the Internal Revenue Code of 1986. The Department’s 2016 Post Award and Asset Management Requirements implemented administrative procedures to allow a Development Owner to conform to the new ROFR provisions described in the amended statute.

The Development Owner must comply with the amendment and notification requirements under the Department’s rule at Tex. Gov’t Code §2306.6712 and 10 TAC §10.405(b). The Development Owner held a

public hearing on the matter on January 10, 2017, at 2:00 pm at the Development's management office/clubhouse.

Staff recommends approval of the requested material LURA amendment, subject to no negative public comment received, as presented herein.

Kilday Realty Corp
1717 St. James Place, Ste.150
Houston, Texas 77056

December 19, 2016

Ms. Dee Patience
Asset Resolution Manager – Region 9&12
Texas Dept. of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78711-3941

Re: Freeport Oaks LP [Freeport Oaks], TDHCA 04255, Freeport Oaks Partners LLC, General Partner
HUB Certificate for Kilday Realty Corp, Dianne Kilday, President, General Partner Owner

Dear Ms. Patience:

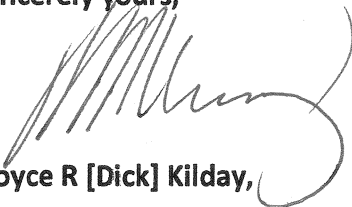
The purpose of this letter is to respectfully request an amendment to the LURA for the above captioned tax credit community in Freeport, Texas, [1] to allow the HUB to retire and no longer be required in the LURA, and [2] to replace the Right of First Refusal [ROFR] from the old language to the updated definition and language for the ROFR.

The HUB principal, Dianne Kilday, President of Kilday Realty Corp, has retired from seeking any new tax credit development or other new business moving forward. The partnership General Partner and other ownership entities will remain as they are. Only the HUB status of the Managing General Partner owner will change, with it no longer to be required.

In accordance with TDHCA Asset Management rules, we plan to [1] have a public hearing in Freeport, Texas, [2] send notification letters to the residents [tenants] of Freeport Oaks, [3] to the Mayor of Freeport Texas, [4] to the applicable Texas State Representative, and [5] to the applicable Texas State Senator, explaining the reason for the LURA amendment. All of this will be accomplished by at least seven (7) days prior to the TDHCA January board meeting to be held on January 26, 2017.

Thank you for your guidance, cooperation and assistance in accomplishing this amendment to the LURA for Arbor Terrace. Please advise of any additional information you need, or appropriate changes to this request letter or any other questions you may have.

Sincerely yours,



Royce R [Dick] Kilday,
Vice President of
Kilday Realty Corp

FREEPORT OAKS APARTMENTS
1702 Skinner Street
Freeport, Texas 77541

December 30, 2016

Dear Valued Resident:

Please be advised that Freeport Oaks LP, owner of Freeport Oaks Apartments, HTC 04255, [Owner] located at 1702 Skinner Street, Freeport, Texas 77541, desires and intends to amend its Land Use Restrictive Covenant [LURA] as follows:

[1] changing the restriction on Freeport Oaks Apartments, currently containing a Two [2] Year Right of First Refusal [ROFR] to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state tax law that provides for a One Hundred Eighty [180] Day time period for such ROFR notification; and requesting an additional change of

[2] removing the requirement that the ownership structure be an Historically Underutilized Business [HUB], as it was at the beginning of this Ownership entity, for the remainder of the Extended Use Period.

As a part of its due diligence and decision-making process, The Texas Department of Housing and Community Affairs [TDHCA or Department] requires us to notify you, our valued residents, in writing of these proposed amendment changes, prior to the changes taking place. The changes will not affect your lease, your rent payment, your security deposit, or the conditions of your unit or any apartment building. Nothing will change as to your residence at Freeport Oaks.

In addition to the above, TDHCA requires Owner to have a public meeting to discuss these changes with you. This meeting will take place in the community office/clubhouse of Freeport Oaks Apartments, on January 10th, 2017 at 2:00 pm. If you are not able to attend this meeting, you also may submit any questions, concerns or comments in writing to asset.management@tdhca.state.tx.us or via mail to Texas Department of Community Affairs, Asset Management Division, P. O. Box 13941, Austin Texas 78711-3941

If you have any questions, please call the onsite management office.

Sincerely,

Karen Lugo
Property Manager
Allied Orion Group, Representative of Freeport Oaks LP

FREEPORT OAKS APARTMENTS
1702 Skinner Street
Freeport, Texas 77541

January 3, 2017

The Honorable Senator Joan Huffman, District 17
P.O. Box 12068
Capital Station
Austin, Texas 78711

Re: Freeport Oaks Apartments
1702 Skinner Street
Freeport, Texas 77541

Dear Senator Huffman:

Freeport Oaks LP is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will

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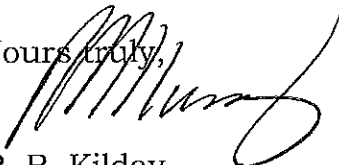
TDHCA Board rules require that notice of this request be given to the Senator for the district in which Freeport Oaks Apartments is located.

A public hearing on this issue is scheduled at Freeport Oaks Apartments as follows:

Location:	Freeport Oaks Apartments 1702 Skinner Street Freeport, Texas 77541
Date:	January 10, 2017
Time:	2pm

You are invited to attend and offer your comments.

Yours truly,



R. R. Kilday
Principal of General Partner
Freeport Oaks LP

FREEMPORT OAKS APARTMENTS
1702 Skinner Street
Freeport, Texas 77541

January 3, 2016

PNC
Margaret Pinkley
121 SW Morrison, Suite 1300
Portland, Oregon 97204

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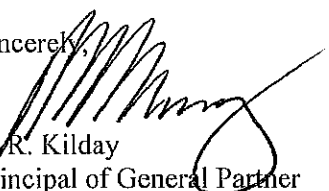
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Freeport Oaks LP

FREEMPORT OAKS APARTMENTS
1702 Skinner Street
Freeport, Texas 77541

January 3, 2016

MMA Freeport Oaks LLC
William Lee-VP of Tax
101 Arch Street, 13th Floor
Boston, MA 02110

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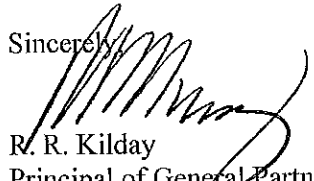
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FREEPORT OAKS APARTMENTS
1702 Skinner Street
Freeport, Texas 77541

January 3, 2017

State Representative Dennis Bonnen, District 25
P.O. Box 2910
Austin, Texas 78768

Re: Freeport Oaks Apartments
1702 Skinner Street
Freeport, Texas 77541

Dear Representative Bonnen:

Freeport Oaks LP is asking the Texas Department of Housing and Community Affairs Governing Board (the "TDHCA Board") to approve an amendment to its Land Use Restrictive Agreement ("LURA") that will

- (1) Change the restriction on Freeport Oaks Apartments, currently containing a Two (2) Year Right of First Refusal (ROFR) to TDHCA and/or other qualified non-profit organization or approved tenant organization, to the recently changed Texas state Tax law that provides for a One Hundred Eighty (180) Day time period for such ROFR notification; and
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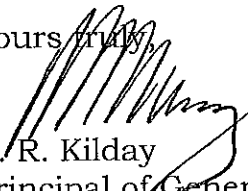
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FREEPORT OAKS APARTMENTS
1702 Skinner Street
Freeport, Texas 77541

January 3, 2017

Mayor Norma Moreno Garcia
200 W 2nd Street
Freeport, Texas 77541

Re: Freeport Oaks Apartments
1702 Skinner Street
Freeport, Texas 77541

Dear Mayor Garcia:

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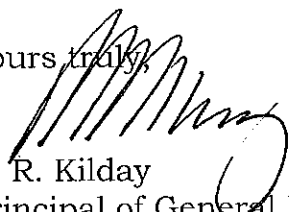
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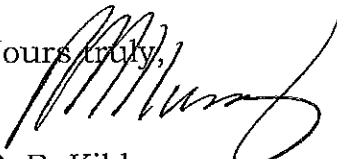
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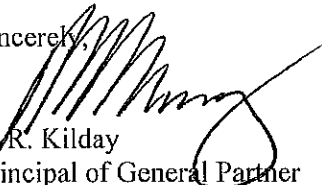
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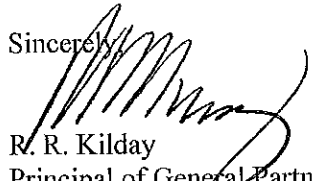
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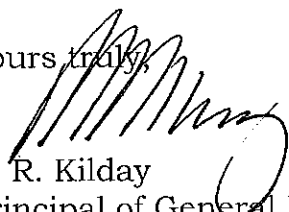
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Principal of General Partner
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FREEPORT OAKS APARTMENTS
1702 Skinner Street
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December 30, 2016

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Sincerely,

Karen Lugo
Property Manager
Allied Orion Group, Representative of Freeport Oaks LP

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

23

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS/LAND USE RESTRICTION AGREEMENT FOR LOW-INCOME HOUSING TAX CREDITS (this "Declaration"), dated as of 5/18/2006, is made by and between FREEPORT OAKS LP (together with its successors and assigns, the "Project Owner") and The Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas. (Together with any successor to its rights, duties and obligations, the "Department"), and is given by Project Owner as an inducement to the Department to allocate tax credits as a condition precedent to the determination that the Project, as defined herein, satisfies the requirements of the State of Texas's Qualified Allocation Plan and the allocation of low-income housing tax credits (the "Tax Credits"), pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto (the "Code"), by the Department. This Declaration incorporates the extended low-income housing commitment required by Section 42(h)(6) of the Code and is promulgated in accordance with the provisions of Chapter 2306, Tex. Gov. Code, (the "Act"), as may be amended from time to time.

WITNESSETH:

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

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

WHEREAS, the Project Owner has applied to the Department for a determination that the Project satisfies the requirements of the State of Texas's Qualified Allocation Plan for Tax Credits in an amount not to exceed \$721,599 Tax Credit dollars annually;

WHEREAS, the Project Owner has represented to the Department in the Project Owner's Low-Income Housing Tax Credit Application (the "Application"), authorized by the Department's Low-Income Rental Housing Tax Credit Rules (the "Department Rules"), that the Project Owner shall lease 80 % of the units in the Project to individuals or families whose income is 60 % or less of the area median gross income (including adjustments for family size), as more specifically provided herein, such Application being incorporated herein by reference for all purposes;

WHEREAS, the Department has awarded an annual allocation of Tax Credits in the amount of \$ 639,213 in accordance with its Qualified Allocation Plan for the Year 2004 and applicable state and federal law;

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

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

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

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

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

AFTER RECORDING, RETURN TO: ✓ S. WUEST, COATS, ROSE, YALE, RYMAN & LEE, P.C., 3 GREENWAY PLAZA EAST, HOUSTON, TX 77046

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

Ste 2000

SECTION 1 - DEFINITIONS

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

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

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

"Assumption Agreement" is an agreement regarding the transfer of the property that meets the requirements of Section 3(i) hereof.

"Board" means the governing board of the Department.

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

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

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

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

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

"Income" means the income of a Tenant determined in a manner consistent with the requirements of Section 42(d)(2)(B) of the Code.

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

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

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

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

"Principal" means any person or entity that holds an ownership interest in the Project Owner and (i) has the power to direct any aspect of the operations of the Project Owner or (ii) is entitled to at least a 25% share in any of the profits, losses, cash flow or residual value of the Project.

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

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

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

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

"State" means the State of Texas.

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

"Term" means the length of time this declaration shall remain in effect as set out in Section 5 hereof.

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

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

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

(a) The Project Owner shall, at its own cost, cause this Declaration and all amendments hereto to be recorded and filed in the official real property records of the county in which the Project is located. Upon recording, the Project Owner shall immediately transmit to the Department an executed original of the recorded Declaration stamped by the county to show the date, volume and page numbers of record. The Project Owner agrees that the Department will not issue the Internal Revenue Service Form 8609, evidencing final allocation of the Tax Credits, unless and until the Department has received the recorded, executed original of the Declaration.

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

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

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

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

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

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

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

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

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

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

(g) The Project Owner will comply fully and at all times with the Department Rules.

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

(i) The Project Owner covenants that it will not without prior written approval from the Department sell, transfer or exchange any portion of any building in the Project unless it sells, transfers or exchanges the entire building to the same person. Subject to the requirements of Section 42 of the Code and this Declaration, the Project Owner may sell, transfer or exchange the entire Project or any building in the Project at any time, provided that the Project Owner shall require, as a condition precedent to any such sale, transfer or exchange, that the successor owner and operator assume, in writing, in an Assumption Agreement acceptable to the Department, the Project Owner's obligations hereunder and under Section 42 of the Code, which Assumption Agreement shall be delivered to the Department in executed, recordable form prior to any such sale, transfer or exchange. This provision shall not act to waive any other restriction on sale, transfer or exchange of the Project or any building in the Project. The Project Owner agrees that the Department may void any sale, transfer or exchange of the Project if the successor owner and operator fails to execute and deliver an Assumption Agreement or if the Project Owner or the successor owner and operator otherwise acts in contravention of this Section 3(i). This Declaration and the covenants contained herein shall survive and be effective regardless of whether any such successor owner and operator or intended successor owner and operator shall have assumed them pursuant to an executed Assumption Agreement.

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

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

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

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

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

(o) The Project Owner agrees to apply for and accept renewal of any rent subsidy contracts from which the Project benefits, if such subsidies are sufficient to maintain the economic viability of the Project.

SECTION 4 - INCOME RESTRICTIONS/RENTAL RESTRICTIONS

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

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

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

(Check applicable percentage election)

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

(c) The Project will contain a total of 100 Units (including Units occupied by a resident manager or other employee, such that they are not treated as "residential rental units" for purposes of Section 42 of the Code), of which 80 Units treated as residential rental units will be Low-Income Units. The amount of Tax Credits allocated to the Project is based on the requirement that the Minimum Applicable Fraction for each building in the Project will be as specified, building-by-building, at Appendix A hereto. During the Term of this Declaration, Units at the Project shall be leased and rented or made available to members of the general public who qualify as Low-Income Tenants, such that each building in the Project shall at all times satisfy the Minimum Applicable Fraction for such building. The Project Owner's failure to ensure that each building in the Project complies with such requirement will cause the Department to report such fact to the Service and may result in the reduction and recapture by the Service of Tax Credits, as well as other enforcement action.

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

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

(f) The Project Owner acknowledges that whether a Tenant is a Low-Income Tenant is a matter of fact, to be determined in accordance with applicable law, and the Project's Owner's determination as to such matter is not binding upon the Department or the Service.

(g) During the Compliance Period and the Extended Use Period, the Project Owner, notwithstanding anything herein to the contrary, shall not (1) evict or terminate the tenancy of a Tenant of any Low-Income Unit other than for good cause nor (2) increase the gross rent with respect to a low-income unit not otherwise permitted by Section 42 of the Code.

SECTION 5 - TERM OF DECLARATION

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

(b) Notwithstanding subsection (a) above, but subject to any modified or additional requirements set forth in Appendix A, in which event the terms of this Agreement shall be modified as applicable, this Declaration shall terminate:

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

(2) following the end of the Compliance Period, but not later than 50 years following the date upon which the Project was first placed in service pursuant to the requirements of this Declaration, if the Project Owner has properly requested that the Department assist in procuring a "Qualified Contract", as defined in the Code, for the acquisition of a building and the Department is unable to present a Qualified Contract. To properly request the Department's assistance in procuring a Qualified Contract for the acquisition of a building, the Project Owner must submit a written request to the Department no earlier than one (1) year prior to the expiration of the Compliance Period, or on the last day of any subsequent year of the Extended Use Period. The Department will have one (1) year from the date of the Project Owner's written request to find a buyer to acquire the Project Owner's interest in the building. The Department will attempt to procure a Qualified Contract for the acquisition of any building only once during the Extended Use Period.

(3) following the end of the Compliance Period, subject to the consent of the Department, upon the acquisition of the Project by the Tenants of the Project, a qualified nonprofit organization or a government agency pursuant to a right of first refusal under Section 42(i)(7) of the Code.

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

SECTION 6 - ENFORCEMENT, ADMINISTRATION AND COMPLIANCE

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

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

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

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

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

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

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

(g) The Project Owner agrees the Department may, at reasonable times and upon adequate notice, examine all books and records, and request and receive from the Project Owner one or more reports, relating to the ownership, operations, capitalization, reserve funds, income, expenses and other financial and regulatory matters of the Project or the Project Owner. This includes compliance with the Annual Owner's Certification of Project Completion, Fair Housing Sponsor report, and Owner's Financial Certification in a form and timeline as prescribed by the Department.

(h) The Project Owner agrees that the Department may at any time order it and/or its managing agent or Project manager to do whatever is necessary to comply with or refrain from violating an applicable law, ordinance, Department Rules, or term of an agreement regarding the Project, and that the Department may file and prosecute a complaint against a managing agent, Project manager, or the Project Owner for a violation of any applicable law or ordinance. The Project Owner acknowledges and agrees that, in the event that the Project Owner is found to have violated an applicable law, ordinance, Department Rules, or term of an agreement regarding the Project, the Department shall have the right, among other remedies and without limitation, to limit or deny participation by the Project Owner in any of the programs operated or administered by the Department.

(i) Upon a determination by the Department that the Project Owner has failed to maintain the Project in good and habitable condition and suitable for occupancy as hereinabove required, the Project Owner agrees, upon the Department's direction, to establish a reserve for replacement and repairs to the Project in such initial amount and with such monthly deposits as the Department may direct. Such reserve shall be held for the benefit of the Project Owner and the Project by such party as the Department shall direct, and disbursements shall be made there from only upon direction of or approval by the Department.

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

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

(l) The Project Owner agrees to furnish the Department within 10 days of receipt with copies of all correspondence between the Project Owner and the Service with respect to the Project, other than tax returns and routine, periodic reports filed with the Service.

(m) The Project Owner agrees to notify the Department and modify the credit allocation identified on the IRS form 8609, if necessary, if any federal grant or loan of below market rate federal funds is received with respect to the Project at any time during the Compliance period.

SECTION 7 - FEES

(a) To compensate the Department for its responsibilities pursuant to the Act and the Code, the Project Owner shall pay to the Department an annual compliance monitoring fee for the first twelve month period of this Declaration in the amount of \$25 or \$40 per Low-Income Unit in the Project. In no event shall the fee be less than \$100.

(b) In addition to the compliance monitoring fee required by Section 7(a), the Project Owner shall pay to the Department a building inspection fee for any inspections that the Department requires or performs. The amount of such fee(s) will be determined by the Department in accordance with Department Rules.

(c) If the Department shall find the Project not to be in compliance with the terms hereof, the Project Owner shall pay to the Department (i) an additional administrative fee in an amount prescribed from time to time by the Department, which amount for the first twelve month period of this Declaration, shall not exceed \$25 per Unit (without regard to the number of Low-Income Units), for additional monitoring and enforcement activities undertaken with respect to the Project and (ii) all amounts required to reimburse the Department for its expenses in performing such additional monitoring and enforcement activities. The administrative fee payable in the event of noncompliance shall be in addition

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to, and distinct from, the amount due pursuant to Section 7(a), as well as any reimbursements of costs and legal fees to which the Department may be entitled as a result of judicial enforcement action, and such fee shall be payable without respect to whether the Department undertakes or succeeds in judicial enforcement activities, and any right to be compensated therefore, for a period of up to three years following its most recent finding of noncompliance with respect to the Project.

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

(e) The Project Owner agrees that it will pay the annual compliance monitoring fee and the building inspection fee(s) at the times required by the Department therefore and that it will pay all additional charges, fees, and expenses assessed hereunder by the Department within ten (10) days of receipt of written notice of any such assessment.

SECTION 8 - MISCELLANEOUS

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

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

To the Department: Texas Department of Housing & Community Affairs
P O Box 13941
Austin, Texas 78711-3941
Attn: Portfolio Management and Compliance Division

To the Project Owner: FREEPORT OAKS LP
ATTN: LES KILDAY
5005 RIVERWAY SUITE 330
HOUSTON, TEXAS 77056

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

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

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

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

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

DEPARTMENT:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas

By: [Signature]
Name: Michael Gerber
Title: Executive Director

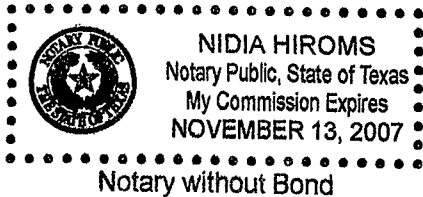
THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Michael Gerber, Executive Director of the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas, on behalf of such agency.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 11 day of September, 2006.

(Seal)

[Signature: Nidia Hiroms]
Notary Public, State of Texas



ADDENDUM A TO DECLARATION - CONSENT AND SUBORDINATION OF LIENHOLDER

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

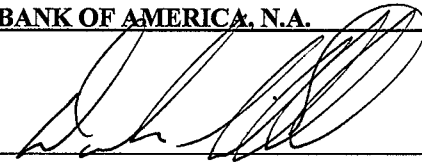
The undersigned lien holder ("Lien holder") hereby consents to the execution by Project Owner of the foregoing Declaration for FREEPORT OAKS APARTMENTS (the "Project Improvements").

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

Lien holder acknowledges and agrees that, pursuant to Section 5(b)(1) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure, upon the recorded declaration of the party so acquiring the building (unless it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lien holder hereby acknowledges and agrees that the acquisition of the Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(c) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

Executed to be effective the 18th day of May, 2006.

LIENHOLDER: BANK OF AMERICA, N.A.

By: 

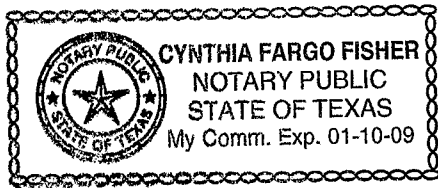
Name: DAKAR GIBBS

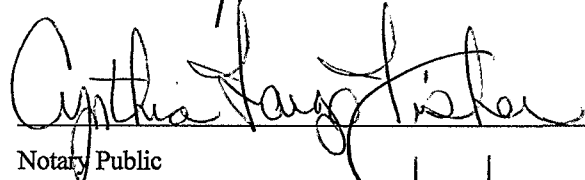
Title: VICE PRESIDENT, SR. CLIENT MANAGER

STATE OF TEXAS

COUNTY OF HARRIS

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that DAKAR GIBBS, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, being informed of the contents of such document, executed the same voluntarily. Given under my hand, official seal this 18th day of MAY, 2006.




Notary Public
My Commission expires: 01/10/09

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER

4

CONTRIBUTION DEED

STATE OF TEXAS §
COUNTY OF BRAZORIA §

KNOW ALL PERSONS BY THESE PRESENTS:

THAT FREEPORT OAKS LP, a Texas limited partnership ("Grantor"), for and in consideration of the sum of ONE AND NO/100 DOLLARS (\$1.00) and other good and valuable consideration to Grantor in hand paid by KILDAY PARTNERS LLC, a Texas limited liability company ("Grantee"), the receipt and sufficiency of which are hereby acknowledged and confessed;

And Grantor has CONTRIBUTED, GRANTED AND CONVEYED, and by these presents does CONTRIBUTE, GRANT AND CONVEY, unto said Grantee, the Property (hereinafter defined), together with (i) any and all improvements located thereon; (ii) any and all privileges and appurtenances pertaining thereto; (iii) any and all appurtenant easements or rights of way affecting said real property and any of Grantor's rights to use the same; (iv) any and all rights of ingress and egress to and from said real property and any of Grantor's rights to use the same; and (v) all right, title and interest of Grantor, if any, in and to (a) any and all roads, streets, alleys and ways (open or proposed) affecting, crossing, fronting or bounding said property, including any awards made or to be made relating thereto including, without limitation, any unpaid awards or damages payable by reason of damages thereto or by reason of a widening of or changing of the grade with respect to the same, (b) any and all strips, gores or pieces of property abutting, bounding or which are adjacent or contiguous to said real property (whether owned or claimed by deed, limitations or otherwise), and (c) any and all reversionary interests in and to the following described real property (the "Property"), to-wit:

BEING 6.314 acres of land out of a called 12.233 acre tract out of the Freeport Urban Renewal Tract "A" out of the Velasco Townsite as recorded in Volume 32, Page 14, Deed Records of Brazoria County, Texas, said 12.233 acres being recorded in Clerk File No. 2004-064759, Official Records of Brazoria County, Texas (O.R.B.C.T.), said 6.314 acres being part of Blocks 679, 680, 696, 697 and a 5 foot strip off of original Avenue "J" of the Velasco Townsite, City of Freeport, Brazoria County, Texas and being described by metes and bounds as follows:

COMMENCING at a found 1/2" iron rod at the intersection of the southerly line of Avenue "M" and the easterly line of Skinner Street at the north corner of Block 695, Velasco Townsite, same being the north corner of said called 12.233 acre tract;

THENCE South 33 degrees 01 minutes 34 seconds West (basis of bearing), with the easterly line of said Skinner Street and the westerly line of said called 12.233 acre tract, a distance of 564.69 feet to a found 1/2" iron rod with cap at the west corner of a 6.000 acre tract off the north end of said called 12.233 acre tract for the north corner of this tract and POINT OF BEGINNING;

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Return to: CHARTER TITLE COMPANY
717 Texas, Suite 1700
Houston, TX 77002
OP# 0403000-2
Closer: 458

THENCE South 56 degrees 55 minutes 38 seconds East, with the southerly line of said 6.000 acre tract, a distance of 703.88 feet to a found chiseled "X" in concrete at the south corner of said 6.000 acre tract and being on the westerly line of a tract conveyed to Gupta Vanderbilt Court Limited as recorded in Clerk File No. 2001-007959, O.R.B.C.T. for the east corner of this tract;

THENCE South 33 degrees 01 minutes 38 seconds West, with the westerly line of said Gupta Vanderbilt Court Limited tract at a distance of 385.43 feet pass a found ½" iron rod with cap at the south corner of said called 12.233 acre tract on the original northerly line of Avenue "J" and continue on a total distance in all of 390.43 feet to a point at the westerly corner of said Gupta Vanderbilt Court Limited tract on the northerly right-of-way line of Avenue "J", 60 foot right-of-way as recorded in Volume 16, Pages 341 and 342 of the Plat Records of Brazoria County, Texas for the southerly corner of this tract;

THENCE North 56 degrees 58 minutes 50 seconds West, with the northerly right-of line of said Avenue "J" (60' R.O.W.), a distance of 703.86 feet to a point on the easterly line of said Skinner Street for the westerly corner of this tract;

THENCE North 33 degrees 01 minutes 34 seconds East, with the easterly line of said Skinner Street, at a distance of 5.00 feet pass a found ½" iron rod with cap at the westerly corner of said called 12.233 acre tract and being the westerly corner of said Block 697 and continue on a total distance in all of 391.08 feet to the POINT OF BEGINNING and containing 6.314 acres of land, more or less.

This conveyance is made and accepted subject to any and all easements, royalty and mineral reservations or other instrument of record among the county records where the Property is located relating thereto, but only to the extent that they are still in force and effect, and to all zoning laws, regulations and ordinances of municipal and other governmental authorities, if any, but only to the extent that they are still in force and effect and relate to the Property (hereinafter referred to as "Encumbrances").

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereunto in anyway belonging unto Grantee, its successors and assigns, FOREVER. Subject to the Encumbrances, Grantor does hereby bind itself, its successors, and assigns, TO WARRANT AND FOREVER DEFEND all and singular the said premises unto the said Grantee, its successors and assigns, against every person whomsoever lawfully claiming, or to claim the same, or any part thereof, by, through or under it, but not otherwise.

Ad valorem taxes and assessments for the current year have been prorated as of the date hereof, and Grantee assumes and agrees to pay the same.

EXECUTED on the date of the acknowledgment set forth hereinbelow, to be effective, however, as of the 14 day of JUNE, 2005.

FREEPORT OAKS LP, a Texas limited partnership

003887.000009664668.1

2

OAKS
By: Freeport Partners LLC, a Texas limited liability
company, its General Partner

By: Kilday Realty Corp, a Texas
corporation, Member

By: 

Name: R. R. Kilday
Title: Vice President

By: LPKilday LLC, a Texas limited liability
company, Member

By: 

Les Kilday, Managing Member

Grantee's Mailing Address:
5005 Riverway, Suite 330
Houston, TX 77056

003887.000009/664668.1

3

Title Data TC TDI15598 BR 2005036977.003

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

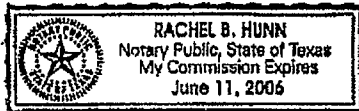
This instrument was acknowledged before me on the 14th day of June, 2005, by R. R. Kilday, Vice Pres. of Kilday Realty Corp., a Texas corporation, a member of Freeport Oaks Partners LLC, a Texas limited liability company, the general partner of FREEPORT OAKS LP, a Texas limited partnership, for and on behalf of said limited partnership.



Rachel B. Hunn
NOTARY PUBLIC, STATE OF TEXAS

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 14th day of June, 2005, by Les Kilday, managing member of LPKilday LLC, a Texas limited liability company, a member of Freeport Oaks Partners LLC, a Texas limited liability company, the general partner of FREEPORT OAKS LP, a Texas limited partnership, for and on behalf of said limited partnership.



Rachel B. Hunn
NOTARY PUBLIC, STATE OF TEXAS

RETURN ORIGINAL TO:

Charter Title Company
William Barnett
717 Texas, Suite 1700
Houston, TX 77002
(713) 222-8060
Fax #: (713) 222-7213

Doc# 2005036977
Pages 4
06/20/2005 11:51AM
Official Records of
BRAZORIA COUNTY
JOYCE HUDMAN
COUNTY CLERK
Fees \$20.00

Joyce Hudman

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APPENDIX A - ADDITIONAL USE RESTRICTIONS

(Check all restrictions which were elected at the time of Application.)

Additional Rent and Occupancy Restrictions

At least 3 Units in the Project must be occupied by Tenants at or below 30% of Area Median Gross Income, with rents for these Units no higher than the allowable tax credit rents at such AMGI level. At least 9 Units in the Project must be occupied by Tenants at or below 40% of Area Median Gross Income, with rents for these Units no higher than the allowable tax credit rents at such AMGI level. At least 20 Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income, with rents for these Units no higher than the allowable tax credit rents at such AMGI level. If at recertification the Tenant's household income exceeds the applicable limit, then the Unit remains as a Unit restricted at the specified level of AMGI until the next available Unit of comparable or smaller size is designated to replace this Unit. Once the Unit exceeding the specified AMGI level is replaced, then the rent for the previously qualified Unit may be increased, subject to applicable Tax Credit requirements, lease provisions and local tenant-landlord laws.

Additional Rent and Occupancy Restrictions for Developments with below market rate HOME funding included in the total eligible basis and utilizing the "9%" Applicable Percentage

At least 40% of the Units in each Federal Subsidized Building must be occupied by Tenants whose incomes are at or below 50% of Area Median Gross Income.

Longer Compliance Period and Extended Use Period

The Compliance Period shall be a period of 15 consecutive taxable years and the Extended Use Period shall be a period of 40 consecutive taxable years, each commencing with the first year of the Credit Period.

Material Participation by Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall hold a controlling interest in the Project as required by the Department Rules, shall materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the Project and shall otherwise meet the requirements of Section 42(h)(5) of the Code. At the time this Declaration is filed, the qualified nonprofit organization which shall own such interest and shall so materially participate in the development and operation of the Project is _____

_____ and is the [managing General Partner] or [Managing Member] of the Project Owner. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified nonprofit organization.

Joint Venture with Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall materially participate as one of the General Partners or Managing Members in the development and operation of the Project. At the time this Declaration is filed, the qualified nonprofit organization which shall own such interest and shall so materially participate in the development and operation of the Project is _____

_____ and is a [General Partner] or [Managing Member] of the Project Owner. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified nonprofit organization.

Historically Underutilized Businesses (HUB)

Throughout the Compliance Period, unless otherwise permitted by the Department, the HUB shall hold an ownership interest in the Project. The HUB must also maintain regular, continuous, and substantial participation in the development and operation of the Project. At the time this Declaration is filed, the HUB which holds an ownership interest in the Project is KILDAY REALTY CORP

_____ The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified HUB.

Supportive Services

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner has contracted for the provision of the following special supportive services that would not otherwise be available to Tenants: YOUTH PROGRAMS, SOCIAL EVENTS AND ACTIVITIES, COMPUTER FACILITIES.

At the time this Declaration is filed, the organization(s) providing these services is ORION REAL ESTATE SERVICES. The Project Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Project and (ii) if such organization is proposed to be replaced by a different qualified provider.

Transitional Housing for the Homeless

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide _____ number of units set aside for transitional housing for homeless persons, on a non-transient basis, with supportive services designed to assist Tenants in locating and retaining permanent housing.

Public Housing Waiting Lists

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall consider prospective Tenants referred to from the waiting list of the Housing Authority of BRAZORIA COUNTY.

QUALIFIED ELDERLY DEVELOPMENTS¹

Qualified Elderly Projects (2000 and later)

Throughout the Compliance Period, unless otherwise permitted by the Department, this project must conform to the Federal Fair Housing Act and must be a project which:

- (i) is intended for, and solely occupied by Persons 62 years of age or older; or
- (ii) is intended and operated for occupancy by at least one person 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one person who is 55 years of age or older; and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for persons 55 years of age or older.

¹ Note: The Federal Fair Housing Act requires, generally, that projects which are limited to occupancy by older persons either (i) be restricted to households in which all members are 62 years or older or (ii) to households in which at least one member is 55 years or older. See 24 C.F.R. §§100.300-100.304 for exact requirements. All tax credit projects must comply with these requirements, as applicable under Federal law, in addition to the Declaration.

Special Housing Development

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall operate the Project exclusively as one or more of the following:

- housing for persons with mental health/mental retardation issues;
- group home;
- transitional housing;
- congregate care facility;
- housing for persons with HIV/AIDS;
- [OTHER – SPECIFY]_____.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - ACCESSIBILITY REQUIREMENTS

(Only Projects which made the applicable Accessibility Requirements election should include this page as part of this Declaration.)

Accessibility Requirements for 1999 Allocations, Option §50.6(c)(6)(B)(i) and 2000 Allocations, Option §49.6(c)(6)(B)(i)

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner agrees to set aside Units for Persons with Disabilities. The Department will require a minimum of nine months during which the set aside Units must either be occupied by Tenants who are physically or mentally disabled or held vacant while being marketed to such tenants. The nine month period will begin on the date that each building receives its certificate of occupancy. For buildings which do not receive a certificate of occupancy, the nine month period will begin on the placed in service date as provided in the Cost Certification Manual. When a qualified Tenant is located, the Project Owner will be responsible for adapting the Unit per the tenant's requirements. The cost of adapting the Unit will be borne by the Project Owner. If the Project Owner is unable to locate qualified Persons with Disabilities following a good-faith effort throughout the nine month set aside period, then the Units may be rented to tenants without disabilities, provided that the next available Unit (from among those set aside for Persons with Disabilities) shall first be made available to Persons with Disabilities. To comply with this provision, the Project Owner must maintain a waiting list of qualified Tenants with disabilities throughout the Compliance Period. Each time a Unit set aside for Persons with Disabilities becomes available, the Project Owner must contact persons on the waiting list and/or provide notice to local service providers that such Units are available. If the waiting list or the local service provider cannot locate a qualified Tenant for the next available Unit, then the Unit may be rented to a Tenant without disabilities.

- (a) For physical disabilities, such Units must be designed to meet American National Standards for buildings and facilities providing accessibility and usability for Persons with Disabilities (ANSI A117.1 - 1986) and will conform to the Fair Housing Act.
- (b) For persons with mental disabilities, there must be a contract to provide appropriate supportive services for persons with mental disabilities between the Project Owner and an experienced service provider.

- At least 7% of the Units are set-aside for persons with physical or mental disabilities; or
- at least 10% of the Units are set-aside for persons with physical or mental disabilities.

Accessibility Requirements for 1999 Allocations, Option §50.6(c)(6)(B)(ii) and 2000 Allocations, Option §49.6(c)(6)(B)(ii)

The Project provides Units specifically accessible to persons with physical, visual or hearing disabilities as required by §504 of the Rehabilitation Act of 1973. As required by §504, a one time inspection and corresponding Accessibility Transition Plan will be required upon completion of construction. Project Owners making this election must also comply with the Fair Housing Act.

- At a minimum, 5% of the Units must be usable for persons with mobility impairments and 2% of the Units shall be made accessible for people with hearing or visual impairments; or
- At a minimum 10% of the Units must be usable for persons with mobility impairments and 2% of the Units shall be made accessible for people with hearing or visual impairments.

Accessibility Requirements for 2001 Allocations, Option §50.7(d)(1)(C)

For up to 5% of all LIHTC Units, the Project Owner shall provide reasonable accommodation(s) or modification(s) on a one-time basis in conformance with ANSI A117.1-1986 construction standards as requested by the tenant with a disability. The Project Owner shall incur the related expense(s) for the reasonable accommodation(s) and/or modification(s). For properties that are designed as townhouse units, the Project Owner must include one bathroom and one bedroom on the ground level of 5% of the LIHTC Units and meet standards of the Fair Housing Act.

Accessibility for 2002 and later Allocations

The Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C. A minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for persons with mobility impairments. A Unit that is on an accessible route and is adaptable and otherwise compliant with sections 3–8 of the Uniform Federal Accessibility Standards (UFAS), meets this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for persons with hearing or vision impairments. Additionally, for Developments where some Units are two-story dwelling Units, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and include a minimum of one bedroom and one bathroom or powder room at the entry level.

APPENDIX A - ADDITIONAL USE RESTRICTIONS - RIGHT OF FIRST REFUSAL

(Only Projects which made a Right of First Refusal election beginning in 2001 should include this page as part of the LURA.)

Right of First Refusal to a Tenant or Qualified Nonprofit Organizations for 2001 and later allocations

The Project Owner has entered into an Agreement for Provision of the Right of First Refusal with the Department. If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, this Declaration shall serve as evidence that the Project Owner agrees to provide, and provides, to a qualified nonprofit organization (as defined in §42 (h) (5) (C) of the Code) or a tenant organization determined to be such by the Department (a "Tenant Organization"), a right of first refusal to purchase the Project for the Minimum Purchase Price provided in, and in accordance with the requirements of §42 (i) (7) (B) of the Code as shown below.

“(B) Minimum purchase price. The minimum purchase price under this subparagraph is an amount equal to the sum of-

- (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and
- (ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii).”

The following terms are hereby incorporated into this Declaration:

(i) Upon the earlier to occur of:

(I) the Project Owner's determination to sell the Project, or (II) the Project Owner's request to the Department, pursuant to §42 (h)(6)(I) of the Code, to find a buyer who will purchase the Project pursuant to a "qualified contract" within the meaning of §42 (h)(6)(F) of the Code, the Project Owner shall provide a notice of intent to sell the Project ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Project Owner determines that it will sell the Project at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period.

(ii) During the two years following the giving of Notice of Intent, the Project Owner may enter into an agreement to sell the Project only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(I) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department;

(II) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(III) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iii) At any time after the fifteenth year of the Compliance Period, but no earlier than two years after delivery of a Notice of Intent, the Project Owner may sell the Project without regard to any right of first refusal established by this Declaration if: (x) no offer to purchase the Project at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or (y) a period of 120 days has expired from the date of acceptance of such offer without the sale having occurred, provided that the failure to close within such 120-day period shall not have been caused by the Project Owner or matters related to the title for the Project.

(iv) At any time prior to the giving of the Notice of Intent, the Project Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Project for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Project by such organization in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

(v) The Department shall, at the request of the Project Owner, identify in this Declaration a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Project at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

APPENDIX A - MINIMUM APPLICABLE FRACTION BY BUILDING

Building Number	Building Identification Number (BIN)	Minimum Applicable Fraction
1.	TX-04-25501	91.67%
2.	TX-04-25502	100%
3.	TX-04-25503	91.67%
4.	TX-04-25504	75%
5.	TX-04-25505	75%
6.	TX-04-25506	75%
7.	TX-04-25507	75%
8.	TX-04-25508	58.33%
9.	TX-	
10.	TX-	
11.	TX-	
12.	TX-	
13.	TX-	
14.	TX-	
15.	TX-	
16.	TX-	
17.	TX-	
18.	TX-	
19.	TX-	
20.	TX-	
21.	TX-	
22.	TX-	
23.	TX-	
24.	TX-	
25.	TX-	
26.	TX-	
27.	TX-	
28.	TX-	
29.	TX-	
30.	TX-	
31.	TX-	
32.	TX-	
33.	TX-	
34.	TX-	
35.	TX-	
36.	TX-	
37.	TX-	
38.	TX-	

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Pages 23
03/15/2006 10:47AM
Official Records of
SARAZORIA COUNTY
JOYCE HODMAN
COUNTY CLERK
Fees \$104.00

Joyce Hodman

1i

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action regarding a Placed in Service deadline extension for a development located in a major disaster area as allowed under Section 6 of IRS Revenue Procedure 2014-49 for Mariposa Apartment Homes at Spring Hollow (HTC #14088)

RECOMMENDED ACTION

WHEREAS, Spring Hollow Senior Residential LP (the “Development Owner”) was allocated \$1,500,000 in 9% Housing Tax Credits in 2014 to construct Mariposa Apartment Homes at Spring Hollow (the “Development”), a development consisting of 194 new multifamily units in Saginaw, Tarrant County;

WHEREAS, the Development Owner is required by the Carryover Allocation Agreement to place all Units in service no later than December 31, 2016, and required by Internal Revenue Code §42(h)(1) to place each building in service by no later than December 31, 2016;

WHEREAS, IRS Revenue Procedure 2014-49 allows for and the Development Owner is requesting an extension to the placed in service deadline because the buildings are located in and impacted by a major disaster area, as declared by the President, during the two year period described in §42(h)(1)(E)(i) as long as the Development Owner plans to place the Development in service no later than December 31 of the year following the end of the two year period;

WHEREAS, on May 29, 2016, under FEMA-4223-DR, initial notice was given that the President issued a major disaster declaration under the authority of the Robert T. Stafford Disaster Relief and Emergency Assistance Act due to severe storms, tornadoes, straight-line winds, and flooding, and Tarrant County is included in a list of Texas counties eligible to receive public assistance;

WHEREAS, the Owner previously indicated the effects of the rain and flooding delayed construction progress, which created overall delays in Development completion such that the Development would not be able to meet its deadline of December 31, 2016, to place each building in service and was granted an extension, from December 31, 2016, to January 31, 2017, to place each building in service;

WHEREAS, the Owner is now requesting further relief under IRS Revenue Procedure 2014-49 in the form of an additional two-month extension, from January 31, 2017, to March 31, 2017, to the Development’s placed in service (“PIS”) deadline;

WHEREAS, aside from delaying the availability of affordable units, the requested changes do not negatively affect the Development or impact the long term viability of the

transaction, and the requested relief does not exceed the relief period specified in IRS Revenue Procedure 2014-49; and

WHEREAS, under 10 TAC §10.405(c), staff has determined that Board approval is warranted based on the extenuating circumstances in the Owner's request;

NOW, therefore, it is hereby

RESOLVED, that an extension to the placed in service deadline to March 31, 2017, is hereby approved and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Mariposa Apartment Homes at Spring Hollow was awarded credits in 2014 under the 9% Housing Tax Credit ("HTC") program. The Development is a 194-unit, new construction property located in Saginaw in Tarrant County. The Owner, Spring Hollow Senior Residential LP, and its General Partner, Spring Hollow Senior Residential General Partner LLC, are ultimately owned and managed by Laura Leshikar and Stuart Shaw.

At the meeting of December 15, 2016, the Department's board approved a one-month extension, from December 31, 2016, to January 31, 2017, to the date that the Owner is required to place each building in service in accordance with IRC §42(h)(1) and the Development's Carryover Allocation Agreement. This relief was provided under IRS Revenue Procedure 2014-49, relating to Owners of low-income buildings and housing credit agencies of States in major disaster areas declared by the President.

The Owner previously submitted evidence that Tarrant County is included in the area that is eligible for public assistance. At the time of the first extension request, staff verified that the FEMA Notice of Major Disaster Declaration initially released on May 29, 2015, and its Amendments confirm the President's issuing of a major disaster declaration due to damage in the State of Texas resulting from severe storms, tornadoes, straight-line winds, and flooding during the period of May 4, 2015, to June 23, 2015. Tarrant County is included as a county designated by FEMA for Public Assistance under the President's disaster declarations and therefore meets the requirements of Section 4 of the Revenue Procedure for purposes of determining whether the Owner is eligible to request relief provisions. The Owner previously pointed out that five other major disaster declarations were subsequently released for the surrounding counties between November 25, 2015, and June 11, 2016, and even though Tarrant County was not in all of these disaster declarations, the after effects of the rain and flooding from the disaster declarations in the region took a toll on the ability of the construction team to perform their work and delayed construction progress. No other major disaster declarations that would impact the Development have been issued by the President since June of 2016.

In a letter dated January 11, 2017, the Owner's attorney requested a second extension of the placed in service deadline for the Development, from January 31, 2017, to March 31, 2017. The request is the result of unexpected plumbing damage due to a hard freeze.

Although the current extension request letter states that it would have been reasonable to request a longer initial extension period, staff determined that the previous extension to the placed in service deadline was

based on the delays documented by the Owner. Furthermore, while it was previously documented that the initial extension was a result of a Presidentially declared disaster, the current extension request is based on inclement weather that did not result in a major disaster declaration by the President.

The Owner's attorney explained that between December 17- 20, 2016, as the Development was nearing completion and final inspections by the City, a hard freeze occurred. According to the extension request letter, reasonable efforts were made to protect the project from the effects of the freeze, but because the gas plumbing had not been inspected, the buildings could not be climate-controlled, and the freeze resulted in substantial damage to water lines. The extent of this damage was only realized when the construction crew began preparation for inspections after the Christmas break. The Owner's attorney explained verbally that if the delays caused by the previous major disaster declarations had not occurred, construction of the Development would have been completed by September or October of 2016, and this subsequent incident would likely have been avoided, as the buildings would have been climate-controlled by then.

The Owner explained that, as of January 7, 2017, the Development had experienced in excess of 60 broken water lines throughout Buildings 1 and 3, the majority in Building 3. Building 2 water had yet to be turned on and the Owner anticipates additional breaks in that building. Breaks inside the walls and ceilings require cutting out the drywall to access the affected plumbing and then repairing the drywall. According to the Owner, the amount of damage has made it unlikely that they will be able to place in service by January 31, 2017. The Owner estimates that the damage has caused two to three weeks in delays to the critical path.

The latest Construction Progress & Funding Disbursement Report from CA Partners, Inc., a 3rd party inspector, dated December 27, 2016, states that certificates of occupancy have been issued by the City for Buildings 6 through 18 and that construction is expected to be completed by mid February 2017. The report does not mention any construction issues related to inclement weather. The inspector estimated work for the Development to be approximately 95% complete.

In accordance with IRS Revenue Procedure 2014-49, Section 6.03, as an Owner affected by a Presidentially declared disaster, the Owner is requesting the Department's approval for the carryover allocation relief. The agency, as directed by the Procedure, may approve such relief only for projects whose Owners cannot reasonably satisfy the deadlines of §42(h)(1)(E) because of an event or series of events that led to a major disaster declaration under the Stafford Act. The agency's determination may be made on an individual project basis or the agency may determine, because of the extent of the damage in a major disaster area, that all Owners or a certain group of Owners in the major disaster area warrant the relief. In accordance with Section 7.02, the agency has the discretion to provide less than the full amount of relief allowed or no relief based on all the facts and circumstances. Should additional delays occur and are found to have precipitated from the original disaster related complications and require a future extension staff will bring such request back to the board for approval. The Department will report any approved relief on the Form 8610 to the IRS.

Extension requests are normally considered under the Uniform Multifamily Rules, Subchapter E, 10 TAC §10.405(c); however, extensions are only considered in this section if the original deadline associated with carryover, the 10 Percent Test, construction status reports, or cost certification requirements will not be met. The provisions in the Rule do not specifically address extensions to the placed in service deadline, and the Department's Carryover Allocation Agreement states that no extension of the deadline to place in service can be made. The IRS, however, provides for the subject disaster related extension. Staff has the ability, in accordance with provisions in 10 TAC §10.405(c), to bring to the Board material determinations that warrant Board approval due to extraordinary circumstances such as those discussed above.

Staff recommends approval of the extension from January 31, 2017, to March 31, 2017, as presented herein.

COATS | ROSE

A Professional Corporation

TAMEA A. DULA
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(713) 890-3918

January 11, 2017

By Email to tim.irvine@tdhca.state.tx.us

TDHCA
221 East 11th Street
Austin, TX 78701
Attn: Tim Irvine, Executive Director

**RE: # 14088; Mariposa Apartment Homes at Spring Hollow, Saginaw, Texas;
Emergency Request for Extension of Placed in Service Deadline to March 31, 2017.**

Dear Mr. Irvine:

This request is for an emergency extension of the Placed in Service Deadline for Mariposa Apartment Homes at Spring Hollow (the "Project") from January 31, 2017 until March 31, 2017. The request is the result of unexpected plumbing damage due to a hard freeze as the buildings neared completion, and prior to gas heating being available to be turned on.

In December 2016, Spring Hollow Senior Residential LP (the "Project Owner") requested and the TDHCA Board granted a one-month Extension of the Placed in Service Deadline for the Project. The extension was based upon extensive flooding and wet conditions caused by four major disasters, as declared by the President. The Project was almost complete, and the Project Owner requested the minimum amount of additional time that was believed needed to assure placement in service. Unfortunately, between December 17 and December 20, 2016, as the Project was nearing completion and final inspections by the City, a hard freeze occurred. Reasonable efforts were made to protect the Project from the effects of the freeze, but because the gas plumbing had not been inspected, the buildings could not be climate-controlled, and the freeze resulted in substantial damage to water lines. The extent of this damage was only realized when the construction crew began preparation for inspections after the Christmas break.

Because the Project had been delayed by the flooding effects of four major disasters, a Placed in Service Deadline extension of up to one year was available pursuant to IRS Revenue Procedure 2014-49. The Project was truly nearly completed in December, and so the Project Owner

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Web: www.coatsrose.com

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Tim Irvine, Executive Director
January 11, 2017
Page 2

presented a request for only a one-month extension. It would have been reasonable to request a longer initial extension period, but only an extension to January 31, 2017 was requested and approved. We now come back to you with a further request that the intent of the Board to provide a sufficient extension to permit placement in service be facilitated by amending the extension to terminate on March 31, 2017.

Summary.

The Internal Revenue Service has provided a remedy when 9% Housing Tax Credit developments are delayed due to untoward events that are serious enough to result in a declared Major Disaster and the ability to meet the Placed in Service Deadline is impaired. This was the situation that went before the Board at its December 15, 2016 Board Meeting, and a minimal one-month extension was approved. The Project Owner could have (and should have) requested a longer extension, in order to assure the ability to comply with TDHCA and IRS deadlines. Unfortunately, in an effort to request the minimum extension necessary, the Development Owner failed to allow for subsequent inclement weather which adversely affected the Project. We request that the Board's intent to permit the Project to meet the Placed in Service Deadline be implemented by further extending that deadline until March 31, 2017.

In the event that the availability of this extension must be considered by the TDHCA Board, we respectfully request that it be placed on the Agenda for the Board Meeting scheduled for January 26, 2017, in order to avoid a lapse in the extension.

An extension fee in the amount of \$3,000 is being forwarded to your attention under separate cover, pursuant to Section 10.901(12) of the 2017 Uniform Multifamily Rules.

Sincerely,



Tamea A. Dula

Enclosure: Background Information Package

cc: Beau Eccles
Raquel Morales
Rosalio Banuelos
Stuart Shaw
Casey Bump

Mariposa Spring Hollow Freeze Damage

MSH Saginaw has experienced significant water line breakages that have impacted the critical path. The lines were protected to the best of our ability, but the cold weather proved to be too much and the site had significant damage. The contractor has filed a claim with the Builder's Risk Insurance provider. The extent of the damage was not realized until the units were being prepared for the final inspections after the Christmas break.

The construction crew undertook the following protective measures:

- * All exterior doors and windows were closed.
- * The fire sprinkler system has a "lowest point" from which water is drained and this was accomplished by the sprinkler contractor.
- * The domestic water system exterior hose bibbs were opened so that water could be drained. Some water escaped but many horizontal lines did not completely drain and water froze.
- * The City of Saginaw was asked to release the inspections for the gas meters. All gas systems were inspected and passed by Saginaw field inspectors. However, when ATMOS received the clearance from Saginaw, it only included 8 meters of the 62 requested.
- * The water heater closet doors were all closed to try to prevent the temperature in the water heater closet from sinking too low, but with the water heaters not functioning and with extended below freezing temperatures, many of the ball valves at the water heaters froze.

From approximately 10PM, Saturday, December 17 through approximately noon on Tuesday, December 20, 2016 temperatures in Saginaw, Texas did not go above freezing but for a short period on Monday afternoon. The National Weather Service Climatological Reports are as follows:

Date	Minimum	Time	Maximum	Time
Sat, 12/17/2016	22° @	1159		
Sun, 12/18/2016	17° @	0815	30° @	1538
Mon, 12/19/2016	16° @	0621	37° @	1603
Tue, 12/20/2016	28° @	0712	58° @	1532

The NWS reports are attached.

Our team has been preparing the buildings for final inspections, but the significant damage caused by broken pipes has significantly impacted the critical path. As of January 7, 2017 we had experienced in excess of 60 broken water lines throughout building 1 and 3, the majority in building 3. Building 2 water has yet to be turned on and we anticipate additional breaks in that building. Breaks inside the walls and ceilings require cutting out the drywall to access the affected plumbing and then repairing the drywall.

The units below will have to be repaired and inspected again for building finals from the City of Saginaw. The amount of damage has made it unlikely that we will be able to place in service by January 31, 2017. We estimate that the damage has caused 2 to 3 weeks in delays to the critical path.

The status of the buildings as of the freeze date were as follows:

Building 1 – Units complete, awaiting gas meters

Building 2 – Units fully sheet rocked, with finishes on all walls, awaiting gas meters

Building 3 – Units fully sheet rocked, tape and bed complete, awaiting texture.

The resulting breaks required the removal of damaged sheetrock, repair of the pipe, replacement and refinish of the sheetrock. The resulting breaks have impacted the critical path as plumbers, drywall workers and painters all had to be re-directed to make the repairs causing work needed to complete the project to be delayed.

The units affected by the freeze, as of Jan 7, 2017 are:

Building #1

- #1301 – Leak at line going to ice maker
- #1301 – Leak at mixer valve on water heater
- #1302 – Leak at cold water valve under vanity sink
- #1302 -- Leak in water line in wall next to water heater
- #1305 – Leak at mixer valve on water heater
- #1311 – Leak at mixer valve on water heater
- #1311 – Leak at mixer pump inside of air handler
- #1313 – Both mixer valves at the shower and tub leaked
- #1313 – Leak at mixer valve on water heater
- #1314 – 2 leaks in the attic and the same 2 pipes broke again 2 days later
- #1318 – Leak in attic on the fire line compression clamp
- #1319 – Leak at mixer vale on water heater
- #1320 – Leak on water line inside wall at water heater
- #1322 – Mixer vale at shower leaked
- #1323 – Leak at mixer valve on water heater
- #1207 – Leak at mixer valve on water heater
- #1208 – Leak at mixer vale on water heater
- #1222 – Leak at water line in wall next to water heater
- #1121 -- Leak at mixer valve on water heater

Building #5

- #5103 – Ball valve at water heater blew
- #5104 -- Ball valve at water heater blew

Building #3

We had 15 ball valves blow at the water heaters

- 3 – 1st floor
- 3 – 2nd floor
- 9 – 3rd floor

We had 10 mixer vales at the showers break

We had 3 circulation pumps in the air handlers leak, all on the 3rd floor

- #3101 – water line broke in ceiling in living room
- #3102 – Water lines broke in the ceilings of the living room and the bath room
- #3103 – Water lines broke in ceilings of the kitchen and laundry rooms
- #3104 – Water lines broke in the wall of the living room and laundry
- #3109 – water line broke in living room ceiling
- #3201 – water lines broke in living room ceiling and kitchen ceiling also the entry ceiling
- #3202 – Water lines broke in the entry ceiling, kitchen ceiling, living room ceiling, bath ceiling, and laundry ceiling

#3203 – Water line broke in kitchen and laundry
#3204 – water lines broke in Living room wall and ceiling, bat ceiling, laundry room wall and ceiling and bath closet ceiling
#3205 – Water lines broke in living room ceiling and entry ceiling
#3206 – Water lines broke in living room ceilings and bath ceilings
#3207 – Water lines broke in entry ceiling, living room wall and ceiling, and both bathroom ceilings
#3208 – water line broke in laundry ceiling
#3209 – Water lines broke in the living room wall and ceiling, kitchen pony wall, kitchen ceiling
#3210 – Water lines broke in living room ceiling, kitchen ceiling, entry ceiling, laundry room ceiling and bath ceiling
2nd floor breezeway we had 5 areas of broken water lines in the ceilings
33301 – water line broke in living room wall
#3302 – water line broke in living room wall and ceiling
#3303 – water lines broke in living room walls and ceilings, bath walls
#3304 – water lines broke in living room walls and ceilings, bath wall, shower wall and laundry wall
#3305 – Water lines broke in living room walls and ceilings
#3306 – Water lines broke in living room wall and laundry wall and bath wall
#3307 – Water lines broke in bath wall and laundry wall
#3308 -- Water lines broke in bath wall and laundry wall
#3309 – Water lines broke in living room wall and shower wall
#3310 – water lines broke in living room wall and bath wall and shower wall

Building #2

We have not tested the lines in this building yet but we have replaced 8 ball valves at the water heaters that they could tell were already broke.

Photos of Damage











These data are preliminary and have not undergone final quality control by the National Climatic Data Center (NCDC). Therefore, these data are subject to revision. Final and certified climate data can be accessed at the NCDC - <http://www.ncdc.noaa.gov>.

Climatological Report (Daily)

532
 CDUS44 KFWD 180650
 CLIDFW

CLIMATE REPORT
 NATIONAL WEATHER SERVICE FORT WORTH TX
 1250 AM CST SUN DEC 18 2016

.....
 ...THE DALLAS FORT WORTH CLIMATE SUMMARY FOR DECEMBER 17 2016...

CLIMATE NORMAL PERIOD 1981 TO 2010
 CLIMATE RECORD PERIOD 1898 TO 2016

WEATHER ITEM	OBSERVED VALUE	TIME (LST)	RECORD VALUE	YEAR	NORMAL VALUE	DEPARTURE FROM NORMAL	LAST YEAR
.....							
TEMPERATURE (F)							
YESTERDAY							
MAXIMUM	73	1256 PM	81	1908	56	17	60
MINIMUM	22	1159 PM	14	1932	37	-15	33
AVERAGE	48				46	2	47
PRECIPITATION (IN)							
YESTERDAY	T		1.91	1984	0.08	-0.08	0.00
MONTH TO DATE	0.55				1.44	-0.89	0.71
SINCE DEC 1	0.55				1.44	-0.89	0.71
SINCE JAN 1	35.43				35.03	0.40	59.49
SNOWFALL (IN)							
YESTERDAY	T	R	T	1996 1914	0.0	0.0	0.0
MONTH TO DATE	T				0.1	-0.1	0.0
SINCE DEC 1	T				0.1	-0.1	0.0
SINCE JUL 1	T				0.1	-0.1	0.0
SNOW DEPTH	0						
DEGREE DAYS							
HEATING							
YESTERDAY	17				19	-2	18
MONTH TO DATE	301				287	14	174
SINCE DEC 1	301				287	14	174
SINCE JUL 1	403				641	-238	389
COOLING							
YESTERDAY	0				0	0	0
MONTH TO DATE	0				0	0	8

SINCE DEC 1 0 0 8
SINCE JAN 1 3207 2752 455 3009

.....

WIND (MPH)

HIGHEST WIND SPEED 37 HIGHEST WIND DIRECTION N (340)
HIGHEST GUST SPEED 46 HIGHEST GUST DIRECTION N (350)
AVERAGE WIND SPEED 21.4

SKY COVER

POSSIBLE SUNSHINE MM
AVERAGE SKY COVER 0.8

WEATHER CONDITIONS

THE FOLLOWING WEATHER WAS RECORDED YESTERDAY.
LIGHT SNOW

RELATIVE HUMIDITY (PERCENT)

HIGHEST 100 1200 AM
LOWEST 61 100 PM
AVERAGE 81

.....

THE DALLAS FORT WORTH CLIMATE NORMALS FOR TODAY

	NORMAL	RECORD	YEAR
MAXIMUM TEMPERATURE (F)	56	81	1980 1977
MINIMUM TEMPERATURE (F)	36	15	1964

SUNRISE AND SUNSET

DECEMBER 18 2016.....	SUNRISE 725 AM CST	SUNSET 525 PM CST
DECEMBER 19 2016.....	SUNRISE 726 AM CST	SUNSET 525 PM CST

- INDICATES NEGATIVE NUMBERS.
 - R INDICATES RECORD WAS SET OR TIED.
 - MM INDICATES DATA IS MISSING.
 - T INDICATES TRACE AMOUNT.
-

The U.S. Naval Observatory (USNO) computes astronomical data. Therefore, the NWS does not record, certify, or authenticate astronomical data. Computed times of sunrise, sunset, moonrise, moonset; and twilight, moon phases and other astronomical data are available from USNO's Astronomical Applications Department (<http://www.usno.navy.mil>). See <http://www.usno.navy.mil/USNO/astronomical-applications/astronomical-information->

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Climatological Report (Daily)

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 CDUS44 KFWD 190645
 CLIDFW

CLIMATE REPORT
 NATIONAL WEATHER SERVICE FORT WORTH TX
 1245 AM CST MON DEC 19 2016

.....
 ...THE DALLAS FORT WORTH CLIMATE SUMMARY FOR DECEMBER 18 2016...

CLIMATE NORMAL PERIOD 1981 TO 2010
 CLIMATE RECORD PERIOD 1898 TO 2016

WEATHER ITEM	OBSERVED VALUE	TIME (LST)	RECORD VALUE	YEAR	NORMAL VALUE	DEPARTURE FROM NORMAL	LAST YEAR
.....							
TEMPERATURE (F)							
YESTERDAY							
MAXIMUM	30	338 PM	81	1980	56	-26	51
				1977			
MINIMUM	17	815 AM	15	1964	36	-19	31
AVERAGE	24				46	-22	41
PRECIPITATION (IN)							
YESTERDAY	0.00		1.65	1898	0.08	-0.08	0.00
MONTH TO DATE	0.55				1.52	-0.97	0.71
SINCE DEC 1	0.55				1.52	-0.97	0.71
SINCE JAN 1	35.43				35.11	0.32	59.49
SNOWFALL (IN)							
YESTERDAY	0.0		2.0	1924	0.0	0.0	0.0
				1909			
MONTH TO DATE	T				0.1	-0.1	0.0
SINCE DEC 1	T				0.1	-0.1	0.0
SINCE JUL 1	T				0.1	-0.1	0.0
SNOW DEPTH	0						
DEGREE DAYS							
HEATING							
YESTERDAY	41				19	22	24
MONTH TO DATE	342				306	36	198
SINCE DEC 1	342				306	36	198
SINCE JUL 1	444				660	-216	413
COOLING							
YESTERDAY	0				0	0	0

MONTH TO DATE	0	0	0	8
SINCE DEC 1	0	0	0	8
SINCE JAN 1	3207	2752	455	3009

WIND (MPH)

HIGHEST WIND SPEED	30	HIGHEST WIND DIRECTION	N (340)
HIGHEST GUST SPEED	36	HIGHEST GUST DIRECTION	N (340)
AVERAGE WIND SPEED	16.9		

SKY COVER

POSSIBLE SUNSHINE MM
 AVERAGE SKY COVER 0.7

WEATHER CONDITIONS

THE FOLLOWING WEATHER WAS RECORDED YESTERDAY.
 NO SIGNIFICANT WEATHER WAS OBSERVED.

RELATIVE HUMIDITY (PERCENT)

HIGHEST	67	600 AM
LOWEST	42	100 PM
AVERAGE	55	

THE DALLAS FORT WORTH CLIMATE NORMALS FOR TODAY

	NORMAL	RECORD	YEAR
MAXIMUM TEMPERATURE (F)	56	78	2012
MINIMUM TEMPERATURE (F)	36	7	1924

SUNRISE AND SUNSET

DECEMBER 19 2016.....	SUNRISE	726 AM CST	SUNSET	525 PM CST
DECEMBER 20 2016.....	SUNRISE	727 AM CST	SUNSET	526 PM CST

- INDICATES NEGATIVE NUMBERS.
- R INDICATES RECORD WAS SET OR TIED.
- MM INDICATES DATA IS MISSING.
- T INDICATES TRACE AMOUNT.

The U.S. Naval Observatory (USNO) computes astronomical data. Therefore, the NWS does not record, certify, or authenticate astronomical data. Computed times of sunrise, sunset, moonrise, moonset; and twilight, moon phases and other astronomical data are available from USNO's Astronomical Applications Department (<http://www.usno.navy.mil>). See <http://www.usno.navy.mil/USNO/astronomical-applications/astronomical-information-center/litigation> for information on using these data for legal purposes.

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Climatological Report (Daily)

782
 CDUS44 KFWD 200653
 CLIDFW

CLIMATE REPORT
 NATIONAL WEATHER SERVICE FORT WORTH TX
 1252 AM CST TUE DEC 20 2016

.....
 ...THE DALLAS FORT WORTH CLIMATE SUMMARY FOR DECEMBER 19 2016...

CLIMATE NORMAL PERIOD 1981 TO 2010
 CLIMATE RECORD PERIOD 1898 TO 2016

WEATHER ITEM	OBSERVED VALUE	TIME (LST)	RECORD VALUE	YEAR	NORMAL VALUE	DEPARTURE FROM NORMAL	LAST YEAR
.....							
TEMPERATURE (F)							
YESTERDAY							
MAXIMUM	37	403 PM	78	2012	56	-19	63
MINIMUM	16	621 AM	7	1924	36	-20	34
AVERAGE	27				46	-19	49
PRECIPITATION (IN)							
YESTERDAY	0.00		1.56	1911	0.08	-0.08	0.00
MONTH TO DATE	0.55				1.60	-1.05	0.71
SINCE DEC 1	0.55				1.60	-1.05	0.71
SINCE JAN 1	35.43				35.19	0.24	59.49
SNOWFALL (IN)							
YESTERDAY	0.0		1.0	1909	0.0	0.0	0.0
MONTH TO DATE	T				0.1	-0.1	0.0
SINCE DEC 1	T				0.1	-0.1	0.0
SINCE JUL 1	T				0.1	-0.1	0.0
SNOW DEPTH	0						
DEGREE DAYS							
HEATING							
YESTERDAY	38				19	19	16
MONTH TO DATE	380				325	55	214
SINCE DEC 1	380				325	55	214
SINCE JUL 1	482				679	-197	429
COOLING							
YESTERDAY	0				0	0	0

MONTH TO DATE	0	0	0	8
SINCE DEC 1	0	0	0	8
SINCE JAN 1	3207	2752	455	3009

WIND (MPH)

HIGHEST WIND SPEED	15	HIGHEST WIND DIRECTION	N (10)
HIGHEST GUST SPEED	19	HIGHEST GUST DIRECTION	N (10)
AVERAGE WIND SPEED	5.9		

SKY COVER

POSSIBLE SUNSHINE MM
 AVERAGE SKY COVER 0.6

WEATHER CONDITIONS

THE FOLLOWING WEATHER WAS RECORDED YESTERDAY.
 NO SIGNIFICANT WEATHER WAS OBSERVED.

RELATIVE HUMIDITY (PERCENT)

HIGHEST	74	500 AM
LOWEST	32	300 PM
AVERAGE	53	

THE DALLAS FORT WORTH CLIMATE NORMALS FOR TODAY

	NORMAL	RECORD	YEAR
MAXIMUM TEMPERATURE (F)	56	79	2010
MINIMUM TEMPERATURE (F)	36	8	1924

SUNRISE AND SUNSET

DECEMBER 20 2016.....	SUNRISE	727 AM CST	SUNSET	526 PM CST
DECEMBER 21 2016.....	SUNRISE	727 AM CST	SUNSET	526 PM CST

- INDICATES NEGATIVE NUMBERS.
- R INDICATES RECORD WAS SET OR TIED.
- MM INDICATES DATA IS MISSING.
- T INDICATES TRACE AMOUNT.

The U.S. Naval Observatory (USNO) computes astronomical data. Therefore, the NWS does not record, certify, or authenticate astronomical data. Computed times of sunrise, sunset, moonrise, moonset; and twilight, moon phases and other astronomical data are available from USNO's Astronomical Applications Department (<http://www.usno.navy.mil>). See

These data are preliminary and have not undergone final quality control by the National Climatic Data Center (NCDC). Therefore, these data are subject to revision. Final and certified climate data can be accessed at the NCDC - <http://www.ncdc.noaa.gov>.

Climatological Report (Daily)

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 CDUS44 KFWD 210645
 CLIDFW

CLIMATE REPORT
 NATIONAL WEATHER SERVICE FORT WORTH TX
 1244 AM CST WED DEC 21 2016

.....
 ...THE DALLAS FORT WORTH CLIMATE SUMMARY FOR DECEMBER 20 2016...

CLIMATE NORMAL PERIOD 1981 TO 2010
 CLIMATE RECORD PERIOD 1898 TO 2016

WEATHER ITEM	OBSERVED VALUE	TIME (LST)	RECORD VALUE	YEAR	NORMAL VALUE	DEPARTURE FROM NORMAL	LAST YEAR
.....							
TEMPERATURE (F)							
YESTERDAY							
MAXIMUM	58	352 PM	79	2010	56	2	65
MINIMUM	28	712 AM	8	1924	36	-8	49
AVERAGE	43				46	-3	57
PRECIPITATION (IN)							
YESTERDAY	0.00		4.22	1991	0.09	-0.09	0.00
MONTH TO DATE	0.55				1.69	-1.14	0.71
SINCE DEC 1	0.55				1.69	-1.14	0.71
SINCE JAN 1	35.43				35.28	0.15	59.49
SNOWFALL (IN)							
YESTERDAY	0.0		T	1963 1929	0.1	-0.1	0.0
MONTH TO DATE	T				0.2	-0.2	0.0
SINCE DEC 1	T				0.2	-0.2	0.0
SINCE JUL 1	T				0.2	-0.2	0.0
SNOW DEPTH	0						
DEGREE DAYS							
HEATING							
YESTERDAY	22				19	3	8
MONTH TO DATE	402				344	58	222
SINCE DEC 1	402				344	58	222
SINCE JUL 1	504				698	-194	437
COOLING							

YESTERDAY	0	0	0	0
MONTH TO DATE	0	0	0	8
SINCE DEC 1	0	0	0	8
SINCE JAN 1	3207	2752	455	3009

.....

WIND (MPH)

HIGHEST WIND SPEED	17	HIGHEST WIND DIRECTION	S (160)
HIGHEST GUST SPEED	20	HIGHEST GUST DIRECTION	S (160)
AVERAGE WIND SPEED	7.1		

SKY COVER

POSSIBLE SUNSHINE MM
 AVERAGE SKY COVER 0.7

WEATHER CONDITIONS

THE FOLLOWING WEATHER WAS RECORDED YESTERDAY.
 NO SIGNIFICANT WEATHER WAS OBSERVED.

RELATIVE HUMIDITY (PERCENT)

HIGHEST	69	700 AM
LOWEST	17	400 PM
AVERAGE	43	

.....

THE DALLAS FORT WORTH CLIMATE NORMALS FOR TODAY

	NORMAL	RECORD	YEAR
MAXIMUM TEMPERATURE (F)	56	85	2010
MINIMUM TEMPERATURE (F)	36	10	1983

SUNRISE AND SUNSET

DECEMBER 21 2016.....	SUNRISE	727 AM CST	SUNSET	526 PM CST
DECEMBER 22 2016.....	SUNRISE	728 AM CST	SUNSET	527 PM CST

- INDICATES NEGATIVE NUMBERS.
- R INDICATES RECORD WAS SET OR TIED.
- MM INDICATES DATA IS MISSING.
- T INDICATES TRACE AMOUNT.

The U.S. Naval Observatory (USNO) computes astronomical data. Therefore, the NWS does not record, certify, or authenticate astronomical data. Computed times of sunrise, sunset, moonrise, moonset; and twilight, moon phases and other astronomical data are available from USNO's Astronomical Applications Department (<http://www.usno.navy.mil>). See

1j

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
JANUARY 26, 2016

Presentation, Discussion, and Possible Action on a Determination Notice for Housing Tax Credits with another Issuer (#16435 Oak Valley Apartments, San Antonio)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Oak Valley Apartments, sponsored by the San Antonio Housing Trust Finance Corporation, was submitted to the Department on July 29, 2016;

WHEREAS, in lieu of a Certification of Reservation, a Carryforward Designation Certificate from the Texas Bond Review Board (“BRB”) was issued on January 18, 2017, and will expire on December 31, 2019;

WHEREAS, the proposed issuer of the bonds is the San Antonio Housing Trust Finance Corporation; and

WHEREAS, the Executive Award and Review Advisory Committee (“EARAC”) recommends the issuance of the Determination Notice with the condition that the closing occur within 120 days (on or before May 26, 2017);

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,008,700 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for Oak Valley Apartments is hereby approved as presented to this meeting; and

FURTHER RESOLVED, that provided the Applicant has not closed on the bond financing on or before May 26, 2017, the Board authorizes EARAC to approve or deny an extension of the Determination Notice date subject to an updated previous participation review, if necessary.

BACKGROUND

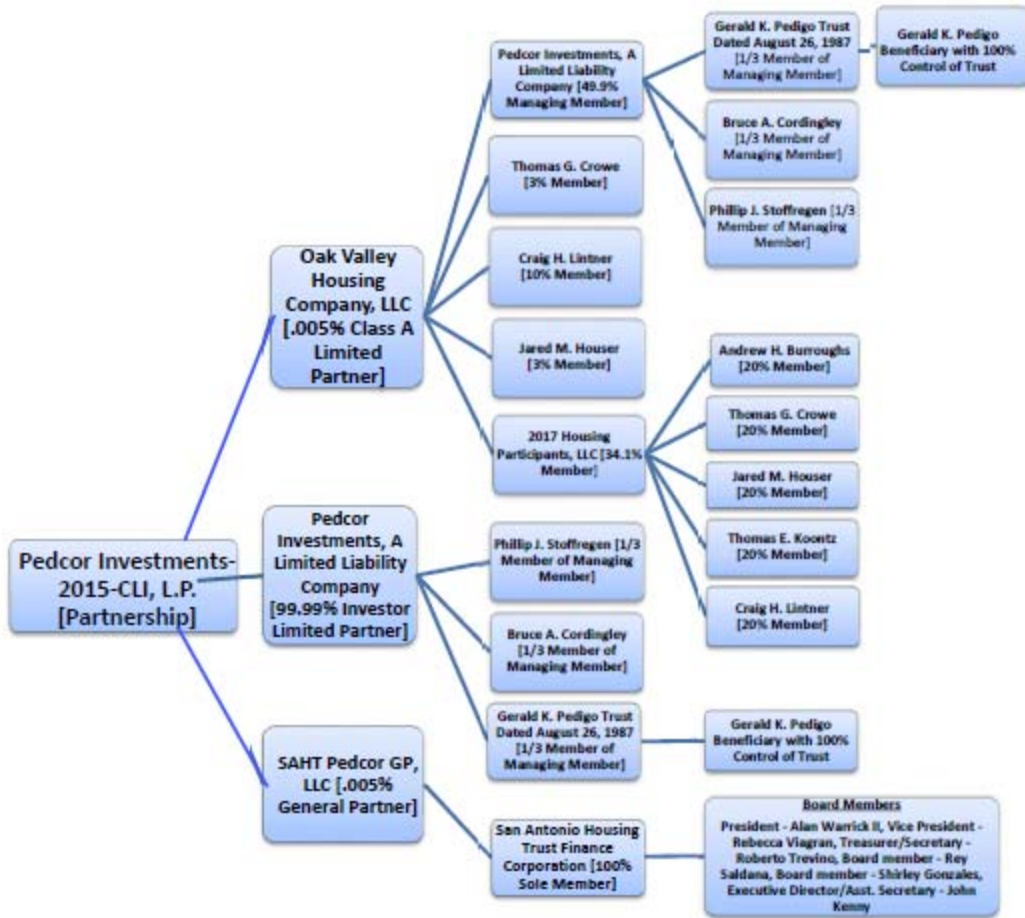
General Information: Oak Valley Apartments, proposed to be located at 12613 Judson Road in San Antonio, Bexar County, involves the new construction of 192 units, all of which will be rent and income restricted at 60% of Area Median Family Income. The development will serve the general population and is currently zoned appropriately. The census tract (1218.03) has a median household income of \$57,393, is in the second quartile, and has a poverty rate of 3.70%.

Organizational Structure and Previous Participation: The Borrower is Pedcor Investments-2015-CLI, L.P., and includes the entities and principals as illustrated in Exhibit A. The applicant’s portfolio is considered a small

Category 2 and the previous participation was deemed acceptable by EARAC without further review or discussion. EARAC also reviewed the proposed financing and the underwriting report, and recommends issuance of a Determination Notice.

Public Comment: The Department received five letters of opposition from individuals in the community. A letter of opposition was initially submitted from County Commissioner Tommy Calvert; however, a subsequent letter was submitted that was confirmed by staff to withdraw the previously stated opposition. Moreover, one individual initially submitted a letter of opposition; however, an updated letter was submitted expressing support, including support on behalf of the Valley Forge Residence Association. All of the public comment received is included herein.

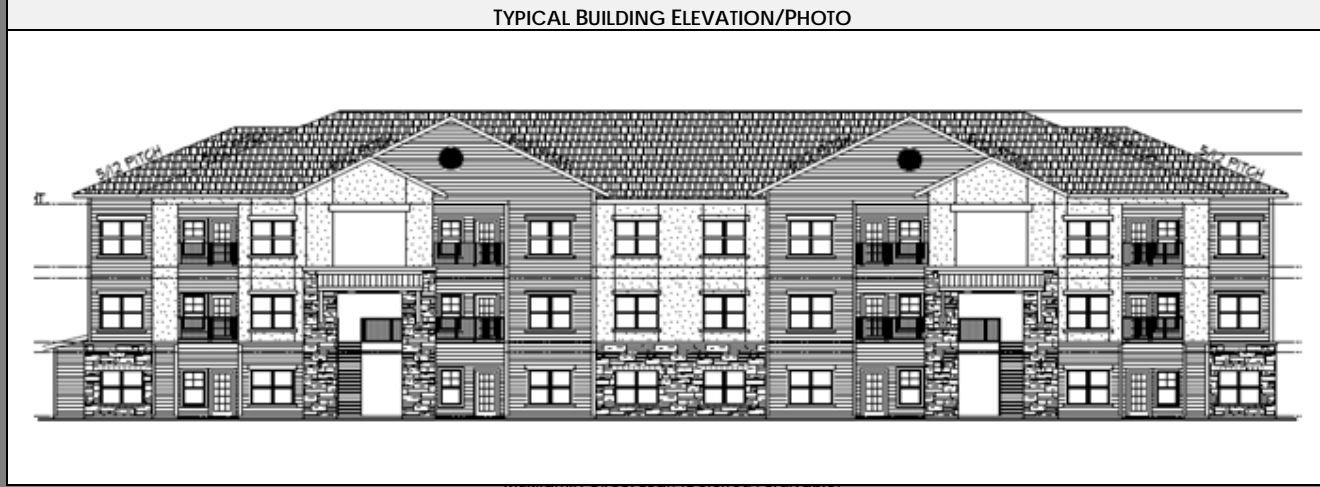
EXHIBIT A



APPLICATION SUMMARY

PROPERTY IDENTIFICATION		RECOMMENDATION					
Application #	16435	TDHCA Program	Request	Approved			
Development	Oak Valley Apartments			LIHTC (4% Credit)	\$1,014,189	\$1,008,700	\$5,254/Unit
City / County	San Antonio / Bexar		Amount	Rate	Amort	Term	Lien
Region/Area	9 / Urban	Private Activity Bonds					
Population	General	MDLP (Repayable)					
Set-Aside	General	MDLP (Non-Repayable)					
Activity	New Construction	CHDO Expenses					

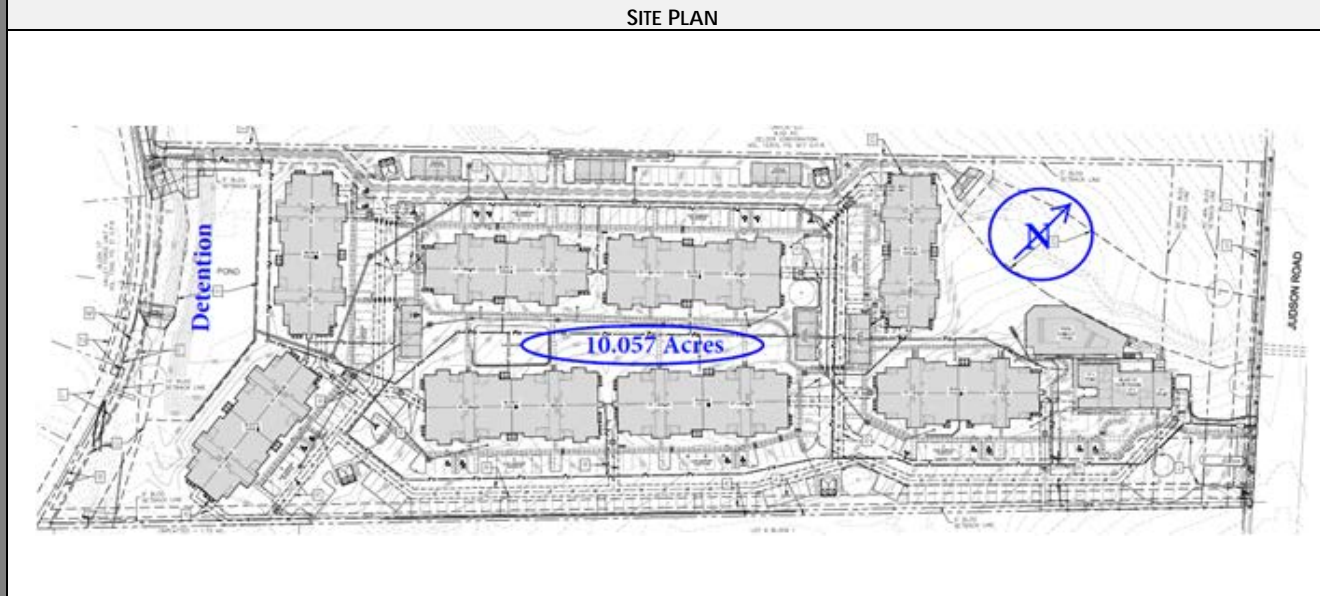
KEY PRINCIPALS / SPONSORS		
Craig Lintner Tom Crowe		
Related-Parties	Contractor - Yes	Seller - No



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	72	38%	40%	-	0%
2	96	50%	50%	-	0%
3	24	13%	60%	192	100%
4	-	0%	MR	-	0%
TOTAL	192	100%	TOTAL	192	100%

PRO FORMA FEASIBILITY INDICATORS

Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	1.15	Expense Ratio	39.7%
Breakeven Occ.	85.2%	Breakeven Rent	\$669
Average Rent	\$729	B/E Rent Margin	\$59
Property Taxes	Exempt	Exemption/PILOT	100%
Total Expense	\$3,332/unit	Controllable	\$2,601/unit



MARKET FEASIBILITY INDICATORS

Gross Capture Rate (10% Maximum)	7.3%
Highest Unit Capture Rate	36% (2 BR/60%)
Dominant Unit Cap. Rate	36% (2 BR/60%)
Premiums (↑60% Rents)	No
Rent Assisted Units	N/A

DEVELOPMENT COST SUMMARY

Costs Underwritten		Applicant's Costs	
Avg. Unit Size	979 SF	Density	19.1/acre
Acquisition		\$05K/unit	\$925K
Building Cost	\$70.34/SF	\$69K/unit	\$13,227K
Hard Cost		\$103K/unit	\$19,739K
Total Cost		\$174K/unit	\$33,477K
Developer Fee	\$4,042K	(73% Deferred)	Paid Year: 14
Contractor Fee	\$2,763K	30% Boost	No

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
PR Mortgage Investment Corp.	40/40	2.50%	\$20,071,065	1.15						Pedcor Investments-2015-CLI, L.P.	\$10,449,088
										Pedcor Development Associates, LLC	\$2,956,756
TOTAL DEBT (Must Pay)			\$20,071,065		CASH FLOW DEBT / GRANTS			\$0		TOTAL EQUITY SOURCES	\$13,405,844
										TOTAL DEBT SOURCES	\$20,071,065
										TOTAL CAPITALIZATION	\$33,476,909

CONDITIONS

1 Receipt and acceptance by Cost Certification:

- a: Certification from Appraisal District that the property qualifies for 100% property tax exemption.
- b: Documentation at Cost Certification clearing environmental issues identified in the ESA report, specifically:
 - Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER

Issuer	San Antonio HTFC
Expiration Date	12/31/2019
Bond Amount	\$22,000,000
BRB Priority	N/A
Expected Close	By 2/15/2017
Bond Structure	Private Placement

RISK PROFILE

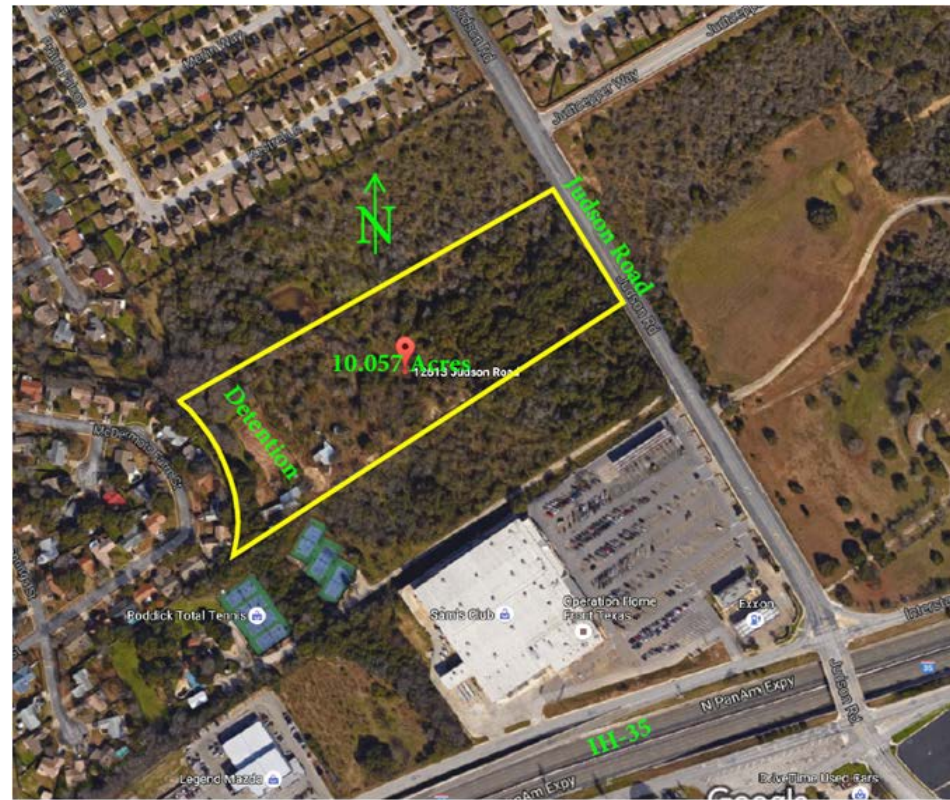
STRENGTHS/MITIGATING FACTORS

- Restricted units in PMA at 97.7% occupancy
- Relatively high traffic in-fill location
- Attractive design should enhance leasing
- Experienced Developer

WEAKNESSES/RISKS

- High unit capture rates
- 50% of the units (96) are 2BR with the highest capture
- Feasibility relies on 3% management fee and full

AERIAL PHOTOGRAPH(S)





TOMMY CALVERT
BEXAR COUNTY COMMISSIONER, PCT. 4

October 31, 2016

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

Attn: Teresa Morales, Multifamily Division Manager

Re: Proposed Oak Valley Apartments to be located at 12613 Judson Road

Dear Ms. Morales:

In follow up to the letter I submitted on October 5, 2016, I have met with the representatives of Pedcor Investments and reviewed the proposed Oak Valley Apartments development. Also, a member of my staff attended the public meeting on October 13th to meet with the residents. The City of San Antonio has primacy over this area and therefore, I feel the City is addressing the concerns of the residents and should do so in the future. If I have any additional concerns I will confer with the City of San Antonio.

If you have any questions, please contact the office at 210-335-2614 or email tc@bexar.org.

Respectfully,

A handwritten signature in blue ink that reads "Tommy Calvert".

Tommy Calvert
Bexar County Commissioner, Precinct 4

TC/ap



TOMMY CALVERT
BEXAR COUNTY COMMISSIONER, PCT. 4

October 5, 2016

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

Attn: Teresa Morales, Multifamily Division Manager

Re: Proposed Oak Valley Apartments to be located at 12613 Judson Road

Dear Ms. Morales:

I am the strongest advocate for affordable housing of any elected official in Bexar County but this developer has not met with me to outline their project nor provide me information about their last performance. Therefore, I would respectfully ask that you withhold the tax credits until the applicant addresses the wishes of the community. Some of their concerns include traffic congestion, drainage issues and the threat of an out of state developer not providing any construction jobs for the local residents.

Unfortunately, neither I nor my staff was able to attend the community meeting that was hosted due to non-notification.

If you have any questions, please contact the office at 210-335-2614 or email tc@bexar.org.

Respectfully,

A handwritten signature in blue ink that reads "Tommy Calvert".

Tommy Calvert
Bexar County Commissioner, Precinct 4

TC/ap

From: adrienneguillen@twc.com
To: [Teresa Morales](#)
Subject: Opposition to Oak Valley Apartments Proposal at 12613 Judson Road
Date: Monday, November 07, 2016 5:08:01 AM

Dear Ms. Morales:

I have submitted comments via email regarding this situation previously, but sent them to a different individual whose name was provided on your agency's website. In the event that you may have not been forwarded those comments, I am submitting an amended email of opposition here this morning.

I live in the Monterrey Village subdivision which is across the street on Judson Road from the proposed apartments. I oppose the development for these reasons:

1) Increase in traffic on the main artery (Judson Road) and longer wait times and traffic lines at the closest light (Judson @ IH-35) and at the next light in the opposite direction (Judson @ Independence) -- particularly at the key traffic times of morning and afternoon/evening rush hour for the current residents and commuters who use the thoroughfare plus the 200+ residents of the proposed complex. There are no other lights between those two points yet there are several entry points to Judson between the two -- JudToepper Way, Nora Vista Way and the main entrance/exit to the Falcon Ridge subdivision. Entry onto Judson Rd. from these access points is already hazardous, particularly at JudToepper and Nora Vista if turning left, due to the deep slope of the road which can obscure the vision of oncoming vehicles. Compounded with the speed limit on the road which is 45, this provides an existing hazard for auto accidents. With additional traffic entering and exiting the proposed complex, this will increase the likelihood of collisions.

In addition, longer wait times and increased traffic for those entering and exiting Sams Club, as well as at the Independence @ Judson intersection, lead to increased frustration and anger for the commuters. The current situation is manageable. Additional congestion will compound traffic problems that may already exist. No one wants increased traffic and wait times. While it may be considered a condition to accept or on which to compromise to accommodate the city's growth, the truth is that this reality is unfair to the residents and taxpayers who live in this region. There are non-tangibles such as safety, ease of access, and reasonable wait times which add to the quality of life of the residents in this area. Approval and construction of the proposed Oak Valley Apartments will deny these benefits to the neighboring homes and to those who currently travel the artery -- despite what the developer may state in their traffic study.

2) A three-story building project is not in harmony with the existing landscape. Aside from the two-story residences in the area, there is no existing structure this tall anywhere in the vicinity of Judson Road between IH-35 N. and Nacogdoches Rd. This will make the development appear out of place with the surrounding landscape. In addition, it will block the view of residents both in front of and behind the development and interfere with air currents which help to cool the area on the hottest of days.

3) The beautiful green space which residents of that stretch of land have come to enjoy and cherish over the past years will be destroyed. There is no need to convert every parcel of land on Judson Road into a continuous stretch of concrete. The importance of green spaces on the psychological welfare of residents cannot be understated. Again, this is one of those intangibles which is often forfeited in the interests of developers for the sake of profits and welcomed by the city for the sake of growth.

4) No development in the area can and should take place without first addressing the issue of walkability. There are no sidewalks that provide easy access for pedestrians on Judson between IH-35 and Independence on either side of the street. Without plans to develop a sidewalk plan for at least the southern side of Judson Road in the proposed area of the apartments, hazardous conditions for pedestrians and residents of the reduced-income complex will exist. Providing a sidewalk only in the immediate area adjacent to the entry of the complex is an incomplete solution.

The principle of subsidiarity -- that those closest to the issue -- have the right to determine the best solution for themselves, applies here. Arrangements were made by the City of San Antonio with an out-of-state developer without the knowledge and consent of those closest to the project. Understanding that in this situation, the current property can no longer remain as it has been, I would like to offer the following suggestions in place of the Oak

Valley Apartments:

1) Construction of a senior citizen complex for independent living. This would allow for one-story construction, reduced-income regulations if needed and reduce the concern of neighboring residents of increased crime. As the baby boom population ages, these types of living accommodations will become increasingly necessary and there are not enough in our area. This would also allow for the accommodation of leaving more trees in place so that the green space remains relatively unaltered.

2) Construction of monastery for contemplative order of nuns. Vocations continue to blossom and there are always a wealthy patron or group of patrons who is/are willing to underwrite the cost of such a construction. The need for prayer in this area and in our community cannot be understated.

3) Continuation of a linear park from the airport/Wurzbach Parkway following the Salado Creek which continues onto the adjacent parcel of land. The City of San Antonio recommends physical exercise and walking and what better way than to offer this nearer to our area of residence so that they can have a convenient walking path.

I hope that my correspondence will be taken into consideration.

If you have any questions, please let me know.

Kindly reply to confirm receipt of this email.

Best regards,
Adrienne Ornelas

From: [Marni Holloway](#)
To: [Teresa Morales](#)
Subject: FW: Objection to construction of PedCor development of Oak Valley apartments on Judson Road in San Antonio, Texas
Date: Friday, October 14, 2016 11:02:13 AM

Marni Holloway

Multifamily Finance Director
Texas Department of Housing and Community Affairs
221 E. 11th Street | Austin, TX 78701
(512) 475-1676

Any person receiving guidance from TDHCA staff should be mindful that, as set forth in 10 TAC Section 11.1(b) there are important limitations and caveats (Also see 10 TAC §10.2(b)).

About TDHCA

The Texas Department of Housing and Community Affairs administers a number of state and federal programs through for-profit, nonprofit, and local government partnerships to strengthen communities through affordable housing development, home ownership opportunities, weatherization, and community-based services for Texans in need. For more information, including current funding opportunities and information on local providers, please visit www.tdhca.state.tx.us

From: Adrienne Ornelas [mailto:aaornelas1@gmail.com]
Sent: Friday, October 14, 2016 8:51 AM
To: Elizabeth Henderson; Marni Holloway
Subject: Objection to construction of PedCor development of Oak Valley apartments on Judson Road in San Antonio, Texas

Good morning, Ms. Henderson and Ms. Holloway:
I just left a voice mail message on Ms. Henderson's voice mail.
I am a resident of the Monterrey Village subdivision of homes which is across the street from the proposed development of apartments.

As I mentioned in my voice mail, many of the homes in this subdivision paid for their homes and the value of their homes continue to be based on the view since this area is noted to be the 2nd highest point in San Antonio. With an apartment complex being built across the street, this will definitely have a negative impact on this factor and subsequently on the value of our property values.

Due to work obligations, I was unable to meet a recent deadline for submission of comments. However, I am quite confident that I could submit a list of signatures supporting this objection from most if not all residents of this subdivision as well as of the subdivision immediately behind ours -- Loma Vista -- whose homes sit on a slightly higher level than do ours.

A response will be greatly appreciated.

Kind regards,

Mrs. Adrienne A. Ornelas
13147 Fairacres Way

San Antonio, TX 78233
(210) 590-1939

Subject: Oak Valley Apartment
To: district10@sanantonio.gov

Councilman Mike Gallagher
Council District 10
City of san Antonio
P O Box 839966
San Antonio, TX

Re: Oak Valley Apartment
12613 Judson Rd

Dear Councilman Gallagher,

As the President of the Valley Forge Residence Association (VFRA), I am writing to express our support for the Oak Valley Apartments located on Judson Road. This complex will back up to about 7 homes in our subdivision. I have meet with these families along side the respresentatives of Pedcor Investments, the developer and owner of the property. We have also had several meetings of the VFRA so everyone that had a concern could come and speak. As I was walking door to door I found that this development would help our community. I spoke to single Mom/Dads living with their parents because they couldn't afford to pay rent, I spoke to Vets that where renting in our neighborhood and their rent was going up and they would have to find another place to live. We have an aging Community and instead of having to move away they can stay right here. We feel Pecor will be a great partner since they develop and manage their properties long term.

The zoning for this property could have over 300 untis but Pedor has chosen just to build 192 units. They are keeping our beautiful Oak trees. They are improving the drainage, which is much needed behind the these homes.

So with all of this said thank you for allowing Pedcor to continue with the developement process and with their application for financing. Thank you for your service to District 10 and San Antonio.

Sincerely,

Carol Jones and Families
President, VFRA

From: [Carol Jones](#)
To: [Teresa Morales](#)
Subject: FW: Oak Valley Apt proposal
Date: Sunday, September 11, 2016 9:56:05 AM

From: Carol Jones [mailto:ckjones@satx.rr.com]
Sent: Sunday, September 11, 2016 9:46 AM
To: 'teresamorales@tdhca.state.tx.us' <teresamorales@tdhca.state.tx.us>
Subject: Oak Valley Apt proposal

I would like to oppose this apartment complex. This location is not a good mix with single family homes in the area. It also takes away the little remaining natural area.

The traffic is already bad on Judson road with multiple accidents with cars leaving SAMS. The new charter school, IDEA, has brought more traffic to the area. Valley Forge also has increased traffic within the subdivision due to the Science and Technology charter school on Crown Point. The exit for Wurzbach parkway is already congested with cars moving to the right lane from the access road in just a few feet. More Judson Road traffic flowing down the access road will compound the problem. The representative from the development agency came only one day for 30 minutes and only looked in the area where the property is to be built. This is not an inclusive study of the area and was just her opinion and her paid "traffic consultant". The added traffic will also effect the health of the wild life and people that live in the area.

Also, we need a study on the environmental effect on the falcons' habitat. The wild life is important for our city. We are trying to become a no kill city, but the natural habitat does not matter? The native animals and birds can die? We need as many trees as possible for the production of oxygen , to clean the air and to combat climate change. The representative said some heritage tress will be saved, but there were no trees on the drawing of the complex that she presented. A few trees does not make up for the destruction of hundreds of trees and native plants.

Also, we need to consider the safety of the residents of the apartment complex. There is only one exit and entrance. What happens when that entrance is blocked and someone has an emergency or a fire?

One of the reasons this area was selected was because of the proximity to Via bus stop, but no sidewalks will be provided for the safety of the residents. The closest bus stop is on Judson and Independence. That is about a 15 minute walk through the grass and trees with heavy traffic just on the other side of the curb. Does not sound safe or pleasant.

Valley Forge is already experiencing an increase in crime with multiple homes for rent. Home owners need to be supported and their property values protected.

Respectfully yours,
Carol Jones

TDHCA
Teresa Morales
Multifamily Division Manager

9/26/2016

Dear Ms. Morales;

I am respectfully requesting that you submit this e mail as a letter of opposition to the approval of an application submitted by PedCor investments for funding of an affordable housing complex in San Antonio. The application number is 16435 and the proposed location for the 192 unit project is 12613 Judson Road.

On September 8 residents from 7 neighborhoods surrounding this proposed project met with the developers. The consensus was this project will create not only a traffic nightmare, but a dangerous one as well. They informed us that they had NO intentions of building sidewalks along this very busy road because "there's nowhere to walk to", and they also acknowledged the city has NO plans to install traffic lights anywhere near the proposed project.

There were two other troubling issues. First, This company PedCor is from out of state and they informed us at the September 8th meeting that they have ALL in house contractors, architects, engineers etc. They are asking for Texas taxpayers funding, but not providing jobs for Texans. With all due respect we do understand it's Federal funding being awarded however, Texans DO pay federal income tax! Second issue, is their lack of consideration for the wildlife and ecosystem that will be displaced when and if construction starts in that location. PedCor officials were not aware until our meeting, of the colony of Red Wing Falcon that nest in the two and three hundred year old Oak Trees on that property on Judson. These beautiful and useful birds were just recently taken of the endangered wildlife list in 2015.

Last but not least we on Feather Ridge are VERY concerned about the potential flooding due to the impervious ground. Our drainage channels catch all the water runoff from subdivisions above us. There was also

no mention by PedCor of any study done by SARA of the Flood plain this property is part of.

Please do not misinterpret my request, I am all for progress, and believe that everyone deserves a better quality of life but not at the expense of life, Human or otherwise. There are other areas around us better suited for PedCor investments.

If you have any questions please do not hesitate to contact me. If at all possible would you please inform me of the outcome of the TDHCA funding committee decision?

Respectfully,

Connie Marszalek

Connie Marszalek

President
Feather Ridge Neighborhood Association
6102 Feather Nest Ln.
San Antonio, Texas 78233
210-722-4724
Cony40@aol.com

Teresa Morales, TDHCA Multifamily Division Manager
PO Box 13941
Austin, Texas 78711-3941

Ref: App#16435
Pedcor Investments
12613 Judson Road
Oak Valley Apartments

Dear Ms. Morales,

I am a resident of Feather Ridge Subdivision on Judson Road and I attended a meeting on the 8th of September in regard to your plans for wanting to build the Oak Valley apartments on Judson road.

I am opposed to the building of said apartments for several reasons. 1. I don't believe that you have done your homework in regard to canvassing the neighborhoods to get their input which wasn't done; 2. Finding out that there are Falcons who reside in the trees that are scheduled for removal (did you check to see if they are an endangered species?); 3. The drainage issue that will create problems for us as Feather Ridge subdivision is downstream from where you intend to put these apartments; 4. The fact that no sidewalks can be put along that stretch of Judson road which creates a very dangerous situation for anyone needing to walk to either Sam's Club or Dollar General. The City of San Antonio doesn't think we need sidewalks along that stretch or a light either so what is it going to take to remedy this situation? There is always heavy traffic trying to get in or out of Sam's or even to the Interstate so that isn't conducive to putting in those apartments.

There is a natural drainage channel that runs through the area and if blocked in anyway could cause Flooding downstream when the heavy rains occur and cause back-up into our homes. This is very important to our residents. Can we be assured that our grievances will be looked into and not just brushed aside?

Sincerely,

Judy Brice
13162 Feather Point
San Antonio, Tx 78233

From: [Robert Wilmore](#)
To: [Teresa Morales](#)
Subject: Oak Valley Apartments Proposal at 12613 Judson Road
Date: Tuesday, September 20, 2016 1:30:45 PM

The purpose of this email message is to protest the Oak Valley Apartments proposed at 12613 Judson Road.

At the top of the protest list is our fundamental liberty and right to private wealth and property, and to protect our homes from all sorts of (unwanted) development in or near our private property...and from local, state or federal government regulations and interference with those rights. I also contend that the Bill of Rights (Third Amendment) could be thought of as creating a zone of housing privacy restriction on government.

I bought a bird feeder. I hung it on my deck and filled it with seed. Within a week we had birds taking advantage of the continuous flow of free and easily accessible food. It was not long before the birds made a complete mess of my deck. Then some of the birds turned mean, especially a Blue jay who would dive bomb the dog. After a while, I couldn't even sit on or enjoy my own deck without first cleaning the chairs. So I took down the bird feeder and in three days the birds were gone. I cleaned up their mess and took down nests they had built. I wish I had never thought that a bird feeder on my deck would be wonderful.

Now let's see.....government gives out free food, subsidized housing, free medical care and free education, and we wrongly think anyone who immigrates here must not in any way economically suffer in our society. Our taxes have gone up to pay for all sorts of government free services; I lost our primary physician, and my healthcare is not at all affordable; our nation's children are behind in school; I have to 'press one ' to hear English, and Statist and the immigrants waving the flag of their rejected nation are squawking and demanding my government share with them all my efforts to succeed and obtain wealth and property.

The idea that the bird feeder would be wonderful, destroyed livability on my deck, and the idea that the apartments for the poor (who economically can not pay taxes demanded of those who live in the area) will be wonderful, in reality will destroy the tax base of the adjacent neighborhood and the **private wealth and zoning property rights of that neighborhood's**

owners.

Respectfully submitted,
Robert C. Wilmore
14111 Fairway Oaks (78217)
210 653-6951

To: Teresa Morales

Fax: 512.475.0764

Dear Ms. Morales,

I am writing to let you know that I am AGAINST building the 192 units off of Judson Rd. Their are 3 sections of 10ac lots starting next to Sams going down towards Falcon Ridge in the 78233 zip code.

Thank you,

Staci Alford

1k

**TO BE POSTED NOT LATER THAN THE
THIRD DAY BEFORE THE DATE OF
THE MEETING**

11

BOARD ACTION REQUEST
HOME PROGRAM DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action to authorize the issuance of the 2017 HOME Investment Partnerships Program (“HOME”) Single Family Programs Homebuyer Assistance (“HBA”) and Tenant-Based Rental Assistance (“TBRA”) Open Cycle Notice of Funding Availability (“NOFA”), and the notification of the posting of the NOFA to the Department’s website and in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, the Texas Department of Housing and Community Affairs (“TDHCA” or the “Department”) has approximately \$3,600,000 of HOME Single Family funds to make available from de-obligated 2015 HOME awards;

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

WHEREAS, the Department wishes to release a NOFA totaling \$3,000,000 for HOME Program single family activities in accordance with 10 Texas Administrative Code (“TAC”) §1.19 concerning reallocation of financial assistance;

WHEREAS, the Department has determined that the remaining \$600,000 will be moved to the HOME Single Family Programs Reservation System (“HOME Reservation System”) in accordance with 10 TAC §1.19.

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to post on the Department’s website and to publish a notification in the *Texas Register*, a 2017 HOME Single Family Programs HBA and TBRA Open Cycle NOFA for awards in the amount of approximately \$3,000,000, to release \$600,000 into the (“Reservation System”), and to make any technical corrections or perform such other acts as may be necessary to effectuate the foregoing.

BACKGROUND

On September 3, 2015, the Board approved the issuance of a Single Family Programs Competitive NOFA for approximately \$10,006,619 in HOME funding and staff released the corresponding application with an application deadline of October 19, 2015. The Board approved 42 Applications receiving HOME awards totaling \$9,966,300 on January 28, 2016. Under the terms of those Awards

and identified in the contracts, Applicants were required to achieve benchmarks. These contracts state that funds not committed by the benchmark date established in 10 Texas Administrative Code (“TAC”) Chapter 23 and listed in the contract would be deobligated and returned to the Department. As a result, approximately \$3,600,000 is available to reallocate. Staff is recommending that \$3,000,000 of those funds be reprogrammed through this NOFA, and the remaining balance of approximately \$600,000 be added to the HOME Reservation System to be utilized for general set-aside activities.

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

To ensure that to the extent feasible all available HOME funding available from prior year grant funds can be committed by the HUD-imposed deadline, staff are pursuing several different strategies. One of those was presented to the Board at the board meeting of December 15, 2016, related to the 2017-1 Multifamily Direct Loan NOFA. Staff is also planning to hold roundtable meetings in several cities next month in areas with a concentration of Reservation System Participant (“RSP”) Agreements to encourage active participants to access funds currently available through the Reservation System for single family activities.

Finally, staff is proposing a NOFA specifically for HBA and TBRA that traditionally have more success in assisting low-income Texans through contract awards than through the Reservation System utilizing deobligated funds previously awarded. Selection of Applicants will be under an Open Application Cycle, which a first-come, first-served model based on Application receipt date and time. The NOFA will be structured according to activity type under the General set-aside. Awards will be made to eligible Applicants for up to \$1,000,000 for HBA activities and \$2,000,000 for TBRA activities. Funds in an amount not to exceed \$100,000 in project funds per application may be awarded under this NOFA for HBA activities. Funds in an amount not to exceed \$200,000 in project funds per application may be awarded under this NOFA for TBRA activities. Applicants can apply for more than one award under the Open Application Cycle, provided that the Applicant submits a separate application for each request and the service areas are mutually exclusive and do not overlap.

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

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

Funds will be provided under the NOFA as follows.

Fund Distribution

General Set-Aside for HBA Activity - \$1,000,000

General Set-Aside for TBRA Activity - \$2,000,000

Award Process

In accordance with 10 TAC §23.22(a), applications received in response to an open application cycle will be prioritized for review based on its “Received Date and Time.” Awards will be made for the first received eligible applicants for which sufficient funding is available. Any funds that remain after awards may be added to the HOME Single Family Programs Reservation System after June 1, 2017. These Awards are not subject to the RAF.

Details on the award selection process, handling of administrative deficiencies, funding limitations, eligible and ineligible applicants and activities, threshold requirements, award selection criteria, and application submission requirements will be included in the NOFA posted to the Department’s website with notification of the NOFA posting in the *Texas Register*.

Application Acceptance Period

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



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

**2017 HOME Single Family Programs
Notice of Funding Availability (“NOFA”)**

1) Summary.

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

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

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

3) Eligible Activities.

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

4) Eligible Applicants.

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

5) Prohibited Activities.

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

6) Allocation of Funds.

- a) **HBA.** Approximately \$1,000,000 in funds is available for contract awards in accordance with 10 TAC §1.19 for **General Set-Aside HBA activities** from prior year allocations of HOME funds. Applications will be accepted on a first-come, first-served basis starting **January 27, 2017, 8:00 a.m. Austin local time until June 1, 2017, 5:00 p.m. Austin local time**, at which time staff may reprogram remaining available funding into the statewide Reservation System balance for Single Family General Set-Aside activities. In accordance with Tex. Gov’t Code §2306.111(d), this reallocation of funds is not subject to the RAF.
- b) **TBRA.** Approximately \$2,000,000 in funds is available for contract awards in accordance with 10 TAC §1.19 for **General Set-Aside TBRA activities** from prior year allocations of HOME funds. Applications will be accepted on a first-come, first-served basis starting **January 27, 2017, 8:00 a.m. Austin local time until June 1, 2017, 5:00 p.m. Austin local time**, at which time staff may reprogram remaining available funding into the statewide Reservation System balance for Single Family General Set-Aside activities. In accordance with Tex. Gov’t Code §2306.111(d), this reallocation of funds is not subject to the RAF.
- c) **Open Application Cycle.** In accordance with 10 TAC §23.22(a), an application received by the Department in response to an open application cycle will be assigned a “Received Date and Time” and will be prioritized for review based on a first-come, first-served basis.
 - i) Awards will be made for the first received eligible applicants in order of Received Date and Time for which sufficient funding is available. Any funds that remain after **June 1, 2017, 5:00 p.m. Austin local time**, may be added to the Reservation System, at the Department’s sole discretion.
 - ii) Applicants can apply for more than one award under the Open Application Cycle, provided that the Applicant submits a separate Application for each request and the service areas identified in each Application are mutually exclusive and do not overlap. In no instance will the Department award more than three contracts to the same Applicant under the Open Application Cycle.
- d) All Applicants will be evaluated for satisfying Threshold Criteria and then processed through the Department’s Application Evaluation System, which includes a previous award and past performance evaluation. Previous performance or other deficiencies identified in the evaluation may disqualify an Applicant for a funding recommendation, or the award recommendation may include conditions.
- e) Funding recommendations for Awards will be presented to the Department’s Executive Award and Review Advisory Committee (“EARAC”), which will in turn make its

recommendations to be presented to the Governing Board based on eligibility and previous participation review. Recommendations are limited by the total amount of funds available under this NOFA and the maximum award amount limitations for each Activity type.

- f) The Department may decline to consider any Application if the proposed activities would not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications that are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process or making awards. The Department reserves the right to request clarification on individual elements of any Application.
- g) An Applicant may appeal decisions made by staff in accordance with 10 TAC §1.7.

7) Administrative Deficiencies.

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

8) Limitations on Funds.

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

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

9) Threshold Requirements

- a) General Threshold and Selection Criteria are established in 10 TAC §23.25 for all Set-Aside types. Additional threshold requirements for Activity Types are located at:
 - i) 10 TAC §23.40 for HBA; and
 - ii) 10 TAC §23.60 for TBRA.
- b) Applications submitted in response to an Open Application Cycle which do not meet threshold will be issued a deficiency notice as noted above and threshold must be satisfied prior to a recommendation for funding.
- c) Pursuant to 10 TAC §23.25(a)(5), if a submitted Application has an entire Volume of the application missing; has excessive omissions of documentation from the Threshold Criteria or uniform Application documentation; or is so unclear, disjointed or incomplete that a thorough review cannot reasonably be performed by the Department, as determined by the Department, will be terminated with notice and rights to appeal but without being processed as an Administrative Deficiency. To the extent that a review was unable to be performed, specific reasons for the Department's determination of ineligibility will be included in the termination letter to the Applicant.

10) Application Requirements.

- a) Applications will be required to adhere to the HOME Rule and threshold requirements in effect at the time of the Application submission. Applications must be on forms provided by the Department, cannot be altered or modified, and must be in final form before submitting them to the Department.

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

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

12) Application Submission.

- a) All applications submitted for the Open Application Cycle must be received on or before **June 1, 2017, 5:00 p.m. Austin local time**, regardless of method of delivery. The Department will accept applications from **8:00 a.m. Austin local time to 5:00 p.m. Austin local time** each business day, excluding federal and state holidays, from the date this NOFA is published on the Department's web site until the deadline. For questions regarding this NOFA, please contact Jaclyn Pryll at (512) 475-2975 or via email at HOME@tdhca.state.tx.us.
- b) Applications can be sent via overnight delivery to:

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

Or via the U.S. Postal Service to:

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

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

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

- e) Applicants are required to remit a non-refundable Application fee payable to the Texas Department of Housing and Community Affairs in the amount of \$30 per Application. Payment must be in the form of a check, cashier's check or money order. **Do not send cash.** Pursuant to Tex. Gov't Code §2306.147(b), the Department will waive Application fees for nonprofit organizations that offer expanded services such as child care, nutrition programs, job training assistance, health services, or human services. These organizations must include proof of their exempt status and a description of their supportive services in lieu of the Application fee. The Application fee is not an allowable or reimbursable cost under the HOME Program.
- f) This NOFA does not include text of the various applicable regulatory provisions that may be important to the HOME Program. For proper completion of the application, the Department strongly encourages potential Applicants to review the State and Federal regulations, and contact the HOME Division for guidance and assistance.

13) Dispute Resolution/Appeal.

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

2a

TDHCA Outreach Activities, December 2016 - January 2017

A compilation of outreach and educational activities designed to enhance the awareness of TDHCA programs and services among key stakeholder groups and the general public.

Event	Location	Date	Division	Activity
Webinar: 2016 Previous Participation Reviews	Statewide	12/2/16	Compliance	Training/Workshop
2017 HTC Workshop - Austin	Austin	12/6/16	Multifamily	Training/Workshop
Public Hearing: Draft 2017 One Year Action Plan	Austin	12/6/16	Housing Resource Center	Public Hearing
2017 HTC Workshop - Houston	Houston	12/7/16	Multifamily	Training/Workshop
Emergency Solutions Grants (ESG) Learning Opportunity	Statewide	12/7/16	Community Affairs	Training/Workshop
2017 HTC Workshop - Dallas	Dallas	12/8/16	Multifamily	Training/Workshop
2018 QAP Planning Project	Austin	12/14/16	Multifamily	Roundtable
Public Comment Closes: Draft 2017 State of Texas Consolidated Plan: One-Year Action Plan	Statewide	12/15/16	Housing Resource Center	Public Comment
Close: Request for Applications for Comprehensive Energy Assistance Program	Statewide	12/16/16	Community Affairs	Request for Applications
Public Comment Opens: Draft 2017 State of Texas Low Income Housing Plan and Annual Report	Statewide	12/19/16	Housing Resource Center	Public Comment
Open: Request for Applications to Administer the CSBG in Dallas County	Statewide	12/22/16	Community Affairs	Request for Applications
Emergency Solutions Grants Learning Opportunity on Rapid Re-housing Case Management	Statewide	1/4/17	HOME & Homeless Programs	Training/Workshop
Public Hearing: 2017 State Low Income Housing Plan and Annual Report	Austin	1/4/17	Housing Resource Center	Public Hearing
Emergency Solutions Grants Basics	Statewide	1/9/17	HOME & Homeless Programs	Training/Workshop
2017/2018 Emergency Solutions Grants Application Orientation	Statewide	1/10/17	HOME & Homeless Programs	Training/Workshop
Public Hearing: Robert E Lee Apartments	San Antonio	1/10/17	Multifamily	Public Hearing
Housing and Health Services Coordination Council	Austin	1/11/17	Housing Resource Center	HHSCC Listing
Community Services Block Grant	Austin	1/19/17	Community Affairs	Training/

Event	Location	Date	Division	Activity
Workgroup #1 for Subrecipients				Workshop
Weatherization Assistance Program Workgroup #1 for Subrecipients	Austin	1/19/17	Community Affairs	Training/ Workshop
Close: Request for Applications to Administer the CSBG in Dallas County	Statewide	1/20/17	Community Affairs	Request for Applications
Public Comment Closes: Draft 2017 State of Texas Low Income Housing Plan and Annual Report	Statewide	1/27/17	Housing Resource Center	Public Comment

See also TDHCA's online Calendar at www.tdhca.state.tx.us/events/index.jsp

Internet Postings of Note

A list of new or noteworthy postings to the Department's website.

Community Affairs

- CSBG Client Intake and Instructions www.tdhca.state.tx.us/community-affairs/csbg/guidance.htm
- Request for Applications ("RFA") to administer the Community Services Block Grant ("CSBG") in Dallas County www.tdhca.state.tx.us/community-affairs/nofas.htm

Compliance

- 2016 Previous Participation Reviews - Webinar and Presentation ("PDF") www.tdhca.state.tx.us/pmcomp/presentations.htm
- Utility Allowance Calculation Flow Chart Update www.tdhca.state.tx.us/pmcomp/compFags.htm
- Updates to www.tdhca.state.tx.us/pmcomp/manuals-rules-htc.htm
 - Subchapter C
 - Subchapter F
 - §10.614 – Utility Allowances
- TDHCA Utility Questionnaire for Application www.tdhca.state.tx.us/pmcomp/utility-allowance.htm
- HOME Program- Certification of Student Eligibility added to www.tdhca.state.tx.us/pmcomp/forms.htm

Finance

- Updates to www.tdhca.state.tx.us/finan.htm
 - Basic Financial Statements for Year Ended 8/31/16
 - Computation of Unencumbered Fund Balances – Year Ended 8/31/16
 - Revenue Bond Program Enterprise Fund – Year Ended 8/31/2016

HOME and Homeless Programs

- Updates to www.tdhca.state.tx.us/home-division/esgp/video-library.htm
 - Emergency Solutions Grants Program Contract Implementation Video Modules, Questions and Answers
 - Emergency Solutions Grants Learning Opportunities online survey extended until January 20, 2017

Homeownership

- Mortgage Interest Tax Credit Preparation Guidance www.tdhca.state.tx.us/homeownership/fthb/mort-interest-tax-credit.htm

Housing Resource Center

- Housing and Health Services Coordination Council (“HHSCC”) meeting agenda www.tdhca.state.tx.us/hhscc/council-meetings.htm

Multifamily

- Material Amendment for 16018 Abbington Place www.tdhca.state.tx.us/multifamily/announcements.htm
- Updates to www.tdhca.state.tx.us/multifamily/apply-for-funds.htm
 - 2017 9% Housing Tax Credit Pre-Application Planning Document
 - 2017 DRAFT Multifamily Uniform Application
 - 2017 HTC Award Limits-Estimated Regional Allocation-Elderly Funding Limits
 - 2017 HTC Workshop Slides, Parts 1-3
 - 2017 List of Declared Disaster Areas
 - 2017 Multifamily Uniform Application Template
 - 2017 Request for Rural Designation
 - Electronic Document Upload User Guide (MF Serv-U FTP)
 - Electronic Filing Agreement and Payment Receipt Form updates
 - Experience Certificate Request Form
 - Undesirable Neighborhood Characteristics Packet
- Updates to www.tdhca.state.tx.us/multifamily/nofas-rules.htm
 - 2017 Multifamily Direct Loan Rule (10 TAC Chapter 13)
 - 2017-1 Multifamily Direct Loan Notice of Funding Availability (NOFA)
 - 2017 Governor Approved Qualified Allocation Plan (10 TAC Chapter 11)
 - 2017 Uniform Multifamily Rules (10 TAC Chapter 10 Subchapters A-C and G)
 - 2018 QAP Project Plan
 - Multifamily Direct Loan 2017-1 NOFA
 - National Housing Trust Fund Interim Rule (24 CFR Part 93)
- 2016 Community Support from State Representative www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/index.htm
- 2017 QCP Neighborhood Information Packet www.tdhca.state.tx.us/multifamily/communities.htm and www.tdhca.state.tx.us/housing-center/neighborhoods.htm
- Updates to www.tdhca.state.tx.us/multifamily/home/index.htm
 - HOME Final Rule (24 CFR Part 92), National Housing Trust Fund Interim Rule (24 CFR Part 93) and 2017 Uniform Multifamily Rules (10 TAC Chapter 10)
 - Multifamily HOME Contract template
 - Multifamily TCAP Contract template
 - Multifamily Direct Loan Closing Due Diligence Checklist
 - Closing Reservation Form
 - Revised 2016 National Housing Trust Fund Allocation Plan

Purchasing

- No-Bid Contract Report www.tdhca.state.tx.us/purchasing/vendors.htm

Real Estate Analysis

- 2017 Market Analysis Summary Exhibit www.tdhca.state.tx.us/rea/index.htm

Section 811

- Section 811 Existing Development Guidelines and Screening Tool www.tdhca.state.tx.us/section-811-pra/request-for-applications.htm

2b

BOARD REPORT ITEM
BOND FINANCE DIVISION
JANUARY 26, 2017

Report on the Department's Swap Portfolio and recent activities with respect thereto.

BACKGROUND

The Department previously entered into five interest rate swaps for the purpose of hedging interest rate risk associated with its single family mortgage revenue tax-exempt variable rate demand bonds; currently, four of the swaps remain outstanding.

In accordance with the Department's Interest Rate Swap Policy, the Bond Finance Division has the day-to-day responsibility for managing the swaps. The outstanding bonds associated with each of the swaps are reduced by scheduled redemptions and maturing amounts, and by amounts representing principal and prepayments received on the mortgage-backed securities that secure each bond issue. Under State law, the notional amount of swap outstanding cannot exceed the par amount of related bonds outstanding; to avoid being overswapped, staff closely monitors the amount of swap outstanding, the related outstanding bond amount, and any upcoming bond redemptions to ensure enough swap is called to comply with State law.

In addition to monitoring State law compliance, staff works closely with the Department's Financial Advisor, George K. Baum, to identify opportunities to terminate or reduce swaps by exercising par optional termination, or call rights, on those swaps. Staff analyzes the economic benefit of the proposed termination and evaluates any potential interest rate or other associated risk. When both economically beneficial and prudent to do so, optional termination rights are exercised on portions of the underlying swaps.

The attached report reflects the status of the Department's swaps as of December 1, 2016. Series 2005A and Series 2007A swaps are matched amortization swaps; as such, a reduction in the outstanding swap amount for these series is the result of principal payments and prepayments received on the underlying mortgage loans. The reduction of \$4.745 million in the outstanding swap for Series 2004D resulted from a combination of scheduled reductions, principal and prepayments on the underlying mortgage loans, and termination for economic benefit to the Department.

Since 2004, when the Department first utilized swaps to hedge variable rate bonds, the total notional amount of swaps has been reduced from an initial \$354,005,000 to the current outstanding amount of \$116,185,000.

Texas Department of Housing and Community Affairs
Swap Portfolio Update
January 26, 2017

Matched Amortization Swaps							
Related Bonds	Swap Counterparty	Effective Date	Maturity Date	Original Notional Amount	Swap Outstanding Notional as of 6/1/2016	Swap Outstanding Notional as of 12/1/2016	CHANGE in Swap Outstanding
2005A	JP Morgan	8/1/2005	9/1/2036	\$ 100,000,000	\$ 31,130,000	\$ 28,415,000	\$ (2,715,000)
2007A	JP Morgan	6/5/2007	9/1/2038	\$ 143,005,000	\$ 38,405,000	\$ 33,285,000	\$ (5,120,000)

Amortizing Swaps with Optionality							
Related Bonds	Swap Counterparty	Effective/Restructured Date	Maturity Date	Original Notional Amount	Swap Outstanding Notional as of 6/1/2016	Swap Outstanding Notional as of 12/1/2016	CHANGE in Swap Outstanding
2004B	BNY Mellon	3/1/2014	9/1/2034	\$ 40,000,000	\$ 33,530,000	\$ 33,530,000	\$ -
2004D	Goldman Sachs	1/1/2005	3/1/2035	\$ 35,000,000	\$ 25,700,000	\$ 20,955,000	\$ (4,745,000)
2006H	BNY Mellon	3/1/2014	9/1/2025	\$ 36,000,000	\$ -	\$ -	\$ -

TOTAL SWAPS				\$ 354,005,000	\$ 128,765,000	\$ 116,185,000	\$ (12,580,000)
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2004B - UBS AG was the original counterparty and the original notional at issuance was \$53,000,000.

Variable Rate Bonds Associated with Matched Amortization Swaps							
Related Bonds	Swap Counterparty	Effective Date	Maturity Date	Original Notional Amount	Bonds Outstanding 6/1/2016	Bonds Outstanding 12/1/2016	CHANGE in Bonds Outstanding
2005A	JP Morgan	8/1/2005	9/1/2036	\$ 100,000,000	\$ 31,130,000	\$ 28,415,000	\$ (2,715,000)
2007A	JP Morgan	6/5/2007	9/1/2038	\$ 143,005,000	\$ 38,405,000	\$ 33,285,000	\$ (5,120,000)

Variable Rate Bonds Associated with Amortizing Swaps with Optionality							
Related Bonds	Swap Counterparty	Effective Date	Maturity Date	Original Notional Amount	Bonds Outstanding 6/1/2016	Bonds Outstanding 12/1/2016	CHANGE in Bonds Outstanding
2004B	BNY Mellon	3/1/2014	9/1/2034	\$ 40,000,000	\$ 39,380,000	\$ 33,530,000	\$ (5,850,000)
2004D	Goldman Sachs	1/1/2005	3/1/2035	\$ 35,000,000	\$ 25,700,000	\$ 21,530,000	\$ (4,170,000)
2006H	BNY Mellon	3/1/2014	9/1/2025	\$ 36,000,000	\$ -	\$ -	\$ -

TOTAL BONDS				\$ 354,005,000	\$ 134,615,000	\$ 116,760,000	\$ (17,855,000)
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BOARD REPORT
EXECUTIVE OFFICE
JANUARY 26, 2017

Report on Advisory Groups to the Department

REPORT

The Department garners input in a large variety of ways through workgroups and councils, round tables, public hearings, web-based forums, emails, and testimony at Board meetings. The workgroups and councils that advise the Department have been created in different ways and for different purposes. While the Department participates actively in many interagency work-groups and councils as a member, the groups listed below¹ are those that are convened, led, or principally supported by the Department.

Weatherization Assistance Program-Policy Advisory Council ("WAP-PAC")

Purpose: The establishment and use of the WAP-PAC is a requirement of the Department of Energy (10 CFR §440.17) ("DOE") that is further formalized in 10 TAC §6.408, specifically to be consulted prior to the submission of the annual plan and award of funds to DOE.

Frequency: Annually in conjunction with the drafting of the DOE Plan.

Membership: While membership changes from year to year, there is a unit of state government represented, a Native American representative, and two weatherization providers.

Structure: The group convenes in person and discusses the annual plan. Members are not always able to attend in person and can contribute over the phone or with written comments. Voting does not occur but feedback is discussed and verbally provided at the meeting to Department staff and is considered as part of public comment on the Plan.

Colonia Resident Advisory Committee ("C-RAC")

Purpose: The establishment and use of the C-RAC is a requirement of Tex. Gov't Code, §2306.584 and further covered in 10 TAC §25.6, specifically created to advise the Department's Board on the housing needs of colonia residents; appropriate and effective programs that are proposed or are operated through the Colonia Self-Help Centers ("SHC"); and on activities that might be undertaken through the SHCs to serve the needs of Colonia residents.

Frequency: The C-RAC meets before the 30th calendar day proceeding the date on which a Contract is scheduled to be awarded by the Board to a SHC and is authorized to meet at other times, although it has not done so. As there are only seven SHC contracts, contracts have a four-year term, and some contracts are covered by the C-RAC at the same time, the C-RAC ultimately meets approximately once a year.

Membership: The members of the C-RAC shall be selected from lists of candidates submitted to the Department by local nonprofit organizations and the commissioner's court of a county in which a Colonia Self-Help Center is located, and the Department's Board shall review and approve all members at least every four years.

¹ On WAP-PAC and C-RAC it appears that these are subject to Tex. Gov't Code Chapter 2110, which contains special regulations for certain state advisory committees. TICH and HHSCC are expressly not subject to Chapter 2110 except for Tex. Gov't Code §2306.1095 expenses for HHSCC members. The DAW advises staff, not the Board, so Chapter 2110 is not applicable.

Structure: The group convenes in person and discusses the SHC awards being contemplated. Voting does not occur but approval of the awards is agreed upon and verbally provided at the meeting to Department staff.

Texas Interagency Council for the Homeless ("TICH")

Purpose: The existence of the TICH is established under Tex. Gov't Code, §§2306.901 – 2306.910 for the purpose of serving as an advisory committee to the Department, and to perform a set of duties outlined in statute relating to homeless resources, assistance and initiatives.

Frequency: Generally quarterly.

Membership: Membership is prescribed in statute and identifies a list of member state agencies and members by appointment. Actual individual members identified by each agency varies over time.

Structure: The group convenes in person and with teleconference capabilities and discusses the recent efforts of the council in its statutory responsibilities. Quorum is established at these meetings and when established, voting occurs.

Housing and Health Services Coordinating Council ("HHSCC")

Purpose: The existence of the HHSCC is established under Tex. Gov't Code, §§2306.1091 – 2306.1098 for the purpose of performing a set of duties outlined in statute relating to the coordination of efforts relating to service-enriched housing.

Frequency: Generally quarterly.

Membership: Membership is prescribed in statute and identifies a list of member state agencies and members by appointment. Actual individual members identified by each agency varies over time.

Structure: The group convenes in person and with teleconference capabilities and discusses the recent efforts of the council in its statutory responsibilities. Quorum is established at these meetings and when established, voting may occur. Per statute, if the Board disagrees with and rejects a HHSCC recommendation, it must set forth its rationale.

Disability Advisory Workgroup ("DAW")

Purpose: Unlike the groups listed above which are established in either federal regulations or state statute, the DAW is a more informal initiative through which the Department garners input on its programs, policies, rules and allocations specifically to ensure it is thoughtfully considering the perspectives and considerations of person with disabilities.

Frequency: Periodically, varies based on pending policies, plans, etc.

Membership: There is no official membership per se, but meetings are announced on the Department's listserve and the agenda publically released. Anyone can ask to be added to the listserve. Attendees vary over time.

Structure: The group convenes in person and with teleconference capabilities and discusses the agenda suggested by Department staff and/or disability advocates. Voting does not occur but staff garners feedback via the dialogue that occurs.

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<p style="text-align: center;">BOARD REPORT ITEM ASSET MANAGEMENT DIVISION JANUARY 26, 2017</p>
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Executive Report of Multifamily Program Amendments, Extensions, and Ownership Transfers

REPORT ITEM

This report contains information on Fiscal Year 2017 – 1st Quarter (9/1/2016 to 11/30/2016).

- 8 LURA Amendments (4 Administratively Approved; 4 Board Approved)
- 27 Application Amendments (14 Administratively Approved; 13 Board Approved)
- 8 Extensions – 1 10% Test Extension (Administratively Approved); 1 Cost Certification Extension (Administratively Approved) and 6 Placement in Service Extensions (All Board Approved)
- 24 Ownership Transfers (All Administratively Approved)

Fiscal Year 2017 – 2nd Quarter information will be reported at the April 2017 meeting.

Land Use Restriction Agreement (LURA) Amendments

2017 Quarter 1

Administrative approval

Dev. No.	Date of Approval	Development Name	City	Owner Name/Contact	Type of Amendment
01003	9/23/2016	Villas at Willow Springs	San Marcos	Chris Richardson	Amendment to BIN Numbers and Applicable Fractions
13081	9/23/2016	River Bank Village	Laredo	Leslie Holleman	Non-material amendment identifying additional accessible units
07055, 04226	10/6/2016	Arbor Cove	Donna	Jen Joyce Brewerton	Correct BIN #'s and Applicable Fraction
12332	11/18/2016	Parc East Apartments	Mesquite	Kit Sarai	Change in the minimum applicable fractions for two of the buildings. Also corrected numbering of buildings.

Board approval

Dev. No.	Date of Approval	Development Name	City	Owner Name/Contact	Type of Amendment
99151	9/8/2016	Treymore Eastfield (fka Treymore at La Prada)	Dallas	Prentice Gary	ROFR LURA Amendment
99060	10/13/2016	Villas at Costa Brava	San Antonio	Elliot Stone	Removal of Material Participation by a HUB

Land Use Restriction Agreement (LURA) Amendments

2017 Quarter 1

Dev. No.	Date of Approval	Development Name	City	Owner Name/Contact	Type of Amendment
98019	11/10/2016	Dayton Park Apartments II	Dayton	Darlene Smith Guidry	ROFR LURA Amendment
95039	11/10/2016	Dayton Park Apartments	Dayton	Darlene Smith Guidry	ROFR LURA Amendment

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Housing Tax Credit Application Amendments

2017 Quarter 1

Board Approved

Dev. No.	Date of Approval	Development Name	City	Owner Name/Contact	Type of Amendment
15251	10/13/2016	Casa Verde Apartments	Laredo	Raquel Favela	Revision of subsidy from public housing operating subsidy to RAD & continual eligibility as At-Risk. Tabled until 11/10/2016 meeting.
15119	10/13/2016	Liberty Square & Liberty Village	Groesbeck	Tamea A. Dula	Revision of RAD component from 75% to 100%; revision to organizational structure; revision to acreage; revision of income restrictions
13139, 1002119	10/13/2016	Stonebridge of Plainview	Plainview	Jeffrey Spicer	Change in residential density and change to site plan design
15285	10/13/2016	Residences at Earl Campbell	Tyler	Leonard Vilicic	Change in Site Acreage and Site Plan
15071	11/10/2016	Abbingtion Hill of Brownsboro	Brownsboro	William J. Rea, Jr.	Amendment to Site Plan and Acreage
13201, 1002027	11/10/2016	The Trails at Carmel Creek	Hutto	Valentin De Leon	Significant Modification of the Site Plan
15251	11/10/2016	Casa Verde Apartments	Laredo	NDC- Raquel Favela	Revision of subsidy from public housing operating subsidy to RAD & continual eligibility as At-Risk

Housing Tax Credit Application Amendments

2017 Quarter 1

Board Approved

Dev. No.	Date of Approval	Development Name	City	Owner Name/Contact	Type of Amendment
14226	11/10/2016	Art at Brattons Edge	Austin	Jaclyn Gago	Increase in the total Number of Units
1002243, 14209	11/10/2016	Riverside Village Apartments	Rio Hondo	Tim Lang	Decrease in number of residential buildings
13003, 1002024	11/10/2016	Crossing at Oak Grove	Kerens	James W. Fieser	Reduction of 3 Percent or More in the Square Footage of the Units or Common Areas
15241	11/10/2016	Trails of Brady	Brady	Dru Childre	Significant Modification of the Site Plan
15159	11/10/2016	Abbingtion Commons of Whitewright	Whitewright	William J. Rea, Jr.	Modification of the Residential Density of at least 5 Percent
11405	11/10/2016	Buckeye Trail Commons II	Dallas	Debbie Quitugua	Change of bedroom mix of units in order to satisfy the distribution of accessible units required in 10 TAC §1.207(b)(1) and (2)

Administratively Approved

Dev. No.	Date of Approval	Development Name	City	Owner Name/Contact	Type of Amendment
14227	9/13/2016	Liberty Pass	Selma	Jaclyn Gago	Reduce acreage to accommodate city right of way

Housing Tax Credit Application Amendments

2017 Quarter 1

Administratively Approved

Dev. No.	Date of Approval	Development Name	City	Owner Name/Contact	Type of Amendment
15076	9/13/2016	Provision at Four Corners	Sugar Land	Alyssa Carpenter	Change in Developer
15267	9/13/2016	Thomas Westfall Memorial Apartments	El Paso	Sarah Anderson	Non-material Changes to the Site Plan
13042	9/27/2016	The Cottages at South Acres	Houston	Barry Kahn	Amend unit size mix for HTC and Market Rate Units
15061	9/30/2016	Abbingtion Vista of Henrietta	Henrietta	William J. Rea, Jr./Sean Brady	Minor changes to original site design plan and decrease in LPS loan amount
1002299, 15022	10/24/2016	The Oaks of Westview	Canton	James W. Fieser	Amendment in site acreage from 8.601 to 8.37
14182	10/26/2016	Prairie Gardens	Abilene	Val DeLeon	Reduction of acreage (nonmaterial change to the residential density)
13252	10/26/2016	Lucero fka Oak Creek Village	Austin	Sarah Andre	Non-Significant Modification of the Site Plan

Housing Tax Credit Application Amendments

2017 Quarter 1

Administratively Approved

Dev. No.	Date of Approval	Development Name	City	Owner Name/Contact	Type of Amendment
15275	10/26/2016	Gran Cielo Residences	Rio Grande City	Tim Lang	Change in Guarantor
00005	10/26/2016	LBJ Garden Villas	Mesquite	Cari Garcia	Replace second playground with volleyball court (recreation facilities)
14282	11/9/2016	Riverstone Apartments	Corpus Christi	Toby Williams	Signification Modification of the Site Plan
15049	11/14/2016	Kennedale Seniors	Kennedale	Emanuel H. Glockzin, Jr.	Change in LPS funding
15043	11/16/2016	Cleme Manor	Houston	Christine Richardson	Change in Developer
15321	11/18/2016	Providence Kuykendahl Court	Conroe	Nathan Kelley	Change of acreage, site plan, parking spaces, financing structure and financing and equity partners

Housing Tax Credit Extensions

2017 Quarter 1

Administrative Approval						
Dev. No.	Date of Approval	Development Name	City	Type of Extension	Original Deadline	Approved Deadline
11165	9/13/2016	Playa Del Pueblo	Midland	Cost Certification	5/15/2014	7/27/2016
15205	10/21/2016	Villas at Boston Heights	Benbrook	10% Test	9/30/2016	10/31/2016

Total Administrative Approvals: 2

Housing Tax Credit Extensions

2017 Quarter 1

Board Approval

Dev. No.	Date of Approval	Development Name	City	Type of Extension	Original Deadline	Approved Deadline
14148	11/10/2016	Greens at Brentford	Mission Bend	PIS-Board approved	12/31/2016	4/1/2017
14113	11/10/2016	Avenue Terraces (phase 2)	Houston	PIS-Board approved	12/31/2016	3/1/2017
14291	11/10/2016	Cypress Creek at Wayside	Houston	PIS-Board approved	12/30/2016	8/31/2017
14145	11/10/2016	Glenwood Trails II	Deer Park	PIS-Board approved	12/31/2016	2/1/2017
1002203, 14087	11/10/2016	Cypress Creek Apartment Homes at Joshua Station	Joshua	PIS-Board approved	12/31/2016	4/15/2017
1002204, 14292	11/10/2016	Cypress Creek at Parker Creek North	Royse City	PIS-Board approved	12/31/2016	4/15/2017
Total Board Approvals: 6						

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Housing Tax Credit Program Ownership Transfers

2017 Quarter 1

ADMINISTRATIVELY APPROVED

Dev. No.	Date of Approval	Development Name	City	Person/Entity Departing	New Person/Entity	Type of Ownership Change
00011	9/13/2016	Heritage Oaks Apartments	Kerrville	KF Residential Investors LLC	Same owner, but new manager of the GP	Purchase/Sale
03438	9/23/2016	Parkside Point Apartments	Houston	Picerne Parkside Point, LLC	Alden GP-Parkside Point, LLC	Change in General Partner
95120	9/27/2016	Park Yellowstone Townhomes	Houston	Park Yellowstone, Ltd.	Yellowstone Boulevard, LLC	Purchase/Sale
99095	10/6/2016	Mesa Place Townhomes (aka Western Mesa Hills)	El Paso	Midland Corporate Tax Credit VI, LP	LRC Owned, LLC	LP Transfer of Interest
02421	10/7/2016	Emerald Bay Apartments	Houston	Mineral Creek Limited Partnership	ZGEBA, LLC	Purchase/Sale
98156	10/19/2016	The Meadows Apartments	Kerrville	KF Residential Investor, L.L.C.	G. G. MacDonald, Inc.	Change in General Partner
02068	10/21/2016	Geronimo Trail Townhomes	El Paso	Paisano Geronimo Trail Townhomes, LLC	CLJR	Change in General Partner

Housing Tax Credit Program Ownership Transfers

2017 Quarter 1

ADMINISTRATIVELY APPROVED

Dev. No.	Date of Approval	Development Name	City	Person/Entity Departing	New Person/Entity	Type of Ownership Change
99060	10/21/2016	Villas at Costa Brava	San Antonio	Costa Brava Housing, Ltd.	Costa Brava OTM Harmony LP	Purchase/Sale
08295, 15090009939	10/24/2016	Villa Del Prado Apartments	Houston	CB Texas I GP, LLC	VDP GP, LLC	Transfer of GP Interest
12276	10/26/2016	Villages at Cypress	Houston	AMCAL Multihousing LLC	AMTEX Multi-Housing, LLC	Change in General Partner structure
537601	10/26/2016	Notre Dame Hills	El Paso	Sparks HDC	CLJR	Transfer of NP GP Interest
07242, 13090009718	10/26/2016	Paseo de Paz Apartments	Kerrville	John Ford	G.G Macdonald	Purchase/Sale
14414	10/26/2016	The Savannah at Gateway	Plano	N/A	Belmont Plano Holdings, LLC	Affiliate - acknowledgment
97047	11/3/2016	La Herencia Apartments	Mercedes	P Rowan Smith Jr	Raybec Herencia, LLC	Purchase/Sale

Housing Tax Credit Program Ownership Transfers

2017 Quarter 1

ADMINISTRATIVELY APPROVED

Dev. No.	Date of Approval	Development Name	City	Person/Entity Departing	New Person/Entity	Type of Ownership Change
02007	11/8/2016	Portside Villas	Ingleside	Resolutions, Inc. (GP/HUB)	J.C. Ventures LLC (Managing Member GP/HUB)	GP Transfer - HUB required
95034	11/8/2016	Island Palms Apartments	Edinburg	Valley Island Palms LP	Talmud Torah Texas (dba Jewish Education Texas)	Purchase/Sale
95007	11/9/2016	Pines Of Westbury, Phase II	Houston	Pines of Westbury Ltd.	BPC Pines WB LLC	Purchase Sale
98091	11/9/2016	NCDO Housing Ltd.	El Paso	No Change	No Change	Acknowledgement
93074	11/9/2016	Pines Of Westbury, Phase I	Houston	Pines of Westbury Ltd.	BPC Pines WB LLC	Purchase/Sale
93143	11/16/2016	Missouri Street Residence *	El Paso	Anistrum Investments, Ltd.	526 W. Missouri, LLC	Purchase/Sale
99095	11/17/2016	Mesa Place Townhomes (aka Western Mesa Hills)	El Paso	TWC Housing, LLC	LRC GP, LLC	Acknowledgement

Housing Tax Credit Program Ownership Transfers

2017 Quarter 1

ADMINISTRATIVELY APPROVED

Dev. No.	Date of Approval	Development Name	City	Person/Entity Departing	New Person/Entity	Type of Ownership Change
98089	11/18/2016	Franklin Place Townhomes aka Belvidere Hunt	El Paso	TWC Housing, LLC	LRC GP, LLC	Transfer of GP Interest
03081	11/21/2016	Wright Senior Apartments	Grand Prairie	MMA Wright Senior Apartments, LLC and MuniMae SLP II, LLC	1104 S Carrier Parkway LLC	Transfer of Limited Partner interests
99197	11/28/2016	Sun Meadow	Alamo	Community Action Corporation of South Texas	LP remains same	Transfer of GP interests

ACTION ITEMS

3a

BOARD REPORT ITEM
COMPLIANCE DIVISION
JANUARY 26, 2017

Report on allegations of a “cover up” at the Hidalgo County Community Service Agency (“Hidalgo”)

BACKGROUND

On December 28, 2016, an anonymous email was widely sent to members of the Community Action network. The email said:

“Good Evening,

I ask that you perform an open records request to TDHCA to get a copy of the Hidalgo 2015 CEAP monitoring checklist and CEAP monitoring report to see the truthfulness of this email.

I am writing to clear my conscious about being an employee here at TDHCA. I have worked at TDHCA for years and cannot tell you my name for fear of being retaliated against. Many of us hate working here for the way Directors act towards and how they treat the community action network. There is an issue that has occurred that can destroy the integrity of employees who have nothing to do with what TDHCA executive management does and have done. We employees do not want to be cast in the shadow of what executive management have done.

We (TDHCA) are being audited and it was uncovered that Michael DeYoung, Patricia Murphy and Tim Irvine covered up a serious issue at Hidalgo County. After talking to different TDHCA employees, and reading documents, it shows that Michael changed Administrative rules when he did not have the authority to do it. Michael told Hidalgo County to provide less benefits to clients and Hidalgo County did in fact, provide thousands of clients with less benefits in 2015. I was told by a TDHCA monitor that Michael told Hidalgo County to only give low income clients, half the assistance that they should have received. The monitor also told me that Hidalgo County client files were reviewed and a monitoring checklist shows that clients were not given the utility assistance they were suppose to receive. This was done in the Summer when our clients probably needed utility assistance the most.

I was shown a copy of the monitoring checklist that shows the files were reviewed. However, the monitoring report states that files were not reviewed. All reports are suppose to reflect what was found during a monitoring review. A manager here at TDHCA told me that Michael and Patricia worked together to hide this issue and that an employee was fired for trying to keep the issue in the report. The manager also told me that Tim Irvine knew this happened and that management is trying to keep this from being in our audit.

As you may know, TDHCA appears to go after agencies they do not like, but they also appear to cover things up for agencies they like or for what our Director does. They have closed down agencies like Cameron and Willacy in Brownsville, the community action in Pecos and have caused Agency directors to resign for doing things similar as what our Directors have done. Any other time an agency did not provide a client the assistance they were suppose to receive, they had a Finding in a report.

How can we at TDHCA be a trusted to protect our tax dollars when TDHCA management is dishonest and does coverups? How can Michael be allowed to favor agencies and get away with changing the rules? How can Patricia be allowed to continue

being the Chief of Compliance if she can hide what another Director did and arbitrarily choose which Findings to hide from a report? How can Tim be allowed to be the Director of our agency when he works to keep this information from the employees and agencies. How can our employees train and perform monitorings when the Directors do not do their job? Finally, how can we penalize agencies for not being in compliance with the rules, when Michael can change the rules when he likes and when he, Patricia and Tim can cover up anything they want? This has to stop, we need honest Directors that treat our agencies fairly.

Please get a copy of the 2015 Hidalgo County CEAP checklist and monitoring report and go to our next board meeting. At the meeting, ask our board of Directors why this is allowed to happen.

Thank you!"

This report item is to chronicle what actually happened regarding the Hidalgo monitoring visit and answer any questions from the Board, the staff, or the public.

Hidalgo is a recipient of the Comprehensive Energy Assistance Programs (“CEAP”) and the Community Services Block Grant (“CSBG”) program, both administered through the Texas Department of Housing and Community Affairs (“TDHCA” or the “Department”). CEAP assists low income households in paying their utility bills; the CSBG program can provide a broad array of services to low income households, including leveraging other programs to ameliorate the effects of poverty and to help them to transition out of poverty. Hidalgo County is one of our nation’s poorest counties.

In 2013, Hidalgo County failed to expend \$2 million in CEAP funds; in 2014 over \$1.2 million of Hidalgo’s CEAP allocation was unspent. While this does not constitute a compliance violation, it is a serious programmatic concern. Brooke Boston appropriately reached out to Ramon Garcia, the county judge, and his staff. The Judge immediately took action, the senior leadership of the community action agency abruptly resigned, and the county reorganized and made staffing changes in an effort to make sure that money intended to help low income residents in this community reached these individuals.

Staff from the Community Affairs Division went to Hidalgo County in March, April, and May of 2015 and helped them get back on track. There was a room with approximately 3,600 client files that were in a state of disarray. Laura Saintey, Cathy Collingsworth, and Michael DeYoung worked on these files alongside the Hidalgo County staff. They applied eligibility guidelines to determine households eligible for the program. They provided options for program implementation to serve as many clients as possible and provide assistance throughout the remainder of the contract. This is not the first time TDHCA has done something like this. After the Hurricane Rita, the Deep East Texas Council of Governments in Jasper, Texas, was struggling to implement disaster recovery programs, and TDHCA Staff went to Jasper and provided hands-on assistance with the administration of their program for a period of time.

The Hidalgo monitoring visit was conducted in September 2015. The monitoring letter was issued on October 23, 2015, and included five findings of noncompliance. The monitoring staff reviewed client files and raised minor technical questions not affecting eligibility, and determined that all of the sampled households met the federal LIHEAP requirements and were eligible to receive CEAP assistance. These questions in the files were discussed with Patricia Murphy. Ms. Murphy chose to not address these issues in

the monitoring report because the eligibility determination of the recipients was not affected by these issues, and TDHCA staff had been involved in assisting Hidalgo in determining and delivering benefits as quickly as possible. In addition, training and technical assistance were underway, and Hidalgo County was implementing new policies and procedures that would address the imperfections in new client files. Observation #1 was included in the monitoring letter to memorialize the circumstances. The monitoring checklist showing eligibility determinations can be located at <http://www.tdhca.state.tx.us/board/meetings.htm>. The monitoring report is attached to this Board report.

The anonymous email suggests that Tim Irvine, Michael DeYoung, and Patricia Murphy covered up the “serious issue” of clients receiving “less benefits.” The emailer misunderstands the CEAP program and the distinction between monitoring and technical assistance. CEAP is not an entitlement program. Just because a household qualifies to receive CEAP assistance does not mean they will get assistance in paying their utility bill or that if they do receive assistance it will be the maximum amount allowed. The CEAP funds provided to the Department by the U.S. Department of Health and Human Services could not provide the maximum level of utility assistance to all of the households living in poverty in Texas. The Texas Administrative Code places limitations on the amount and number of payments that a household can receive; they are maximums, not minimums. Michael De Young, Cathy Collingsworth, and Laura Saintey provided training to Hidalgo’s staff on these matters.

For instance, if a household qualifies to receive up to \$1,200 in utility assistance and they only get \$800, that discrepancy does not indicate noncompliance. Noncompliance would be evident if this theoretical household received \$1,300 in assistance, but exceeding maximums is not what the emailer alleged. The issue that the emailer thinks is “serious issue” is not an issue at all. Ironically, if the Community Affairs staff had not helped Hidalgo, many households in the area would have not received assistance for quite some time and may have received less assistance overall due to the summer heat ending before assistance could be provided.

The Community Affairs rules underwent the public rulemaking process, and were amended in January of 2016. In the old community affairs rules, 10 TAC §5.422(e) stated “(e) *Subrecipient shall not establish lower local limits of assistance for any component.*” The old rules were written at a time when monitoring and training and technical assistance were all in one area of the Department. That sentence could not support a finding of noncompliance because it is in direct conflict with the rest of the rule which is permissive. It was removed in the amendment to the new Chapter 6 Community Affairs rules to avoid any confusion.

Lastly, the anonymous email touches on a number of other issues about the relationship between the network and executive management, unhappy employees, fear of retaliation, and the perception that TDHCA “goes after” certain agencies. Executive management acknowledges a sometimes strained relationship with a few members of the Community Action network. There have been troubled community action agencies with documented significant compliance issues. Despite training and technical assistance, in some instances those concerns have not been adequately addressed, and as a result the Department has been forced to focus more intensively on those agencies in recent years. Problems with the programs can be

disheartening and tend to grab attention. Executive management is aware of that and makes an effort to balance the good news with the bad. Brooke Boston provides a regular report highlighting successes of the community affairs programs (and others). We commit to being mindful of the importance of highlighting and celebrating community action success. More importantly, whenever an agency struggles we believe that it is far easier on those being served to return a known community provider to good standing through addressing their problems, and affording the subrecipient targeted training and technical assistance, rather than seeking to terminate an existing provider, securing a new provider, and training their staff to administer the programs. However, in certain circumstances, we must take the necessary measures to ensure that eligible Texans can be served by a compliant provider of assistance. We will continue to keep the Board and others apprised of these matters.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS
J. Paul Oxer, *Chair*
Juan S. Muñoz, PhD, *Vice Chair*
Leslie Bingham-Escareño
T. Tolbert Chisum
Tom H. Gann
J.B. Goodwin

October 23, 2015

Writer's direct dial: 512.475.4608
Email: earnest.hunt@tdhca.state.tx.us

Mr. Jaime Longoria
Interim Executive Director
Hidalgo County Community Services Agency
PO Box 204
Edinburg, TX 78540

RE: MONITORING REPORT
CEAP CONTRACTS #58150002108, #58140002229, #58140001799
CSBG CONTRACT #6115002185, #61140001850, #61130001583

Dear Mr. Longoria:

Enclosed is a report for the monitoring review conducted by Department Monitor Kevin Glienke on September 28 – 30, 2015, of the Comprehensive Energy Assistance Program (“CEAP”) and Community Services Block Grant (“CSBG”) contracts between Hidalgo County Community Services Agency (“HCCSA”) and the Texas Department of Housing and Community Affairs (“Department”). The goal of the review was to provide reasonable but not absolute assurance regarding compliance with federal and state requirements and program objectives.

To achieve this goal, a sample of activities were randomly selected and tested. The attached monitoring report discloses five (5) findings, three (3) concerns, and one (1) observation. Please submit a response to this report by November 23, 2015 (the corrective action deadline). Failure to respond and complete the requirements of the report may lead to the referral of HCCSA to the Enforcement Committee. In addition, any uncorrected findings or findings that were not corrected during the corrective action period will be taken into consideration the next time HCCSA is considered for additional Department funds. Therefore, if you do not agree with finding in this letter or require additional time to correct the matter, please contact the Patricia Murphy, Chief of Compliance prior to the corrective action deadline.

The Department appreciates the cooperation and hospitality extended to the Compliance Monitoring staff. In the next 30 days, you will receive an email with a link to a survey. The Department welcomes and solicits your feedback on this monitoring process. Should you have a question or require assistance, please do not hesitate to contact me.

Sincerely,

EARNEST A. HUNT
Earnest Hunt
2015.10.23
09:29:05 -05'00'

Earnest Hunt
Director of Compliance Subrecipient Monitoring

cc: Julian Martinez
Judge Ramon Garcia
(100 East Cano St 78539)



Findings Noted in the Review

Finding #1: Non-compliance with Board Requirements

Program: CSBG

A review of the board information provided during the monitoring review showed a lack of compliance with board requirements, as well as non-compliance with HCCSA Board Bylaws.

Finding #1A: Board Meeting Requirements

A review of compliance with Board Meeting Requirements identified training completion certificates not being maintained for eight (8) of the Board of Directors. Specifically, HCCSA did not have documentation reflecting completion of the Open Meeting Training and the Public Information Certificate for the Board Members identified in Table 1 below. The Texas Government Code and the Texas Administrative Code (“TAC”) requires that Subrecipients maintain a copy of board training certificates issued to the Board member upon completion of all required trainings. **Reference: Texas Government Code, Title 5, §551.005; 10 TAC §5.217.**

Table 1

Board Member Name	Need Open Meetings Training Certificate?	Need Public Information Certificate?
San Juanita Sanchez	Yes	Yes
Baudelia Rojas	No	Yes
Thelma Garza	Yes	Yes
Harold Requenez	Yes	Yes
Armando Dominguez	Yes	Yes
Julian Martinez	Yes	Yes
Oralia Salinas	Yes	No
Marie Salazar	Yes	No

Finding #1A Action Required: HCCSA shall obtain and maintain training completion certificates, for all members of the Board of Directors. If any Board members have not completed the required trainings, HCCSA must facilitate the ability for the Board members to complete the training. As part of the response to this report, HCCSA must provide copies of the training completion certificates for the respective Board members.

Finding #1B: Tri-Partite Board Structure

A review of the current board roster showed that the current makeup of the HCCSA Board is: two (2) public sector representatives, three (3) private sector representatives, and four (4) low income sector representatives. The Texas Administrative Code (“TAC”) requires that the Subrecipient Board structure be at least one-third elected public officials holding office on the date of the selection, or their representatives. **Reference: CSBG ACT Sec 676 (2) A-C; 10 TAC §5.213(a)(1); HCCSA Board Bylaws Section III(A)**

Finding #1C: Election Selection Process and Documentation

A review of the current board roster showed the current makeup of the HCCSA Board has four (4) low income sector representatives. During the monitoring trip, HCCSA was only able to provide election documentation for 3 of the 4 low income representatives, **Reference: 10 TAC §5.213**

Finding #1B & #1C Action Required: HCCSA must address the positions to ensure compliance with the tri-partite board structure as well as get up-to-date with the democratic selection procedures for the required

board positions, which at a minimum are representatives of the low-income sector. As part of the response to this report, HCCSA must submit a plan of action and corresponding timeline to have both of these issues addressed within the next six (6) months. Verification of compliance with the submitted plan of action will be checked in the next monitoring of HCCSA.

Note #1: The Department recognizes that HCCSA is in the process of editing and updating their board bylaws. Discussion with HCCSA staff indicated that they believed the adoption of the updated bylaws would be completed within the next couple months, by the end of November 2015 at the latest. The required actions for the above finding should all be taken into consideration with the drafted version of the new bylaws in mind. The Department recommends that HCCSA have the updated board bylaws be reviewed by an attorney, which is a requirement of the upcoming 2016 CSBG Organizational Standard 5.3.

Finding #2: Inaccurate Monthly Financial Reconciliations

Program: CSBG & CEAP

A review of the HCCSA general ledger, randomly selected months of expenditures from both the CEAP and CSBG programs, and monthly bank statements showed multiple areas where the general ledger totals did not accurately reconcile to the corresponding expenditure report or bank statement.

Finding #2A: Inaccurate Monthly Expenditure Report Reconciliation

Program: CEAP

A review of the general ledger revealed that two months: April 2015 Monthly Expenditure Report (“MER”) and May 2015 MER do not reconcile to the general ledger. Those discrepancies are identified in Tables 2-3 below. The Texas Uniform and Grant Management Standards (“UGMS”) requires current, accurate, and complete financial information be maintained. **Reference: UGMS Part III, Subpart C.**

*Table 2
April 2015
#58150002108*

	Admin	Crisis Component	UA Component	Program Services	Travel	TOTAL
MER Reported	\$29,092.25	\$11,884.72	\$55,858.37	\$16,542.11	\$0.00	\$113,377.45
General Ledger	\$29,092.25	\$11,884.72	\$55,631.08	\$16,542.11	\$0.00	\$113,150.16
Variance	\$0.00	\$0.00	\$227.29	\$0.00	\$0.00	\$227.29

Table 3
May 2015
 #58140002229

	Admin	Crisis Component	UA Component	Program Services	Travel	TOTAL
MER Reported	\$43,642.98	\$17,036.32	\$92,118.81	\$41,094.27	\$0.00	\$193,892.38
General Ledger	\$43,669.61	\$17,036.32	\$92,118.81	\$41,094.27	\$0.00	\$193,949.01
Variance	\$56.63	\$0.00	\$0.00	\$0.00	\$0.00	\$56.63

Finding #2A Action Required: HCCSA must identify what caused the discrepancies on this monthly report and then make the proper adjustments on the next MER to ensure the financial reporting numbers accurately reconcile to their general ledger. As part of the response to this report, HCCSA must: (1) provide copies of this accounting adjustment process to ensure accurate reconciliation with the expenditures reported to the Department and (2) develop and implement a sufficient internal process to minimize this type of potential error again and provide of copy of this process.

Finding #2B: Inaccurate Cash Reconciliation

Program: CEAP & CSBG

A review of the July 2015 general ledger and bank balance statement revealed that cash amounts between the two reports did not reconcile accurately. According to the documentation provided during the monitoring visit, there is a \$6,527.48 discrepancy between the bank balance and the general ledger; the discrepancy shows there is less money in the bank than is reflected in the general ledger through July 2015. The Texas Uniform and Grant Management Standards (“UGMS”) requires current, accurate, and complete financial information be maintained. **Reference: UGMS Part III, Subpart C.**

Finding #2B Action Required: HCCSA must identify what caused that discrepancy between the general ledger and the bank balance statement. As part of the response to this report, HCCSA must: (1) provide copies of the documentation of what caused the discrepancy, (2) show that the September 2015 bank balance statement and general ledger reconcile properly, and (3) develop and implement a sufficient internal process to minimize this type of potential error again and provide of copy of this process.

Finding #3: Lack of Inventory Form Submissions

Program: CEAP & CSBG

A review of documents submitted to the Department revealed HCCSA has not submitted an inventory form for either the CEAP or CSBG program for at least the past two years. Per program contracts, HCCSA must submit a cumulative inventory form of all equipment acquired, in whole or in part, with applicable program funds under this or previous program contracts, with a unit acquisition cost of \$5,000.00 and/or a useful life of more than one year, within forty-five (45) days of the end of the program contract term.

Reference: CEAP & CSBG Contracts Section 10

Note #2: The Department recognizes that this was also a finding in HCCSA’s most recent single audit for FYE 12/31/14. HCCSA responded to the audit on August 19, 2015, stating they would send a report to each grantor agency for the current fiscal year of inventory and equipment; as of October 6, 2015, nothing was received by the Department.

Action Required: Submission of updated inventory forms for both programs is a contract requirement. The process for inventory form submission is: (1) accurately complete the inventory form located on the Department website; (2) electronically submit the completed form(s) to Department Community Affairs Fiscal Staff within forty-five days of contract end date. An inventory form is required to be submitted, even if there is no inventory that meets the dollar threshold for the inventory form. HCCSA must submit an inventory form for PY14 for both the CEAP and CSBG programs to the appropriate Department staff, as well as provide a copy of those forms as part of the response to this report.

Finding #4: Inaccurate Monthly Performance Reporting

Program: CSBG

Through the August 2015 Monthly Performance Report (MPR), HCCSA has inaccurately reported the total number of people transitioned out of poverty (TOP) under the PY15 CSBG contract. A review of CSBG client files identified three (3) households that have been TOP'd, with a total of eleven (11) individuals that should be reported; the August MPR currently has fourteen (14) individuals reported as TOP'd. Discussion with HCCSA staff indicated the mistake was a simple human input error. In order to report a household as one that has been transitioned out of poverty, HCCSA must maintain 90 days of income documentation showing that the household's income is over 125% of poverty as a result of services provided by HCCSA. HCCSA must report accurate information as the Department relies on reports from our Subrecipients to ensure program goals and requirements are met. **Reference: 10 TAC §5.207(j)(3)(K); CSBG Monthly Performance Reporting Forms and Instructions Part XII**

Action Required: HCCSA must make the appropriate adjustment on the upcoming MPR to accurately report the total cumulative number of individuals that have been successfully TOP'd under the PY15 CSBG contract. As part of the response to this report, HCCSA must provide documentation of the adjustment being made in the contract reporting system.

Finding #5: Not Meeting Transition Out of Poverty (TOP) Goals

Program: CSBG

A review of prior program year Community Action Plans and Monthly Expenditure Reports reflects low TOP performance and slow expenditure levels in the last four (4) CSBG contract periods. Table 1 below reflects HCCSA's TOP goals, actual TOPs, and expenditure rates for each respective contract period. The Department reminds HCCSA that one of the goals of the CSBG program is to reduce poverty by empowering low-income families to become fully self-sufficient and transition them out of poverty. The goal for number of people HCCSA is expected to TOP is identified annually in the CAP Plan.

The Department also notes HCCSA's unacceptably slow expenditure rates in the CSBG program. Standard CSBG contract terms are 12 months; HCCSA has received contract extensions from the Department for each program year identified below to allow for full contract expenditure. During the monitoring visit, Department staff had a discussion with HCCSA staff about the consistent contract extensions from previous program years and the compounded effect on HCCSA's ability to fully expend the program funds within the allotted original contract period. The Department recommends that when a contract extension is granted, HCCSA modify the subsequent contract period's CAP plan and program budget to reflect 100% allowable expenditure of the program budget and the activities to be performed within the remaining term of the contract period. As of August 2015, HCCSA has expended 28.62% of the 2015 CSBG award with a 66% of the contract term expired. **Reference: 10 TAC §5.202; HCCSA Community Action Plans**

Program Year	Contract Number	Original Contract Term	TOP Goal	Expenditure at end of Original Contract term.	Contract Extension	Actual TOP	Time Needed to Expend Contract
PY12	61120001323	1/1/12 – 12/31/12	25	54.88 %	6/30/13	10	18 months (Budget was fully expended in June 2013)
PY13	61130001583	1/1/13- 12/31/13	69	46.35 %	5/30/14	0	17 months (Budget was fully expended in May 2014)
PY14	61140001850	1/1/14- 12/31/14	65	60.74 %	7/31/15	0	19 months (Budget was fully expended in July 2015)
PY15	61150002185	1/1/15- 12/31/15	65	N/A	N/A	14	Percentage of contract expended, as of August 2015, is 28.62%.

Action Required: HCCSA’s 2016 Community Action Plan was submitted October 1, 2015. The Community Action Plan submitted is designed to address the needs identified in HCCSA’s updated Community Needs Assessment and Strategic Plan. HCCSA must develop a plan to address how they will appropriately and fully expend the remaining 2015 funds as quickly as possible as well as how they expect to appropriately and fully expend their 2016 CSBG funds in the appropriate time frame; HCCSA must provide a copy of this plan as part of the response to this report.

Concerns Noted in the Review

Concern #1: High Administrative Expenditure Level

Program: CEAP

Through the August 2015 expenditure reports, HCCSA’s CEAP Contract #58150002113 has an Administrative ratio of 8.65%; the maximum allowable ratio for CEAP is 6.25%. HCCSA is reminded that they must be at or below 6.25% by the end of the contract term, which is December 31, 2015; any amount in excess could be disallowed. **Reference: CEAP Contract Exhibit A.**

Note #3: Through the August 2015 expenditure report, HCCSA has spent 52.38% of the CEAP contract while 66% of the contract period has expired. Discussion with HCCSA staff indicated that they expect complete contract expenditure by the end of the contract period. The Department reminds HCCSA that CSBG funds are not allowed to be used to cover any CEAP Admin charges.

Action Required: By the end of the contract closeout period, HCCSA must have the Administrative ratio at or below the acceptable amount or will face disallowed costs for the overages. For the purposes of this report, there is no required action for this concern.

Concern #2: Need to Update Cost Allocation Plan Methodology

Program: CEAP & CSBG

During the monitoring process, multiple charges were reviewed that were accurately allocated amongst TDHCA grants according to the latest HCCSA Cost Allocation Plan, which was last updated in February 2015. The review of the methodology for the Cost Allocation Plan showed one over-arching methodology that determined allocation percentages, and was then applied to all the different indirect costs. Per federal requirements, “a cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.” **Reference: 2 CFR 200.400s, UGMS II Attachments A & C**

Action Required: During the monitoring, HCCSA staff revealed that the Cost Allocation Plan, including the methodology, are being updated. The Department recommends that HCCSA verify/update the Cost Allocation Plan annually, at a minimum. Verification of the updated Cost Allocation Plan will be checked in the next monitoring of HCCSA. For the purposes of this report, there is no required action for this concern.

Concern #3: Missing Procurement Contract Provisions

Programs: CEAP, CSBG

The Department reviewed the contract between HCCSA and Shah Software and noted that it is missing required contract clauses. The UGMS and TAC requires the contracts to include the terms, conditions, and specifications of the services provided and contract provisions listed in UGMS and the TAC. **Reference: UGMS III Sub Part C_.36 (b) (2) & (i), CEAP/CSBG Contracts Section 9 (C), 10 TAC §5.10.**

Action Required: HCCSA must execute a contract with Shah that contains all required contract terms. As part of the response to this report, HCCSA must provide a copy of the executed contract.

Note #4: The Department recognizes that HCCSA procured Shah Software NewGen as a sole source provider utilizing their county legal team and their county purchasing department for this process. The Department is aware that there are other client software providers available for procurement. The Department reminds HCCSA that for any and all applicable procurements relative to TDHCA grants, all applicable rules and regulations must be followed, including the requirement to allow for free and open competition.

Observations Noted in the Review

Observation #1:

The Department is aware that HCCSA has had significant staff changes over the past six months as well as significant changes and adjustments to both CEAP and CSBG program processes and implementation. The Department has provided HCCSA with intensive on-site training to HCCSA in an effort to maximize the impact of these programs for the benefit of the community. As a result of this recent staffing and programmatic overhaul, the Department limited the scope of this monitoring review and did not review any PY15 CEAP or CSBG client files for compliance. Beginning with PY16, the Department expects HCCSA will be in complete compliance with all applicable rules and regulations as they are written.

3b

BOARD ACTION REPORT
MULTIFAMILY FINANCE DIVISION
JANUARY 26, 2017

Report on the status of the 2018 Qualified Allocation Plan and Multifamily Rules Project

On December 14, 2016, TDHCA staff held the first monthly meeting to discuss and plan for the 2018 QAP and Rules. The purpose of this meeting was to identify topics and themes for discussion in the following meetings, which will be held the day prior to each Board meeting.

Stakeholders, including the development community, advocates for various interest groups served by affordable housing, residents of TDHCA properties, and subject matter experts, will be invited to participate in meetings, surveys, or other forms of public comment and discussion so that a clear assessment of varying needs and priorities about the QAP and Rules may be compiled. That assessment, along with applicable statutory and regulatory requirements, will be used to draft amendments and changes to develop the proposed 2018 QAP, a draft of which should be complete by September 30, 2017, as required by Tex. Gov't Code §2306.6724.

The following topics were identified and will be added to the Project Plan document and its schedule baseline:

1. Dispersion and Underserved Area
2. Timing issues related to the 9% cycle, including Readiness-to-Proceed
3. Opportunity Index
4. Undesirable Neighborhood Characteristics
5. Tenant Services and Compliance requirements
6. Real Estate Analysis and Market Demand

In addition to identifying these six primary topics of future discussion, participants explored other possible themes that may be added to the Project Plan in the future. Tim Irvine, Executive Director of TDHCA, suggested that participants identify the most important policy objectives for the LIHTC program, and then consider possible amendments to the QAP around those core policies.

There was a comment made at the meeting about the difficulty of making rural deals work when schools are rated well, but the site cannot score well on the opportunity index when tie-breakers come into play. Another commenter noted the “donut-hole” effect in rural areas, with the QAP pulling possible development sites out to areas where there are few amenities and jobs, away from town centers that could use the real estate investment of a HTC property.

In regard to schools, one commenter asked why education is tied to elderly developments. Another commenter noted that many times schools do perform well in meeting standards, but just barely miss requirements for scoring points (like graduation rates). This commenter proposed adding a menu item—such as after-school tutoring services—to compensate for these slight inadequacies. Another commenter stated that if education cannot become a menu item, then TDHCA should begin exploring the implications of choice districts and charter schools for Educational Quality.

There was also quite a bit of commentary on certain suburban cities—such as Georgetown, Alton, or Edinburg—becoming “pockets” for affordable housing, which counteracts the stated goals of dispersion. One commenter suggested revising deconcentration factors to be threshold items instead of scoring items.

Tim Irvine noted that there is tension between allocating LIHTCs to rehabilitate properties (“preservation”) and to build new ones (“maximizing supply”). What is the optimal balance between the two, and should rehabilitation be emphasized in rural areas?

Several commenters shared their thoughts about tenant services. One commenter defended the suggestion of every HTC property having an onsite service coordinator. Another commenter responded that developers’ (especially for-profit developers’) primary responsibility is to provide housing, not services, and that they are not equipped to offer quality services. Another commenter asked how TDHCA might better value and incentivize tenant services. A cost lies behind these services, and that should be reflected in the QAP and Rules. There was also discussion regarding tailoring services to tenants’ needs, and potential complications with compliance monitoring. Lastly, several commenters and staff found it important to reach out to actual tenants and conduct a survey on the tenant services that they find to be most important and helpful.

One commenter, reemphasizing a public comment submitted in regards to the 2017 QAP, asked that staff and the Board consider decreasing the eligible age of developments that can qualify for rural Concerted Revitalization Plan points. Currently, original construction must have been prior to 1985, or 32 years ago. Commenter proposed and provided evidence for lowering the age of eligible developments to 25 years.

3c

BOARD REPORT ITEM
MULTIFAMILY FINANCE DIVISION
JANUARY 26, 2017

Report on the submission of National Housing Trust Fund Allocation Plan to the U.S. Department of Housing and Urban Development ("HUD").

BACKGROUND

The National Housing Trust Fund ("NHTF") is a federal program created under the Housing and Economic Recovery of 2008. For several years after it was created, funding for the program was underfunded as the two sources of funding, Fannie Mae and Freddie Mac, were rebuilding after the economic collapse. In 2015, the Federal Housing Finance Agency announced that resources were available to fund the program in 2016. On January 30, 2015, HUD published an interim program rule, providing the guidelines for states to implement the NHTF. On March 12, 2015, Governor Abbott designated TDHCA as the state agency responsible for the administration of funds provided through NHTF. The annual allocation amount for Texas was published on May 5, 2016, and amended by HUD on December 21, 2016. At the Board meeting of September 8, 2016, the Board approved the final version of the Allocation Plan for submission to HUD, which was the final step before the Department was to receive the grant agreement for the inaugural 2016 allocation of NHTF. The Allocation Plan was submitted to HUD on September 14, 2016.

On October 27, 2016, the Department received a letter from HUD disapproving the Department's Allocation Plan. The Texas plan was one of 46 that were disapproved. The letter cited five sections of the Allocation Plan that HUD determined to be lacking specificity:

1. Eligible Applicants
2. Relative Importance of Selection Criteria
3. Maximum Per-Unit Development Subsidy Limits
4. Refinancing of Existing Debt
5. Rehabilitation Standards.

The letter requested that the Department include the sections of Tex. Gov't Code Chapter 2306, the Uniform Multifamily Rules, and the Multifamily Direct Loan Rule that would be applicable to these specific sections of the Allocation Plan, rather than referencing statute and rule by citation. This level of detail and specificity has not typically been required by HUD for Allocation Plans, Consolidated Plans, and One Year Action Plans in the past. The Department submitted corrective documentation on December 9, 2016, and had a conference call with HUD on December 22, 2016, in which HUD indicated that all of the corrective documentation would have to be incorporated into the 2016 One Year Action Plan and the Consolidated Plan. Conforming changes will be incorporated into the 2017 One Year Action Plan, which has not yet been submitted to HUD. Additionally, HUD requested that the Department be more explicit in its Maximum Per-Unit Development Subsidy Limits, Refinancing of Existing Debt Requirements, and Rehabilitation Standards Requirements, while also requesting that the Department's inspection checklist be submitted to verify Uniform Physical Condition Standards protocol is being met. HUD requested that these further corrections be made within 30 days of the initial December 9, 2016, corrective action deadline as required in 24 CFR §91.500(d). Department staff indicated that this timeline would not be able to be met and subsequently sent a letter to HUD on January 4, 2017, to which HUD responded with the attached letter on

January 5, 2017, allowing the Department 60 days to submit what will likely be final corrective documentation.

Meanwhile, on December 21, 2016, HUD sent the attached letter to NHTF grantees indicating that they had discovered an error in the Fiscal Year 2016 formula allocations. As a result, Texas would be receiving an additional \$11,113, for a total of \$4,789,477. This minor increase will have no bearing on the Allocation Plan, One Year Action Plan, or Consolidated Plan other than changing the listed amount of NHTF in those plans.

In the November 2016 Board Report item, staff indicated that, should the NHTF Allocation Plan not be approved prior to publication of the 2017 Multifamily Direct Loan Notice of Funding Availability (“2017 MFDL NOFA”), an amendment may be required to include that fund source. Given that the 2017 MFDL NOFA was approved in December, staff is looking at taking action on a separate Notice of Funding Availability just for NHTF funds within the next few months, after HUD has approved the 2016 NHTF Allocation Plan and issued the 2016 Grant Agreement.

December 21, 2016 Letter
Notifying NHTF Grantees of Error
in Allocation Formula

Phone: 202-402-5931
Fax: 202-708-1744
Tiffani.C.Moore@hud.gov

From: Sardone, Virginia

Sent: Wednesday, December 21, 2016 11:33 AM

To: Causey, Gary A <gary.a.causey@hud.gov>; Washington, Rufus <Rufus.Washington@hud.gov>; Hom, Vincent <vincent.hom@hud.gov>; Lawson, Jorgelle <JORGELLE.LAWSON@hud.gov>; Peters, Jack <Jack.Peters@hud.gov>; Tom, Angelo C <Angelo.Tom@hud.gov>; Henley, Shirley J <Shirley.J.Henley@hud.gov>; Willis, Ray E <Ray.E.Willis@hud.gov>; Bynum, Nadab <nadab.bynum@hud.gov>; Hernandez, Keith E <Keith.E.Hernandez@hud.gov>; King, Matthew T <Matthew.T.King@hud.gov>; John-Gomez, Charlotte A <Charlotte.A.John-Gomez@hud.gov>; De la Rosa, Olga L <Olga.L.DelaRosa@hud.gov>; Chandler, Mark A <Mark.A.Chandler@hud.gov>; Legette, Ronnie J <Ronnie.J.Legette@hud.gov>
Cc: Huber, Peter H <Peter.H.Huber@hud.gov>; Owusu, Henrietta R <Henrietta.Owusu@hud.gov>; Wadsworth, Marcia <Marcia.Wadsworth@hud.gov>; Jones, David P <David.P.Jones@hud.gov>; Eidson, Brice R <Brice.R.Eidson@hud.gov>; Furman, Joshua J <Joshua.J.Furman@hud.gov>; Ott, Caitlin M <Caitlin.M.Ott2@hud.gov>; Moore, Tiffani C <Tiffani.C.Moore@hud.gov>; Swanson, John <john.swanson@hud.gov>; Fisher, Milagro <Milagro.Fisher@hud.gov>; Ryles, Renee <Renee.Ryles@hud.gov>
Subject: Error in HTF formula requiring your attention

Directors,

Recently, CPD discovered an error in the FY 2016 Housing Trust Fund (HTF) formula allocations that were announced in the Federal Register on May 5, 2016. In running the formula, HUD used “renter populations” in place of “rental households” data for the four Insular Areas. The error affects the allocation amounts for the four Insular Areas and every HTF grantee that received an allocation greater than the \$3 million minimum. CFO and OGC have advised CPD that must correct this error for FY 2016 allocations rather than adjusting future allocations. **You are receiving this message because one or more of the affected HTF grantees is under your jurisdiction.**

We have re-run FY 2016 HTF formula using the correct data. HUD has already notified Congress of the revised formula allocations and will publish a corrected Federal Register Notice. All affected HTF grantees except for the Insular Areas will receive larger allocations than those originally announced. Unfortunately, the Insular Areas will have large decreases in their already small formula allocations. We have included a table at the bottom of this e-mail showing the original and revised formula allocations.

OAHP will hold a **brief conference call tomorrow at 2 pm** to go over the information in this e-mail and answer any questions. We will send a separate meeting invitation. Attendance on the call (by you or a staff person) is optional.

Here's what your office needs to do: Contact the affected HTF grantee in your jurisdiction to inform it of its revised formula allocation. The Field Office's required action will be different – as described below - depending on the status of the specific grantee's allocation plan.

1. The following grantee's HTF allocation plan has been approved and is obligated. The Field Office must amend the grant agreement to indicate the correct amount. The grantee must also submit a new SF-424 for HTF indicating the correct grant amount and must amend its FY 2016 annual action plan to indicate the increased amount. It is unlikely that this will trigger a substantial amendment. This affects the following grantee:

- Massachusetts

2. The following grantees' HTF allocation plans have been approved and their grants have not yet been obligated. The Field Office must make sure the grant agreement indicates the correct (i.e., revised) amount for the grantee's FY 2016 HTF grant before signing the grant agreement and sending it to the grantee for signature. The grantee must submit a new SF-424 for HTF and must amend its FY 2016 annual action plan to indicate the increased amount. Again, this will most likely not require a substantial amendment. This affects the following grantees:

- Florida
- Georgia
- New York
- Ohio
- Virginia
- Washington

3. The following grantees' HTF allocation plans have not yet been approved. The Field Office must notify the affected grantee that it must submit a new SF-424 for HTF and must amend its FY 2016 annual action plan to indicate the revised amount. This affects the following grantees:

- California
- Texas
- Illinois
- Pennsylvania
- New Jersey
- Michigan
- North Carolina
- Wisconsin
- Puerto Rico
- U.S. Virgin Islands

4. The following grantees have elected not to accept their FY 2016 HTF grants. However, these grantees should be notified that the amount they qualified for under the formula is reduced, as it may affect their decision-making about future participation.

- Guam
- Northern Mariana Islands

- American Samoa

If you have any questions about this e-mail or the actions you should take, please e-mail or call Peter Huber at 202-402-3941.

HTF Grantee	State	Corrected FY 2016 HTF Allocation	Original FY 2016 HTF Allocation	Dollar Amount Difference	Percentage Difference
California	CA	\$10,156,440	\$10,128,144	\$28,296	0.28%
Florida	FL	\$4,607,302	\$4,598,821	\$8,481	0.18%
Georgia	GA	\$3,318,674	\$3,314,612	\$4,062	0.12%
Illinois	IL	\$4,310,055	\$4,302,012	\$8,043	0.19%
Massachusetts	MA	\$3,423,773	\$3,419,569	\$4,204	0.12%
Michigan	MI	\$3,527,747	\$3,522,622	\$5,125	0.15%
New Jersey	NJ	\$3,738,267	\$3,733,566	\$4,701	0.13%
New York	NY	\$7,033,924	\$7,013,963	\$19,961	0.28%
North Carolina	NC	\$3,284,215	\$3,280,235	\$3,980	0.12%
Ohio	OH	\$3,747,502	\$3,740,578	\$6,924	0.19%
Pennsylvania	PA	\$3,868,768	\$3,862,285	\$6,483	0.17%
Texas	TX	\$4,789,477	\$4,778,364	\$11,113	0.23%
Virginia	VA	\$3,142,439	\$3,139,830	\$2,609	0.08%
Washington	WA	\$3,246,662	\$3,243,721	\$2,941	0.09%
Wisconsin	WI	\$3,007,084	\$3,004,558	\$2,526	0.08%
Puerto Rico	PR	\$327,519	\$326,054	\$1,465	0.45%
America Samoa	AS	\$2,754	\$12,321	(\$9,567)	-77.65%
Guam	GU	\$22,279	\$77,609	(\$55,330)	-71.29%
Northern Marianas	MP	\$12,265	\$35,735	(\$23,470)	-65.68%
Virgin Islands	VI	\$24,016	\$56,562	(\$32,546)	-57.54%

January 5, 2017 Disapproval Letter from HUD



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Fort Worth Regional Office, Region VI
Office of Community Planning and Development
801 Cherry Street, Unit #45, Ste. 2500
Fort Worth, TX 76102
www.hud.gov

JAN 05 2017

Timothy Irvine
Executive Director
Texas Department Housing
& Community Affairs
221 East 11th
P.O. Box 13941
Austin, Texas 78711-3941

Dear Mr. Irvine:

SUBJECT: State of Texas - Housing Trust Fund (HTF)
Disapproval of Revised FY 2016 Allocation Plan Submission

The State of Texas's Revised FY 2016 HTF Allocation Plan submission was submitted to HUD on December 9, 2016. This letter serves as official notification of HUD's disapproval of the State of Texas' Revised HTF Allocation Plan. This determination was made by HUD's Office of Affordable Housing Programs staff.

During the conference call held on December 22, 2016 TDHCA advised staff from OAHP that it would be unable to complete the revisions to the allocation plan by the January 9, 2017 deadline. OAHP and TDHCA agreed that the current version of the plan would be disapproved so that TDHCA would have additional time to complete the revisions. TDHCA provided written confirmation to this office in its letter of January 4, 2017.

The specific items needing to be addressed are as follows:

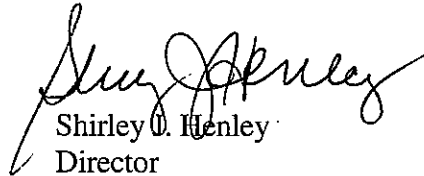
- For final approval, TDHCA must submit a complete HTF Allocation Plan incorporating all the required narrative and attachments, not just the items identified as deficient in the Department's first disapproval letter
- Maximum Per-Unit Development Subsidy Limits - §91.320(k)(5) and §93.300(a); Page 5 of Notice -CPD-16-07 *Guidance for HTF Grantees on FY 2016 HTF Allocation Plans*
 - The State of Texas indicates it will use the HOME Program Maximum Per-Unit Subsidy Limits. Yet, it fails to include the State's actual HOME Program Maximum Per-Unit Subsidy Limits in its HTF Allocation Plan. This is required element of submission. The State's narrative fails to justify how the HOME Program Maximum Per-Unit Subsidy Limits fulfill the HTF requirement that the limits are reasonable and based on actual costs of developing non-luxury housing in Texas [§93.300(a)] and why another federal subsidy limit (the HOME Program) was adopted for its HTF Program. Since the State of Texas is using a single limit (by bedroom size) across the state, justification must be clearly

demonstrated in its narrative submission and it must demonstrate that housing construction costs do not vary significantly among cities/communities in Texas.

- Refinancing of Existing Debt – If TDHCA is not intending on refinancing debt with their 2016 HTF Allocation, it needs to explicitly state in its narrative that it is not using their funding for this purpose.
- Rehabilitation Standards – It is TDHCA's responsibility to illustrate to HUD how certain provisions of the Texas Administrative Code fulfill the HTF requirements. TDHCA may include TAC citations in their HTF narrative but must fully explain how a state provision fulfills the HTF regulation.
- UPCS – TDHCA must submit the inspection protocol in its HTF Allocation Plan.

As requested in your letter of January 4, 2017 we are providing TDHCA with 60 days from the date of this letter to submit a revised HTF Allocation Plan. HUD must respond to approve or disapprove the plan within 30 days of receiving the revisions or resubmission. Should you have any questions please contact Stephen Eberlein, Program Manager, at 817-978-5956.

Sincerely,



Shirley D. Henley
Director

cc: Jennifer Molinari
Marni Holloway

4a

BOARD ACTION REQUEST
INTERNAL AUDIT DIVISION
January 26, 2017

Presentation, Discussion, and Possible Action on the 2017 Internal Audit Charter

RECOMMENDED ACTION

WHEREAS, the Internal Audit Division is required by audit standards to develop a charter, and to periodically update the charter,

NOW, therefore it is hereby

RESOLVED, that the 2017 Internal Audit Charter is hereby approved as presented.

BACKGROUND

Internal Audit Standards (the *Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing*) require periodic approval of the Internal Audit Charter. Standard 1000's interpretation is "The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board."



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

BOARD MEMBERS
J. Paul Oxer, *Chair*
Juan S. Muñoz, PhD, *Vice Chair*
Leslie Bingham-Escareño
Tom H. Gann
J.B. Goodwin

TDHCA Internal Audit Charter (Effective October 17, 2001, Amended January 26, 2017 as approved by the Department's Governing Board)

Mission:

The Office of Internal Audit (OIA) has been established at the Texas Department of Housing and Community Affairs (TDHCA) to provide independent, objective assurances and consulting services to TDHCA Board and management. The OIA helps TDHCA accomplish its objectives by bringing a systematic, disciplined approach for evaluating and improving the effectiveness of risk management, controls, and governance. The OIA helps the TDHCA to identify and manage financial and other risks, identify economies and efficiencies, safeguard assets, ensure compliance with legislative and regulatory requirements, and report accurate and reliable information to TDHCA's customers. It also provides a proactive and systematic approach for the identification of business improvements. The OIA conducts TDHCA's program of internal auditing under the authority of and in accordance with the Texas Internal Auditing Act, located in the Texas Government Code, Title 10, Chapter 2102.

The OIA is managed by the Chief Audit Executive (CAE). The CAE reports functionally to the TDHCA Governing Board, and administratively to the Chief Executive Officer at TDHCA. The CAE must be certified as a Certified Public Accountant (CPA) or Certified Internal Auditor (CIA), to achieve compliance with the Internal Auditing Act. The operation title of the CAE is the Director of Internal Audit.

Standards of Audit Practice

The program of internal auditing follows the Texas Internal Auditing Act, Standards for the Professional Practice of Internal Auditing, Code of Ethics, and applicable auditing standards.

The CAE has the duty and authority to ensure that TDHCA is in compliance with the Internal Auditing Act, and the requirements of external audits including the statutes relating to the State Auditor's Office

Annual Audit Plan

The OIA is responsible for developing an annual audit plan using risk assessment techniques which identify individual audits to be conducted during each year. The Plan must be presented to the Governing Board for their review and approval during open meetings. Deviations from the audit plan should be documented; and major deviations should be approved by the Governing Board.

The risk assessment process includes the following steps:

- **Identification of Auditable Units and Risks**
This includes identification of activities for all divisions/programs, risks associated with each activity, and requesting input from executive management team as well as Board



members. Requests or suggestions for special audits are also included in the potential audit population.

➤ Risk Measurement and Prioritization

This process includes evaluating the likelihood that an adverse event or outcome could occur, and the potential ramifications if it did in fact occur.

Code of Ethics

Internal Auditors at TDHCA are expected to uphold and adhere to the following principles:

- Integrity
- Objectivity
- Confidentiality
- Competency

Integrity and Professional Conduct

Audits and reviews are to be conducted in a professional manner, with the goal of providing value to TDHCA's Governing Board, management, and staff. Internal auditors are expected to perform their work with honesty, diligence, and responsibility. Arrangements for conducting audits should cause the least possible disruption to the operations or activities under audit. Efforts will be made to minimize inconvenience to operating staff in the examination of records.

Independence and Objectivity

In accordance with the Internal Audit Act, the CAE shall report directly to the Governing Board and shall be independent of operational duties that could impair the independence of the auditing program. The CAE will work with members of TDHCA management, as designated by the Boards and the Executive Director, to ensure the performance of the internal audit plan and compliance with the requirements of external audit functions related to the agency's operations. The CAE will keep the full Governing Board apprised of the progress of both internal and external audits.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited, and must exhibit the highest level of professional objectivity in accessing and evaluating the activity under review.

Internal auditors are to remain free from interference by any element in the organization, and to report to the CAE any situation in which an actual or potential impairment to independence or objectivity may reasonably be inferred.

Confidentiality

OIA treats its working papers as confidential. Internal auditing working papers may sometimes be requested by members of the public pursuant to the Public Information Act, by means of an open-records request. The Office of Attorney General has in the past ruled that internal audit work papers can be exempted from open-records request. In the event of court proceedings, client privilege cannot be invoked with respect to working papers. Working papers and files are to be protected at all times against access by unauthorized persons.

Completed audit reports are public documents, and are provided in accordance with the statute to the Governing Board, TDHCA management, the State Auditor's Office, the Legislative Budget Board, the Office of the Governor, and the Sunset Commission.

Competency

The CAE is responsible for ensuring that audits are conducted by staff with the necessary skills, knowledge and abilities to successfully complete the audit in accordance with professional standards. Internal Audit promotes and encourages the advancement of audit staff through dissemination of related information and the active participation in professional groups and organizations.

Scope of Work and Responsibility of Internal Audit

Internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the Department's system of internal control and the quality of performance in carrying out its assigned responsibilities. The scope of audit activities includes, but not limited to:

- Identifying risk associated with TDHCA operations, including administrative systems, accounting systems, and information-technology systems.
- Evaluating and assessing significant change-management functions and need or change services, processes, and operations coincident with their development, implementation, and/or expansion.
- Proactive consulting with management to improve control systems and operational effectiveness (See section on Advisory Services).
- Reviewing the reliability and integrity of financial and operating information and the means used to identify measure, classify, and report such information.
- Reviewing systems established to ensure compliance with policies, plans, procedures, laws and regulations that could have a significant impact on operations.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals, and determining whether the operations or programs are being carried out as planned.
- Tracking, assessing, and reporting on management's actions taken in response to audit recommendations.
- Assisting in the investigation of significant issues within the TDHCA and notifying the TDHCA Governing Board and management as appropriate.
- Evaluation of the scope of work of external auditors, as appropriate, for the purpose of providing optimal audit coverage to TDHCA at a reasonable overall cost.

Access to Information Needed for the Program of Internal Auditing

Authorization is granted for the full and free access to any of the TDHCA's records (either manual or electronic), physical properties, activities, and personnel relevant to a review. In addition, audit personnel may make direct contact with any level of management or staff concerned with an audit. Documents and information given to internal auditors will be handled in the same prudent manner as by those employees normally accountable for them. All confidential information obtained as part of a review will remain confidential. TDHCA staff members are required to cooperate in the ongoing efforts to ensure compliance with audit requirements

Scope and Resource limitation

All scope limitation or potential limitations should be brought to the attention of the Chief Audit Executive, and significant issues in this regard will be reported to the Governing Board.

Internal Audit shall be free from control or undue influence in the selection and application of audit techniques, procedures and programs. Internal Audit shall be free from control or undue influence in the determination of facts revealed by the examination or in the development of recommendations or

opinions as a result of the examination. Internal Audit shall be free from undue influence in the selection of areas, activities, personal relationships and managerial policies to be examined.

Advisory/Consulting Services

The OIA may provide advisory services, the nature and scope of which are agreed upon with the Governing Board and management. They are intended to add value and improve TDHCA's operations. The types of advisory services the OIA provides include the following:

Assessment Services are those in which the auditor examines/evaluates a past, present or future aspect of an operation and gathers, compiles, and/or analyzes information to assist management in making decisions. Assessments are provided as timely as possible and generally do not include specific recommendations for management.

Facilitation services are those in which the auditor assists management in examining organizational performance for the purpose of promoting change. In a facilitation role, such as a Control Self Assessment, the auditor does not judge organizational performance. Instead, the auditor guides Management in identifying organizational strengths and opportunities for improvements.

Liaison services are those in which the auditor attends meetings and/or reviews the work products of an internal or external work group. The purpose of the liaison service is to advise the group on how their activities may affect the agency's risk profile.

Quality Assurance

The CAE shall establish and maintain a program of quality assurance designed to evaluate the OIA's activities. The purpose of this program is to provide reasonable assurance that all work performed by the OIA conforms to established guidelines. The program includes training, supervision, and internal and external reviews. The State Auditor's Office and other external audit organizations review OIA reports and periodically review OIA working papers.

Training

Each fiscal year, the OIA will be allocated a budget for training and educational materials. Internal auditors will maintain their professional proficiency through continuing education and training. Professional development will be provided through a variety of methods including progressively challenging audit assignments, professional certifications, external training courses, performance appraisals, and participation in professional organizations.

Auditors will acquire continuing professional education (CPE) hours sufficient to comply with professional standards and/or meet applicable licensing requirements. Internal Auditors at TDHCA are expected to obtain 40 hours of CPE each fiscal year.

Supervision

The quality assurance program will include audit supervision by CAE to ensure conformance with internal auditing standards and the internal OIA policies and procedures. This includes periodic meetings with CAE to discuss and review statuses of each audit engagement.

Internal and External Reviews

Internal reviews will be performed periodically to appraise the quality of the audit work performed. These reviews will include reviews of working papers, periodic discussions of the status of projects, annual self assessment, and accountability for time budgets. External peer reviews will be arranged and conducted in accordance with the Institute of Internal Auditing

guidelines, *The Professional Practices Framework* and the Government Accountability Office guidelines.

Internal Audit Reports

Written reports, which include management’s responses, are prepared and issued following the conclusion of each audit. These reports include background information related to the areas audited as well as scope of the audit, the overall conclusion of the auditors, findings, recommendations, and management comments and action plans. Draft audit reports will be provided to appropriate members of management team to review and provide corrective action plans when appropriate. Audit reports will be discussed and presented to the Board at periodic open meetings of the Texas Department of Housing and Community Affairs.

Internal Audit is responsible for communicating completed audit reports to the State Auditor’s Office, the Legislative Budget Board, the Office of the Governor, and the Sunset Commission within 30 days after the report is submitted to the state agency’s governing board.

Audit Follow-up Responsibilities

Internal auditors are required to follow-up to ascertain that appropriate action is taken on audit findings. A report to the Governing Board on recommendation-implementation status will be provided periodically and no less than annually on all audit findings.

Communication of Internal Audit Activities to the Governing Board.

Results of internal audit work are communicated to management and the Governing Board in periodic written reports. Internal Audit reports and other audit activities are discussed in periodic open meetings of the Texas Department of Housing and Community Affairs. In limited and appropriate circumstances, matters may be addressed in Executive Session with the concurrence of the Legal Division that one or more specific provisions of law permit such treatment.

PASSED and APPROVED this 26th day of January 2017

Chair of the Governing Board

Executive Director

Board Secretary

Chief Audit Executive

4b

BOARD ACTION REQUEST
INTERNAL AUDIT DIVISION
JANUARY 26, 2017

Presentation, discussion, and possible action regarding the Texas State Auditor's Office audit report #17-018 "A Report of the Audit of the Texas Department of Housing and Community Affairs' Fiscal year 2016 Financial Statements".

RECOMMENDED ACTION

WHEREAS, the Department is required to undergo an annual audit of its books and accounts, an annual audit of the Housing Trust Fund, and to obtain audited financial statements for the Housing Finance Division and the Supplemental Bond Schedules,

NOW, therefore, it is hereby

RESOLVED, the annual financial audit, audit of the Housing Trust Fund and the audit of the Housing Finance Division and the Supplemental Bond Schedules are hereby accepted.

BACKGROUND

Audit requirements:

- 1) The Department's governing statute, Tex. Gov't Code §2306.074, requires an annual audit of the Department's books and accounts.
- 2) Tex. Gov't Code §2306.204 requires an annual audit of the Housing Trust Fund to determine the amount of unencumbered fund balances that is greater than the amount required for the reserve fund.
- 3) The Department's bond indentures required audited financial statements of the Housing Finance Division and the Supplemental Bond Schedules.

Results of the audits conducted by the State Auditor's Office:

SAO Report on the "The Audit of the Department of Housing and Community Affairs Fiscal Year 2016 Financial Statements" Report # 17-018 available at:

<https://www.sao.texas.gov/SAOReports/ReportNumber?id=17-018>

- a) FY 2016 Basic Financial Statements (SAO Report # 17-307)
- b) FY 2016 Revenue Bond Program Audit (SAO Report # 17-308)
- c) FY 2016 Computation of Unencumbered Fund Balances (SAO Report # 17-309)
- d) FY 2016 Report on Compliance with the Public Funds Investment Act (SAO Report # 17-310)

- e) FY 2016 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (SAO Report # 17-311)

The basic financial statements will be available in their entirety at: <http://www.tdhca.state.tx.us/pdf/16-BasicFinancials.pdf>



A Report on

The Audit of the Department of Housing and Community Affairs' Fiscal Year 2016 Financial Statements

December 30, 2016

Members of the Legislative Audit Committee:

In our audit report dated December 20, 2016, we concluded that the Department of Housing and Community Affairs' (Department) basic financial statements and Revenue Bond Program Enterprise Fund financial statements for fiscal year 2016 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America. We also concluded that the Department's computation of unencumbered fund balances of its Housing Finance Division complies with Texas Government Code, Sections 2306.204 and 2306.205. The Department published our audit reports as part of its basic financial statements, which it intends to post on its Web site at www.tdhca.state.tx.us.

We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards. Our procedures did not identify any material weaknesses in internal control over financial reporting or any noncompliance with laws or regulations that materially affected the financial statements. In addition, the major internal controls that we tested for the purpose of forming our opinions on the financial statements were operating effectively.

Our procedures were not intended to provide an opinion on internal control over financial reporting or to provide an opinion on compliance with laws and regulations. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance with laws and regulations.

Additionally, we concluded that the Financial Data Schedule prepared by the Department was fairly stated in all material respects in relation to the fiscal year 2015 basic financial statements taken as a whole. We also issued a report on the Department's compliance with the Public Funds Investment Act for the year ended August 31, 2016. The results of our tests disclosed no issues of noncompliance or other matter that are required to be reported under *Government Audit Standards*.

Auditors also performed agreed-upon procedures to assist the Department in determining whether the electronic submission of certain information to the U.S. Department of Housing and Urban Development, Real Estate Assessment Center agreed with related hard-copy documents. Our procedures determined that the Department's electronically submitted information to the U.S. Department of Housing and Urban Development, Real Estate Assessment Center agreed with the related hard-copy documents.

As required by auditing standards, we will also communicate to the Department's Board of Directors certain matters related to the conduct of a financial statement audit.

SAO Report No. 17-018

Members of the Legislative Audit Committee

December 30, 2016

Page 2

We appreciate the Department's cooperation during this audit. If you have any questions, please contact Hillary Eckford, Audit Manager, or me at (512) 936-9500.

Sincerely,

Lisa R. Collier, CPA, CFE, CIDA

First Assistant State Auditor

cc: The Honorable Greg Abbott, Governor
Members of the Department's Board of Directors
Mr. J. Paul Oxer, P.E., Chair
Dr. Juan Sanchez Muñoz, Vice Chair
Mr. T. Tolbert Chisum
Ms. Leslie Bingham Escareño
Mr. Tom H. Gann
Mr. J.B. Goodwin
Mr. Timothy Irvine, Executive Director



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In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

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To report waste, fraud, or abuse in state government call the SAO Hotline: 1-800-TX-AUDIT.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements

For the Year Ended August 31, 2016

(With Independent Auditor's Report Thereon)



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
221 E. 11th St., Austin, TX 78701 Main Phone: 512-475-3800 Email: info@tdhca.state.tx.us
PO Box 13941, Austin, TX 78711 Toll Free: 1-800-525-0657 Web: www.tdhca.state.tx.us
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with disabilities. Relay Texas: 800-735-2989 (TTY) and 711 (Voice).



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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS
J. Paul Oser, *Chair*
Juan S. Muñoz, PhD, *Vice Chair*
Leslie Bingham-Escareño
T. Tolbert Chisum
Tom H. Gann
J.B. Goodwin

December 20, 2016

Writer's direct phone # (512) 475-3296
Email: tim.irvine@tdhca.state.tx.us

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Texas Comptroller
Ms. Ursula Parks, Director, Legislative Budget Board
Ms. Lisa R. Collier, CPA, CFE, CIDA, First Assistant State Auditor

RE: AUDITED ANNUAL FINANCIAL REPORT

Dear Governor Abbott, Comptroller Hegar, Ms. Parks, and Ms. Collier:

We are pleased to submit the Audited Annual Financial Report of the Texas Department of Housing and Community Affairs for the year ended August 31, 2016, in compliance with Tex. Gov't Code §2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts, and the Generally Accepted Accounting Principles ("GAAP") reporting requirements. The accompanying annual financial report has been prepared with GAAP reporting requirements. The financial report has been audited by an independent auditor as required by statute.

If you have any questions, please contact David Cervantes, Chief Financial Officer, at (512) 475-3875. Joe Guevara responsible for reporting of federal information may be contacted at (512) 475-3352 for questions related to the Schedule of Expenditures of Federal Awards.

Respectfully,

A handwritten signature in black ink, appearing to read "Timothy K. Irvine".

Timothy K. Irvine
Executive Director

TKI/tt



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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements
for the year ended August 31, 2016

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Independent Auditor's Report

Department of Housing and Community Affairs Board of Directors

Mr. J. Paul Oxer, P.E., Chair

Dr. Juan Sanchez Muñoz, Vice Chair

Mr. T. Tolbert Chisum

Ms. Leslie Bingham Escareño

Mr. Tom H. Gann

Mr. J.B. Goodwin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department of Housing and Community Affairs (Department), a component of the State of Texas, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department, a component of the State of Texas, as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Department Financial Statements

As discussed in Note 1, the financial statements of the Department, a component of the State of Texas, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2016, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Department's Net Pension Liability, Schedule of Employer Contributions, and Notes to the Required Supplemental Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's financial statements. The supplementary bond schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary bond schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary bond schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

December 20, 2016

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Texas Department of Housing and Community Affairs' ("Department") annual financial report presents management's discussion and analysis of the Department's financial performance during the fiscal year that ended on August 31, 2016. Please read it in conjunction with the Department's financial statements, which follow this section.

The Department was created to assist local governments in helping residents overcome financial, social and environmental problems; to address very low to moderate income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the state and the public about the needs of local government.

The Manufactured Housing Division is administratively attached to the Department and is responsible for establishing standards and requirements for the construction and installation of manufactured housing that are reasonably necessary to protect the health, safety and welfare of the occupants of such housing and the general public. The Manufactured Housing Division has a governing Board of five members appointed by the Governor.

The Department is governed by a Board, composed of seven members, all of whom are appointed by the Governor with the advice and consent of the Texas Senate.

Financial Highlights

- The Department's business-type activities net position increased \$8.2 million and governmental activities net position decreased \$2.5 million.
- The Department's proprietary fund had an operating income of \$5.6 million, a decrease of \$599.6 thousand from the prior year. This impact on operating income resulted primarily from a decrease of \$5.5 million in interest and investment income, an increase of \$3.5 million in other operating expenses and an increase of \$1.1 million in bad debt expense offset by an increase of \$5.0 million in the change in fair value of investments and a decrease of \$5.6 million in interest expense.
- Net position in the Department's governmental activities decreased \$2.5 million to \$469.8 million. The impact on net position resulted primarily from expenditures exceeding revenues for the Neighborhood Stabilization Program ("NSP") for \$3.4 million and the Homeless Housing and Services Program ("HHSP") for \$1.1 million offset by a positive difference in the HOME Program of \$2.5 million.
- The Bond Program's debt outstanding of \$1.5 billion as of August 31, 2016, decreased \$55.0 million due to debt retirements of \$293.9 million offset by \$194.6 million in new bond issuances and \$45.7 million in notes payable.
- Loan originations in the Department's proprietary and governmental funds for the year totaled \$12.5 million and \$22.1 million, respectively.

- In accordance with Governmental Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Department identified its derivative instruments, measured their effectiveness, and reported the derivative instruments at fair value. The Department's interest rate swaps, which were primarily used to hedge changes in interest rates, are considered to be derivative instruments under GASB 53. GASB 53 requires the fair value of a derivative to be reported at the end of the fiscal year in the balance sheet and GASB No. 72, *Fair Value Measurement and Application*, requires the fair value of a derivative to be computed taking into account nonperformance risk. As of August 31, 2016, the Department's four interest rate swaps had a total notional amount of \$128.8 million and a negative \$15.1 million fair value which was recorded in the deferred outflow of resources account and as a derivative swap liability.
- In accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions*, the Department has recorded a net pension liability. It has relied on reports issued by the Employees Retirement System of Texas who is the administrator of the plan. The Department has reported its proportionate share of the pension liability according to their reports in the amount of \$38.8 million of which \$19.7 million is reported in business-type activities and \$19.1 million in governmental activities.

Overview of the Financial Statements

The financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two types of statements that present different views of the Department.

- The first set of statements are government-wide financial statements that provide information about the Department's overall financial position and results. These statements, which are presented on an accrual basis, consist of the Statement of Net Position and the Statement of Activities.
- The remaining statements are fund financial statements of the Department's governmental, fiduciary and proprietary funds. The governmental funds activities are funded primarily from federal funds and General Revenue appropriations for which the Department follows a modified accrual basis of accounting. The Department's proprietary fund operates similar to business activities and follows an accrual basis of accounting.
- The basic financial statements also include a "Notes to Financial Statements" section which explains the information presented in the government-wide and fund financial statements and provides additional detailed data.
- The Notes to the Financial Statements are followed by the Required Supplementary Information which includes the "Schedule of Changes in Department's Net Pension Liability" and the "Supplementary Bond Schedules" that present detailed bond information.

The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of these statements.

Government-Wide Financial Statements

The Statement of Net Position shows governmental activities and business-type activities presented on a full accrual basis. The Statement of Activities presents a government-wide format of expenses, charges for services, operating grants, contributions and net expenses by both governmental activities and business-type activities. Both activities are further broken down by function and programs. The second section of the Statement of Activities shows general revenues not associated with a particular program but provides resources for the Department's programs and operations. The fiduciary activity is not included in the government-wide statements.

Statement of Net Position – Governmental Activities

The following tables show a summary of changes from prior year amounts for governmental activities.

Texas Department of Housing and Community Affairs				
Governmental Activities - Condensed Statement of Net Position				
As of August 31, 2016				
	Governmental Activities		Increase / (Decrease)	
	2016	2015	Amount	%
Assets				
Cash in State Treasury	\$ 25,130,698	\$ 18,716,093	\$ 6,414,605	34.3
Federal Receivables	7,689,347	6,257,472	1,431,875	22.9
Legislative Appropriations	5,155,043	5,382,911	(227,868)	(4.2)
Internal Balances	8,009	25,035	(17,026)	(68.0)
Current Loans and Contracts	17,797,304	21,224,662	(3,427,358)	(16.1)
Other Current Assets	54,852	155,753	(100,901)	(64.8)
Non-Current Loans and Contracts	449,510,470	454,173,085	(4,662,615)	(1.0)
Capital Assets	173,792	193,441	(19,649)	(10.2)
Total Assets	505,519,515	506,128,452	(608,937)	(0.1)
DEFERRED OUTFLOWS OF RESOURCES	2,523,670	1,973,457	550,213	27.9
Liabilities				
Accounts Payable	10,599,372	9,067,811	1,531,561	16.9
Unearned Revenues	1,832,747	682,172	1,150,575	168.7
Other Current Liabilities	1,801,874	1,796,082	5,792	0.3
Net Pension Liabilities	19,084,034	21,810,392	(2,726,358)	(12.5)
Other Non-current Liabilities	314,514	399,656	(85,142)	(21.3)
Total Liabilities	33,632,541	33,756,113	(123,572)	(0.4)
DEFERRED INFLOWS OF RESOURCES	4,564,013	2,032,725	2,531,288	124.5
Net Position				
Invested in Capital Assets	173,792	193,441	(19,649)	(10.2)
Restricted	491,577,361	492,575,164	(997,803)	(0.2)
Unrestricted	(21,904,522)	(20,455,534)	(1,448,988)	7.1
Total Net Position	\$ 469,846,631	\$ 472,313,071	\$ (2,466,440)	(0.5)

Net position of the Department's governmental activities decreased \$2.5 million, or .5% to \$469.8 million. The change is primarily a result of a decrease in unrestricted net position, which resulted from recording the net pension liability as required by GASB 68, *Accounting and Financial Reporting for Pensions*. The \$997.8 thousand decrease in Restricted Net Position is primarily related to increase of \$2.5 million in HOME and a decrease of \$3.4 million in the NSP Program.

Cash in state treasury increased by \$6.4 million or 34.3%. The increase is primarily due to additional program income collected and unspent from Tax Credit Assistance Program (“TCAP”).

Internal balances represent expenditure transfers after year end. Included in the 2016 transactions were payroll transfers and benefits allocations according to Accounting Policy Statements.

Loans and contracts decreased \$8.1 million. The variance primarily represents the receipts of loan repayments, disbursements for funding of loans and adjustments of the portfolio for the year. During the fiscal year, HOME loans increased approximately \$2.5 million primarily due to more funding of loans compared to repayments. The NSP loans decreased by \$3.4 million and TCAP loans decreased by approximately \$7.9 million due to larger loan repayments than loan originations.

Other current assets decreased by \$100.9 thousand or 64.8% due to decreases in other intergovernmental receivables and funds due from other entities.

Accounts payable increased by \$1.5 million or 16.9% because of an increase in year end activities recorded in Low Income Home Energy Assistance Program (“LIHEAP”), TCAP, and Community Services Block Grant Program (“CSBG”) grants due to pending contract related payments.

The balance in unearned revenues increased by \$1.2 million or 168.7%. The change is primarily associated with additional cash in state treasury related to unspent program income received from loan repayments of the NSP Program.

Other current liabilities are primarily payroll payables. Also, included in other non-current liabilities is the employees’ compensable leave, which represents unpaid balances of employees’ accumulated annual leave.

A net pension liability was recognized in accordance to GASB 68 in which the Department was required to recognize its proportionate share of the amount reported by the Employees Retirement System, the administrator of the plan. The decrease of \$1.4 million in unrestricted net position is primarily as a result of these transactions.

Business Type Activities

Condensed Statement of Net Position				
	Business-Type Activities		Increase / (Decrease)	
	2016	2015	Amount	%
Assets				
Current Assets:				
Cash & Investments	\$ 211,868,767	\$ 134,812,695	\$ 77,056,072	57.2
Loans and Contracts	26,086,598	12,675,631	13,410,967	105.8
Interest Receivable	8,670,744	11,801,594	(3,130,850)	(26.5)
Other Current Assets	659,251	1,646,127	(986,876)	(60.0)
Non-current Assets:				
Investments	646,470,842	701,151,445	(54,680,603)	(7.8)
Loans and Contracts	1,047,991,187	1,075,954,996	(27,963,809)	(2.6)
Capital Assets	157,082	156,253	829	0.5
Other Non-Current Assets	44,096	202,082	(157,986)	(78.2)
Total Assets	<u>1,941,948,567</u>	<u>1,938,400,823</u>	<u>3,547,744</u>	<u>0.2</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>17,625,459</u>	<u>18,939,222</u>	<u>(1,313,763)</u>	<u>(6.9)</u>
Liabilities				
Current				
Interest Payable	13,676,647	17,593,119	(3,916,472)	(22.3)
Bonds Payable	27,896,818	18,841,004	9,055,814	48.1
Notes and Loans Payable	214,880	214,880	-	-
Other Current Liabilities	8,883,880	8,326,443	557,437	6.7
Non-current				
Net Pension Liability	19,703,396	22,429,754	(2,726,358)	(12.2)
Bonds Payable	1,406,985,542	1,516,769,854	(109,784,312)	(7.2)
Notes and Loans Payable	45,490,181	45,490,181	-	-
Derivative Hedging Instrument	15,095,971	16,909,723	(1,813,752)	(10.7)
Other Non-current Liabilities	142,854,964	88,365,447	54,489,517	61.7
Total Liabilities	<u>1,680,802,279</u>	<u>1,689,235,344</u>	<u>(8,433,065)</u>	<u>(0.5)</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,571,514</u>	<u>2,090,449</u>	<u>2,481,065</u>	<u>118.7</u>
Net Position				
Invested in Capital Assets	157,082	156,252	830	0.5
Restricted	217,016,529	208,295,086	8,721,443	4.2
Unrestricted	57,026,622	57,562,913	(536,291)	(0.9)
Total Net Position	<u>\$ 274,200,233</u>	<u>\$ 266,014,251</u>	<u>\$ 8,185,982</u>	<u>3.1</u>

Net position of the Department's business-type activities increased \$8.2 million, or 3.1%, to \$274.2 million. Restricted net position of the Department's proprietary fund increased \$8.7 million or 4.2%. These restrictions are related to bond covenants and do not significantly affect the availability of resources for future use. The unrestricted net position decreased \$536.3 thousand or .9%.

Cash and investments increased \$22.4 million, or 2.7%, to \$858.3 million, which is reflective of proceeds from bond issuance, fee collections, and interest earnings offset by the liquidation of investments to pay down bonds and the change in fair value of investments. Program loans receivable (current and non-current) decreased \$14.6 million, or 1.3%, to \$1.1 billion, primarily as a result of loan payoffs related to the Department's Multifamily Bond Program and repayment of loans in the Housing Trust Fund Program offset by loan originations related to these programs.

Business Type Activities Cont'd

The Department has \$1.4 billion in bonds outstanding related to its revenue bonds. The Department's Single Family, Residential Mortgage Revenue Bonds and Collateralized Home Mortgage Revenue Bonds have been rated AA+ by Standard & Poor's. Multifamily ratings vary. Total bonds payable (current and non-current) decreased by \$100.7 million, or 6.6%, due to the Department's monthly retirement of existing debt being greater than bond issuance. The \$3.9 million decrease in total interest payable to \$13.7 million is reflective of the decrease of the Department's debt. For more information on the Department's debt, refer to Note 5.

Statement of Activities

The Statement of Activities reflects the sources of the Department's changes in net position as they arise through its various programs and functions. Single Family, Multifamily and Housing Trust Fund are shown as business-type activities, and other state and federal programs are shown as governmental activities. Federal and state assistance activities allocate various subsidy funds to local governments, nonprofit organizations or individuals.

A condensed Statement of Activities for the fiscal years ended August 31, 2015 and 2016 is shown in the table below.

Texas Department of Housing and Community Affairs							
Condensed Statement of Activities							
(In Thousands)							
	Governmental Activities		Business-Type Activities		Total		%
	2016	2015	2016	2015	2016	2015	Change
Program Revenues:							
Charges for Services	\$ 6,416	\$ 6,157	\$ 95,383	\$ 101,615	\$ 101,799	\$ 107,772	(5.5)
Operating Grants and Contributions	201,832	212,177	-	-	201,832	212,177	(4.9)
Total Revenue	208,248	218,334	95,383	101,615	303,631	319,949	(5.1)
Total Expenses:	216,789	225,964	86,152	86,721	302,941	312,685	(3.1)
Net Revenue	(8,541)	(7,630)	9,231	14,894	690	7,264	(90.5)
General Revenues	11,721	13,860	(3,612)	(8,677)	8,109	5,183	56.5
Transfers	(5,646)	(6,419)	2,567	3,244	(3,079)	(3,175)	(3.0)
Change in Net Position	(2,466)	(189)	8,186	9,461	5,720	9,272	(38.3)
Beginning Net Position	472,313	493,186	266,014	277,824	738,327	771,010	(4.2)
Restatement	-	(20,684)	-	(21,271)	-	(41,955)	(100.0)
Beginning Net Position, Restated	472,313	472,502	266,014	256,553	738,327	729,055	1.3
Ending Net Position	\$ 469,847	\$ 472,313	\$ 274,200	\$ 266,014	\$ 744,047	\$ 738,327	0.8

Governmental Activities

Revenues of the Department's governmental activities were received primarily from operating grants and contributions. The majority of the revenues were from the U.S. Department of Housing and Urban Development ("HUD") and the U.S. Department of Health and Human Services ("HHS"). General Revenues are revenues appropriated to the Department in accordance with legislative acts and regulations.

Total program revenues decreased \$10.1 million. This change consisted primarily of decreases in operating grants and contributions as a result of reduced HOME and LIHEAP grant activities.

Expenses of the Department's governmental activities consisted primarily of intergovernmental payments and public assistance payments. The Department distributes program funds to local providers, including local governments, nonprofit and for-profit organizations, community based organizations and real estate developers. Total expenses decreased in Emergency Solutions Grants Program ("ESG"), HOME and LIHEAP in relation to the decrease in grant revenue but were offset by increased expenditures in Section 8 grants.

Transfers include Manufactured Housing's surplus of revenues transferred to the Comptroller's Office and the transfer of Housing Trust Fund from General Revenue to the Texas Treasury Safekeeping Trust Company. There were also transfers of earned federal funds to the State Comptroller's Office.

Net position is primarily composed of restricted net position of non-operational grants. These restrictions, commitments or limitations will not significantly affect the availability of fund resources for future use.

Business-Type Activities

Revenues of the Department's business-type activities were primarily from charges for services of \$95.4 million offset by a decrease in fair value of investments of \$3.7 million. Charges for services consist primarily of earned interest income on loans for the three housing lending programs. It also includes program investment income which is earned within the Department's bond programs, the investments and the income which are restricted to those programs by a pledge to the respective bond indentures. Total charges for services decreased \$6.2 million which is primarily a decrease in interest income on investments and a decrease in interest income on mortgage loans.

Expenses of the Department's business-type activities consist primarily of interest expense of \$57.5 million which decreased \$5.6 million; bad debt expense of \$1.7 million which increased \$1.1 million; and other operating expenses of \$24.5 million. The decrease in interest expense is a result of an increase of the frequency in the retirement of the Department's bonds and lower interest rates related to the Department's variable rate debt. Other operating expenses include general and administrative expenses, allocations involving production or monitoring activities of the Department, as well as internal and external costs.

Business-Type Activities Cont'd

The Department's business-type activities charges for services of \$95.4 million exceeded expenses of \$86.2 million by \$9.2 million. Charges for services, primarily interest income on loans and investment income, are intended to cover bond principal and interest expense as required by the bond indenture covenants. The charges for services also cover other direct expenses.

Fund Financial Statements

The fund financial statements provide more detailed information about the Department's most significant funds and the Department as a whole. The Department has three types of funds:

- Governmental fund – The General Revenue Fund is the Department's only governmental fund. It is the principal operating fund used to account for the Department's general activities. The financing for this fund is authorized through state legislative appropriations either as committed or collected revenues. Federal and state programs are also reported within this fund. The Condensed Balance Sheet - Governmental Fund would be substantially the same as the Condensed Statement of Net Position - Governmental-Activities; therefore, it is not included.
- Proprietary fund – The Department's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuance of taxable and tax-exempt bonds whose proceeds are used primarily to fund various types of loans to finance low and moderate-income housing. This fund also receives fee income from the Multifamily Tax Credit Program and compliance fees collected for the purpose of covering the operating costs of the Department. The net position of these funds represents accumulated earnings since their inception and is generally restricted for program purposes or debt service. The Condensed Statement of Net Position - Proprietary Fund would be substantially the same as the Condensed Statement of Net Position – business-type activities; therefore, it is not included.
- Fiduciary Fund – The fiduciary fund is used to account for the assets held for distribution by the state as an agent for another entity for which the government has custodial responsibility and accounts for the flow of assets. It includes an escrow account and the Child Support Addenda Deducts Account.

Governmental Fund

Texas Department of Housing and Community Affairs Governmental Fund Condensed Statements of Revenues, Expenditures and Changes in Fund Balances				
			<u>Increase / (Decrease)</u>	
	<u>2016</u>	<u>2015</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES				
Legislative Appropriations	\$ 11,751,498	\$ 12,891,505	\$ (1,140,007)	(8.8)
Federal Revenues	201,832,305	212,086,651	(10,254,346)	(4.8)
Other Revenue	6,735,117	7,398,422	(663,305)	(9.0)
Total Operating Revenues	<u>220,318,920</u>	<u>232,376,578</u>	<u>(12,057,658)</u>	<u>(5.2)</u>
OPERATING EXPENDITURES				
Salaries and Wages	9,631,600	9,723,041	(91,441)	(0.9)
Professional Fees and Services	380,141	285,193	94,948	33.3
Intergovernmental Payments	55,473,679	55,138,472	335,207	0.6
Public Assistance Payments	147,194,136	149,760,142	(2,566,006)	(1.7)
Other Operating Expenditures	4,987,648	9,875,819	(4,888,171)	(49.5)
Total Operating Expenditures	<u>217,667,204</u>	<u>224,782,667</u>	<u>(7,115,463)</u>	<u>(3.2)</u>
Excess of Revenues over Expenditures	2,651,716	7,593,911	(4,942,195)	(65.1)
Other Financing Sources (Uses)	<u>(5,646,020)</u>	<u>(6,419,266)</u>	<u>773,246</u>	<u>(12.0)</u>
CHANGE IN FUND BALANCE	(2,994,304)	1,174,645	(4,168,949)	(354.9)
Beginning Fund Balance	494,922,278	493,930,156	992,122	0.2
Appropriations (Lapsed)	(350,613)	(182,523)	(168,090)	92.1
Ending Fund Balance	<u>\$ 491,577,361</u>	<u>\$ 494,922,278</u>	<u>\$ (3,344,917)</u>	<u>(0.7)</u>

Revenues of the Department's governmental fund totaled \$220.3 million. These revenues were primarily federal grants related to LIHEAP, HOME and Community Services Block Grant ("CSBG") programs. Expenditures of \$217.7 million primarily consisted of intergovernmental and public assistance payments.

Total revenues of the governmental fund decreased by \$12.1 million. HOME grant activity declined in fiscal year 2016 due to continued reduction to the grant award for the past several years. The Department is adjusting its operations under the reduced funding level.

Governmental Fund Cont'd

The Department experienced an increase in intergovernmental payments and a decrease in public assistance payments. These changes were in the LIHEAP program.

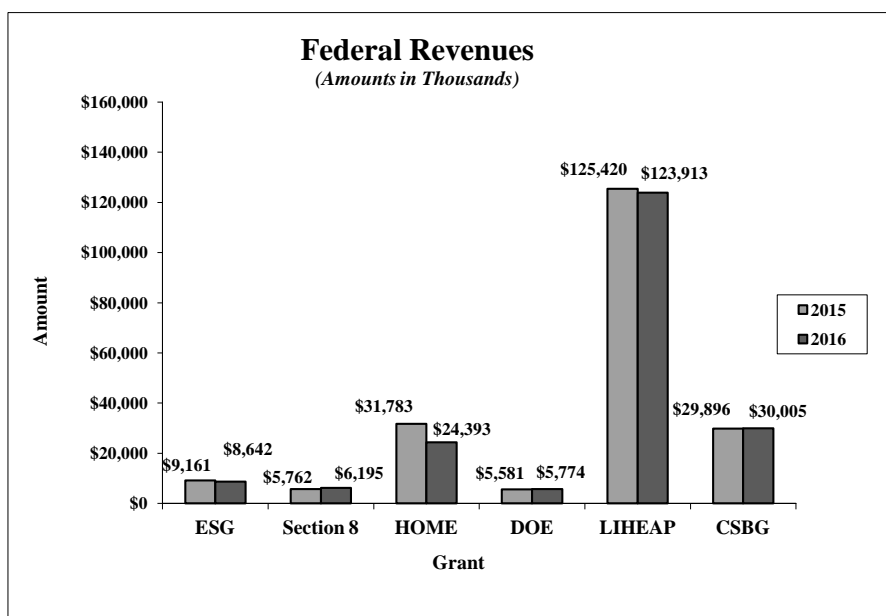
The Department experienced a decrease in other operating expenditures due to a claims and judgments repayment to HUD made in the previous fiscal year. The HUD repayment was allocated to multifamily contracts.

Other Financing Sources (Uses) consisted primarily of the transfer of Housing Trust Fund (“HTF”), including interest earnings and loan repayments from General Revenue to the Texas Treasury Safekeeping Trust Company (“TTSTC”). There were also transfers of earned federal funds and Manufactured Housing revenues.

The following graphs illustrate a comparison between fiscal year 2015 and 2016 for federal revenues, intergovernmental and public assistance payments related to the grants of the Department. The acronyms used in the graphs are defined as follows:

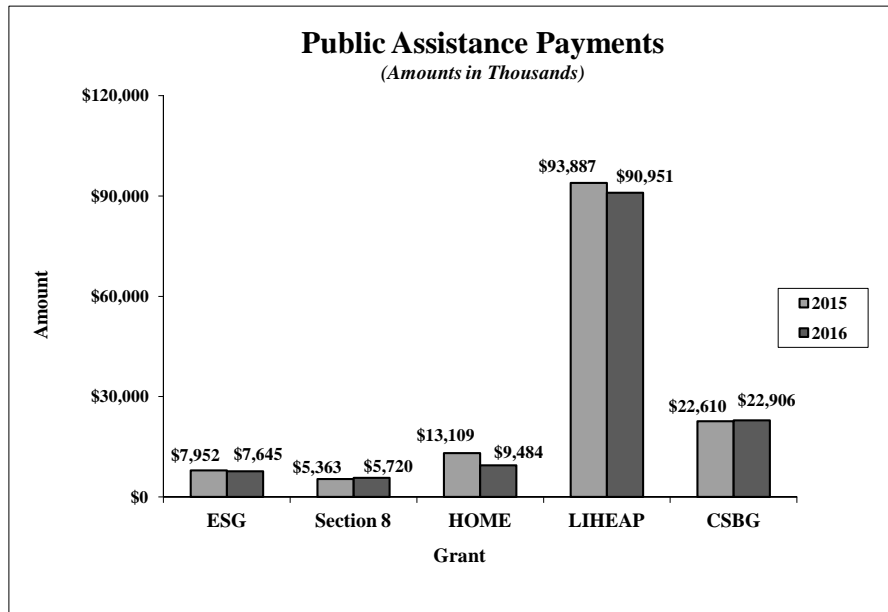
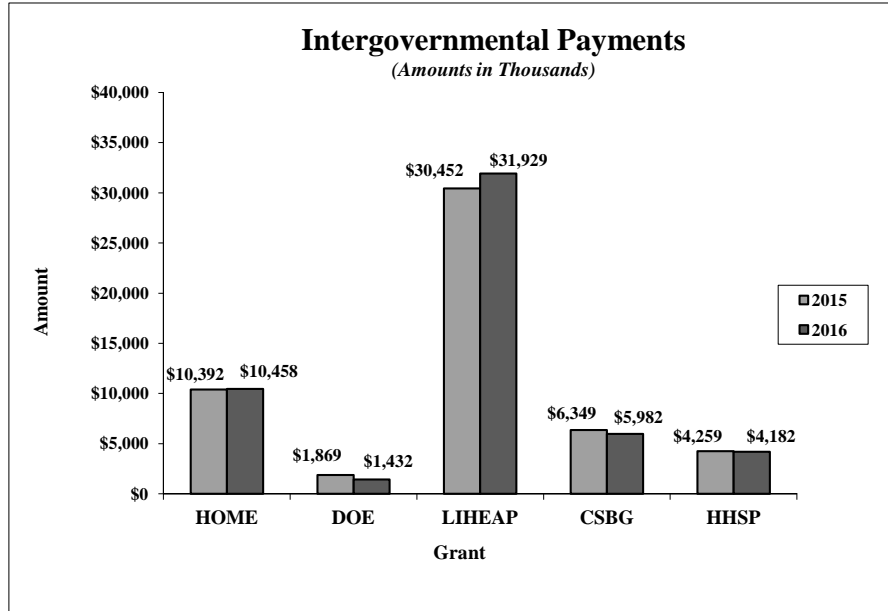
ESG	Emergency Solutions Grants Program
SEC 8	Section 8 Housing Assistance Program
HOME	HOME Investment Partnerships Program
DOE	Department of Energy
LIHEAP	Low-Income Home Energy Assistance Program
HHSP	Homeless Housing and Services Program
CSBG	Community Services Block Grant

Federal Revenues: Receipts from the State’s participation in programs financed with federal funds.



Governmental Fund Cont'd

Intergovernmental and public assistance payments: payment of grants to cities, counties, councils of government, community action groups and organizations for community service programs.



Proprietary Fund

The following table summarizes the Statement of Revenues, Expenses and Changes in Fund Net Position of the Department's proprietary fund for the fiscal years ended August 31, 2016 and August 31, 2015.

Texas Department of Housing and Community Affairs Proprietary Fund Condensed Statements of Revenues, Expenses and Changes in Fund Net Position				
			Increase / (Decrease)	
	2016	2015	Amount	%
OPERATING REVENUES				
Interest and Investment Income	\$ 69,237,779	\$ 74,723,956	\$ (5,486,177)	(7.3)
Net Increase (Decrease) in Fair Value	(3,711,414)	(8,734,724)	5,023,310	(57.5)
Other Operating Revenues	26,244,298	26,949,620	(705,322)	(2.6)
Total Operating Revenues	91,770,663	92,938,852	(1,168,189)	(1.3)
OPERATING EXPENSES				
Professional Fees and Services	2,384,509	2,078,992	305,517	14.7
Depreciation Expense	48,416	40,063	8,353	20.8
Interest	57,510,278	63,071,760	(5,561,482)	(8.8)
Bad Debt Expense	1,729,954	586,374	1,143,580	195.0
Other Operating Expenses	24,478,812	20,943,409	3,535,403	16.9
Total Operating Expenses	86,151,969	86,720,598	(568,629)	(0.7)
Operating Income (Loss)	5,618,694	6,218,254	(599,560)	(9.6)
TRANSFERS	2,567,288	3,243,515	(676,227)	(20.8)
CHANGE IN NET POSITION	8,185,982	9,461,769	(1,275,787)	(13.5)
Beginning Net Position	266,014,251	277,823,717	(11,809,466)	(4.3)
Restatement	-	(21,271,235)	21,271,235	(100.0)
Beginning Net Assets Restated	266,014,251	256,552,482	9,461,769	3.7
Ending Net Position	\$ 274,200,233	\$ 266,014,251	\$ 8,185,982	3.1

Net position of the Department's proprietary fund increased by \$8.2 million, or 3.1%, to \$274.0 million.

Proprietary Fund Cont'd

Earnings within the Department's proprietary fund were \$91.8 million of which \$65.3 million is classified as restricted and \$26.5 million is unrestricted. Restricted earnings are composed of \$68.8 million in interest and investment income, \$3.7 million net decrease in fair value of investments, and \$212.6 thousand in other revenues. Interest and investment income are restricted per bond covenants for debt service. The net decrease in fair value of investments is considered to be unrealized gains and losses since no assets were sold during the year. Unrestricted earnings are composed of \$480.6 thousand in interest and investment income and \$26.0 million in other operating revenue.

Interest earned on program loans decreased by \$2.1 million, or 5.0%, primarily due to a decrease in the Department's Multifamily Bond Program, resulting from lower interest rates related to variable rate debt and the corresponding mortgage loans.

Investment income decreased \$3.4 million or 10.3% due to lower investment yields. The change was primarily due to decreases of \$1.6 million, or 7.7% in the Single Family Revenue Bond Program funds and \$1.7 million, or 15.2% in the Residential Mortgage Revenue Bond Program.

The net change in fair value of investments increased by \$5.0 million primarily due to the decreasing fair value of the Department's mortgage backed securities.

Other operating revenues decreased \$705.3 thousand primarily due to the Taxable Mortgage Program reduced mortgage volume which was caused by changes in market conditions and increased competition offset by varying increases in other fees related to the Bond Program.

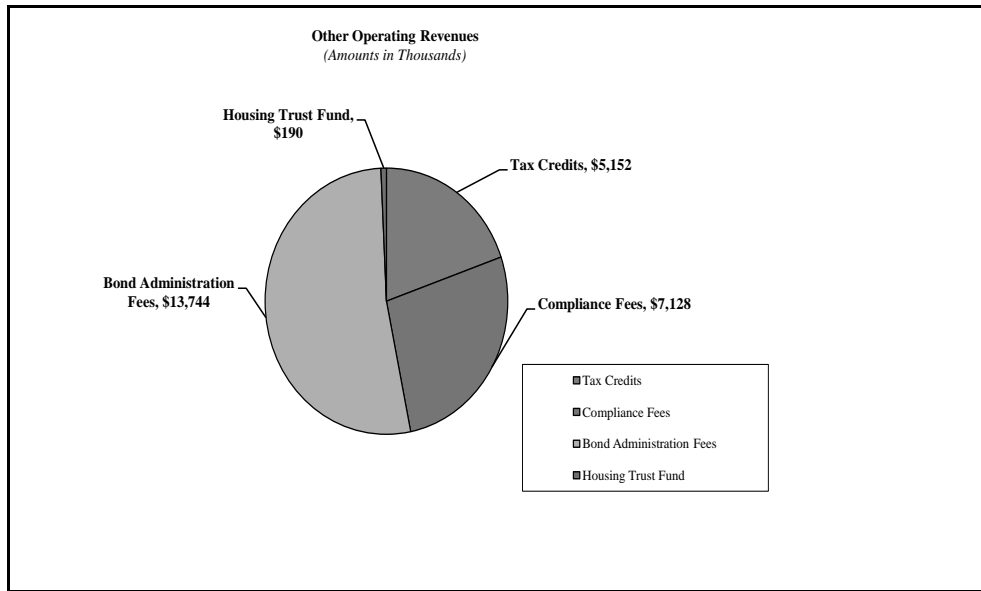
Interest expense decreased \$5.6 million related to the Department's debt. One of the factors in this decrease is the Department's decision to pay down its bonds on a monthly basis as opposed to every six months. Another factor is a decrease in interest rates related to variable rate debt.

Interest and investment income earned from unrestricted investments are used to support various housing initiatives such as those related to the Housing Trust Fund. Sources for other operating revenues are fees from the Tax Credit Program, compliance fees, bond administrative fees, asset management fees and miscellaneous interest earned from funds held by the Comptroller.

Fees earned under the Tax Credit Program are application fees, commitment fees, inspection fees and asset management fees. Yearly compliance fees are generated from the Department's portfolio of multifamily properties. The Department performs on-site visits and desk reviews to ensure the properties are in compliance with the various housing regulations. Bond administrative fees are generated yearly from the various bond issuances to support the Department's administrative expenses.

Proprietary Fund Cont'd

The graph below illustrates the primary composition of \$26.2 million in other operating revenues, classified as unrestricted earnings, according to the different housing programs.



The following table illustrates the changes in net position by program of the Department's proprietary fund for fiscal years 2016 and 2015.

Texas Department of Housing and Community Affairs Proprietary Fund Changes in Net Position by Program (Amounts in Thousands)					
Program	2016	2015	Increase / (Decrease)		
			Amount	%	
Single Family	\$ 99,670	\$ 98,988	\$ 682	0.7	
RMRB	110,207	102,118	8,089	7.9	
CHMRB	1,774	1,744	30	1.7	
Multifamily	(2,391)	(2,171)	(220)	10.1	
General Funds	8,792	8,401	391	4.7	
TMP	7,730	9,448	(1,718)	(18.2)	
Housing Trust Fund	58,078	58,632	(554)	(0.9)	
Administration Fund	(22,712)	(23,142)	430	(1.9)	
Housing Initiatives & Compliance	13,052	11,996	1,056	8.8	
Total	\$ 274,200	\$ 266,014	\$ 8,186	3.1	

Proprietary Fund Cont'd

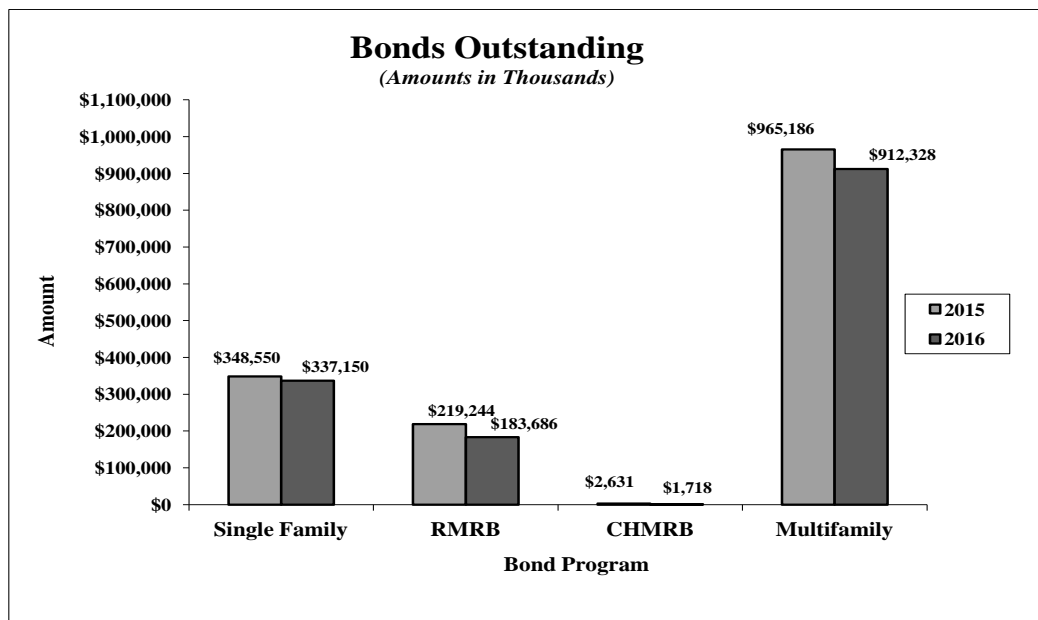
The Net Position of the Residential Mortgage Revenue Bond Program increased by \$8.1 million, or 7.9%, primarily due to a positive difference of \$2.8 million between interest income and bond interest expense, \$6.4 million transferred from the Taxable Mortgage Program to fund down payment assistance loans offset by a negative change in fair value of investments of \$389.0 thousand.

The Net Position of Taxable Mortgage Program decreased \$1.7 million, or 18.2% primarily due to a \$1.7 million decrease in settlement fees collected.

The Net Position of the Housing Initiatives & Compliance Programs increased \$1.1 million or 8.8% which is reflective of a positive difference of \$1.2 million between fees collected of \$12.3 million and \$11.3 million of transfers made to fund the operating budget.

Department Bond Debt

The Department had \$293.9 million in debt retirements during the year primarily due to consumer refinancing and prepayments of original loans. The net result was a decrease in bonds payable of \$100.7 million to \$1.4 billion of which \$27.9 million is due within one year. For additional information, see Note 5, Bond Indebtedness, and supplementary bond information schedules. The following graph illustrates a comparison of bonds outstanding between fiscal year 2015 and 2016 per bond program.



Request for Information

This financial report is designed to provide a general overview of the Texas Department of Housing and Community Affairs' (TDHCA) operations for all parties interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Texas Department of Housing and Community Affairs, Chief Financial Officer, P.O. Box 13941, Austin, Texas, 78711-3941.

BASIC
FINANCIAL STATEMENTS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I
STATEMENT OF NET POSITION - GOVERNMENT-WIDE
As of August 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand	\$ 200	\$ 200	\$ 400
Cash in Bank	20,000	329,443	349,443
Cash in State Treasury		1,394,658	1,394,658
Cash Equivalents		33,401,601	33,401,601
Restricted:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank		17,331,630	17,331,630
Cash in State Treasury	25,130,698		25,130,698
Cash Equivalents		159,403,999	159,403,999
Short-term Investments (Note 3)		7,236	7,236
Loans and Contracts	17,797,304	23,383,276	41,180,580
Interest Receivable		8,632,490	8,632,490
Federal Receivable	7,689,347		7,689,347
Legislative Appropriations	5,155,043		5,155,043
Receivables From:			
Interest Receivable	20,557	38,254	58,811
Accounts Receivable		584,109	584,109
Internal Balances (Note 9)	8,009	(8,009)	-
Due From Other Agencies (Note 9)	67		67
Consumable Inventories	14,028	4,387	18,415
Loans and Contracts		2,703,322	2,703,322
Other Current Assets		78,764	78,764
Total Current Assets	<u>55,835,253</u>	<u>247,285,360</u>	<u>303,120,613</u>
Non-Current Assets:			
Investments (Note 3)		1,809,256	1,809,256
Loans and Contracts		49,793,655	49,793,655
Capital Assets (Note 2):			
Depreciable or Amortizable, Net	173,792	157,082	330,874
Restricted Assets:			
Investments (Note 3)		644,661,586	644,661,586
Loans and Contracts	449,510,470	998,197,532	1,447,708,002
Other Non-Current Assets:			
Real Estate Owned, net		44,096	44,096
Total Non-Current Assets	<u>449,684,262</u>	<u>1,694,663,207</u>	<u>2,144,347,469</u>
Total Assets	<u>\$ 505,519,515</u>	<u>\$ 1,941,948,567</u>	<u>\$ 2,447,468,082</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources (Note 16)	\$ 2,523,670	\$ 17,625,459	\$ 20,149,129
Total Deferred Outflows of Resources	<u>\$ 2,523,670</u>	<u>\$ 17,625,459</u>	<u>\$ 20,149,129</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I (Continued)

STATEMENT OF NET POSITION - GOVERNMENT-WIDE

As of August 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	\$ 10,599,372	\$ 1,440,476	\$ 12,039,848
Accrued Bond Interest Payable		13,676,647	13,676,647
Payroll Payable	1,336,242		1,336,242
Unearned Revenues	1,832,747	6,238,776	8,071,523
Employees' Compensable Leave (Note 4)	465,632	796,615	1,262,247
Notes and Loans Payable (Note 4)		214,880	214,880
Revenue Bonds Payable (Notes 4 & 5)		27,896,818	27,896,818
Other Current Liabilities		408,013	408,013
Total Current Liabilities	<u>14,233,993</u>	<u>50,672,225</u>	<u>64,906,218</u>
Non-Current Liabilities:			
Employees' Compensable Leave (Note 4)	314,514	505,945	820,459
Notes and Loans Payable (Note 4)		45,490,181	45,490,181
Net Pension Liability (Note 8)	19,084,034	19,703,396	38,787,430
Revenue Bonds Payable (Notes 4 & 5)		1,406,985,542	1,406,985,542
Derivative Hedging Instrument (Note 6)		15,095,971	15,095,971
Other Non-Current Liabilities (Note 4)		142,349,019	142,349,019
Total Non-Current Liabilities	<u>19,398,548</u>	<u>1,630,130,054</u>	<u>1,649,528,602</u>
Total Liabilities	<u>\$ 33,632,541</u>	<u>\$ 1,680,802,279</u>	<u>\$ 1,714,434,820</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources (Note 16)	\$ 4,564,013	\$ 4,571,514	\$ 9,135,527
Total Deferred Inflows of Resources	<u>\$ 4,564,013</u>	<u>\$ 4,571,514</u>	<u>\$ 9,135,527</u>
NET POSITION			
Invested in Capital Assets	173,792	157,082	330,874
Restricted	491,577,361	217,016,529	708,593,890
Unrestricted	(21,904,522)	57,026,622	35,122,100
Total Net Position	<u>\$ 469,846,631</u>	<u>\$ 274,200,233</u>	<u>\$ 744,046,864</u>

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT II
STATEMENT OF ACTIVITIES - GOVERNMENT-WIDE
 For the Year Ended August 31, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	2016 Total
Primary Government						
Governmental Activities:						
Manufactured Housing	\$ 5,887,914	\$ 6,244,208	\$	\$ 356,294	\$	\$ 356,294
HOME Investment in Affordable Housing	21,949,461		24,392,510	2,443,049		2,443,049
Energy Assistance	129,681,478		129,687,286	5,808		5,808
Community Services	38,642,250		38,646,564	4,314		4,314
Community Development	2,323,523	10	(1,119,806)	(3,443,319)		(3,443,319)
Section 8	6,203,175		6,195,447	(7,728)		(7,728)
Section 811	9,030		9,030			
Temporary Assistance for Needy Families	20,000		20,000			
Tax Credit Assistance Program - ARRA	2,608,877		2,242,951	(365,926)		(365,926)
Money Follows the Person	179,850	127,245		(52,605)		(52,605)
Homeless Housing & Services Program	5,932,899			(5,932,899)		(5,932,899)
Housing Trust Fund	1,104,441	15		(1,104,426)		(1,104,426)
Administration	2,245,829	44,769	1,758,323	(442,737)		(442,737)
Total Governmental Activities	216,788,727	6,416,247	201,832,305	(8,540,175)		(8,540,175)
Business-type Activities:						
Single Family Bonds	27,829,323	40,798,934			12,969,611	12,969,611
Multifamily Bonds	39,083,027	38,862,729			(220,298)	(220,298)
Housing Trust Fund Program	3,503,940	360,354			(3,143,586)	(3,143,586)
Administration	15,735,681	15,361,368			(374,313)	(374,313)
Total Business-type Activities	86,151,971	95,383,385			9,231,414	9,231,414
Total Primary Government	\$ 302,940,698	\$ 101,799,632	\$ 201,832,305	(8,540,175)	9,231,414	691,239
General Revenues:						
				10,861,448		10,861,448
Original Appropriations				890,050		890,050
Additional Appropriations				161,951	98,694	260,645
Interest & Other Investment Income				(350,613)		(350,613)
Appropriations Lapsed				156,919		156,919
Other Revenues					(3,711,414)	(3,711,414)
Net (Decrease) in Fair Value of Investments				(5,646,020)	2,567,288	(3,078,732)
Transfers In (Out) (Note 9)				6,073,735	(1,045,432)	5,028,303
Total General Revenues and Transfers				(2,466,440)	8,185,982	5,719,542
Change in Net Position						
Net Position, September 1, 2015				472,313,071	266,014,251	738,327,322
Net Position - August 31, 2016				\$ 469,846,631	\$ 274,200,233	\$ 744,046,864

The notes to the financial statements are an integral part of this statement.

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

**EXHIBIT III
BALANCE SHEET - GOVERNMENTAL FUND
As of August 31, 2016**

	<u>Total</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3):	
Cash on Hand	\$ 200
Cash in Bank	20,000
Restricted:	
Cash and Cash Equivalents (Note 3):	
Cash in State Treasury	25,130,698
Federal Receivable	7,689,347
Legislative Appropriations	5,155,043
Receivables From:	
Interest	20,556
Interfund Receivable (Note 9)	140,442
Due From Other Agencies (Note 9)	67
Consumable Inventories	14,028
Restricted - Loans and Contracts	17,797,304
Total Current Assets	<u>55,967,685</u>
Non-Current Assets:	
Restricted - Loans and Contracts	449,510,470
Total Non-Current Assets	<u>449,510,470</u>
Total Assets	<u>505,478,155</u>
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	10,599,372
Payroll Payable	1,336,242
Interfund Payable (Note 9)	132,433
Unearned Revenues	1,832,747
Total Liabilities	<u>13,900,794</u>
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances:	
Reserved for:	
Nonspendable	14,028
Restricted	488,783,994
Committed	67
Assigned	361,032
Unassigned	2,418,240
Total Fund Balances as of August 31	<u>491,577,361</u>
NOTE: Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore not reported in the funds.	173,792
Long term liabilities relating to employees' compensable leave and pensions are not due and payable in the current year therefore are not reported in the funds.	(21,904,522)
NET POSITION AS OF AUGUST 31	<u>\$ 469,846,631</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT IV

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- GOVERNMENTAL FUND**

Year Ended August 31, 2016

	<u>Total</u>
REVENUES	
Legislative Appropriations:	
Original Appropriations (GR)	\$ 10,861,448
Additional Appropriations (GR)	890,050
Federal Revenue (PR-OP G/C)	201,812,305
Federal Revenue Grant Pass-Thru Revenue (PR-OP G/C)	20,000
Licenses, Fees & Permits (PR-C/S)	5,794,372
Interest and Other Investment Income (GR)	161,951
Sales of Goods and Services (PR-C/S)	621,875
Other (GR)	156,919
Total Revenues	<u>220,318,920</u>
EXPENDITURES	
Salaries and Wages	9,631,600
Payroll Related Costs	3,104,163
Professional Fees and Services	380,141
Travel	481,359
Materials and Supplies	221,267
Communication and Utilities	138,499
Repairs and Maintenance	207,937
Rentals & Leases	187,016
Printing and Reproduction	14,637
Claims and Judgments	241,424
Intergovernmental Payments	55,473,679
Public Assistance Payments	147,194,136
Other Expenditures	351,786
Capital Outlay	39,560
Total Expenditures	<u>217,667,204</u>
Excess of Revenues	
Over Expenditures	<u>2,651,716</u>
OTHER FINANCING SOURCES (USES)	
Transfers Out (Note 9)	(5,646,020)
Total Other Financing (Uses)	<u>(5,646,020)</u>
Net Change in Fund Balances	(2,994,304)
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances--Beginning	494,922,278
Appropriations (Lapsed)	(350,613)
Fund Balances - August 31	<u>\$ 491,577,361</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT IV (Continued)

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- GOVERNMENTAL FUND**

Year Ended August 31, 2016

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities.

	<u>Total</u>
Net Change in Fund Balances (Exhibit IV)	\$ (2,994,304)
Appropriations (Lapsed)	(350,613)
Changes in Fund Balances	<u>(3,344,917)</u>
Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to:	
- capital outlay expense	39,560
- depreciation expense	(59,209)
- payroll expense due to Compensable Leave	152,843
- addl pension expense related to GASB 68/71	745,283
Change in Net Position, August 31 (Exhibit II)	<u>\$ (2,466,440)</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V

STATEMENT OF NET POSITION - PROPRIETARY FUND

August 31, 2016

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3)	
Cash on Hand	\$ 200
Cash in Bank	329,443
Cash in State Treasury	1,394,658
Cash Equivalents	33,401,601
Restricted Assets:	
Cash and Cash Equivalents (Note 3)	
Cash in Bank	17,331,630
Cash Equivalents	159,403,999
Short-term Investments (Note 3)	7,236
Loans and Contracts	23,383,276
Interest Receivable	8,632,490
Receivable:	
Interest Receivable	38,254
Accounts Receivable	584,109
Consumable Inventories	4,387
Loans and Contracts	2,703,322
Other Current Assets	78,764
Total Current Assets	247,293,369
Non-Current Assets:	
Investments	1,809,256
Loans and Contracts	49,793,655
Capital Assets: (Note 2)	
Depreciable or Amortizable, Net	157,082
Restricted Assets:	
Investments (Note 3)	644,661,586
Loans and Contracts	998,197,532
Real Estate Owned, net	44,096
Total Non-Current Assets	1,694,663,207
Total Assets	\$ 1,941,956,576
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources (Note 16)	\$ 17,625,459
Total Deferred Outflows of Resources	\$ 17,625,459

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V (Continued)

STATEMENT OF NET POSITION - PROPRIETARY FUND

August 31, 2016

LIABILITIES

Current Liabilities

Payables:

Accounts Payable	\$	1,440,476
Accrued Bond Interest Payable		13,676,647
Interfund Payable (Note 9)		8,009
Unearned Revenues		6,238,776
Employees' Compensable Leave (Note 4)		796,615
Notes and Loans Payable (Note 4)		214,880
Revenue Bonds Payable (Notes 4 & 5)		27,896,818
Other Current Liabilities		408,013
Total Current Liabilities		<u>50,680,234</u>

Non-Current Liabilities

Employees' Compensable Leave (Note 4)		505,945
Notes and Loans Payable (Note 4)		45,490,181
Net Pension Liability (Note 8)		19,703,396
Revenue Bonds Payable (Note 4 & 5)		1,406,985,542
Derivative Hedging Instrument (Note 6)		15,095,971
Other Non-Current Liabilities (Note 4)		142,349,019
Total Non-Current Liabilities		<u>1,630,130,054</u>

Total Liabilities \$ 1,680,810,288

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources (Note 16) \$ 4,571,514

Total Deferred Inflows of Resources \$ 4,571,514

NET POSITION

Invested in Capital Assets		157,082
Restricted		217,016,529
Unrestricted		57,026,622

Total Net Position \$ 274,200,233

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND

For the fiscal year ended August 31, 2016

	Total
OPERATING REVENUES	
Interest and Investment Income	\$ 69,237,779
Net (Decrease) in Fair Value	(3,711,414)
Other Operating Revenues	26,244,298
Total Operating Revenues	<u>91,770,663</u>
OPERATING EXPENSES	
Salaries and Wages	10,291,805
Payroll Related Costs	2,700,459
Professional Fees and Services	2,384,509
Travel	244,018
Materials and Supplies	432,329
Communications and Utilities	160,991
Repairs and Maintenance	287,734
Rentals and Leases	83,695
Printing and Reproduction	98,924
Depreciation and Amortization	48,416
Interest	57,510,278
Bad Debt Expense	1,729,954
Down Payment Assistance	2,602,342
Other Operating Expenses	7,576,515
Total Operating Expenses	<u>86,151,969</u>
Operating Income	<u>5,618,694</u>
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Transfers In (Note 9)	2,567,288
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>2,567,288</u>
CHANGE IN NET POSITION	8,185,982
Net Position, September 1, 2015	<u>266,014,251</u>
NET POSITION, AUGUST 31, 2016	<u>\$ 274,200,233</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the fiscal year ended August 31, 2016

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	\$ 118,450,255
Proceeds from Other Revenues	45,256,239
Payments to Suppliers for Goods/Services	(64,646,515)
Payments to Employees	(13,419,127)
Payments for Loans Provided	<u>(12,545,390)</u>
Net Cash Provided by Operating Activities	<u>73,095,462</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Debt Issuance	194,841,500
Proceeds from Note Payable	45,740,000
Proceeds from Transfers from Other Funds	2,815,452
Payments of Principal on Debt Issuance	(251,885,342)
Payments of Interest	(59,327,055)
Payments for Other Cost of Debt	<u>(2,222,555)</u>
Net Cash (Used for) Noncapital Financing Activities	<u>(70,038,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Additions to Capital Assets	<u>(49,246)</u>
Net Cash (Used for) Capital Activities	<u>(49,246)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	166,145,307
Proceeds from Interest/Investment Income	31,340,610
Payments to Acquire Investments	<u>(123,435,509)</u>
Net Cash Provided By Investing Activities	<u>74,050,408</u>
Net Increase in Cash and Cash Equivalents	77,058,624
Cash and Cash Equivalents, September 1, 2015	<u>134,802,907</u>
Cash and Cash Equivalents, August 31, 2016	<u>\$ 211,861,531</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII (Continued)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the fiscal year ended August 31, 2016

	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 5,618,694
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	48,416
Pension Expense	195,903
Provision for Uncollectibles	1,729,954
Operating Income and Cash Flow Categories Classification Differences	(4,444,369)
Changes in Assets and Liabilities:	
Decrease in Receivables	224,160
Decrease in Accrued Interest Receivable	3,130,850
Decrease in Loans / Contracts	14,552,844
Decrease in Property Owned	157,986
Decrease in Other Assets	750,602
Increase in Payables	360,969
Increase in Unearned Revenues	137,526
(Decrease) in Accrued Interest Payable	(3,916,472)
Increase in Other Liabilities	54,548,399
Total Adjustments	<u>67,476,768</u>
Net Cash Provided by Operating Activities	<u>\$ 73,095,462</u>
NON CASH TRANSACTIONS	
Net Change in Fair Value of Investments for 2016 was \$(3,711,414)	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VIII
STATEMENT OF FIDUCIARY NET POSITION
As of August 31, 2016

AGENCY FUND	Total
ASSETS	
Current Assets:	
Restricted:	
Cash in State Treasury (Note 3)	\$ 357,026
Total Current Assets	<u>357,026</u>
Total Assets	<u><u>\$ 357,026</u></u>
LIABILITIES	
Current Liabilities:	
Funds Held for Others	\$ 357,026
Total Current Liabilities	<u>357,026</u>
Total Liabilities	<u><u>\$ 357,026</u></u>

**NOTES TO THE
FINANCIAL STATEMENTS**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Texas Department of Housing and Community Affairs (Department) is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

Effective September 1, 1991, the Department was created to assist local governments in helping residents overcome financial, social and environmental problems; to address very low to moderate income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the legislature in coordinating federal and state programs affecting local governments; and to continually inform the state and the public about the needs of local government (*Texas Government Code Ann., Chapter 2306*). The Department was created by merging two former agencies, the Texas Housing Agency and the Texas Department of Community Affairs.

The regulation of manufactured housing was transferred from the Texas Department of Licensing and Regulation to the Department on September 1, 1995. The Manufactured Housing Division is administratively attached to the Department and is responsible for issuing Statements of Ownership and Location, industry licensing, installation inspection, and consumer protection. The Manufactured Housing Division also serves as a State Administrative Agency, inspecting manufacturing plants on HUD's behalf. The Manufactured Housing Division has a governing Board of five members appointed by the Governor.

The Department is governed by a Board, composed of seven members, all of whom are appointed by the Governor with the advice and consent of the Texas Senate. The Board then appoints the Executive Director, with the approval of the Governor.

The accompanying financial statements of the Department have been prepared to conform to Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). These financial statements represent the financial status of the Department, and are not intended to present the financial position of the State of Texas or its results of operations or cash flows.

Component Units - No component units have been identified which should be included in the Department's financial statements.

FUND STRUCTURE

The Government-Wide Financial Statements are presented on the accrual basis of accounting and consist of the Statement of Net Position and the Statement of Activities. Program revenues include charges to customers who purchase, use or directly benefit from services or privileges provided by the Department and grants/contributions that are restricted to meeting the operational requirements of a particular program. The fiduciary activity is not included in the government-wide statements.

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

Governmental Fund

The Governmental Fund is the principal operating fund used to account for most of the Department's general activities. It accounts for all financial resources except those accounted for in other funds.

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Proprietary Fund Types

Enterprise Funds (Business-Type Activity)

Enterprise Funds account for operations financed and operated in a manner similar to private business. The intent is to recover costs through user charges and where a periodic determination of revenues earned, expenses incurred, and net income are appropriate for management control, accountability, contractual obligations and other purposes.

Fiduciary Fund Types

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The fiduciary activity is not included in the government-wide financial statements.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental funds are accounted for using the modified accrual basis of accounting. Under modified accrual, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The Department considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for the Fund Financial Statements prepared on the modified accrual basis of accounting. Expenditures and other uses of financial resources are recognized when the related liability is incurred except for certain long-term liabilities.

The Government-Wide Financial Statements are accounted for using the accrual method of accounting. This includes net pension liability, unpaid Employee Compensable leave, capital assets, and accumulated depreciation.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary Funds distinguish operating from non-operating items. Operating revenues result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Agency funds are custodial in nature and do not involve measurement of operations and provide the most appropriate mechanism for accounting for assets and liabilities.

The Department has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 as allowed by GASB Statement No. 20.

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

BUDGET AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). The state monitors its statewide budget by establishing the legal level of control at the agency level to ensure that expenditures are not made in excess of budgetary authority. Within the Department, procedures are used to ensure that expenditures do not exceed their total budget at the division level, but the State Comptroller ultimately ensures that each total authorized agency budget is not exceeded. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

ASSETS, LIABILITIES AND FUND BALANCES/NET POSITION

Assets

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement ("GASB") No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The Department utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. Fair value of the Department's securitized mortgage loans Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) has been established by each bond issue's trustee using a pricing service. In accordance with GASB No. 72, *Fair Value Measurement and Application*, the Department would be required to disclose the hierarchy within which the fair value measurement is categorized. The Department has concluded that its investments do not meet the definition of investments as prescribed by GASB No. 72 so this disclosure is not necessary in Note 3.

The Department has reported all investment securities at fair value as of August 31, 2016 with exception of some short-term money market investments and nonparticipating interest-earning investment contracts which are reported at amortized cost provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Changes in the fair value of investments for the Enterprise Fund are reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Fund as "Net Increase (Decrease) in the Fair Value." These investments are held and pledged per bond covenants and are intended to be held until maturity. The sale of these assets is considered to be incidental to the Department's course of business and any gain/loss on the sale is reported as "Net Increase (Decrease) in the Fair Value."

Restricted Net Position

Restricted Net Position includes monies or other resources restricted by legal or contractual requirements. These assets in the General Fund include federal grants which are restricted by the grantor for specific program purposes. The Proprietary Fund includes certain assets pledged to respective bond indentures, the use of which is restricted by those same bond covenants.

Consumable Inventories

Consumable inventories consist of postage on hand at year-end. Inventories for governmental fund types and proprietary fund types are accounted for using the consumption method of accounting. The cost of these items is expensed when the items are consumed.

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Capital Assets

Assets with an initial, individual cost meeting the thresholds established by the Comptroller's Office and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if donated, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset (5 years for both Furniture & Equipment and Other Capital Assets) using the straight-line method. All capital assets acquired by proprietary funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the donation date. Depreciation is charged to operations over the estimated useful life of each asset using the straight-line method.

Loans and Contracts

Loans and contracts consist of loans in the Governmental Fund made from federal funds for the purpose of Single Family loans and Multifamily development loans from HOME, Tax Credit Assistance Program (TCAP) and Neighborhood Stabilization Program (NSP) grants. Restricted loans and contracts in proprietary funds consist of mortgage loans made from Single Family and Multifamily bond proceeds. Unrestricted loans and contracts consist of Single Family loans and Multifamily development loans from the Housing Trust Fund and other Housing Initiative Programs. Loans receivable are carried at the unpaid principal balance outstanding, net of the allowance for estimated losses. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when they are past due 90 days as to either principal or interest or when payment in full of principal and interest is not expected.

Real Estate Owned

Real estate owned are properties acquired through foreclosure that are carried at the unpaid principal balance on the related property plus accrued interest and reimbursable expenses through the date of foreclosure, less any sales proceeds, reimbursements received from mortgage insurers and an allowance for estimated losses on such properties, which approximates the net realizable value of the property at foreclosure. Loans secured by Single Family properties on which there is an indication that the borrower no longer has the ability to repay the loan and that foreclosure is likely are considered in-substance foreclosures and are classified as real estate owned in the accompanying balance sheet. Interest on real estate owned is credited to income as earned based on a calculation of interest recoverable in accordance with the Department's agreements with its mortgage insurers.

Allowance for Estimated Losses on Loans and Foreclosed Properties

The allowance for estimated losses on loans is calculated for future charge-offs on Single Family and Multifamily loans. The allowance for estimated losses on real estate owned is calculated for future charge-offs on foreclosed Single Family loans.

All losses are charged to the allowance when the loss actually occurs or when a determination is made that a loss is likely to occur. Periodically, management estimates the level of future losses to determine whether the allowances for estimated losses are adequate to absorb anticipated losses in the existing loan and real estate owned portfolios. Based on these estimates, a provision for estimated losses on loans and real estate owned is credited to the allowances in order to adjust the allowances to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan and real estate owned portfolios, future additions may be necessary based on changes in economic conditions. However, it is the judgment of management that allowances are currently adequate to absorb reasonably foreseeable losses in the existing loan and real estate owned portfolios.

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Deferred Outflows of Resources

Deferred Outflows of Resources

The Department identified its derivative instruments and measured their effectiveness in accordance with Governmental Accounting Standards Board Statement (“GASB”) No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Department contracted a service provider to measure its derivative effectiveness. Since the derivative instruments were deemed to be effective, the Department will be deferring the changes in fair value for these derivatives and reporting them as deferred outflow of resources.

The Department has also implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Department will be reporting its allocated contributions as of the measurement date of August 31, 2015, contributions after the measurement date for fiscal year 2016, and the effect of changes in actuarial assumptions as deferred outflow of resources.

Liabilities

Accounts Payable

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Other Current Liabilities

Other current liabilities primarily consist of escrow fees and arbitrage rebate liability.

Unearned Revenues

Unearned Revenues in the proprietary fund represent fees such as compliance fees that are received in advance of work performed and are recognized over a period of time. Unearned Revenues in the governmental fund represent federal revenues that have not been earned but are available at fiscal year-end in the amount that revenues exceed expenditures.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes “due” upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net position.

Net Pension Liability

The Department has implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*. The Department has relied on reports issued by the Employees Retirement System of Texas who is the administrator of the plan. The Department has reported its proportionate share of the pension liability according to their report.

Bonds Payable – Revenue Bonds

Revenue bonds are accounted for in the proprietary funds. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the statement of net position.

Notes Payable

The Department issues notes to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing. These notes are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the notes.

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Discounts and Premiums on Debt

Discounts and premiums on debt are recognized using the interest method over the lives of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of discounts and premiums related to that debt.

Derivative Hedging Instruments

Per GASB Statement No. 72, the Department is to recognize its interest rate swaps at fair value taking into account non-performance risk on the Statement of Net Position. As of August 31, 2016, the fair value of the Department's four swaps is considered to be negative indicating the Department would be obligated to pay the counterparty the fair value as of the termination date. The Department has the option to terminate prior to the maturity date.

Other Non-current Liabilities

Other non-current liabilities primarily account for funds due to Developers as a result of Multifamily bond proceeds. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the developers' fluctuation in cash flow needs, the current portion cannot be reasonably estimated.

Deferred Inflows of Resources

The Department has implemented GASB No. 68. It will be reporting the difference between expected and actual experience and the difference between projected and actual investment return as deferred inflows of resources.

Fund Balance/Net Position

Fund Balance/Net Position – "Net position" is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources on the government-wide, proprietary and fiduciary fund statements. "Fund balance" is the difference between fund assets and liabilities on the governmental fund statements.

Fund Balance Components

The fund balance amounts for governmental funds were reclassified in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable Fund Balance

Includes amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to be maintained intact.

Restricted Fund Balance

Includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Texas Legislature, the state's highest level of decision-making authority.

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Assigned Fund Balance

Includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance

This is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the general fund.

Net Position Components

Invested in Capital Assets

Includes amounts for capital assets net of accumulated depreciation. There is no debt associated with these capital assets.

Restricted Net Position

Includes amounts restricted through bond covenants.

Unrestricted Net Position

Includes amounts that do not fall under the Invested in Capital Assets or Restricted Net Position categories. When both restricted and unrestricted resources are available for use, restricted resources are used first, then unrestricted resources are used as they are needed.

Interfund Transactions and Balances

Interfund Receivables and Payables

Interfund transactions are reported as interfund receivables and payables at year end. If repayment is due during the current year or soon thereafter, the balance is classified as "current." Balances for repayment due in two (or more) years are classified as "noncurrent."

Due From and Due To Other Agencies

Represents amounts that must be repaid by other agencies or advances from other agencies.

Transfers

Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 2: CAPITAL ASSETS - A summary of changes in Capital Assets for year ended August 31, 2016 is below:

	PRIMARY GOVERNMENT				
	Balance 09/01/15	Adjustments	Additions	Deletions	Balance 08/31/16
GOVERNMENTAL ACTIVITIES					
Depreciable Assets					
Furniture and Equipment	\$ 633,763	\$ -	\$ 39,560	\$ (11,974)	\$ 661,349
Other Capital Assets	130,964				130,964
Total Depreciable Assets	\$ 764,727	\$ -	\$ 39,560	\$ (11,974)	\$ 792,313
Less Accumulated Depreciation for:					
Furniture and Equipment	\$ (440,322)		\$ (59,209)	\$ 11,974	\$ (487,557)
Other Capital Assets	(130,964)				(130,964)
Total Accumulated Depreciation	(571,286)	-	(59,209)	11,974	(618,521)
Depreciable Assets, Net	\$ 193,441	\$ -	\$ (19,649)	\$ -	\$ 173,792
Amortizable Assets - Intangible					
Computer Software	\$ 1,307,012	\$ -	\$ -	\$ -	\$ 1,307,012
Total Amortizable Assets - Intangible	\$ 1,307,012	\$ -	\$ -	\$ -	\$ 1,307,012
Less Accumulated Amortization for:					
Computer Software	\$ (1,307,012)	\$ -	\$ -	\$ -	\$ (1,307,012)
Total Accumulated Amortization	(1,307,012)	-	-	-	(1,307,012)
Amortizable Assets - Intangible, Net	\$ -	\$ -	\$ -	\$ -	\$ -
Governmental Activities Capital Assets, Net	\$ 193,441	\$ -	\$ (19,649)	\$ -	\$ 173,792

	PRIMARY GOVERNMENT				
	Balance 09/01/15	Adjustments	Additions	Deletions	Balance 08/31/16
BUSINESS-TYPE ACTIVITIES					
Depreciable Assets					
Furniture and Equipment	\$ 550,021	\$ -	\$ 49,246	\$ (1,778)	\$ 597,489
Other Capital Assets	132,279				132,279
Total Depreciable Assets	\$ 682,300	\$ -	\$ 49,246	\$ (1,778)	\$ 729,768
Less Accumulated Depreciation for:					
Furniture and Equipment	\$ (393,769)	\$ -	\$ (48,416)	\$ 1,778	\$ (440,407)
Other Capital Assets	(132,279)				(132,279)
Total Accumulated Depreciation	(526,048)	-	(48,416)	1,778	(572,686)
Depreciable Assets, Net	\$ 156,252	\$ -	\$ 830	\$ -	\$ 157,082
Amortizable Assets - Intangible					
Computer Software	\$ 679,785	\$ -	\$ -	\$ -	\$ 679,785
Total Amortizable Assets - Intangible	\$ 679,785	\$ -	\$ -	\$ -	\$ 679,785
Less Accumulated Amortization for:					
Computer Software	\$ (679,785)	\$ -	\$ -	\$ -	\$ (679,785)
Total Accumulated Amortization	(679,785)	-	-	-	(679,785)
Amortizable Assets - Intangible, Net	\$ -	\$ -	\$ -	\$ -	\$ -
Business-Type Activities Capital Assets, Net	\$ 156,252	\$ -	\$ 830	\$ -	\$ 157,082

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

The Department is authorized by statute to make investments following the “prudent person rule” and based upon provisions within the master bond indentures and its Investment Policy adopted by the Board in accordance with the Public Funds Investment Act. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

As of August 31, 2016, the carrying amount of deposits was \$17,681,073.

Governmental and Business-Type Activities	
CASH IN BANK - CARRYING VALUE	\$ 17,681,073
Governmental Funds Current Assets Cash in Bank	\$ 20,000
Texas Treasury Safekeeping Trust	329,443
Texas Treasury Safekeeping Trust - Restricted	2,627,689
Demand Deposits	14,703,941
Cash in Bank	\$ 17,681,073

At August 31, 2016, the Department’s cash and deposits in the State Treasury amounted to \$26,882,382 which included \$357,026 in Fiduciary Funds. The total amount was fully collateralized by securities held with a trustee in the State’s name, as reported to the Department by the Comptroller of Public Accounts of the State of Texas.

Investments

The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures and the Department’s Investment Policy adopted by its Board in accordance with the Public Funds Investment Act. The indentures allow for investments in direct obligations of or guaranteed by the U.S. Government; obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by agencies or intermediaries of the U.S. Government; obligations issued by public agencies or municipalities; obligations and general obligations of or guaranteed by the state; demand deposits, interest-bearing time deposits or certificates of deposit; repurchase agreements in U.S. Government securities; direct or general obligations of any state within the territorial U.S.; investment agreements with any bank or financial institution; and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

The Department holds \$98,560,444 in overnight repurchase agreements maturing on the following business day, September 1, 2016, at a rate of .27%.

At August 31, 2016, the fair value of investments (including both short-term and long-term) and cash equivalents are shown below.

Business Type Activities	Carrying Value	Fair Value
U.S. Government Agency Obligations	\$ 562,257,016	\$ 615,065,541
U.S. Treasury Bills	14,829,103	14,829,103
Repurchase Agreements (TTSTC)	98,560,444	98,560,444
Fixed Income Money Markets	79,416,053	79,416,053
Misc (Investment Agreements/GICs)	31,412,537	31,412,537
Total	\$ 786,475,153	\$ 839,283,678

NOTES TO THE FINANCIAL STATEMENTS
 For the fiscal year ended August 31, 2016

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Preservation and safety of principal is the foremost objective of the investment program. According to the Department's investment policy, investments should be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is mitigated by

- Limiting investments to the safest types of securities.
- Pre-qualifying the financial institution, broker/dealers, intermediaries, and advisors with which the Department will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of August 31, 2016, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Investment Type	Not Rated	AAA	AA+
U.S. Government Agency Obligations			\$85,030,745
U.S. Treasury Bills			\$14,829,103
Repurchase Agreements (TTSTC)	\$98,560,444		
Misc (Investment Agreements/GICs)	\$31,412,537		
	Not Rated	AAA-M	AA-M
Fixed Income Money Market		\$79,416,053	

Repurchase Agreements, while not rated, are required to be over collateralized such that they meet the requirements set-forth in the various indentures.

A total of \$530,034,796 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. Government which is composed of U.S. Government Agency obligations issued by the Government National Mortgage Association.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2016, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value	% of Total Portfolio
Greenwich	\$98,560,444	11.74%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. The longer the maturity of an investment will result in greater sensitivity of its fair value to changes in the market interest rates. The Department's investment policy allows for the mitigation of interest rate risk 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.
- Investing operating funds primarily in shorter-term securities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

Information about the sensitivity of the fair values of the Department's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Department's investments by maturity:

Remaining Maturity (in months)

Business Type Activities	Fair Value	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
U.S. Government Agency Obligations	\$ 615,065,541	\$ 7,236	\$ 49,010	\$ 941,443	\$ 614,067,852
U.S. Treasury Bills	14,829,103	14,829,103			
Repurchase Agreements (TTSTC)	98,560,444	98,560,444			
Fixed Income Money Markets	79,416,053	79,416,053			
Misc (Investment Agreements/GICs)	31,412,537				31,412,537
Total	\$ 839,283,678	\$ 192,812,836	\$ 49,010	\$ 941,443	\$ 645,480,389

Highly Sensitive Investments

Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. However, in recent years the Department has sold some of these investments at a premium and used the realized gain to fund Down Payment Assistance loans in connection with the Single Family, First-Time Homebuyer Program. Any other fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2016, the Department holds \$615,065,541 in mortgage backed securities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 4: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2016, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/2015	Additions	Reductions	Balance 08/31/2016	Amounts Due Within One Year
Compensable Leave	\$ 932,989	589,045	741,888	\$ 780,146	\$ 465,632
Total Governmental Activities	\$ 932,989	589,045	741,888	\$ 780,146	\$ 465,632

Business-Type Activities	Balance 09/01/2015	Additions	Reductions	Balance 08/31/2016	Amounts Due Within One Year
Revenue Bonds Payable	\$ 1,535,610,858	194,841,500	295,569,998	\$ 1,434,882,360	\$ 27,896,818
Notes Payable	-	45,740,000	34,939	45,705,061	214,880
Compensable Leave	968,324	966,359	632,123	1,302,560	796,615
Total Business-Type Activities	\$ 1,536,579,182	241,547,859	296,237,060	\$ 1,481,889,981	\$ 28,908,313

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Position. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Revenue Bonds Payable

The Department issues bonds to assist in financing the purchase of homes or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (See Note 5 for more information.) The \$295,569,998 in reductions is inclusive of \$1,657,185 in amortization of bond premium/discount and the \$194,841,500 in additions is inclusive of \$231,500 as a result of multifamily bonds issued at a premium.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 4: SUMMARY OF LONG TERM LIABILITIES Cont'd

Notes Payable

The Department issues notes to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing. These notes are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the notes.

Texas Department of Housing and Community Affairs			
Notes Payable Debt Service Requirements			
Business-Type Activities			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 214,880	\$ 1,473,793	\$ 1,688,673
2018	224,147	1,487,321	1,711,468
2019	233,815	1,477,950	1,711,765
2020	243,899	1,470,410	1,714,309
2021	254,419	1,457,980	1,712,399
2022-26	1,446,465	7,123,120	8,569,585
2027-31	1,786,487	6,793,549	8,580,036
2032-36	12,300,949	4,979,370	17,280,319
2037-41	29,000,000	473,604	29,473,604
Totals	\$ 45,705,061	\$ 26,737,097	\$ 72,442,158

Other Non-Current Liabilities

Other non-current liabilities in the Enterprise Fund are compromised primarily of funds due to developers as a result of Multifamily bond proceeds which have corresponding investment balances not adjusted to market value in the amount of \$142,348,859. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 5: BONDED INDEBTEDNESS

The Department has 99 bond issues outstanding at August 31, 2016. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State’s General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 1-A, 1-B, 1-C, 1-D, 1-E, and 1-F)

Proceeds from the issuance of bonds under the Single Family indenture prior to 1987 and Residential Mortgage Revenue Bonds (RMRB) Series 1987A Programs were used to acquire loans. Proceeds from Collateralized Home Mortgage Revenue Bond (CHMRB) and the remaining Single Family and RMRB programs were used to acquire pass-through certificates (GNMA, FNMA, FHLMC) backed by mortgage loans. Proceeds from the remaining Multifamily bond issues were used to finance mortgage loans.

Interest on bonds and collateralized mortgage obligations is payable periodically.

The Single Family, RMRB and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily Single Family mortgage loans, mortgage-backed securities and investments. The Multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The trust indentures contain positive and negative covenants. Events of default include the following: failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the Trustee; and non-performance or non-observance of any other covenants, agreements or conditions contained in the indentures. Management believes they are in compliance with the covenants of the indentures.

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage backed securities mature or prepay. Bond contractual maturities (principal only) at August 31, 2016, are as follows (in thousands):

Description	2017	2018	2019	2020	2021	2022 to 2026	2027 to 2031
Single-family	\$ 385	\$ 3,660	\$ 430	\$ 430	\$ 445	\$ 22,745	\$ 29,900
RMRB	4,655	4,990	4,820	5,190	5,330	29,290	32,960
CHMRB						1,700	
Multifamily	<u>22,772</u>	<u>35,421</u>	<u>9,441</u>	<u>10,014</u>	<u>10,665</u>	<u>88,572</u>	<u>107,305</u>
Total	<u>\$ 27,812</u>	<u>\$ 44,071</u>	<u>\$ 14,691</u>	<u>\$ 15,634</u>	<u>\$ 16,440</u>	<u>\$ 142,307</u>	<u>\$ 170,165</u>
Description	2032 to 2036	2037 to 2041	2042 to 2046	2047 to 2051	2052 to 2056	2057 to 2061	Total
Single-family	\$ 108,875	\$ 120,390	\$ 49,890	\$	\$	\$	\$ 337,150
RMRB	40,910	54,465					182,610
CHMRB							1,700
Multifamily	<u>165,003</u>	<u>319,448</u>	<u>115,643</u>	<u>21,988</u>	<u>5,993</u>		<u>912,265</u>
Total	<u>\$ 314,788</u>	<u>\$ 494,303</u>	<u>\$ 165,533</u>	<u>\$ 21,988</u>	<u>\$ 5,993</u>	<u>\$</u>	<u>\$ 1,433,725</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 5: BONDED INDEBTEDNESS Cont'd

Interest requirements on variable rate debt are calculated using the interest rate in effect at August 31, 2016. Interest rates on variable rate debt reset on a weekly basis by the remarketing agent.

The interest payment requirements at August 31, 2016, are as follows (in thousands):

Description	2017	2018	2019	2020	2021	2022 to 2026	2027 to 2031
Single-family	\$ 7,597	\$ 7,677	\$ 7,643	\$ 7,623	\$ 7,598	\$ 37,341	\$ 35,889
RMRB	6,676	6,526	6,353	6,170	5,960	26,109	19,008
CHMRB	112	124	112	112	124	336	
Multifamily	<u>37,432</u>	<u>36,873</u>	<u>36,148</u>	<u>35,579</u>	<u>34,966</u>	<u>163,696</u>	<u>133,009</u>
Total	<u>\$ 51,817</u>	<u>\$ 51,200</u>	<u>\$ 50,256</u>	<u>\$ 49,484</u>	<u>\$ 48,648</u>	<u>\$ 227,482</u>	<u>\$ 187,906</u>
Description	2032 to 2036	2037 to 2041	2042 to 2046	2047 to 2051	2052 to 2056	2057 to 2061	Total
Single-family	\$ 32,702	\$ 18,105	\$ 7,602	\$	\$	\$	\$ 169,777
RMRB	12,120	4,540					93,462
CHMRB							920
Multifamily	<u>101,319</u>	<u>54,112</u>	<u>17,220</u>	<u>3,011</u>	<u>639</u>		<u>654,004</u>
Total	<u>\$ 146,141</u>	<u>\$ 76,757</u>	<u>\$ 24,822</u>	<u>\$ 3,011</u>	<u>\$ 639</u>	<u>\$</u>	<u>\$ 918,163</u>

Changes in Bonds Payable

Description	Bonds Outstanding 09/01/15	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/16	Amounts Due Within One Year
Single Family	\$ 347,390,000	\$ 144,940,000	\$ 3,055,000	\$ 152,125,000	\$ 337,150,000	\$ 385,000
RMRB	217,685,000		4,700,000	30,375,000	182,610,000	4,730,509
CHMRB	2,600,000			900,000	1,700,000	2,276
Multifamily	<u>965,352,798</u>	<u>49,670,000</u>	<u>8,044,834</u>	<u>94,712,979.00</u>	<u>912,264,985</u>	<u>22,779,033</u>
Total Principal	<u>\$ 1,533,027,798</u>	<u>\$ 194,610,000</u>	<u>\$ 15,799,834</u>	<u>\$ 278,112,979</u>	<u>\$ 1,433,724,985</u>	<u>\$ 27,896,818</u>
Unamortized Premium	<u>2,583,060</u>				<u>1,157,375</u>	
Total	<u>\$ 1,535,610,858</u>				<u>\$ 1,434,882,360</u>	

NOTES TO THE FINANCIAL STATEMENTS
 For the fiscal year ended August 31, 2016

NOTE 5: BONDED INDEBTEDNESS Cont'd

Demand Bonds

The Department currently holds six single family bond series in the amount \$141,560,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities which are pools of first time homebuyer loans. These bond series have the following terms.

Demand Bonds - Standby Purchase Agreements					
Single Family Bond Series	Remarketing Agent	Liquidity Provider	Commitment Fee Rate	Outstanding Variable Rate Demand Bonds as of 8/31/16	Liquidity Facility Expiration Date
2007A	JP Morgan	Comptroller of Public Accounts	0.12%	\$ 38,405,000	8/31/2017
2005A	JP Morgan	Comptroller of Public Accounts	0.12%	31,130,000	8/31/2017
2004D	Piper Jaffray	Comptroller of Public Accounts	0.12%	25,700,000	8/31/2017
2004B	JP Morgan	Comptroller of Public Accounts	0.12%	39,380,000	8/31/2017
2005C	JP Morgan	Comptroller of Public Accounts	0.12%	3,090,000	8/31/2017
2004A Jr. Lien	JP Morgan	Comptroller of Public Accounts	0.12%	3,855,000	8/31/2017
Total Demand Bonds				\$ 141,560,000	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). The liquidity agreement is subject to renewal on an ongoing basis. The Department shall use its best effort to cause the bonds to be purchased from the liquidity facility as soon as possible. The purchased bonds are not subject to term out provisions. For fiscal year 2016, the Trustee did not draw from the liquidity provider, Comptroller of Public Accounts, related to the Department's demand bonds.

Federal Arbitrage Regulations

In accordance with Federal law, the Department is required to rebate to the Internal Revenue Service (IRS) the excess of the amount derived from investing the bond proceeds over the amount that would have been earned if those investments had a rate equal to the yield on the bond issue. As of August 31, 2016, the Bond Program had no liabilities to the IRS or reported in the Statement of Net Position.

Pledged and Other Sources

GASB Statement No. 48 requires the following disclosures for "specific revenues that have been formally committed to directly collateralize or secure debt of the Department." The following table summarizes by indenture, pledged and other sources and related expenditures for the Department's revenue bonds. A detail schedule of each bond issue is included in Schedule 1-D.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 5: BONDED INDEBTEDNESS Cont'd

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2016						Pledged Revenue for Future Debt Service	Terms of Commitment Year Ending August 31,	Percentage of Revenue Pledged
	Net Available for Debt Service		Debt Service						
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest					
Total Single Family Bonds	\$ 169,658,121	\$ 2,716,623	\$ 3,055,000	\$ 12,232,010	\$ 506,925,648	2046	100%		
Total Residential Mtg Revenue Bonds	38,379,888	252,155	4,700,000	7,289,920	276,071,307	2041	100%		
Total 1992 CHMRB	1,151,133	701		155,857	2,621,324	2024	100%		
Total Multifamily Bonds	133,327,054		8,044,834	38,615,467	1,566,269,555	2054	100%		
Total	\$ 342,516,196	\$ 2,969,479	\$ 15,799,834	\$ 58,293,254	\$ 2,351,887,834				

Current Refunding

On October 29, 2015, the Department issued Series 2015 A & B Single Family Revenue Bonds. Series 2015 A for \$33,825,000 was issued for the primary purpose of refunding and redeeming the Single Family Mortgage Revenue Bonds Series 2006H. Refunding the 2006H Bonds will allow the Department to reduce its outstanding variable rate debt, terminate the related liquidity facility, and terminate the 2006H Swap. This refunding transaction resulted in a deferred amount of \$405,254 which represented the termination fee and fair value of the interest rate swap hedging the variable rate debt. During the current period, \$405,254 of the deferral amount has been recognized as period bond interest expense. This transaction also gave rise to a \$16,046,131 economic loss and a cash flow loss of \$24,735,357.

On February 24, 2016, the Department issued Series 2016 A & B Single Family Revenue Bonds. Series 2016 B for \$59,735,000 was issued for the primary purpose of refunding and redeeming the Single Family Mortgage Revenue Bonds Series 2006ABCDE. This transaction also gave rise to a \$16,175,194 economic gain and a cash flow gain of \$15,136,636.

NOTE 6: DERIVATIVE INSTRUMENTS

Variable to Fixed Interest Rate Swap

Objective

In order to hedge against increases in interest rates on variable rate demand bond issues, the Department has entered into four interest rate swap agreements with the objective of reducing the interest rate risk of certain variable rate demand bonds. The variable rate demand bonds were issued at an expected lower total interest cost than attainable through traditional fixed rate bond structures. The Department has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Department makes periodic fixed interest rate payments in exchange for receiving variable rate payments that are expected to be comparable to the rates payable on the variable rate demand bonds. The swap notional amounts amortize in accordance with the scheduled and/or anticipated reductions in the related variable rate demand bond liability. The Department is potentially exposed to loss in the event of nonperformance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

Each swap agreement includes optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date.

Summary

The fair value balances and notional amounts of derivative instruments outstanding as of August 31, 2016, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2016 financial statements are as follows.

Business Type Activities		Changes in Fair Value		Fair Value at August 31, 2016		Notional
Cash Flow Hedges	Bond Issue	Classification	Amount	Classification	Amount	
Pay-fixed, receive-variable interest rate swap	2004B	Deferred outflow of resources	\$ 383,594	Debt	\$ (2,874,866)	\$ 33,530,000
Pay-fixed, receive-variable interest rate swap	2004D	Deferred outflow of resources	89,725	Debt	(1,645,410)	25,700,000
Pay-fixed, receive-variable interest rate swap	2005A	Deferred outflow of resources	(39,722)	Debt	(5,276,164)	31,130,000
Pay-fixed, receive-variable interest rate swap	2006H	Deferred outflow of resources	582,595	Debt		
Pay-fixed, receive-variable interest rate swap	2007A	Deferred outflow of resources	797,560	Debt	(5,299,531)	38,405,000
			<u>\$ 1,813,752</u>		<u>\$ (15,095,971)</u>	<u>\$ 128,765,000</u>

Terms and Fair Value

The terms, including the fair value of the outstanding swaps as of August 31, 2016 are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
Bank of New York Mellon	\$ 33,530,000	\$ (2,874,866)	3/1/2014	3.67%	65.5% of LIBOR + .20%	9/1/34 (a)
Goldman Sachs Bank USA	25,700,000	(1,645,410)	1/1/2005	3.08%	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	3/1/35 (b)
JP Morgan Chase Bank	31,130,000	(5,276,164)	8/1/2005	4.01%	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	9/1/36 (c)
JP Morgan Chase Bank	38,405,000	(5,299,531)	6/5/2007	4.01%	Less of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR	9/1/38 (c)
Total	\$ 128,765,000	\$ (15,095,971)				

- Swap Agreement has an optional early par termination date of September 1, 2015 and every March and September thereafter. The Swap Agreement has 100% optional par termination rights on or after September 1, 2021.
- Swap Agreement has an optional early par termination date of March 1, 2015 and every March and September thereafter. The Swap Agreement has 100% optional par termination rights on or after September 1, 2021.
- Swap Agreement is subject to mandatory early termination date each March 1 and September 1 from mortgage loan repayments.

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

During the year ended August 31, 2016, the Department adopted GASB Statement No. 72 – Fair Value Measurement and Application, which addresses accounting and financial reporting issues related to fair value measurements. In accordance to GASB 72, the fair value of these derivative instruments was measured using the Income Approach. Using observable inputs of interest rate markets and municipal bond yields, the fair value measurement is based on the present value of future implied cash flows reflective of non-performance risk. The fair value hierarchy disclosure is as follows:

Derivative Instruments	Total	Input Level 1	Input Level 2	Input Level 3
Pay-fixed, receive-variable interest rate swap	\$ (15,095,971)		\$ (15,095,971)	
Total	\$ (15,095,971)		\$ (15,095,971)	

- Level 1- Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in the pricing asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Credit Risk

As of August 31, 2016, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps currently have a negative fair value indicating an obligation for the Department to pay the counterparty as opposed to receive payments should the Department exercise it’s optional right to terminate. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral provisions. The schedule payments under the 2004 Series B Swap Agreement are insured by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.). The credit ratings for the counterparties are as follows.

Counterparty	Standard & Poor's	Moody's
Bank of New York Mellon	AA-/Stable	Aa2/Stable
Goldman Sachs Bank USA*	A/Review Upgrade	A1/Stable
JP Morgan Chase Bank	A+/Stable	Aa3/Stable

* Guaranteed by Goldman Sachs Group, Inc.

Basis Risk

The Department’s variable-rate bond coupon payments are related to the Securities Industry and Financial Markets Association (“SIFMA”) rate. The swap agreements designate a function of London Interbank Offered Rate (“LIBOR”) as the rate for payments received on these swaps. The Department will be exposed to basis risk should LIBOR and SIFMA rates converge. The swap agreements provide an option to terminate as stated in the Terms and Fair Value table on previous page.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

Rollover Risk

Rollover risk is the risk that arises when a derivative associated with a government's variable-rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative. The Department is not exposed to rollover risk on swap agreements because the variable rate debt has been structured to decline with the swap notional balances. The counterparties in the swap agreements have limited rights to terminate the swap. They can terminate only if the Department were to be downgraded below investment grade or default on any swap payments. The swap providers cannot unilaterally terminate any of the swaps subjecting the Department to rollover risk.

The Department has retained par optional termination rights which are listed below. The par optional termination rights are intended to keep the notional amount in line with bonds outstanding to the extent the Department receives prepayments.

Associated Debt Issuance	Debt Maturity Date	Swap Termination Date
2004B Single Family	September 2034	Optional early par termination rights beginning September 2015, with 100% par termination rights in September 2021.
2004D Single Family	March 2035	Optional early par termination rights beginning March 2015, with 100% par termination rights in September 2021.
2005A Single Family	September 2036	Mandatory par termination each March 1 and September 1 from mortgage loan repayments.
2007A Single Family	September 2038	Mandatory par termination each March 1 and September 1 from mortgage loan repayments.

Swap Payments and Associated Debt

Using rates as of August 31, 2016, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

Fiscal Year Ending August 31	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2017	\$ -	\$ 719,353	\$ 3,957,094	\$ 4,676,447
2018		874,718	3,957,094	4,831,812
2019		874,718	3,957,094	4,831,812
2020		876,721	3,957,094	4,833,815
2021		872,714	3,957,094	4,829,808
2022-2026	20,125,000	4,089,238	19,133,884	43,348,122
2027-2031	26,780,000	3,369,564	16,277,490	46,427,054
2032-2036	72,305,000	1,764,286	8,466,143	82,535,429
2037-2041	15,405,000	108,250	690,107	16,203,357
	\$ 134,615,000	\$ 13,549,562	\$ 64,353,094	\$ 212,517,656

Netting Arrangements The Department's swap agreements allow for netting arrangements. On each payment date, September 1 and March 1, the party with the lesser obligation will be automatically satisfied and discharged and, the obligation of the party with the greater obligation will become the excess of the larger aggregate amount over the smaller aggregate amount. As of August 31, 2016, the Department has an aggregate liability related to the interest rate swaps in the amount of \$2,102,880 payable on September 1, 2016.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 7: LEASES

Operating Leases

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations: \$150,130 for Governmental activities (01, 0001 & 0127) and \$53,562 for Enterprise Fund (05, 0896).

The Department’s operating lease for office space located at 1106 Clayton Lane, Austin, Texas expires on September 30, 2020. The Department’s operating leases for Toshiba copiers expires on August 31, 2017 and August 31, 2019. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are:

Year Ended August 31	Governmental Activities	Business-Type Activities	Total
2017 (Future Year 1)	\$ 140,711	\$ 64,075	\$ 204,786
2018 (Future Year 2)	123,801	36,525	160,326
2019 (Future Year 3)	123,801	36,525	160,326
2020 (Future Year 4)	119,830	30,062	149,892
2021 (Future Year 5)	9,986	2,505	12,491
Total Minimum Future Lease Rental Payments	\$ 518,129	\$ 169,692	\$ 687,821

NOTE 8: PENSION PLANS – DEPARTMENT’S NOTE DISCLOSURE – ERS PLAN

The state of Texas has three retirement systems in its financial reporting entity – Employees Retirement System (“ERS”), Teacher Retirement System (“TRS”), and Texas Emergency Services Retirement System (“TESRS”). These three retirement systems administer the following six defined benefit pension plans:

- ERS – the Employees Retirement System of Texas Plan (“ERS Plan”), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (“LECOS”), the Judicial Retirement System of Texas Plan One (“JRS 1”) and Judicial Retirement System of Texas Plan Two (“JRS2”).
- TRS – the Teacher Retirement System of Texas plan (“TRS Plan”).
- TESRS – the Texas Emergency Services Retirement System plan.

ERS, LECOS, JRS2, TRS, and TESRS plans are administered through trust; JRS1 plan is on a pay-as-you-go basis.

ERS plan

The Board of Trustees of ERS is the administrator of four pension plans that provide a standard monthly benefit in a life annuity at retirement and death and disability benefits for members. In addition to the state of Texas, the employers of the ERS plan include various component units of the state. ERS and the Texas Treasury Safekeeping Trust company, which are blended component units, and the State Bar of Texas, which is a discrete component unit, are also employers of the ERS plan. The ERS Plan is considered a single employer defined benefit plan under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The ERS plan covers members in employee and elected classes. Employee class includes employees and appointed officers of the agencies of the State of Texas except those who are included in the coverage of TRS, JRS 1 and JRS2. Elected class includes elected state officials not included in the coverage of JRS1 and JRS2, and members

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 8: PENSION PLANS – DEPARTMENT’S NOTE DISCLOSURE – ERS PLAN Cont’d

of the Legislature and district and criminal district attorneys. The benefit and contribution provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. The monthly benefit may vary by membership class.

The monthly standard annuity of the employee class is determined by a statutory percentage of 2.3 percent of a member’s average monthly compensation multiplied by number of years of service credit. The average monthly compensation of the employee class may vary depending on the hire date. For members hired on or before August 31, 2009, the average monthly compensation is the average of the highest 36 months of compensation. For members hired on or after Sept. 1, 2009 and before Sept. 1, 2013, the average monthly compensation is the average of the highest 48 months of compensation. For members hired on or after Sept. 1, 2013, the average monthly compensation is the average of highest 60 months of compensation.

The monthly standard annuity of the elected class equals the statutory percentage of 2.3 percent of the current state salary of a district judge multiplied by the number of years of service credit. Retirement benefits are automatically adjusted as state judicial salaries change.

The ERS plan’s membership as of the measurement date of Aug. 31, 2015 is presented in the table below:

Employees Retirement	
Retirees and Beneficiaries Currently Receiving Benefits	100,003
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	101,122
Vested and Non-Vested	142,409
Total Members	343,534

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2015 are presented in the table below:

Required Contribution Rates						
	Employer			Members		
		Elected	Elected		Elected	Elected
Plan	Employee Class – Class	Legislators	Class – Other	Employee Class	Class – Legislators	Class – Other
ERS	8.00%	8.00%	8.00%	6.60%	8.00%	6.60%

The amount of Department’s contributions recognized in the ERS plan during the fiscal 2015 measurement period was \$1,463,345. It is the proportionate share of the collective amounts in the ERS Plan. The total pension liability is determined by an annual actuarial valuation. The methods and assumptions applied, except discount rate, in the actuarial valuation were based on an experience study covering the five-year period from September 1, 2006 through August 31, 2011. There is a slight modification in the assumption of withdraw rate of member contributions in the fiscal 2015 valuation. Higher percentage of individuals was assumed to withdraw their contributions when terminating due to higher member contribution level.

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 8: PENSION PLANS – DEPARTMENT’S NOTE DISCLOSURE – ERS PLAN Cont’d

Additionally, the actuarial valuation as of August 31, 2015 also incorporates the most significant across-the-board pay increases budgeted by the state Legislature for the current fiscal 2014-2015 biennium.

The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2015:

Actuarial Methods and Assumptions	
Actuarial Valuation Date	August 31, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Actuarial Assumptions:	
Discount Rate	6.86%
Investment Rate of Return	8.00%
Inflation	3.50%
Salary Increase	0% to 11.5%
Mortality	1994 Group Annuity Mortality Table with no setback for males and set forward two years for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.
Cost-of-living Adjustments	None - Employee 3.5% - Elected

A single blended discount rate of 6.86% was applied to measure the total pension liability. The 6.86% discount rate incorporated an 8% long-term expected rate of return on pension plan investments and 3.79% 20-year municipal bond rate based on Federal Reserve Statistical Release H. 15. The long-term expected investment rate of return was applied to projected benefit payments through fiscal 2053 and the municipal bond rate was applied to all benefit payments thereafter.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projected cash flows from the employers are based on contributions for the most recent five year period as of the measurement date, adjusted on consideration of subsequent events. There have been indicators of Legislature’s commitment to increase funding for the pension fund. The Legislature passed House Bill No. 9 in the 84th legislative session during fiscal 2015 to increase the member contribution rates for fiscal 2016 and 2017. The state contribution rates also increased as the result of this legislative session. The Legislature also maintained some changes made by Senate Bill 1459 in the 83rd legislative session. Considering these above events, the projected employer contributions are based on fiscal 2015 funding level. The long-term expected rate of return on plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
 For the fiscal year ended August 31, 2016

NOTE 8: PENSION PLANS – DEPARTMENT’S NOTE DISCLOSURE – ERS PLAN Cont’d

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the plan’s investment portfolio are presented below:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity	55%	4.02%
Global Credit	10%	0.19%
Intermediate Treasuries	15%	0.18%
Real Estate	10%	0.43%
Infrastructure	4%	0.25%
Hedge Funds	5%	0.35%
Cash	1%	0.00%
Total	100%	

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the Department’s net pension liability. The result of the analysis is presented in the table below:

Sensitivity of Department’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease	Current Discount Rate	1% Increase
5.86%	6.86%	7.86%
\$51,792,857	\$38,787,427	\$27,884,549

Note: Some amounts in this schedule are for the Department’s proportionate share (.29237245%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

The pension plan’s fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Employees Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the pension trust fund are reported at fair value in accordance with GASB Statement Nos. 67 and 31. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. Employees Retirement System issues stand-alone audited Comprehensive Annual Financial Report (“CAFR”). More detailed information on the plan’s investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS’ fiscal 2015 CAFR:

Employees Retirement System of Texas
 P. O. Box 13207
 Austin, Texas 78711-3207

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 8: PENSION PLANS – DEPARTMENT’S NOTE DISCLOSURE – ERS PLAN Cont’d

The Department’s total pension liability is based on an actuarial valuation performed as of August 31, 2015. For fiscal 2016 reporting, the measurement date of the net pension liability is August 31, 2015. The schedule of changes in the Department’s net pension liability for the fiscal year ending August 31, 2016 is presented below:

Net Pension Liability	
For Fiscal Year Ending August 31, 2016	
Total Pension Liability	\$ 108,952,375
Plan Fiduciary Net Position	70,164,945
Net Pension Liability	<u>\$ 38,787,430</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.40%

The amounts in this schedule are for the Department’s proportionate share (.29237245 %) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

The change of discount rate and a slight change in the assumption of the withdraw rate of member contributions at termination are the assumption changes during the current measurement period. There have been no changes to the benefit terms of the plan since the prior measurement date. Agency’s proportion of the entire ERS plan was .29237245% in fiscal 2016 as compared with the .305931519% in the prior measurement period.

For the fiscal year ending August 31, 2016, the Department recognized pension expense of \$391,806. At August 31, 2016, the Department reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		\$ 871,638
Changes of assumptions	1,410,895	8,263,889
Net difference between projected and actual investment return	1,759,891	
Contributions subsequent to the measurement date	1,882,372	
Total	\$ 5,053,158	\$ 9,135,527

The \$1,882,372 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2017.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 8: PENSION PLANS – DEPARTMENT’S NOTE DISCLOSURE – ERS PLAN Cont’d

Year ended August 31:		
2017	\$	(2,874,672)
2018		(3,542,615)
2019		(660,065)
2020		1,112,609
2021		-
Thereafter		-

Note: The amounts in this schedule are for the Department’s proportionate share (.29237245 %) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

NOTE 9: INTERFUND ACTIVITY AND TRANSACTIONS

As explained in Note 1 on Interfund Transactions and Balances, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Transfers In or Transfers Out

The Department experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statements. Individual balances and activity at August 31, 2016, follows:

Fund	Current Interfund Receivable	Current Interfund Payable	Purpose
Governmental Fund (01)			
General Revenue (0001)	\$ 126,961	\$ 132,433	Expenditure Transfer
Consolidated Federal (0127, 0369)	13,481	-	Expenditure Transfer
Subtotal Governmental Fund (01)	\$ 140,442	\$ 132,433	
Governmental Fund (01) (Exhibit III)	8,009		<i>Net Receivable/Payable above</i>
Enterprise Fund (05, 0896) (Exhibit V)		8,009	Expenditure Transfer
Total Internal Balances (Exhibit I)	\$ 8,009	\$ 8,009	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 9: INTERFUND ACTIVITY AND TRANSACTIONS Cont'd

Governmental Fund (01)	Due From Other Agencies	Due To Other Agencies	Source
Appd Fund 0802, D23 Fund 0802			
(Agency 608, D23 Fund 0802)	\$ 67		Transfers
Total Due From Other Agencies/Due To Other Agencies (Exhibit I)	\$ 67		

Governmental Fund	Transfers In	Transfers Out	Purpose
General Fund (01)			
Appd Fund 0001, D23 Fund 0001		\$ 2,567,288	Article VII-6, Rider 9
Appd Fund 0001, D23 Fund 0001		1,786,641	Article IX, Sect. 13.11
Appd Fund 0001, D23 Fund 0066		1,160,215	Gov't Code, Sect. 403.021
Appd Fund 0369, D23 Fund 0369		131,876	Article IX, Sect. 13.11
Total Transfers for Fund 0001 (Exhibit II & IV)		\$ 5,646,020	
Enterprise Fund (05)			
Appd Fund 3054, D23 Fund 0999	\$ 2,567,288		Article VII-6, Rider 9
Total Transfers for Fund 3054 (Exhibit II & V)	\$ 2,567,288		
Total Transfers*	\$ 2,567,288	\$ 5,646,020	

*The difference between total transfers in and out represents transfers to the Comptroller's Office of \$3,078,732.

NOTE 10: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Department will be abolished effective September 1, 2025 unless continued in existence as provided by the Act. If abolished, the Department may continue until September 1, 2026 to close out its operations.

NOTE 11: CONTINGENCIES AND COMMITMENTS

The Department is a defendant in one legal action; *Rick Sims vs. Texas Department of Housing and Community Affairs, et al.* ("Sims").

In *Sims*, the Plaintiff alleges violations of the Fair Housing Act, Rehabilitation Act of 1973, and the Americans with Disabilities Act, and seeks declaratory and injunctive relief. We are in the early phase of this lawsuit. Plaintiff has amended its complaint and TDHCA has filed a motion to dismiss. The court has stayed any discovery until after he rules on the motion to dismiss.

DERIVATIVE INSTRUMENTS

All of the Department's derivative instruments include provisions that require posting collateral in the event its credit rating falls below a specified level as issued by Moody's Investor Service and Standard & Poor's. If the Department fails to post eligible collateral, the derivative instrument may be terminated by the counterparty. The table below lists the triggering event and the collateral exposure for each instrument.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2016

NOTE 11: CONTINGENCIES AND COMMITMENTS Cont'd

Series	Collateral Posting Exposure at Current Credit Rating	Credit Rating Downgrade Threshold	MTM Threshold for TDHCA or Counterparty
2004B ⁽¹⁾	None	A3/A- or below for AGM and TDHCA	After downgrade of AGM and TDHCA or counterparty, collateral exposure with no threshold
2004D	Yes, if MTM exceeds (\$7.5M)	A3/A- or below	After downgrade, collateral exposure with no threshold
2005A	None	A2/A	After downgrade to A2/A, collateral exposure if MTM exceeds (\$7.5M); after downgrade to A3/A or below, collateral exposure with no threshold
2007A	None	A2/A	After downgrade to A2/A, collateral exposure if MTM exceeds (\$7.5M); after downgrade to A3/A or below, collateral exposure with no threshold

(1) AGM Swap Insurance in effect. Collateral posting only required if AGM is downgraded to A3/A- or below AND TDHCA is downgraded to A3/A- or below.

As of August 31, 2016, the Department’s credit rating related to the Single Family Indenture was AA+ issued by Standard & Poor’s and Aa1 by Moody’s, therefore no collateral was posted. The Department’s aggregate fair value of all hedging derivative instruments with these collateral provisions is \$15,095,971. If the collateral posting requirements had been triggered at August 31, 2016, the Department would have been required to post eligible collateral equal to the aggregate fair value of the derivative instruments.

TAXABLE MORTGAGE PROGRAM

On July 26, 2012, the Department approved the Taxable Mortgage Program (“TMP”). The TMP market facilitates the forward trading of Mortgage Backed Securities (“MBSs”) issued by Ginnie Mae and Fannie Mae. In a TMP trade, the seller and buyer agree to the type of security, coupon, face value, price and settlement date at the time of trade but do not specify the actual pools to be traded. The securities are “to be announced” two business days prior to the trade settlement date. The TMP program was created to provide loans to low to moderate income first time homebuyers. The program is paid for from revenues generated by the packaging and sale of the TMP MBSs. Escrow agreements were negotiated and established to limit the recourse to the servicer and the to-be-announced provider who delivers the MBSs to the purchaser. The total amount of the escrow is \$4 million, which is funded from the Department’s general funds. The TMP program commenced on October 1, 2012.

NOTE 12: SUBSEQUENT EVENTS

Bond Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Bonds	Multifamily Revenue Bonds MF Series 2016 Skyline Place Apartments	\$ 18,750,000	9/15/2016	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Skyline Place Apartments will be located in Dallas, Texas.
Governmental Note	Multifamily Governmental Note 2016 Mercantile Apartments	\$ 29,500,000	9/30/2016	The multifamily governmental notes are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Mercantile Apartments will be located in Fort Worth, Texas.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 13: RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. The Department carries Public Official Liabilities Insurance coverage in the amount of \$10,000,000 that includes Network Security and Cyber Liability in the amount of \$1,000,000; Automobile Liability Insurance in the amount of \$1,000,000; Errors and Omissions Insurance in the amount of \$500,000 related to loan servicing for others; Crime Insurance in the amount of \$350,000; and Commercial Property, Equipment Breakdown & Terrorism Insurance for the Alpine Retirement Center, the Insurance Annex Building and the Twin Towers Office Center in the amount of \$4,245,671.

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. The Department did not incur any claims in fiscal year 2016.

NOTE 14: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Department's Enterprise Fund 0896 reported a positive change in Net Position of \$430,177 resulting in a negative Net Position balance of (\$22,711,678) at August 31, 2016.

NOTE 15: SEGMENT INFORMATION FOR ENTERPRISE FUND

The Segment information below is for the Department's direct debt associated with the issuance of Single Family bonds only and does not include the Multifamily bonds where the Department is only a conduit issuer. Therefore, this note represents less than what is reported in the Enterprise Fund as a whole. Each grouping consists of separate indentures that have one or more bonds outstanding with the revenue stream and assets exclusively pledged in support of that debt. Bonds are issued for the primary purpose of providing funds for the purchase of mortgage-backed securities which represent securitized loans financing single family housing. Each indenture imposes the requirement of separate accounting of the revenues, expenses, gains, losses, assets, and liabilities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 15: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF NET POSITION

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Restricted Assets:			
Current Assets	\$ 42,171,616	\$ 25,923,923	\$ 79,984
Non-Current Assets	<u>400,778,342</u>	<u>269,164,308</u>	<u>3,414,130</u>
Total Assets	<u>442,949,958</u>	<u>295,088,231</u>	<u>3,494,114</u>
Deferred Outflows of Resources:	<u>15,095,971</u>	<u>-</u>	<u>-</u>
Liabilities:			
Current Liabilities	6,514,724	5,925,398	4,607
Non-Current Liabilities	<u>351,860,971</u>	<u>178,955,546</u>	<u>1,715,559</u>
Total Liabilities	<u>358,375,695</u>	<u>184,880,944</u>	<u>1,720,166</u>
Deferred Inflows of Resources:	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:			
Restricted Net Position	\$ 99,670,234	\$ 110,207,287	\$ 1,773,948
Net Position	<u>\$ 99,670,234</u>	<u>\$ 110,207,287</u>	<u>\$ 1,773,948</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 15: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Operating Revenues:			
Interest and Investment Income	\$ 19,995,870	\$ 9,647,405	\$ 251,133
Net Increase (Decrease) in Fair Value	(3,266,756)	(389,009)	(77,557)
Other Operating Revenues	212,634	-	-
Operating Expenses	<u>(15,864,584)</u>	<u>(7,545,452)</u>	<u>(143,649)</u>
Operating Income (Loss)	1,077,164	1,712,944	29,927
Nonoperating Revenues (Expenses):			
Transfers In (Out)	<u>(394,555)</u>	<u>6,376,424</u>	<u>-</u>
Changes in Net Position	<u>682,609</u>	<u>8,089,368</u>	<u>29,927</u>
Net Position, September 1, 2015	98,987,625	102,117,919	1,744,021
Net Position, August 31, 2016	<u>\$ 99,670,234</u>	<u>\$ 110,207,287</u>	<u>\$ 1,773,948</u>

CONDENSED STATEMENT OF CASH FLOWS

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Net Cash Provided (Used) By:			
Operating Activities	\$ (3,077,392)	\$ (5,405,701)	\$ (620)
Noncapital Financing Activities	(25,845,820)	(36,196,523)	(1,066,386)
Investing Activities	<u>35,260,629</u>	<u>46,067,985</u>	<u>1,058,447</u>
Net Increase (Decrease)	6,337,417	4,465,761	(8,559)
Beginning Cash and Cash Equivalents	<u>34,039,525</u>	<u>20,541,913</u>	<u>71,013</u>
Ending Cash and Cash Equivalents	<u>\$ 40,376,942</u>	<u>\$ 25,007,674</u>	<u>\$ 62,454</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
 For the fiscal year ended August 31, 2016

NOTE 16: Deferred Outflows of Resources and Deferred Inflows of Resources

Business-Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Derivatives (Note 6)	\$ 15,095,971	\$
Pension Plans (Note 8):		
To record the effect of changes of assumptions on total pension liability less the amortization related to the current period	733,468	4,131,945
To record contribution to the plan in fiscal year 2016 after the measurement date of August 31, 2015	941,186	
To record effect on total pension liability between expected and actual experience less the amortization related to the current period.		439,569
To record difference between projected and actual investment return less the amortization related to the current period.	854,834	
Total	\$ 17,625,459	\$ 4,571,514

Governmental Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Plans (Note 8):		
To record the effect of changes of assumptions on total pension liability less the amortization related to the current period	\$ 677,427	\$ 4,131,945
To record contribution to the plan in fiscal year 2016 after the measurement date of August 31, 2015	941,186	
To record effect on total pension liability between expected and actual experience less the amortization related to the current period.		432,068
To record difference between projected and actual investment return less the amortization related to the current period.	905,057	
Total	\$ 2,523,670	\$ 4,564,013
Grand Total	\$ 20,149,129	\$ 9,135,527

Deferred outflows of resources in the amount of \$15,095,971 reported in Business-Type Activities is due to the implementation of GASB 63, requiring to recognize interest rate swaps hedging interest rate risk on variable rate debt which is in a liability position. Details on the Department's derivative instruments are disclosed in Note 6.

Due to the implementation of GASB 68 by the State of Texas and recognition of its pension liability, TDHCA recorded total deferred outflows of resources of \$5,053,158 and total deferred inflows of resources of \$9,135,527. Business-Type activities reported \$2,529,488 in deferred outflows of

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 16: Deferred Outflows of Resources and Deferred Inflows of Resources Cont'd

resources and Governmental-Type activities reported \$2,523,670. Business-Type activities reported \$4,571,514 in deferred inflows of resources and Governmental-Type activities reported \$4,564,013.

These accounts reflect the unamortized balances of changes in net pension liability related to the changes of assumptions, difference between expected and actual experience, and difference between projected and actual investment return based on the 8/31/15 actuarial valuation performed for the ERS plan, and contributions made after the measurement date of 8/31/15. Details of the deferred outflows and deferred inflows of resources related to the agency employees' pension are disclosed in Note 8.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Required Supplementary Information
Schedule of Changes in Department's Net Pension Liability (Unaudited)
For the fiscal year ended August 31, 2016

	2016	2015
Total Pension Liability-For Department	Pension Liability	Pension Liability
Proportionate Share	0.29237245%	0.30593152%
Net Pension Liability	\$ 38,787,430	\$ 44,240,146
Covered-Employee Payroll	\$ 25,728,027	\$ 26,724,096
Net Pension Liability as a Percentage of Covered-Employee Payroll	150.76%	165.54%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.40%	63.40%

*The change in the total pension liability due to the change in the single discount rate is included as an assumption change.

Notes to Schedule:

1. The amounts in this schedule are for the Department's proportionate share of the collective amounts in ERS.
2. The change in the total pension liability due to the change in the single discount rate is included as an assumption change.
3. The covered employee payroll is the actual annual payroll for the fiscal year – measurement period.
4. The impact of House Bill 9 passed by the 84th Legislature is included as a benefit change.
5. This schedule is intended to present 10 years of information. Currently only two years of information is available. Information for future years will be added when it becomes available.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Required Supplementary Information (Continued)
Schedule of Employer Contributions (Unaudited)
For the fiscal year ended August 31, 2016

Schedule of Employer Contributions			
	2016	2015	2014
Required Employer Contributions	\$ 1,882,372	\$ 1,463,345	\$ 1,475,596
Contributions Made to the Plan	<u>1,882,372</u>	<u>1,463,345</u>	<u>1,475,596</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 25,728,027	\$ 26,724,096	\$ 24,787,150
Contributions as a percentage of covered-employee payroll	7.32%	8.14%	8.10%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Notes to the Required Supplementary Information
Summary of Actuarial Assumptions (Unaudited)
For the fiscal year ended August 31, 2016

Summary of Actuarial Assumptions	
Valuation Date	Actuarially determined contribution rates are calculated based on the actuarial valuation as of August 31, 2015.
Methods and Assumptions Used to Determine Contribution Rates	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	31 years
Asset Valuation Method	20% of market plus 80% of expected actuarial value
Inflation	3.5%
Salary Increases	0% to 11.5%
Investment Rate of Return	8.0%
Retirement Age	Experience-based table of rates that are specific to the class of employee. Last updated for the 2013 valuation pursuant to an experience study of the 5-year period from September 1, 2006 through August 31, 2011.
Mortality	1994 Group Annuity Mortality with no setback for males and set forward two years for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.
Other Information:	
<ol style="list-style-type: none"> 1. Actuarially determined contributions are adjusted for actual payroll and administrative expenses. 2. Members and employers contribute based on statutorily fixed rates. 3. Beginning in fiscal 2016, the Actuarially Determined Contribution will include the impact of House Bill 9 passed by the 84th Legislature. 	

SUPPLEMENTARY BOND
SCHEDULES

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Supplementary Bond Schedules

SCHEDULE 1-A

MISCELLANEOUS BOND INFORMATION

For the fiscal year ended August 31, 2016

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat.		
				First Year	Final Maturity Date	First Call Date
2004 Single Family Series B	\$ 53,000,000	VAR - Weekly	2015	09/01/2034	03/01/2015 (e)	
2004 Single Family Series A (Jr. Lien)	4,140,000	VAR - Weekly	2036	09/01/2036	09/01/2036 (e)	
2004 Single Family Series D	35,000,000	VAR - Weekly	2035	03/01/2035	(f)	
2005 Single Family Series A	100,000,000	VAR - Weekly	2007	09/01/2036	03/01/2006	
2005 Single Family Series B	25,495,000	4.38% 4.38%	2006	09/01/2026	03/01/2006	
2005 Single Family Series C	8,970,000	VAR - Weekly	2017	09/01/2017	03/01/2006	
2005 Single Family Series D	3,730,000	5.00% 5.00%	2025	09/01/2035	03/01/2006	
2006 Single Family Series A	59,555,000	5.00% 5.00%	2008	09/01/2037	09/01/2006	
2006 Single Family Series B	70,485,000	5.00% 5.00%	2008	09/01/2034	09/02/2006	
2006 Single Family Series C	105,410,000	5.13% 5.13%	2008	09/01/2037	09/03/2006	
2006 Single Family Series D	29,685,000	4.50% 4.50%	2018	09/01/2028	09/04/2006	
2006 Single Family Series E	17,295,000	4.06% 4.06%	2007	09/01/2017	09/05/2006	
2006 Single Family Series H	36,000,000	VAR - Weekly	2016	09/01/2037	03/01/2016	
2007 Single Family Series A	143,005,000	VAR - Weekly	2008	09/01/2038	03/01/2008 (e)	
2007 Single Family Series B	157,060,000	3.90% 5.63%	2008	09/01/2039	03/01/2008	
2013 Single Family Series A	42,500,000	2.80% 2.80%	2013	03/01/2036	09/01/2020	
2015 Single Family Series A	33,825,000	3.20% 3.20%	2039	09/01/2039	09/01/2024	
2015 Single Family Series B	19,870,000	3.13% 3.13%	2046	03/01/2046	09/01/2024	
2016 Single Family Series A	31,510,000	3.00% 3.00%	2046	03/01/2046	03/01/2025	
2016 Single Family Series B	59,735,000	3.18% 3.18%	2039	03/01/2039	03/01/2025	
2009 RMRB Series A	80,000,000	5.13% 5.13%	2011	07/01/2039	01/01/2019	
2009 RMRB Series B	22,605,000	4.72% 4.72%	2010	07/01/2022	01/01/2019	
2009 RMRB Series C-1	89,030,000	0.70% 3.57%	2029	07/01/2041	04/01/2011	
2009 RMRB Series C-2	60,080,000	0.60% 2.48%	2034	07/01/2041	11/01/2011	
2011 RMRB Series A	60,000,000	0.70% 5.05%	2012	07/01/2029	01/01/2021	
2011 RMRB Series B	87,955,000	0.30% 4.45%	2012	01/01/2034	01/01/2021	
1992 Coll Home Mtg Rev Bonds, Series C	72,700,000	3.48% 10.27%	2024	07/01/2024	05/04/1995	
TOTAL SINGLE FAMILY & RMRB BONDS	\$ 1,508,640,000					
1996 MF Series A/B (Brighton's Mark Development)	\$ 10,174,000	6.13% 6.13%	2026	04/01/2026	01/01/2003	
1998 MF Series A-C (Residence at the Oaks Projects)	8,200,000	5.98% 7.18%	2001	11/01/2030	05/01/2001	
1999 MF Series A-C (Mayfield Apartments)	11,445,000	5.70% 7.25%	2001	05/01/2031	05/01/2002	
2000 MF Series A (Timber Point Apartments)	8,100,000	VAR - Weekly	2003	09/01/2032	07/01/2000 (a)	
2000 MF Series A/B (Oaks at Hampton Apartments)	10,060,000	7.20% 9.00%	2002	03/01/2040	03/01/2017 (a)	
2000 MF Series A (Deerwood Apartments)	6,435,000	5.25% 6.40%	2003	12/01/2032	06/01/2010	
2000 MF Series A (Creek Point Apartments)	7,200,000	VAR - Weekly	2004	10/01/2032	07/01/2000 (a)	
2000 MF Series A/B (Parks at Westmoreland Apartments)	9,990,000	7.20% 9.00%	2002	07/01/2040	07/01/2017 (a)	
2000 MF Series A-C (Highland Meadow Village Apartments)	13,500,000	6.75% 8.00%	2004	11/01/2033	05/01/2019	
2000 MF Series A/B (Greenbridge at Buckingham Apartments)	20,085,000	7.40% 10.00%	2003	10/01/2040	03/01/2014	
2000 MF Series A-C (Collingham Park Apartments)	13,500,000	6.72% 7.72%	2004	11/01/2033	05/01/2019	
2000 MF Series A/B (Williams Run Apartments)	12,850,000	7.65% 9.25%	2002	11/01/2040	01/01/2011	
2001 MF Series A (Bluffview Apartments)	10,700,000	7.65% 7.65%	2003	05/01/2041	05/01/2018	
2001 MF Series A (Knollwood Apartments)	13,750,000	7.65% 7.65%	2003	05/01/2041	05/01/2018	
2001 MF Series A (Skyway Villas Apartments)	13,250,000	6.00% 6.50%	2005	12/01/2034	12/01/2011	
2001 MF Series A/B (Meridian Apartments)	14,310,000	5.45% 6.85%	2004	12/01/2034	12/01/2011	
2001 MF Series A/B (Wildwood Apartments)	14,365,000	5.45% 6.75%	2004	12/01/2034	12/01/2011	
2001 MF Series A (Oak Hollow Apartments)	8,625,000	7.00% 7.90%	2003	12/01/2041	11/01/2018	
2001 MF Series A/B (Hillside Apartments)	12,900,000	7.00% 9.25%	2003	12/01/2041	11/01/2018	
2002 MF Series A (Park Meadows Apartments)	4,600,000	6.53% 6.53%	2004	06/01/2034	05/01/2012	
2002 MF Series A (Clarkridge Villas Apartments)	14,600,000	7.00% 7.00%	2004	09/01/2042	08/01/2019	
2002 MF Series A (Hickory Trace Apartments)	11,920,000	7.00% 7.00%	2004	11/01/2042	12/01/2019	
2002 MF Series A (Green Crest Apartments)	12,500,000	7.00% 7.00%	2004	11/01/2042	11/01/2019	
2002 MF Series A/B (Ironwood Crossing)	16,970,000	5.50% 8.75%	2005	11/01/2042	10/01/2027	
2003 MF Series A/B (Reading Road)	12,200,000	VAR-Weekly	2007	07/01/2036	01/01/2004 (a)	
2003 MF Series A/B (North Vista Apartments)	14,000,000	4.10% 5.41%	2006	06/01/2036	06/01/2013	
2003 MF Series A/B (West Virginia Apartments)	9,450,000	4.15% 5.41%	2006	06/01/2036	06/01/2013	
2003 MF Series A/B (Primrose Houston School)	16,900,000	5.50% 8.00%	2006	07/01/2036	07/01/2003 (a)	
2003 MF Series A/B (Timber Oaks Apartments)	13,200,000	6.75% 8.75%	2005	11/01/2038	06/01/2020	
2003 MF Series A/B (Ash Creek Apartments)	16,375,000	5.60% 15.00%	2006	04/01/2036	10/01/2003 (a)	
2003 MF Series A/B (Peninsula Apartments)	12,400,000	4.25% 5.30%	2007	10/01/2024	10/01/2013	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-A (Continued)

MISCELLANEOUS BOND INFORMATION

For the fiscal year ended August 31, 2016

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat.		
				First Year	Final Maturity Date	First Call Date
2003 MF Series A/B (Arlington Villas)	\$ 17,100,000	6.75%	8.00%	2007	12/01/2036	01/01/2007 (a)
2003 MF Series A/B (Parkview Townhomes)	16,600,000	6.60%	8.50%	2006	04/01/2041	12/01/2020
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	31,500,000	VAR - Weekly		2007	07/01/2033	07/01/2007 (a)
2004 MF Series A/B (Timber Ridge II Apartments)	7,500,000	5.75%	8.00%	2007	08/01/2036	03/01/2007 (a)
2004 MF Series A/B (Century Park Townhomes)	13,000,000	5.75%	5.75%	2007	06/01/2037	05/01/2007 (a)
2004 MF Series A/B (Providence at Veterans Memorial)	16,300,000	6.60%	8.50%	2006	01/01/2041	03/01/2006 (a)
2004 MF Series A (Providence at Rush Creek II)	10,000,000	5.38%	6.70%	2006	01/01/2044	03/01/2021
2004 MF Series A (Humble Parkway Townhomes)	11,700,000	6.60%	6.60%	2007	01/01/2041	07/01/2021
2004 MF Series A (Chisholm Trail Apartments)	12,000,000	VAR - Weekly (b)		2006	04/15/2037	10/15/2006 (a)
2004 MF Series A (Evergreen at Plano Parkway)	14,750,000	5.25%	6.55%	2007	05/01/2044	06/01/2021
2004 MF Series A (Montgomery Pines Apartments)	12,300,000	VAR - Weekly		2006	06/15/2037	12/15/2006 (a)
2004 MF Series A (Bristol Apartments)	12,625,000	VAR - Weekly		2007	06/15/2037	06/15/2007 (a)
2004 MF Series A (Pinnacle Apartments)	14,500,000	VAR - Weekly (c)		2007	06/15/2037	09/01/2007 (a)
2004 MF Series A (Churchill at Pinnacle Park)	10,750,000	5.25%	6.55%	2007	07/01/2044	09/01/2021 (d)
2004 MF Series A (Providence at Village Fair)	14,100,000	5.00%	6.50%	2007	12/01/2044	12/01/2021
2005 MF Series A (Homes at Pecan Grove)	14,030,000	5.00%	6.50%	2007	01/01/2045	01/01/2022
2005 MF Series A (Providence at Prairie Oaks)	11,050,000	4.75%	6.50%	2007	01/01/2045	01/01/2022
2005 MF Series A (Port Royal Homes)	12,200,000	5.00%	6.50%	2007	02/01/2045	02/01/2022
2005 MF Series A (Mission Del Rio Homes)	11,490,000	5.00%	6.50%	2007	02/01/2045	02/01/2022
2005 MF Series A (Atascocita Pines Apartments)	11,900,000	VAR - Weekly (c)		2007	04/15/2038	(e)
2005 MF Series A (Tower Ridge Apartments)	15,000,000	VAR - Weekly (b)		2009	04/01/2038	(e)
2005 MF Series A (Prairie Ranch Apartments)	12,200,000	4.85%	4.85%	2007	06/20/2045	12/20/2015
2005 MF Series A (St Augustine Estate Apartments)	7,650,000	VAR - Weekly		2009	09/15/2038	n/a
2005 MF Series A (Park Manor Senior Community)	10,400,000	5.00%	6.40%	2008	07/01/2045	09/01/2022
2005 MF Series A (Providence at Mockingbird Apartments)	14,360,000	6.40%	6.40%	2007	08/01/2040	08/01/2022
2005 MF Series A (Plaza at Chase Oaks Apartments)	14,250,000	5.05%	5.05%	2007	08/01/2035	(g)
2005 MF Series A (Coral Hills Apartments)	5,320,000	5.05%	5.05%	2009	08/01/2026	08/01/2015
2006 MF Series A (Harris Branch Apartments)	15,000,000	VAR - Weekly		2009	03/15/2039	(i)
2006 MF Series A (Bella Vista Apartments)	6,800,000	6.15%	6.15%	2008	04/01/2046	04/01/2016
2006 MF Series A (Village Park Apartments)	13,660,000	4.75%	5.13%	2009	12/01/2026	06/01/2021
2006 MF Series A (Oakmoor Apartments)	14,635,000	5.50%	6.00%	2008	03/01/2046	03/01/2023
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000	VAR - Weekly		2039	07/15/2039	(h)
2006 MF Series A (Hillcrest Apartments)	12,435,000	5.25%	5.25%	2009	04/01/2027	04/01/2021
2006 MF Series A (Pleasant Village)	6,000,000	6.00%	6.00%	2008	03/01/2023	(j)
2006 MF Series A (Red Hills Villas)	5,015,000	VAR - Weekly		2036	09/15/2036	(i)
2006 MF Series A (Champion Crossing Apartments)	5,125,000	VAR - Weekly		2036	09/15/2036	(i)
2006 MF Series A (Meadowlands Apartments)	13,500,000	6.00%	6.00%	2009	09/01/2046	09/01/2023
2006 MF Series A (East Tex Pines)	13,500,000	4.95%	4.95%	2010	10/01/2046	(k)
2006 MF Series A (Villas at Henderson)	7,200,000	VAR - Weekly		2010	11/01/2023	(l)
2006 MF Series A (Aspen Park)	9,800,000	5.00%	5.00%	2010	07/01/2027	07/01/2021
2006 MF Series A (Idlewilde)	14,250,000	VAR - Weekly		2010	06/15/2040	(i)
2007 MF Series A (Lancaster)	14,250,000	VAR - Weekly		2010	07/15/2040	(i)
2007 MF Series A (Park Place at Loyola)	15,000,000	5.80%	5.80%	2010	02/01/2047	03/01/2024
2007 MF Series A (Terrace at Cibolo)	8,000,000	VAR - Weekly		2010	05/01/2040	(l)
2007 MF Series A (Santora Villas)	13,072,000	5.80%	5.80%	2010	05/01/2047	06/01/2024
2007 MF Series A (Villas at Mesquite Creek)	16,860,000	5.00%	5.81%	2010	01/20/2047	01/20/2017
2007 MF Series A (Summit Point)	11,700,000	4.80%	5.25%	2009	06/20/2047	06/20/2017
2007 MF Series A (Costa Rialto)	12,385,000	5.35%	5.35%	2010	07/01/2047	08/01/2025
2007 MF Series A (Windshire)	14,000,000	VAR - Weekly		2010	01/15/2041	(i)
2007 MF Series A (Residences at Onion Creek)	15,000,000	VAR - Weekly		2011	12/15/2040	(j)
2008 MF Series A (West Oaks Apartments)	13,125,000	VAR - Weekly		2011	07/01/2041	(m)
2008 MF Series A (Costa Ibiza Apartments)	13,900,000	VAR - Weekly		2011	08/01/2041	(e)
2008 MF Series A (Addison Park Apartments)	14,000,000	VAR - Weekly		2008	01/01/2044	(m)
2008 MF Series A (Alta Cullen Apartments Refunding)	14,000,000	VAR - Weekly		2011	03/01/2045	(m)
2009 MF Series A (Costa Mariposa Apartments)	13,690,000	VAR - Weekly		2012	05/01/2042	(m)
2009 MF Series A (Woodmont Apartments)	15,000,000	VAR - Weekly		2012	06/01/2042	(m)
2013 MF Series A (Waters at Willow Run Apartments)	14,500,000	0.35%	0.35%	2014	10/01/2016	10/01/2014
2014 MF Series A (Decatur-Angle Apartments)	23,000,000	5.75%	5.75%	2016	01/01/2054	09/01/2016
2014 MF Series A (Northcrest Apartments)	2,900,000	0.35%	0.35%	2014	06/01/2017	01/01/2015

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-A (Continued)

MISCELLANEOUS BOND INFORMATION

For the fiscal year ended August 31, 2016

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat.		
				First Year	Final Maturity Date	First Call Date
2015 MF Series A (Good Samaritan Towers)	\$ 5,620,000	0.95%	0.95%	2017	09/01/2017	03/01/2017
2015 MF Series A (Williamsburg Apartments)	23,150,000	3.45%	3.45%	2016	01/01/2032	01/26/2016 (n)
2016 MF Series A (Chisolm Trace/Cheyenne Village)	13,500,000	0.80%	0.80%	2017	06/01/2018	06/01/2017
2016 MF Series A (Fifty Oaks & Edinburg Village)	7,400,000	0.65%	0.65%	2017	08/01/2018	08/01/2017
TOTAL MULTIFAMILY BONDS	<u>\$ 1,175,101,000</u>					
TOTAL BONDS ISSUED	<u>\$ 2,683,741,000</u>					

FOOTNOTES:

- (a) The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.
- (b) Variable rate not to exceed the maximum rate permitted by applicable law.
- (c) Variable rate could change to fixed rate provided the conversion option is exercised.
- (d) The bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds.
- (e) The Bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.
- (f) The Series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indenture, as follows: During a daily interest rate period or weekly interest rate period for the Series bonds, the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.
- (g) The bonds are subject to redemption at the option of the Issuer, at the direction of the Borrower, in whole or in part on the first day of any month, in the event and to the extent the trustee receives funds from the Borrower representing an optional prepayment of the principal of the note, at a redemption price equal to the principal thereof, plus accrued interest to the redemption date plus any premium remitted therewith as required by the note.
- (h) Bonds are subject to redemption if and to the extent the Borrower is entitled to make, or is required to make, a prepayment pursuant to the loan agreement.
- (i) The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower.
- (j) The Bonds are subject to optional redemption at the direction of the Borrower on any interest payment date, in whole or in part, at the redemption price (as calculated by the sole bondholder) calculated in accordance with the Exhibit H in the bond documents plus accrued and unpaid interest, redemption if any, to the date. Optional redemptions may be made only in denominations of \$100,000 plus integral multiples of \$5,000 or for the entire amount of the bonds outstanding.
- (k) The Bonds shall be subject to redemption prior to maturity in whole but not in part on any Bond Payment Date on or after fifteen years from Conversion Date, from the proceeds of an optional prepayment of the Loan by the Borrower at a redemption price equal to the principal amount plus accrued and unpaid interest to the date fixed for redemption.
- (l) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant to the Loan Agreement, and with the prior written consent of the Bank, in whole or in part, at a redemption price equal to the principal amount, without premium, plus accrued interest to the date of redemptions.
- (m) With the prior Written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Financing Agreement.
- (n) The bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indenture, as follows: that the Pass-Through Certificate will be prepaid, the Trustee, in accordance with the provisions of this Indenture, shall use its best efforts to give not less than 20 nor more than 30 days' notice, in the name of the Issuer, of the redemption of the Bonds, which notice shall specify the following: (i) the maturity and principal amounts of the Bonds to be redeemed; (ii) the CUSIP number, if any, of the Bonds to be redeemed; (iii) the date of such notice; (iv) the issuance date for such Bonds; (v) the interest rate on the Bonds to be redeemed; (vi) the redemption date; (vii) any conditions to the occurrence of the redemption; (viii) the place or places where amounts due upon such redemption will be payable; (ix) the Redemption Price; (x) the Trustee's name and address with a contact person and a phone number; and (xi) that on the redemption date, the Redemption Price shall be paid. Neither the giving of such notice by the Trustee nor the receipt of such notice by the Bondholders shall be a condition precedent to the effectiveness of any such redemption.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-B

CHANGES IN BOND INDEBTEDNESS

For the fiscal year ended August 31, 2016

Description of Issue	Bonds Outstanding 09/01/2015	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/2016	Amounts Due Within One Year
2004 Single Family Series B	\$ 44,260,000	\$	\$	\$ 4,880,000	\$ 39,380,000	\$
2004 Single Family Series A (Jr. Lien)	3,855,000				3,855,000	
2004 Single Family Series D	29,585,000			3,885,000	25,700,000	
2005 Single Family Series A	37,115,000			5,985,000	31,130,000	
2005 Single Family Series B	1,635,000		120,000	720,000	795,000	80,000
2005 Single Family Series C	3,090,000				3,090,000	
2005 Single Family Series D	825,000			395,000	430,000	
2006 Single Family Series A	15,430,000		130,000	15,300,000		
2006 Single Family Series B	16,195,000		280,000	15,915,000		
2006 Single Family Series C	25,840,000		315,000	25,525,000		
2006 Single Family Series D	5,395,000			5,395,000		
2006 Single Family Series E	5,155,000		1,645,000	3,510,000		
2006 Single Family Series H	36,000,000			36,000,000		
2007 Single Family Series A	48,190,000			9,785,000	38,405,000	
2007 Single Family Series B	46,495,000		565,000	10,450,000	35,480,000	305,000
2013 Single Family Series A	28,325,000			4,940,000	23,385,000	
2015 Single Family Series A		33,825,000		4,145,000	29,680,000	
2015 Single Family Series B		19,870,000		950,000	18,920,000	
2016 Single Family Series A		31,510,000		540,000	30,970,000	
2016 Single Family Series B		59,735,000		3,805,000	55,930,000	
2009 RMRB Series A	29,265,000		315,000	3,725,000	25,225,000	312,875
2009 RMRB Series B	8,310,000		815,000	895,000	6,600,000	815,000
2009 RMRB Series C-1	53,120,000			7,535,000	45,585,000	
2009 RMRB Series C-2	42,210,000			6,100,000	36,110,000	
2011 RMRB Series A	29,925,000		1,505,000	4,180,000	24,240,000	1,537,669
2011 RMRB Series B	54,855,000		2,065,000	7,940,000	44,850,000	2,064,965
1992 Coll Home Mtg Rev Bonds, Series C	2,600,000			900,000	1,700,000	2,276
Total Single Family Bonds	\$ 567,675,000	\$ 144,940,000	\$ 7,755,000	\$ 183,400,000	\$ 521,460,000	\$ 5,117,785
1996 MF Series A/B (Brighton's Mark Development)	\$ 8,075,000	\$	\$	\$	\$ 8,075,000	\$
1998 MF Series A-C (Residence at the Oaks Projects)	5,775,000		304,000		5,471,000	312,000
1999 MF Series A-C (Mayfield Apartments)	8,345,000		162,000	8,183,000		
2000 MF Series A (Timber Point Apartments)	6,470,000			200,000	6,270,000	
2000 MF Series A/B (Oaks at Hampton Apartments)	8,949,126		137,994		8,811,132	148,265
2000 MF Series A (Deerwood Apartments)	5,140,000		155,000		4,985,000	170,000
2000 MF Series A (Creek Point Apartments)	5,460,000			100,000	5,360,000	
2000 MF Series A/B (Parks at Westmoreland Apartments)	8,921,102		134,021		8,787,081	143,995
2000 MF Series A-C (Highland Meadow Village Apts)	7,321,000		207,000		7,114,000	221,000
2000 MF Series A/B (Greenbridge at Buckingham Apts)	19,201,598		132,697	19,068,901		
2000 MF Series A-C (Collingham Park Apartments)	10,947,000		327,000		10,620,000	348,000
2000 MF Series A/B (Williams Run Apartments)	11,471,869		18,647	11,453,222		
2001 MF Series A (Bluffview Apartments)	9,860,743		108,788		9,751,955	117,350
2001 MF Series A (Knollwood Apartments)	12,671,516		139,798		12,531,718	150,801
2001 MF Series A (Skyway Villas Apartments)	6,430,000		180,000		6,250,000	195,000
2001 MF Series A/B (Meridian Apartments)	7,980,000		105,000		7,875,000	108,000
2001 MF Series A/B (Wildwood Apartments)	6,160,000		84,000		6,076,000	89,000
2001 MF Series A (Oak Hollow Apartments)	5,967,842		69,771		5,898,071	74,815
2001 MF Series A/B (Hillside Apartments)	12,136,477		78,573		12,057,904	84,253
2002 MF Series A (Park Meadows Apartments)	3,710,000		105,000		3,605,000	105,000
2002 MF Series A (Clarkridge Villas Apartments)	12,952,368		141,579		12,810,789	151,814
2002 MF Series A (Hickory Trace Apartments)	10,712,555		116,315		10,596,240	124,723
2002 MF Series A (Green Crest Apartments)	10,693,610		86,957		10,606,653	91,863
2002 MF Series A/B (Ironwood Crossing)	16,040,594		149,198		15,891,396	160,780
2003 MF Series A/B (Reading Road)	10,450,000		40,000	200,000	10,210,000	40,000
2003 MF Series A/B (North Vista Apartments)	11,035,000		290,000		10,745,000	310,000
2003 MF Series A/B (West Virginia Apartments)	7,970,000		205,000		7,765,000	215,000
2003 MF Series A/B (Primrose Houston School)	15,699,796		150,631		15,549,165	163,327
2003 MF Series A/B (Timber Oaks Apartments)	12,474,139		104,630		12,369,509	109,710
2003 MF Series A/B (Ash Creek Apartments)	15,418,897		151,881		15,267,016	164,649
2003 MF Series A/B (Peninsula Apartments)	10,545,000		240,000	25,000	10,280,000	260,000
2003 MF Series A/B (Arlington Villas)	16,253,361		141,142		16,112,219	152,933
2003 MF Series A/B (Parkview Townhomes)	13,182,338		115,973		13,066,365	121,603
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	17,710,000			570,000	17,140,000	(9,343)
2004 MF Series A/B (Timber Ridge II Apartments)	6,314,809		59,619		6,255,190	63,909
2004 MF Series A/B (Century Park Townhomes)	11,025,000		255,000		10,770,000	275,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE I-B (Continued)
CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2016

Description of Issue	Bonds Outstanding 09/01/2015	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/2016	Amounts Due Within One Year
2004 MF Series A/B (Providence at Veterans Memorial)	\$ 6,696,684	\$	\$ 59,801	\$	\$ 6,636,883	\$ 62,704
2004 MF Series A (Providence at Rush Creek II)	8,320,029		83,432		8,236,597	89,196
2004 MF Series A (Humble Parkway Townhomes)	10,605,000		165,000		10,440,000	180,000
2004 MF Series A (Chisholm Trail Apartments)	10,600,000			300,000	10,300,000	
2004 MF Series A (Evergreen at Plano Parkway)	13,927,403		134,309		13,793,094	143,376
2004 MF Series A (Montgomery Pines Apartments)	11,100,000			300,000	10,800,000	
2004 MF Series A (Bristol Apartments)	11,500,000			200,000	11,300,000	
2004 MF Series A (Pinnacle Apartments)	13,265,000				13,265,000	
2004 MF Series A (Churchill at Pinnacle Park)	9,412,003		113,209		9,298,794	120,851
2004 MF Series A (Providence at Village Fair)	13,240,694		133,890		13,106,804	142,857
2005 MF Series A (Homes at Pecan Grove)	13,038,978		83,223		12,955,755	88,796
2005 MF Series A (Providence at Prairie Oaks)	10,385,016		104,309	32,899	10,247,808	110,996
2005 MF Series A (Port Royal Homes)	11,475,076		114,603		11,360,473	122,279
2005 MF Series A (Mission Del Rio Homes)	8,879,635		56,675		8,822,960	60,471
2005 MF Series A (Atascocita Pines Apartments)	10,890,000			100,000	10,790,000	
2005 MF Series A (Tower Ridge Apartments)	15,000,000				15,000,000	
2005 MF Series A (Prairie Ranch Apartments)	11,100,000		85,000	11,015,000		
2005 MF Series A (St Augustine Estate Apartments)	5,980,000			100,000	5,880,000	
2005 MF Series A (Park Manor Senior Community)	10,400,000			10,400,000		
2005 MF Series A (Providence at Mockingbird Apts)	10,753,459		92,903		10,660,556	98,045
2005 MF Series A (Plaza at Chase Oaks Apartments)	12,268,637		310,759		11,957,878	326,820
2005 MF Series A (Coral Hills Apartments)	4,485,000		100,000		4,385,000	100,000
2006 MF Series A (Harris Branch Apartments)	13,490,000			13,490,000		
2006 MF Series A (Bella Vista Apartments)	6,430,000		65,000		6,365,000	70,000
2006 MF Series A (Village Park Apartments)	9,580,000		195,000		9,385,000	205,000
2006 MF Series A (Oakmoor Apartments)	13,759,468		135,150		13,624,318	143,486
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000				15,000,000	
2006 MF Series A (Hillcrest Apartments)	10,175,000		195,000		9,980,000	210,000
2006 MF Series A (Pleasant Village)	5,343,923		248,966	5,094,957	0	
2006 MF Series A (Red Hills Villas)	4,615,000			100,000	4,515,000	
2006 MF Series A (Champion Crossing Apartments)	4,475,000			100,000	4,375,000	100,000
2006 MF Series A (Meadowlands Apartments)	11,862,618		110,631		11,751,987	117,454
2006 MF Series A (East Tex Pines)	13,000,000		125,000		12,875,000	125,000
2006 MF Series A (Villas at Henderson)	6,615,000			100,000	6,515,000	
2006 MF Series A (Aspen Park)	9,115,000		125,000		8,990,000	135,000
2006 MF Series A (Idlewild)	13,390,000			200,000	13,190,000	
2007 MF Series A (Lancaster)	13,380,000			200,000	13,180,000	
2007 MF Series A (Park Place at Loyola)	13,864,741		109,423		13,755,318	115,941
2007 MF Series A (Terrace at Cibolo)	4,900,000			100,000	4,800,000	
2007 MF Series A (Santora Villas)	11,766,999		97,025		11,669,974	102,804
2007 MF Series A (Villas at Mesquite Creek)	15,775,000		210,000		15,565,000	220,000
2007 MF Series A (Summit Point)	8,960,000			8,960,000		
2007 MF Series A (Costa Rialto)	10,296,693		94,312		10,202,381	99,483
2007 MF Series A (Windshire)	13,300,000			100,000	13,200,000	
2007 MF Series A (Residences at Onion Creek)	15,000,000				15,000,000	
2008 MF Series A (West Oaks Apartments)	12,215,000			140,000	12,075,000	
2008 MF Series A (Costa Ibiza Apartments)	13,120,000			200,000	12,920,000	
2008 MF Series A (Addison Park Apartments)	12,805,000			210,000	12,595,000	
2008 MF Series A (Alta Cullen Apartments Refunding)	12,100,000			200,000	11,900,000	
2009 MF Series A (Costa Mariposa Apartments)	13,270,000			105,000	13,165,000	
2009 MF Series A (Woodmont Apartments)	14,555,000			265,000	14,290,000	
2013 MF Series A (Waters @ Willow Run)	14,500,000				14,500,000	14,500,000
2014 MF Series A (Decatur Angle Apartments)	23,000,000				23,000,000	152,311
2014 MF Series A (Northcrest Apartments)	2,900,000			2,900,000		
2015 MF Series A (Good Samaritan Towers)		5,620,000			5,620,000	
2015 MF Series A (Williamsburg Apts)		23,150,000			23,150,000	172,716
2016 MF Series A (Chisholm Trace/Cheyenne Village)		13,500,000			13,500,000	
2016 MF Series A (Fifty Oaks & Edinburg Village)		7,400,000			7,400,000	
Total Multifamily Bonds	\$ 965,352,798	\$ 49,670,000	\$ 8,044,834	\$ 94,712,979	\$ 912,264,985	\$ 22,779,033
	\$ 1,533,027,798	\$ 194,610,000	\$ 15,799,834	\$ 278,112,979	\$ 1,433,724,985	\$ 27,896,818

FOOTNOTES:

(a) Bonds Outstanding balance at 8/31/16 does not include unamortized premium or discounts.
Bonds Outstanding per schedule \$ 1,433,724,985
Unamortized (Discount)/Premium:
RMRB 1,076,055
CHMRB 17,835
Multi-Family 63,485
Bonds Outstanding **\$ 1,434,882,360**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)

August 31, 2016

DESCRIPTION		2017	2018	2019	2020	2021
2004 Single Family, Series A (Junior Lien)	Principal	-	-	-	-	-
2004 Single Family, Series A (Junior Lien)	Interest	22,745	25,828	25,828	25,888	25,769
2004 Single Family, Series B	Principal	-	-	-	-	-
2004 Single Family, Series B	Interest	214,750	267,784	267,784	268,397	267,171
2004 Single Family, Series D	Principal	-	-	-	-	-
2004 Single Family, Series D	Interest	132,546	161,910	161,910	162,281	161,539
2005 Single Family, Series A	Principal	-	-	-	-	-
2005 Single Family, Series A	Interest	166,565	199,232	199,232	199,688	198,776
2005 Single Family, Series B	Principal	80,000	75,000	70,000	70,000	85,000
2005 Single Family, Series B	Interest	37,665	33,825	30,345	26,985	23,625
2005 Single Family, Series C	Principal	-	3,090,000	-	-	-
2005 Single Family, Series C	Interest	16,986	9,346	-	-	-
2005 Single Family, Series D	Principal	-	-	-	-	-
2005 Single Family, Series D	Interest	21,500	21,500	21,500	21,500	21,500
2007 Single Family, Series A	Principal	-	-	-	-	-
2007 Single Family, Series A	Interest	205,491	245,792	245,792	246,355	245,229
2007 Single Family, Series B	Principal	305,000	495,000	360,000	360,000	360,000
2007 Single Family, Series B	Interest	1,822,258	1,807,840	1,786,803	1,768,623	1,750,443
2013 Single Family, Series A	Principal	-	-	-	-	-
2013 Single Family, Series A	Interest	654,780	654,780	654,780	654,780	654,780
2015 Single Family, Series A	Principal	-	-	-	-	-
2015 Single Family, Series A	Interest	949,760	949,760	949,760	949,760	949,760
2015 Single Family, Series B	Principal	-	-	-	-	-
2015 Single Family, Series B	Interest	591,250	591,250	591,250	591,250	591,250
2016 Single Family, Series A	Principal	-	-	-	-	-
2016 Single Family, Series A	Interest	947,166	929,100	929,100	929,100	929,100
2016 Single Family, Series B	Principal	-	-	-	-	-
2016 Single Family, Series B	Interest	1,813,157	1,778,574	1,778,574	1,778,574	1,778,574
TOTAL SINGLE FAMILY BONDS		7,981,619	11,336,521	8,072,658	8,053,181	8,042,516
2009 Residential Mtg Revenue Bonds, Series A	Principal	305,000	300,000	295,000	-	-
2009 Residential Mtg Revenue Bonds, Series A	Interest	1,317,810	1,306,240	1,294,465	1,285,665	1,285,665
2009 Residential Mtg Revenue Bonds, Series B	Principal	815,000	1,100,000	790,000	1,300,000	1,300,000
2009 Residential Mtg Revenue Bonds, Series B	Interest	324,337	281,993	232,928	187,425	119,175
2009 Residential Mtg Revenue Bonds, Series C-1	Principal	-	-	-	-	-
2009 Residential Mtg Revenue Bonds, Series C-1	Interest	1,310,569	1,310,569	1,310,569	1,310,569	1,310,569
2009 Residential Mtg Revenue Bonds, Series C-2	Principal	-	-	-	-	-
2009 Residential Mtg Revenue Bonds, Series C-2	Interest	895,528	895,528	895,528	895,528	895,528
2011 Residential Mtg Revenue Bonds, Series A	Principal	1,515,000	1,570,000	1,640,000	1,720,000	1,785,000
2011 Residential Mtg Revenue Bonds, Series A	Interest	1,101,387	1,051,725	993,659	927,750	855,081
2011 Residential Mtg Revenue Bonds, Series B	Principal	2,020,000	2,020,000	2,095,000	2,170,000	2,245,000
2011 Residential Mtg Revenue Bonds, Series B	Interest	1,725,878	1,679,482	1,625,529	1,563,300	1,494,455
TOTAL RESIDENTIAL MTG REVENUE BONDS		11,330,509	11,515,537	11,172,678	11,360,237	11,290,473
1992 Coll Home Mtg Rev Bonds, Series C	Principal	-	-	-	-	-
1992 Coll Home Mtg Rev Bonds, Series C	Interest	112,474	123,722	112,474	112,474	123,722
TOTAL COLL HOME MTG REV BONDS		112,474	123,722	112,474	112,474	123,722

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued

August 31, 2016

2022-26	2027-31	2032-36	2037-41	2042-46	2047-51	2052-56	TOTAL REQUIRED
-	-	-	3,855,000	-	-	-	3,855,000
129,141	129,141	129,201	12,989	-	-	-	526,530
11,850,000	15,080,000	12,450,000	-	-	-	-	39,380,000
1,173,370	713,764	172,854	-	-	-	-	3,345,874
8,275,000	8,600,000	8,825,000	-	-	-	-	25,700,000
690,749	433,347	129,235	-	-	-	-	2,033,517
-	3,100,000	25,225,000	2,805,000	-	-	-	31,130,000
996,160	993,494	547,210	9,025	-	-	-	3,509,382
415,000	-	-	-	-	-	-	795,000
49,981	-	-	-	-	-	-	202,426
-	-	-	-	-	-	-	3,090,000
-	-	-	-	-	-	-	26,332
45,000	250,000	135,000	-	-	-	-	430,000
107,000	59,250	16,875	-	-	-	-	290,625
-	-	25,805,000	12,600,000	-	-	-	38,405,000
1,228,960	1,228,960	914,986	99,224	-	-	-	4,660,789
2,160,000	2,870,000	13,050,000	15,520,000	-	-	-	35,480,000
8,448,361	7,813,857	6,274,525	1,722,152	-	-	-	33,194,862
-	-	23,385,000	-	-	-	-	23,385,000
3,273,900	3,273,900	3,273,900	-	-	-	-	13,095,600
-	-	-	29,680,000	-	-	-	29,680,000
4,748,800	4,748,800	4,748,800	3,324,161	-	-	-	22,319,361
-	-	-	-	18,920,000	-	-	18,920,000
2,956,250	2,956,250	2,956,250	2,956,251	2,956,248	-	-	17,737,499
-	-	-	-	30,970,000	-	-	30,970,000
4,645,500	4,645,500	4,645,500	4,645,501	4,645,499	-	-	27,891,066
-	-	-	55,930,000	-	-	-	55,930,000
8,892,870	8,892,870	8,892,870	5,335,722	-	-	-	40,941,785
60,086,042	65,789,133	141,577,206	138,495,025	57,491,747	-	-	506,925,648
4,465,000	6,335,000	5,995,000	7,530,000	-	-	-	25,225,000
6,056,917	4,566,064	2,964,572	956,696	-	-	-	21,034,094
1,295,000	-	-	-	-	-	-	6,600,000
50,925	-	-	-	-	-	-	1,196,783
-	6,735,000	17,685,000	21,165,000	-	-	-	45,585,000
6,552,845	6,382,141	4,490,535	1,653,193	-	-	-	25,631,559
-	-	10,340,000	25,770,000	-	-	-	36,110,000
4,477,640	4,477,640	4,221,208	1,930,188	-	-	-	19,584,316
10,600,000	5,410,000	-	-	-	-	-	24,240,000
2,862,093	451,126	-	-	-	-	-	8,242,821
12,930,000	14,480,000	6,890,000	-	-	-	-	44,850,000
6,108,646	3,130,640	443,804	-	-	-	-	17,771,734
55,399,066	51,967,611	53,030,119	59,005,077	-	-	-	276,071,307
1,700,000	-	-	-	-	-	-	1,700,000
336,458	-	-	-	-	-	-	921,324
2,036,458	-	-	-	-	-	-	2,621,324

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)

August 31, 2016

DESCRIPTION		2017	2018	2019	2020	2021
1996 MF Series A/B (Brighton's Mark)	Principal	-	-	-	-	-
1996 MF Series A/B (Brighton's Mark)	Interest	494,998	494,998	494,998	494,998	494,998
1998 MF Series A-C (Residence Oaks)	Principal	312,000	321,000	329,000	339,000	347,000
1998 MF Series A-C (Residence Oaks)	Interest	148,850	140,166	131,262	122,111	112,699
2000 MF Series A (Creek Point Apts)	Principal	-	-	-	-	-
2000 MF Series A (Creek Point Apts)	Interest	35,759	36,448	36,448	36,490	36,406
2000 MF Series A (Deerwood Apts)	Principal	170,000	180,000	190,000	205,000	220,000
2000 MF Series A (Deerwood Apts)	Interest	315,618	304,750	293,253	280,968	267,840
2000 MF Series A/B (Oaks at Hampton)	Principal	148,265	159,298	171,152	183,892	197,578
2000 MF Series A/B (Oaks at Hampton)	Interest	629,570	618,536	606,681	593,943	580,257
2000 MF Series A (Timber Point Apts)	Principal	-	-	-	-	-
2000 MF Series A (Timber Point Apts)	Interest	41,830	42,636	42,636	42,685	42,587
2000 MF Series A/B (Parks @ Westmoreland)	Principal	143,995	154,715	166,227	178,599	191,891
2000 MF Series A/B (Parks @ Westmoreland)	Interest	627,979	617,262	605,748	593,377	580,084
2000 MF Series A-C (Collingham Park)	Principal	348,000	370,000	392,000	417,000	444,000
2000 MF Series A-C (Collingham Park)	Interest	707,918	684,163	658,930	632,184	603,691
2000 MF Series A-C (Highland Meadow Apts)	Principal	221,000	237,000	253,000	271,000	290,000
2000 MF Series A-C (Highland Meadow Apts)	Interest	476,517	461,330	445,062	427,681	409,085
2001 MF Series A (Bluffview Senior Apts)	Principal	117,350	126,586	136,549	147,296	158,889
2001 MF Series A (Bluffview Senior Apts)	Interest	737,117	727,882	717,919	707,172	695,579
2001 MF Series A (Knollwood Villas Apts)	Principal	150,801	162,669	175,472	189,282	204,180
2001 MF Series A (Knollwood Villas Apts)	Interest	947,229	935,361	922,558	908,747	893,850
2001 MF Series A (Oak Hollow Apts.)	Principal	74,815	80,224	86,023	92,242	98,910
2001 MF Series A (Oak Hollow Apts.)	Interest	410,495	405,086	399,287	393,068	386,400
2001 MF Series A (Skyway Villas)	Principal	195,000	205,000	215,000	225,000	245,000
2001 MF Series A (Skyway Villas)	Interest	348,257	337,290	325,777	313,719	300,942
2001 MF Series A/B (Hillside Apts.)	Principal	84,253	90,344	96,875	103,878	111,387
2001 MF Series A/B (Hillside Apts.)	Interest	841,385	835,294	828,763	821,760	814,251
2001 MF Series A/B (Meridian Apts.)	Principal	108,000	119,000	123,000	132,000	147,000
2001 MF Series A/B (Meridian Apts.)	Interest	469,530	462,775	455,565	447,870	439,695
2001 MF Series A/B (Wildwood Apts.)	Principal	89,000	96,000	100,000	108,000	114,000
2001 MF Series A/B (Wildwood Apts.)	Interest	362,200	356,580	350,790	344,490	337,935
2002 MF Series A (Clarkridge Villas Apts)	Principal	151,814	162,788	174,556	187,175	200,706
2002 MF Series A (Clarkridge Villas Apts)	Interest	891,946	880,972	869,204	856,585	843,054
2002 MF Series A (Green Crest Apts)	Principal	91,863	97,044	102,518	108,301	114,410
2002 MF Series A (Green Crest Apts)	Interest	581,073	575,891	570,417	564,634	558,525
2002 MF Series A (Hickory Trace Apts)	Principal	124,723	133,740	143,408	153,775	164,891
2002 MF Series A (Hickory Trace Apts)	Interest	737,784	728,768	719,100	708,733	697,617
2002 MF Series A (Park Meadows Apts)	Principal	105,000	120,000	125,000	135,000	140,000
2002 MF Series A (Park Meadows Apts)	Interest	233,611	226,591	218,592	210,429	201,614
2002 MF Series A/B (Ironwood Crossing)	Principal	160,780	173,262	186,713	201,208	225,179
2002 MF Series A/B (Ironwood Crossing)	Interest	706,402	693,921	680,470	665,975	650,345
2003 MF Series A/B (Ash Creek Apts)	Principal	164,649	178,399	191,406	204,713	218,945
2003 MF Series A/B (Ash Creek Apts)	Interest	1,005,412	991,916	979,262	966,231	952,295
2003 MF Series A/B (North Vista Apts)	Principal	310,000	325,000	340,000	360,000	380,000
2003 MF Series A/B (North Vista Apts)	Interest	542,108	526,227	509,440	491,903	473,356
2003 MF Series A/B (Peninsula Apts)	Principal	260,000	275,000	295,000	315,000	335,000
2003 MF Series A/B (Peninsula Apts)	Interest	541,395	527,483	512,643	496,743	479,783
2003 MF Series A/B (Primrose Houston School)	Principal	163,327	177,095	192,023	207,856	222,182
2003 MF Series A/B (Primrose Houston School)	Interest	1,013,032	999,469	984,762	969,992	956,036

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2016

2022-26	2027-31	2032-36	2037-41	2042-46	2047-51	2052-56	TOTAL REQUIRED
8,075,000	-	-	-	-	-	-	8,075,000
2,474,985	-	-	-	-	-	-	4,949,975
1,886,000	1,937,000	-	-	-	-	-	5,471,000
413,268	136,304	-	-	-	-	-	1,204,660
-	-	5,360,000	-	-	-	-	5,360,000
182,240	182,240	42,564	-	-	-	-	588,595
1,360,000	1,935,000	725,000	-	-	-	-	4,985,000
1,102,080	589,920	46,878	-	-	-	-	3,201,307
1,231,607	1,763,397	2,524,810	2,431,133	-	-	-	8,811,132
2,657,572	2,125,781	1,364,369	331,347	-	-	-	9,508,056
-	-	6,270,000	-	-	-	-	6,270,000
213,180	213,180	46,296	-	-	-	-	685,030
1,196,152	1,712,639	2,451,137	2,591,726	-	-	-	8,787,081
2,663,722	2,147,235	1,407,812	383,975	-	-	-	9,627,194
2,679,000	3,669,000	2,301,000	-	-	-	-	10,620,000
2,524,032	1,483,071	235,805	-	-	-	-	7,529,794
1,778,000	2,479,000	1,585,000	-	-	-	-	7,114,000
1,717,844	1,017,834	164,093	-	-	-	-	5,119,446
1,002,904	1,464,777	2,139,354	4,458,250	-	-	-	9,751,955
3,269,434	2,807,563	2,132,981	1,120,038	-	-	-	12,915,685
1,288,780	1,882,305	2,749,170	5,729,059	-	-	-	12,531,718
4,201,369	3,607,844	2,740,981	1,439,302	-	-	-	16,597,241
612,716	868,601	1,231,354	1,745,598	1,007,588	-	-	5,898,071
1,813,834	1,557,949	1,195,200	680,954	22,299	-	-	7,264,572
1,450,000	1,955,000	1,760,000	-	-	-	-	6,250,000
1,281,046	812,328	204,103	-	-	-	-	3,923,462
690,012	978,179	1,386,690	1,965,807	6,550,479	-	-	12,057,904
3,938,179	3,650,011	3,241,497	2,662,381	151,479	-	-	17,785,000
900,000	6,336,000	10,000	-	-	-	-	7,875,000
2,047,455	1,364,640	1,975	-	-	-	-	5,689,505
683,000	4,881,000	5,000	-	-	-	-	6,076,000
1,575,220	792,250	1,000	-	-	-	-	4,120,465
1,243,313	1,762,551	2,498,638	3,542,133	2,887,115	-	-	12,810,789
3,975,486	3,456,245	2,720,159	1,676,666	186,332	-	-	16,356,649
676,452	890,010	1,170,989	7,355,066	-	-	-	10,606,653
2,688,226	2,474,668	2,193,689	100,823	-	-	-	10,307,946
1,021,924	1,448,035	2,052,770	2,910,059	2,442,915	-	-	10,596,240
3,290,970	2,864,343	2,259,607	1,402,319	177,553	-	-	13,586,794
865,000	1,195,000	920,000	-	-	-	-	3,605,000
853,308	525,339	107,908	-	-	-	-	2,577,392
1,250,259	1,549,551	1,920,494	10,223,950	-	-	-	15,891,396
3,085,653	2,786,362	2,415,420	942,987	-	-	-	12,627,535
1,345,341	1,882,694	11,080,869	-	-	-	-	15,267,016
4,516,062	3,989,870	3,064,870	-	-	-	-	16,465,918
2,240,000	2,935,000	3,855,000	-	-	-	-	10,745,000
2,050,694	1,406,257	561,393	-	-	-	-	6,561,378
8,800,000	-	-	-	-	-	-	10,280,000
1,534,614	-	-	-	-	-	-	4,092,661
1,360,979	1,895,133	11,330,570	-	-	-	-	15,549,165
4,535,378	4,012,486	3,237,009	-	-	-	-	16,708,164

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)

August 31, 2016

DESCRIPTION		2017	2018	2019	2020	2021
2003 MF Series A/B (Reading Road)	Principal	40,000	40,000	50,000	50,000	50,000
2003 MF Series A/B (Reading Road)	Interest	168,249	166,816	163,947	160,639	157,131
2003 MF Series A/B (Timber Oaks Apts)	Principal	109,710	115,036	120,621	126,477	132,617
2003 MF Series A/B (Timber Oaks Apts)	Interest	859,970	850,158	839,870	829,083	817,773
2003 MF Series A/B (West Virginia Apts)	Principal	215,000	235,000	245,000	255,000	275,000
2003 MF Series A/B (West Virginia Apts)	Interest	391,835	380,661	368,581	356,001	342,921
2004 MF Series A (Bristol)	Principal	-	-	-	-	-
2004 MF Series A (Bristol)	Interest	76,099	76,840	76,840	76,920	76,760
2004 MF Series A (Chisholm Trail)	Principal	-	-	-	-	-
2004 MF Series A (Chisholm Trail)	Interest	69,365	70,040	70,040	70,113	69,967
2004 MF Series A (Churchill @ Pinnacle)	Principal	120,851	129,009	137,717	147,014	156,938
2004 MF Series A (Churchill @ Pinnacle)	Interest	605,485	597,327	588,619	579,323	569,399
2004 MF Series A (Evergreen @ Plano)	Principal	143,376	153,054	163,385	174,414	186,188
2004 MF Series A (Evergreen @ Plano)	Interest	899,195	889,516	879,185	868,156	856,383
2004 MF Series A (Humble Park)	Principal	180,000	190,000	205,000	215,000	235,000
2004 MF Series A (Humble Park)	Interest	686,070	674,025	661,320	647,625	633,105
2004 MF Series A (Montgomery Pines)	Principal	-	-	-	-	-
2004 MF Series A (Montgomery Pines)	Interest	72,732	73,440	73,440	73,516	73,364
2004 MF Series A (Pinnacle)	Principal	-	-	-	-	-
2004 MF Series A (Pinnacle)	Interest	89,333	90,202	90,202	90,296	90,108
2004 MF Series A (Rush Creek)	Principal	89,196	95,360	101,949	108,993	116,524
2004 MF Series A (Rush Creek)	Interest	549,146	542,983	536,394	529,350	521,819
2004 MF Series A/B (Century Park)	Principal	275,000	290,000	305,000	325,000	345,000
2004 MF Series A/B (Century Park)	Interest	576,885	561,775	546,003	529,292	511,487
2004 MF Series A/B (Timber Ridge)	Principal	63,909	68,509	73,439	78,722	84,391
2004 MF Series A/B (Timber Ridge)	Interest	420,275	415,821	411,045	405,927	400,440
2004 MF Series A/B (Veterans Memorial)	Principal	62,704	65,748	68,940	72,287	75,796
2004 MF Series A/B (Veterans Memorial)	Interest	436,154	431,924	427,489	422,839	417,963
2003 MF Series A/B (Parkview Twnhms)	Principal	121,603	127,507	133,697	140,188	146,994
2003 MF Series A/B (Parkview Twnhms)	Interest	858,733	850,530	841,929	832,910	823,453
2003 MF Series A/B (Arlington Villas)	Principal	152,933	165,710	179,553	194,552	210,803
2003 MF Series A/B (Arlington Villas)	Interest	1,095,952	1,083,255	1,069,498	1,054,592	1,038,441
2003 MF Series A (NHP-Asmara) Refunding	Principal	-	-	-	-	-
2003 MF Series A (NHP-Asmara) Refunding	Interest	107,416	109,696	109,696	109,822	109,570
2004 MF Series A (Village Fair)	Principal	142,857	152,424	162,632	173,524	185,145
2004 MF Series A (Village Fair)	Interest	847,737	838,169	827,961	817,069	805,448
2005 MF Series A (Pecan Grove)	Principal	88,796	94,743	101,088	107,858	115,082
2005 MF Series A (Pecan Grove)	Interest	839,510	833,563	827,218	820,448	813,224
2005 MF Series A (Prairie Oaks)	Principal	110,996	118,430	126,361	134,824	143,853
2005 MF Series A (Prairie Oaks)	Interest	662,840	655,406	647,475	639,012	629,983
2005 MF Series A (Port Royal)	Principal	122,279	130,468	139,206	148,527	158,475
2005 MF Series A (Port Royal)	Interest	734,831	726,642	717,904	708,581	698,634

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued

August 31, 2016

2022-26	2027-31	2032-36	2037-41	2042-46	2047-51	2052-56	TOTAL REQUIRED
330,000	460,000	9,190,000	-	-	-	-	10,210,000
726,078	596,646	410,551	-	-	-	-	2,550,057
766,142	98,906	-	10,900,000	-	-	-	12,369,509
3,899,021	3,681,582	3,678,750	1,655,439	-	-	-	17,111,646
1,620,000	2,130,000	2,790,000	-	-	-	-	7,765,000
1,485,487	1,018,994	406,215	-	-	-	-	4,750,695
-	-	-	11,300,000	-	-	-	11,300,000
384,200	384,200	384,280	63,919	-	-	-	1,600,058
-	-	-	10,300,000	-	-	-	10,300,000
350,200	350,200	350,273	46,558	-	-	-	1,446,756
958,638	1,328,924	1,842,234	2,553,814	1,923,654	-	-	9,298,793
2,673,042	2,302,761	1,789,450	1,077,871	194,827	-	-	10,978,104
1,137,312	1,576,608	2,185,591	3,029,795	5,043,370	-	-	13,793,093
4,075,542	3,636,242	3,027,262	2,183,056	727,327	-	-	18,041,864
1,425,000	1,955,000	2,710,000	3,325,000	-	-	-	10,440,000
2,908,950	2,362,800	1,612,545	573,870	-	-	-	10,760,310
-	-	-	10,800,000	-	-	-	10,800,000
367,200	367,200	367,276	61,091	-	-	-	1,529,259
-	-	-	13,265,000	-	-	-	13,265,000
451,010	451,010	451,104	75,032	-	-	-	1,878,297
715,109	998,748	1,394,889	1,948,156	2,667,673	-	-	8,236,597
2,476,604	2,192,963	1,796,821	1,243,557	340,590	-	-	10,730,227
2,035,000	2,720,000	3,620,000	855,000	-	-	-	10,770,000
2,254,279	1,625,901	789,667	34,756	-	-	-	7,430,045
522,283	739,302	4,624,635	-	-	-	-	6,255,190
1,905,034	1,694,865	1,397,367	-	-	-	-	7,050,774
437,884	555,011	703,464	4,595,049	-	-	-	6,636,883
2,007,970	1,845,229	1,638,953	1,197,442	-	-	-	8,825,963
849,199	1,076,342	1,364,243	9,106,592	-	-	-	13,066,365
3,958,548	3,642,937	3,242,908	2,506,327	-	-	-	17,558,275
1,323,334	1,868,604	2,635,853	9,380,877	-	-	-	16,112,219
4,927,643	4,394,269	3,643,704	209,307	-	-	-	18,516,661
-	-	17,140,000	-	-	-	-	17,140,000
548,480	548,480	210,076	-	-	-	-	1,853,236
1,129,185	1,561,456	2,159,210	2,985,792	4,454,579	-	-	13,106,804
3,823,785	3,391,513	2,793,758	1,967,174	700,515	-	-	16,813,129
701,873	970,563	1,342,111	9,433,642	-	-	-	12,955,756
3,939,654	3,670,966	3,299,419	848,804	-	-	-	15,892,806
877,350	1,213,213	1,677,652	2,319,889	3,525,240	-	-	10,247,808
2,991,832	2,655,967	2,191,527	1,549,294	566,326	-	-	13,189,662
966,524	1,336,528	1,848,176	2,555,690	3,954,600	-	-	11,360,473
3,319,020	2,949,015	2,437,368	1,729,855	648,693	-	-	14,670,543

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)

August 31, 2016

DESCRIPTION		2017	2018	2019	2020	2021
2005 MF Series A (Del Rio)	Principal	60,471	64,521	68,842	73,452	78,372
2005 MF Series A (Del Rio)	Interest	571,712	567,662	563,341	558,730	553,811
2005 MF Series A (Atascocita Pines)	Principal	-	-	-	-	-
2005 MF Series A (Atascocita Pines)	Interest	72,665	73,372	73,372	73,448	73,296
2005 MF Series A (Tower Ridge)	Principal	-	-	-	-	-
2005 MF Series A (Tower Ridge)	Interest	104,567	105,000	105,000	105,109	104,891
2005 MF Series A (St Augustine)	Principal	-	-	-	-	-
2005 MF Series A (St Augustine)	Interest	39,599	39,984	39,984	40,026	39,942
2005 MF Series A (Mockingbird)	Principal	98,045	103,473	109,201	115,246	121,625
2005 MF Series A (Mockingbird)	Interest	573,268	567,841	562,113	556,068	549,688
2005 MF Series A (Chase Oaks)	Principal	326,820	343,712	361,477	380,160	399,809
2005 MF Series A (Chase Oaks)	Interest	596,377	579,485	561,720	543,037	523,388
2005 MF Series A (Coral Hills)	Principal	100,000	100,000	110,000	115,000	125,000
2005 MF Series A (Coral Hills)	Interest	220,180	215,130	209,954	204,399	198,465
2006 MF Series A (Bella Vista)	Principal	70,000	70,000	80,000	80,000	85,000
2006 MF Series A (Bella Vista)	Interest	391,447	387,142	382,837	377,917	372,997
2006 MF Series A (Village Park)	Principal	205,000	220,000	235,000	245,000	265,000
2006 MF Series A (Village Park)	Interest	474,219	464,244	453,675	442,394	430,638
2006 MF Series A (Oakmoor)	Principal	143,486	152,336	161,731	171,707	182,297
2006 MF Series A (Oakmoor)	Interest	813,556	804,706	795,310	785,335	774,745
2006 MF Series A (Sunset Pointe)	Principal	-	-	-	-	-
2006 MF Series A (Sunset Pointe)	Interest	104,567	105,000	105,000	105,109	104,891
2006 MF Series A (Hillcrest)	Principal	210,000	225,000	230,000	245,000	265,000
2006 MF Series A (Hillcrest)	Interest	521,194	510,038	498,094	485,888	472,631
2006 MF Series A (Red Hills Villas)	Principal	-	-	-	-	-
2006 MF Series A (Red Hills Villas)	Interest	29,660	29,799	29,799	29,830	29,768
2006 MF Series A (Champion Crossing)	Principal	100,000	100,000	100,000	100,000	100,000
2006 MF Series A (Champion Crossing)	Interest	28,137	27,612	26,952	26,319	25,605
2006 MF Series A (Meadowlands)	Principal	117,454	124,698	132,389	140,555	149,224
2006 MF Series A (Meadowlands)	Interest	701,925	694,681	686,990	678,824	670,155
2006 MF Series A (East Tex Pines)	Principal	125,000	135,000	145,000	155,000	160,000
2006 MF Series A (East Tex Pines)	Interest	743,125	735,585	727,465	718,765	709,630
2006 MF Series A (Villas at Henderson)	Principal	-	-	-	-	-
2006 MF Series A (Villas at Henderson)	Interest	43,148	43,651	43,651	43,696	43,605
2006 MF Series A (Aspen Park Apts)	Principal	135,000	140,000	150,000	160,000	165,000
2006 MF Series A (Aspen Park Apts)	Interest	447,875	441,000	433,875	426,250	418,250
2006 MF Series A (Idlewilde Apts)	Principal	-	-	-	-	-
2006 MF Series A (Idlewilde Apts)	Interest	88,827	89,692	89,692	89,785	89,599
2007 MF Series A (Lancaster Apts)	Principal	-	-	-	-	-
2007 MF Series A (Lancaster Apts)	Interest	88,760	89,624	89,624	89,717	89,531

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued

August 31, 2016

2022-26	2027-31	2032-36	2037-41	2042-46	2047-51	2052-56	TOTAL REQUIRED
477,980	660,960	913,988	6,424,374	-	-	-	8,822,960
2,682,932	2,499,952	2,246,926	611,120	-	-	-	10,856,186
-	-	-	10,790,000	-	-	-	10,790,000
366,860	366,860	366,936	122,145	-	-	-	1,588,954
-	-	-	15,000,000	-	-	-	15,000,000
525,000	525,000	525,109	170,768	-	-	-	2,270,444
-	-	-	5,880,000	-	-	-	5,880,000
199,920	199,920	199,962	83,321	-	-	-	882,658
716,890	938,530	1,228,698	7,228,848	-	-	-	10,660,556
2,639,678	2,418,034	2,127,866	1,433,954	-	-	-	11,428,510
2,331,214	2,999,243	4,815,444	-	-	-	-	11,957,879
2,284,771	1,616,746	685,506	-	-	-	-	7,391,030
3,835,000	-	-	-	-	-	-	4,385,000
887,158	-	-	-	-	-	-	1,935,286
530,000	710,000	970,000	1,320,000	2,450,000	-	-	6,365,000
1,777,349	1,594,079	1,344,696	1,006,446	546,125	-	-	8,181,035
1,560,000	6,655,000	-	-	-	-	-	9,385,000
1,935,714	170,532	-	-	-	-	-	4,371,416
1,094,667	1,476,542	1,991,635	2,686,418	5,563,499	-	-	13,624,318
3,690,540	3,308,663	2,793,570	2,098,788	1,107,944	-	-	16,973,157
-	-	-	15,000,000	-	-	-	15,000,000
525,000	525,000	525,109	305,973	-	-	-	2,405,649
1,615,000	7,190,000	-	-	-	-	-	9,980,000
2,131,369	372,487	-	-	-	-	-	4,991,701
200,000	1,000,000	1,300,000	2,015,000	-	-	-	4,515,000
147,128	123,156	86,379	1,128	-	-	-	506,647
500,000	1,000,000	1,300,000	1,075,000	-	-	-	4,375,000
118,256	92,136	55,352	601	-	-	-	400,970
896,068	1,208,663	1,630,305	2,199,037	2,966,171	2,187,424	-	11,751,988
3,200,824	2,888,231	2,466,590	1,897,857	1,130,722	10,937	-	15,027,736
955,000	1,265,000	1,675,000	2,225,000	2,950,000	3,085,000	-	12,875,000
3,392,855	3,073,275	2,649,005	2,086,985	1,341,830	89,465	-	16,267,985
6,515,000	-	-	-	-	-	-	6,515,000
96,628	-	-	-	-	-	-	314,379
1,005,000	7,235,000	-	-	-	-	-	8,990,000
1,952,250	358,748	-	-	-	-	-	4,478,248
-	-	-	13,190,000	-	-	-	13,190,000
448,460	448,460	448,553	343,820	-	-	-	2,136,888
-	-	-	13,180,000	-	-	-	13,180,000
448,120	448,120	448,213	350,904	-	-	-	2,142,613

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)

August 31, 2016

DESCRIPTION		2017	2018	2019	2020	2021
2007 MF Series A (Park Place)	Principal	115,941	122,847	130,165	137,918	146,133
2007 MF Series A (Park Place)	Interest	794,760	787,853	780,536	772,782	764,567
2007 MF Series A (Terrace at Cibolo)	Principal	-	-	-	-	-
2007 MF Series A (Terrace at Cibolo)	Interest	31,419	32,160	32,160	32,197	32,123
2007 MF Series A (Santora Villas)	Principal	102,804	108,928	115,416	122,291	129,576
2007 MF Series A (Santora Villas)	Interest	674,155	668,031	661,543	654,668	647,384
2007 MF Series A (Villas @ Mesquite Creek)	Principal	220,000	235,000	245,000	260,000	275,000
2007 MF Series A (Villas @ Mesquite Creek)	Interest	779,631	766,704	752,946	740,000	726,875
2007 MF Series A (Costa Rialto)	Principal	99,483	104,938	110,691	116,761	123,163
2007 MF Series A (Costa Rialto)	Interest	543,414	537,959	532,205	526,135	519,733
2007 MF Series A (Windshire)	Principal	-	-	-	-	-
2007 MF Series A (Windshire)	Interest	88,895	89,760	89,760	89,853	89,667
2007 MF Series A (Residences @ Onion Creek)	Principal	-	-	-	-	-
2007 MF Series A (Residences @ Onion Creek)	Interest	104,567	105,000	105,000	105,109	104,891
2008 MF Series A (Addison Park)	Principal	-	-	-	-	-
2008 MF Series A (Addison Park)	Interest	87,242	88,165	88,165	88,266	88,064
2008 MF Series A (Costa Ibiza)	Principal	-	-	-	-	-
2008 MF Series A (Costa Ibiza)	Interest	76,443	77,520	77,520	77,609	77,431
2008 MF Series A (West Oaks)	Principal	-	-	-	-	-
2008 MF Series A (West Oaks)	Interest	80,320	82,110	82,110	82,204	82,016
2009 MF Series A (Costa Mariposa Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Costa Mariposa Apartments)	Interest	77,892	78,990	78,990	79,080	78,900
2009 MF Series A (Woodmont Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Woodmont Apartments)	Interest	84,549	85,740	85,740	85,838	85,642
2008 MF Series A (Alta Cullen Apartments)	Principal	-	-	-	-	-
2008 MF Series A (Alta Cullen Apartments)	Interest	77,540	78,540	78,540	78,630	78,450
2013 MF Series A (Waters @ Willow Run)	Principal	14,500,000	-	-	-	-
2013 MF Series A (Waters @ Willow Run)	Interest	47,125	-	-	-	-
2014 MF Series A (Decatur Angle Apartments)	Principal	152,311	161,464	171,167	181,453	192,357
2014 MF Series A (Decatur Angle Apartments)	Interest	1,318,528	1,309,532	1,299,995	1,289,884	1,279,166
2015 MF Series A (Good Samaritan Towers)	Principal	-	5,620,000	-	-	-
2015 MF Series A (Good Samaritan Towers)	Interest	53,390	26,695	-	-	-
2015 MF Series A (Williamsburg Apts)	Principal	156,691	273,696	286,332	296,738	313,252
2015 MF Series A (Williamsburg Apts)	Interest	808,368	799,950	790,175	782,126	769,352
2016 MF Series A (Chisolm Trace/Cheyenne Village)	Principal	-	13,500,000	-	-	-
2016 MF Series A (Chisolm Trace/Cheyenne Village)	Interest	108,000	108,000	-	-	-
2016 MF Series A (Fifty Oaks-Edinburg)	Principal	-	7,400,000	-	-	-
2016 MF Series A (Fifty Oaks-Edinburg)	Interest	44,893	48,100	-	-	-
TOTAL MULTIFAMILY BONDS		60,204,117	72,293,416	45,588,977	45,592,907	45,630,846
Total		79,628,719	95,269,196	64,946,787	65,118,799	65,087,557
Less Interest		51,816,368	51,198,421	50,255,866	49,484,921	48,647,795
Total Principal		27,812,351	44,070,775	14,690,921	15,633,878	16,439,762

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2016

2022-26	2027-31	2032-36	2037-41	2042-46	2047-51	2052-56	TOTAL REQUIRED
872,082	1,164,660	1,555,399	2,077,226	2,774,121	4,658,827	-	13,755,319
3,681,419	3,388,839	2,998,100	2,476,270	1,779,374	131,209	-	18,355,709
-	-	-	4,800,000	-	-	-	4,800,000
160,800	160,800	160,837	120,556	-	-	-	763,052
773,273	1,032,701	1,379,167	1,841,867	2,459,805	3,604,147	-	11,669,975
3,111,526	2,852,096	2,505,629	2,042,924	1,424,988	148,452	-	15,391,396
1,595,000	2,025,000	2,610,000	3,340,000	4,270,000	490,000	-	15,565,000
3,411,875	2,966,250	2,396,750	1,665,875	731,750	12,250	-	14,950,906
724,831	946,568	1,236,140	1,614,296	2,108,136	3,017,375	-	10,202,382
2,489,647	2,267,908	1,978,336	1,600,177	1,106,336	138,004	-	12,239,854
-	-	-	13,200,000	-	-	-	13,200,000
448,800	448,800	448,893	396,571	-	-	-	2,190,999
-	-	-	15,000,000	-	-	-	15,000,000
525,000	525,000	525,109	455,000	-	-	-	2,554,676
-	-	-	-	12,595,000	-	-	12,595,000
440,825	440,825	440,926	440,724	213,287	-	-	2,416,489
-	-	-	12,920,000	-	-	-	12,920,000
387,600	387,600	387,689	387,511	-	-	-	1,936,923
-	-	-	12,075,000	-	-	-	12,075,000
410,550	410,550	410,644	403,483	-	-	-	2,043,987
-	-	-	-	13,165,000	-	-	13,165,000
394,950	394,950	395,040	394,860	59,081	-	-	2,032,733
-	-	-	-	14,290,000	-	-	14,290,000
428,700	428,700	428,798	428,602	71,411	-	-	2,213,720
-	-	-	-	11,900,000	-	-	11,900,000
392,700	392,700	392,790	392,610	281,237	-	-	2,243,737
-	-	-	-	-	-	-	14,500,000
-	-	-	-	-	-	-	47,125
1,149,715	1,539,261	2,060,796	2,759,036	3,693,854	4,945,411	5,993,175	23,000,000
6,211,115	5,828,226	5,315,610	4,629,304	3,710,464	2,480,304	638,744	35,310,872
-	-	-	-	-	-	-	5,620,000
-	-	-	-	-	-	-	80,085
1,794,120	2,248,421	17,780,750	-	-	-	-	23,150,000
3,670,499	3,319,077	259,484	-	-	-	-	11,199,031
-	-	-	-	-	-	-	13,500,000
-	-	-	-	-	-	-	216,000
-	-	-	-	-	-	-	7,400,000
-	-	-	-	-	-	-	92,993
252,268,358	240,313,806	266,322,515	373,560,600	132,863,289	24,998,805	6,631,919	1,566,269,555
369,789,924	358,070,550	460,929,840	571,060,702	190,355,036	24,998,805	6,631,919	2,351,887,834
227,482,814	187,905,924	146,141,615	76,757,523	24,822,237	3,010,621	638,744	918,162,849
142,307,110	170,164,626	314,788,225	494,303,179	165,532,799	21,988,184	5,993,175	1,433,724,985

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2016

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2016			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2004 Single Family Series A (Jr. Lien)	\$ 211	\$ 792		\$ 14,308
2004 Single Family Series B	6,847,289	87,052		1,168,425
2004 Single Family Series D	5,084,724	61,166		764,604
2005 Single Family Series A	7,490,814	77,227		1,259,545
2005 Single Family Series B	779,725	2,386	120,000	56,518
2005 Single Family Series C	232,138	9,274		11,558
2005 Single Family Series D	427,304	1,291		30,854
2006 Single Family Series A	15,739,986	4,485	130,000	356,688
2006 Single Family Series B	16,374,116	4,680	280,000	371,021
2006 Single Family Series C	26,251,934	7,410	315,000	609,960
2006 Single Family Series D	5,567,169	1,755		129,193
2006 Single Family Series E	3,624,779	1,170	1,645,000	74,493
2006 Single Family Series H	36,463,942	286,917		197,345
2007 Single Family Series A	11,929,259	96,131		1,583,977
2007 Single Family Series B	12,785,576	11,919	565,000	2,078,431
2013 Single Family Series A	6,133,994	10,740		709,427
2015 Single Family Series A	5,443,774	527,795		856,480
2015 Single Family Series B	1,777,925	336,452		513,124
2016 Single Family Series A	1,380,524	423,381		488,606
2016 Single Family Series B	5,322,938	764,600		957,453
Total Single Family Bonds	\$ 169,658,121	\$ 2,716,623	\$ 3,055,000	\$ 12,232,010
2009 RMRB Series A	\$ 5,236,059	\$ 166,267	\$ 315,000	\$ 1,426,361
2009 RMRB Series B	1,290,361	43,503	815,000	373,024
2009 RMRB Series C-1	9,565,617	12,506		1,416,081
2011 RMRB Series A	5,259,788	6,650	1,505,000	1,232,450
2009 RMRB Series C-2	7,432,744	10,361		956,494
2011 RMRB Series B	9,595,319	12,868	2,065,000	1,885,510
Total Residential Mtg Revenue Bonds	\$ 38,379,888	\$ 252,155	\$ 4,700,000	\$ 7,289,920
1992 CHMRB Series C	1,151,133	701		155,857
Total 1992 CHMRB	\$ 1,151,133	\$ 701	\$	\$ 155,857
1996 MF Series A/B (Brighton's Mark Development)	\$ 503,247	\$	\$	\$ 503,247
1998 MF Series A-C (Residence at the Oaks Projects)	154,502		304,000	154,502
1999 MF Series A-C (Mayfield Apartments)	8,492,904		162,000	309,902
2000 MF Series A (Creek Point Apartments)	112,492			12,492
2000 MF Series A (Deerwood Apartments)	323,099		155,000	323,099
2000 MF Series A (Timber Point Apartments)	214,712			14,712
2000 MF Series A/B (Greenbridge at Buckingham Apartments)	20,231,623		132,697	1,162,722
2000 MF Series A/B (Oaks at Hampton Apartments)	639,014		137,994	639,014
2000 MF Series A/B (Parks at Westmoreland Apartments)	637,150		134,021	637,150
2000 MF Series A/B (Williams Run Apartments)	11,642,308		18,647	189,086
2000 MF Series A-C (Collingham Park Apartments)	722,904		327,000	722,904
2000 MF Series A-C (Highland Meadow Village Apartments)	486,067		207,000	486,067
2001 MF Series A (Bluffview Apartments)	744,990		108,788	744,990
2001 MF Series A (Knollwood Apartments)	957,347		139,798	957,347
2001 MF Series A (Oak Hollow Apartments)	415,132		69,771	415,132
2001 MF Series A (Skyway Villas Apartments)	355,729		180,000	355,729
2001 MF Series A/B (Hillside Apartments)	846,606		78,573	846,606
2001 MF Series A/B (Meridian Apartments)	475,455		105,000	475,455
2001 MF Series A/B (Wildwood Apartments)	366,870		84,000	366,870
2002 MF Series A (Clarkridge Villas Apartments)	901,355		141,579	901,355
2002 MF Series A (Park Meadows Apartments)	238,916		105,000	238,916
2002 MF Series A (Green Crest Apartments)	585,580		86,957	585,580
2002 MF Series A (Hickory Trace Apartments)	745,516		116,315	745,516
2002 MF Series A/B (Ironwood Crossing)	717,053		149,198	717,053
2003 MF Series A (NHP Foundation-Asmara Project) Refunding	613,803			34,459
2003 MF Series A/B (Reading Road)	332,269		40,000	132,268
2003 MF Series A/B (Arlington Villas)	1,106,728		141,142	1,106,728
2003 MF Series A/B (Ash Creek Apartments)	1,017,011		151,881	1,017,011
2003 MF Series A/B (North Vista Apartments)	553,147		290,000	553,147
2003 MF Series A/B (Parkview Townhomes)	865,918		115,973	865,918

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-D (Continued)
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2016

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2016			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2003 MF Series A/B (Peninsula Apartments)	\$ 574,412	\$	\$ 240,000	\$ 549,412
2003 MF Series A/B (Primrose Houston School)	1,024,537		150,631	1,024,537
2003 MF Series A/B (Timber Oaks Apartments)	868,564		104,630	868,564
2003 MF Series A/B (West Virginia Apartments)	399,590		205,000	399,590
2004 MF Series A (Bristol Apartments)	224,658			24,658
2004 MF Series A (Chisholm Trail Apartments)	322,537			22,537
2004 MF Series A (Churchill at Pinnacle Park)	612,509		113,209	612,509
2004 MF Series A (Evergreen at Plano Parkway)	907,527		134,309	907,527
2004 MF Series A (Humble Parkway Townhomes)	695,475		165,000	695,475
2004 MF Series A (Montgomery Pines Apartments)	323,620			23,620
2004 MF Series A (Pinnacle Apartments)	28,804			28,804
2004 MF Series A (Providence at Rush Creek II)	554,445		83,432	554,445
2004 MF Series A (Providence at Village Fair)	855,978		133,890	855,978
2004 MF Series A/B (Century Park Townhomes)	587,227		255,000	587,227
2004 MF Series A/B (Timber Ridge II Apartments)	424,093		59,619	424,093
2004 MF Series A/B (Providence at Veterans Memorial)	395,433		59,801	395,433
2005 MF Series A (Atascocita Pines Apartments)	123,447			23,447
2005 MF Series A (Mission Del Rio Homes)	575,201		56,675	575,201
2005 MF Series A (Park Manor Senior Community)	10,400,000			-
2005 MF Series A (Homes at Pecan Grove)	844,632		83,223	844,632
2005 MF Series A (Plaza at Chase Oaks Apartments)	611,131		310,759	611,131
2005 MF Series A (Port Royal Homes)	741,885		114,603	741,885
2005 MF Series A (Providence at Prairie Oaks)	703,931		104,309	671,032
2005 MF Series A (Prairie Ranch Apartments)	11,416,919		85,000	401,919
2005 MF Series A (Providence at Mockingbird Apartments)	577,992		92,903	577,992
2005 MF Series A (St Augustine Estate Apartments)	112,776			12,776
2005 MF Series A (Tower Ridge Apartments)	42,822			42,822
2006 MF Series A (Aspen Park)	453,208		125,000	453,208
2006 MF Series A (Bella Vista Apartments)	393,779		65,000	393,779
2006 MF Series A (Champion Crossing Apartments)	110,176			10,176
2005 MF Series A (Coral Hills Apartments)	224,809		100,000	224,809
2006 MF Series A (East Tex Pines)	747,354		125,000	747,354
2006 MF Series A (Harris Branch Apartments)	13,490,331			333
2006 MF Series A (Hillcrest Apartments)	527,428		195,000	527,428
2006 MF Series A (Idlewilde)	228,693			28,693
2006 MF Series A (Meadowlands Apartments)	708,194		110,631	708,194
2006 MF Series A (Oakmoor Apartments)	821,216		135,150	821,216
2006 MF Series A (Pleasant Village)	5,260,618		248,967	165,662
2006 MF Series A (Red Hills Villas)	110,655			10,655
2006 MF Series A (The Residences at Sunset Pointe)	42,822			42,822
2006 MF Series A (Village Park Apartments)	481,341		195,000	481,341
2006 MF Series A (Villas at Henderson)	114,096			14,096
2007 MF Series A (Villas at Mesquite Creek)	790,588		210,000	790,588
2007 MF Series A (Costa Rialto)	548,162		94,312	548,162
2007 MF Series A (Lancaster)	228,705			28,705
2007 MF Series A (Park Place at Loyola)	800,748		109,423	800,748
2007 MF Series A (Santora Villas)	679,465		97,024	679,465
2007 MF Series A (Summit Point)	9,061,745			101,745
2007 MF Series A (Terrace at Cibolo)	110,393			10,393
2007 MF Series A (Windshire)	128,710			28,710
2007 MF Series A (Residences at Onion Creek)	42,822			42,822
2008 MF Series A (West Oaks Apartments)	166,242			26,242
2008 MF Series A (Costa Ibiza Apartments)	226,329			26,329
2008 MF Series A (Addison Park Apartments)	246,186			36,186
2008 MF Series A (Alta Cullen Apartments Refunding)	227,620			27,619
2009 MF Series A (Costa Mariposa Apartments)	131,737			26,737
2009 MF Series A (Woodmont Apartments)	294,191			29,191

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-D (Continued)
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2016

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2016			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2013 MF Series A (Waters at Willow Run)	\$ 69,479	\$	\$	\$ 69,479
2014 MF Series A (Decatur Angle Apartments)	1,322,500			1,322,500
2014 MF Series A (Northcrest Apartments)	2,903,263			3,263
2015 MF Series A (Good Samaritan Towers)	53,093			53,093
2015 MF Series A (Williamsburg Apartments)	599,362			610,099
2015 MF Series A (Chisolm Trace/Cheyenne Village)	30,600			30,600
2015 MF Series A (Fifty Oaks & Edinburg Village)	802			802
Total Multifamily Bonds	<u>\$ 133,327,054</u>	<u>\$ -</u>	<u>\$ 8,044,834</u>	<u>\$ 38,615,467</u>
Total	<u>\$ 342,516,196</u>	<u>\$ 2,969,479</u>	<u>\$ 15,799,834</u>	<u>\$ 58,293,254</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-E
MISCELLANEOUS BOND INFORMATION - DEFEASED BONDS OUTSTANDING
 For the fiscal year ended August 31, 2016

Description of Issue	Year Refunded	Par Value Outstanding
Business-Type Activities		
2007 MF Series A (Summit Point)	2016	\$ 8,850,000
Total Business-Type Activities		<u>\$ 8,850,000</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-F
EARLY EXTINGUISHMENT AND REFUNDING
For the fiscal year ended August 31, 2016

Description of Issue	Category	Amount Extinguished or Refunded	For Refunding Only		
			Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Business-Type Activities					
2004 Single Family Series B	Early Extinguishment	\$ 4,880,000			
2004 Single Family Series D	Early Extinguishment	3,885,000			
2005 Single Family Series A	Early Extinguishment	5,985,000			
2005 Single Family Series B	Early Extinguishment	720,000			
2005 Single Family Series D	Early Extinguishment	395,000			
2006 Single Family Series A	Early Extinguishment	1,380,000			
2006 Single Family Series A	Current Refunding	13,920,000	13,811,330	3,499,742	3,740,561
2006 Single Family Series B	Early Extinguishment	1,435,000			
2006 Single Family Series B	Current Refunding	14,480,000	14,366,960	3,640,536	3,891,043
2006 Single Family Series C	Early Extinguishment	2,300,000			
2006 Single Family Series C	Current Refunding	23,225,000	23,043,690	5,839,189	6,240,986
2006 Single Family Series D	Early Extinguishment	200,000			
2006 Single Family Series D	Current Refunding	5,195,000	5,154,445	1,306,118	1,395,992
2006 Single Family Series E	Early Extinguishment	125,000			
2006 Single Family Series E	Current Refunding	3,385,000	3,358,575	851,051	909,612
2006 Single Family Series H	Early Extinguishment	1,260,000			
2006 Single Family Series H	Current Refunding	34,740,000	33,825,000	(24,735,357)	(16,046,131)
2007 Single Family Series A	Early Extinguishment	9,785,000			
2007 Single Family Series B	Early Extinguishment	10,450,000			
2013 Single Family Series A	Early Extinguishment	4,940,000			
2015 Single Family Series A	Early Extinguishment	4,145,000			
2015 Single Family Series B	Early Extinguishment	950,000			
2016 Single Family Series A	Early Extinguishment	540,000			
2016 Single Family Series B	Early Extinguishment	3,805,000			
2009 RMRB Series A	Early Extinguishment	3,725,000			
2009 RMRB Series B	Early Extinguishment	895,000			
2009 RMRB Series C-1	Early Extinguishment	7,535,000			
2009 RMRB Series C-2	Early Extinguishment	6,100,000			
2011 RMRB Series A	Early Extinguishment	4,180,000			
2011 RMRB Series B	Early Extinguishment	7,940,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	900,000			
1999 MF Series A-C (Mayfield Apartments)	Early Extinguishment	8,183,000			
2000 MF Series A (Timber Point Apartments)	Early Extinguishment	200,000			
2000 MF Series A (Creek Point Apartments)	Early Extinguishment	100,000			
2000 MF Series A/B (Greenbridge at Buckingham Apts)	Early Extinguishment	19,068,902			
2000 MF Series A/B (Williams Run Apartments)	Early Extinguishment	11,453,222			
2003 MF Series A/B (Reading Road)	Early Extinguishment	200,000			
2003 MF Series A/B (Peninsula Apartments)	Early Extinguishment	25,000			
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	Early Extinguishment	570,000			
2004 MF Series A (Chisholm Trail Apartments)	Early Extinguishment	300,000			
2004 MF Series A (Montgomery Pines Apartments)	Early Extinguishment	300,000			
2004 MF Series A (Bristol Apartments)	Early Extinguishment	200,000			
2005 MF Series A (Providence at Prairie Oaks)	Early Extinguishment	32,899			
2005 MF Series A (Atascocita Pines Apartments)	Early Extinguishment	100,000			
2005 MF Series A (Prairie Ranch Apartments)	Early Extinguishment	11,015,000			
2005 MF Series A (St Augustine Estate Apartments)	Early Extinguishment	100,000			
2005 MF Series A (Park Manor Senior Community)	Early Extinguishment	10,400,000			
2006 MF Series A (Harris Branch Apartments)	Early Extinguishment	13,490,000			
2006 MF Series A (Pleasant Village)	Early Extinguishment	5,094,956			
2006 MF Series A (Red Hills Villas)	Early Extinguishment	100,000			
2006 MF Series A (Champion Crossing Apartments)	Early Extinguishment	100,000			
2006 MF Series A (Villas at Henderson)	Early Extinguishment	100,000			
2006 MF Series A (Idlewilde)	Early Extinguishment	200,000			
2007 MF Series A (Lancaster)	Early Extinguishment	200,000			
2007 MF Series A (Terrace at Cibolo)	Early Extinguishment	100,000			
2007 MF Series A (Summit Point)	Early Extinguishment	8,960,000			
2007 MF Series A (Windshire)	Early Extinguishment	100,000			
2008 MF Series A (West Oaks Apartments)	Early Extinguishment	140,000			
2008 MF Series A (Costa Ibiza Apartments)	Early Extinguishment	200,000			
2008 MF Series A (Addison Park Apartments)	Early Extinguishment	210,000			
2008 MF Series A (Alta Cullen Apartments Refunding)	Early Extinguishment	200,000			
2009 MF Series A (Costa Mariposa Apartments)	Early Extinguishment	105,000			
2009 MF Series A (Woodmont Apartments)	Early Extinguishment	265,000			
2014 MF Series A (Northcrest Apartments)	Early Extinguishment	2,900,000			
Total Business-Type Activities		<u>\$ 278,112,979</u>	<u>\$ 93,560,000</u>	<u>\$ (9,598,721)</u>	<u>\$ 132,063</u>



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Department of Housing and Community Affairs Board of Directors

- Mr. Paul Oxer, P.E., Chair
- Dr. Juan Sanchez Muñoz, Vice-Chair
- Mr. T. Tolbert Chisum
- Ms. Leslie Bingham Escareño
- Mr. Tom H. Gann
- Mr. J.B. Goodwin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department of Housing and Community Affairs (Department) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 20, 2016.

In addition, we have audited the accompanying financial statements of the Revenue Bond Program Enterprise Fund (Program) of the Department, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements. We also have audited the accompanying Computation of Unencumbered Fund Balances (Computation) of the Department's Housing Finance Division, as of August 31, 2016, and the related notes to the Computation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

December 20, 2016

**TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS**

Revenue Bond Program Enterprise Fund

**Basic Financial Statements
for the Year Ended August 31, 2016**

(With Independent Auditor's Report)



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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

Basic Financial Statements
for the Year Ended August 31, 2016

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Independent Auditor's Report

Department of Housing and Community Affairs Board of Directors

Mr. J. Paul Oxer, P.E., Chair

Dr. Juan Sanchez Muñoz, Vice Chair

Mr. T. Tolbert Chisum

Ms. Leslie Bingham Escareño

Mr. Tom H. Gann

Mr. J. B. Goodwin

Report on the Financial Statements

We have audited the accompanying financial statements of the Revenue Bond Program Enterprise Fund (Program) of the Department of Housing and Community Affairs (Department), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Program of the Department, as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Fund Financial Statements

As discussed in Note 1, the financial statements present only the Program, an enterprise fund of the Department and of the State of Texas, and do not purport to, and do not, present fairly the financial position of the Department or the State of Texas as of August 31, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Program's financial statements. The supplementary bond schedules and supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary bond schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary bond schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

December 20, 2016

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Texas Department of Housing and Community Affairs - Revenue Bond Program ("Bond Program") annual financial report presents management's discussion and analysis of the financial performance of the Bond Program of the Texas Department of Housing and Community Affairs ("Department") during the fiscal year that ended on August 31, 2016. Please read it in conjunction with the Department's Bond Program financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Bond Program's net position increased by \$7.3 million. This was primarily because of a positive \$11.5 million difference between interest income and interest expense offset by an increase of \$2.0 million in bond issuance expenses and an increase of \$2.0 million in servicer expenses.
- The Bond Program had an Operating Income of \$11.6 million, a decrease of \$1.6 million from the prior year. The change in operating income was a result of the following factors. Interest and investment income decreased \$5.5 million due to declining loan and investment balances; the net change in fair value of investments increased from a negative change of \$8.7 million in fiscal year 2015 to a negative change of \$3.7 million in fiscal year 2016, an overall change of \$5.0 million; bond interest expense decreased \$5.6 million due to lower bonds outstanding and lower interest rates related to variable rate debt; and other operating expenses increased \$4.8 million primarily due to bond issuance and servicer expenses.
- The Bond Program's debt outstanding of \$1.5 billion as of August 31, 2016, decreased \$55.0 million due to debt retirements of \$293.9 million offset by \$194.6 million in new bond issuances and \$45.7 million in notes payable. Loan originations for the year totaled \$10.7 million in the Bond Program.
- In accordance with Governmental Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Department identified its derivative instruments, measured their effectiveness, and reported the derivative instruments at fair value. The Department's interest rate swaps, which were primarily used to hedge changes in interest rates, are considered to be derivative instruments under GASB 53. GASB 53 requires the fair value of a derivative to be reported at the end of the fiscal year in the balance sheet and GASB No. 72, *Fair Value Measurement and Application*, requires the fair value of a derivative to be computed taking into account nonperformance risk. As of August 31, 2016, the Department's four interest rate swaps had a total notional amount of \$128.8 million and a negative \$15.1 million fair value which was recorded in the deferred outflow of resources account and as a derivative swap liability.

FINANCIAL STATEMENTS

The financial statements provide information about the Bond Program's funds. The Bond Program has only one type of fund, the proprietary fund, which is as follows:

- Proprietary Fund** - The Bond Program's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of taxable and tax-exempt bonds whose proceeds are used primarily to fund various types of loans to finance low- and moderate-income housing. The net position of these funds represents accumulated earnings since their inception and is generally restricted for program purposes or debt service.

FINANCIAL ANALYSIS OF THE REVENUE BOND PROGRAM

Bond Program - Condensed Statement of Net Position				
	2016	2015	Increase (Decrease)	
			Amount	Percentage
ASSETS:				
Current Assets:				
Cash and investments	\$ 185,864,185	\$ 111,929,738	\$ 73,934,447	66.05 %
Loans and Contracts	23,383,276	10,063,694	13,319,582	132.35 %
Interest receivable	8,637,189	11,768,167	(3,130,978)	(26.61)%
Other Current Assets	284,316	1,092,963	(808,647)	(73.99)%
Non-Current Assets:				
Investments	646,470,841	701,151,445	(54,680,604)	(7.80)%
Loans and Contracts	998,197,532	1,023,972,998	(25,775,466)	(2.52)%
Other Non-Current Assets	22,626	31,173	(8,547)	(27.42)%
Total assets	<u>1,862,859,965</u>	<u>1,860,010,178</u>	<u>2,849,787</u>	0.15 %
DEFERRED OUTFLOWS OF RESOURCES	<u>15,095,971</u>	<u>16,909,723</u>	<u>(1,813,752)</u>	(10.73)%
LIABILITIES:				
Current Liabilities				
Notes payable	214,880	-	214,880	-
Bonds payable	27,896,818	18,841,004	9,055,814	48.06 %
Interest payable	13,676,647	17,593,119	(3,916,472)	(22.26)%
Other current liabilities	465,632	350,055	115,577	33.02 %
Non-Current Liabilities				
Notes payable	45,490,181	-	45,490,181	-
Bonds payable	1,406,985,542	1,516,769,854	(109,784,312)	(7.24)%
Derivative Hedging Instrument	15,095,971	16,909,723	(1,813,752)	(10.73)%
Other non-current liabilities	142,348,859	87,929,042	54,419,817	61.89 %
Total liabilities	<u>1,652,174,530</u>	<u>1,658,392,797</u>	<u>(6,218,267)</u>	(0.37)%
DEFERRED INFLOWS OF RESOURCES	<u> </u>	<u> </u>	<u> </u>	
NET POSITION:				
Restricted for Bonds	217,016,529	208,295,086	8,721,443	4.19 %
Unrestricted	8,764,877	10,232,018	(1,467,141)	(14.34)%
Total Net Position	<u>\$ 225,781,406</u>	<u>\$ 218,527,104</u>	<u>\$ 7,254,302</u>	3.32 %

The Net Position of the Bond Program increased \$7.3 million, or 3.3%, to \$225.8 million. The restricted net position of the Bond Program increased \$8.7 million, or 4.2%. The increase can be primarily attributed to a positive difference between interest earnings and interest expense offset by an increase of other operating expenses of the Bond Program. The unrestricted net position decreased \$1.5 million, or 14.3%, to \$8.8 million. The unrestricted net position is composed of \$8.0 million related to the Operating Fund and \$3.1 million related to the Taxable Mortgage Program offset by a negative net position related to Multifamily of \$2.4 million.

Cash and investments (current and non-current) increased \$19.3 million, or 2.4%, to \$832.3 million, primarily due to investment of proceeds from new bond issuance offset by the sale of investments used to retire debt.

The Bond Program's loans and contracts (current and non-current) decreased \$12.5 million, or 1.2%, to \$1.0 billion, due primarily as a result of loans paid off related to the Department's Multi-family Bond Program. Total bonds payable (current and non-current) decreased \$100.7 million, or 6.6%, due to the Department's monthly retirement of existing debt primarily due to consumer refinancing and paying off of original loans and the retirement of the associated debt. In addition, the Department issued \$45.7 million in notes payable to provide funding to developers of two new multifamily properties. The \$54.4 million increase in other non-current liabilities is related to the proceeds of these issued multifamily bonds and notes payable.

In accordance with GASB No. 53 and GASB No. 72, the Department reported its derivative instruments at fair value on the balance sheet. The Department's four interest rate swaps are considered to be derivative instruments per GASB No. 53. The negative \$15.1 million fair value of the swaps increased by \$1.8 million and is reported as deferred outflow of resources and a derivative hedging instrument classified as a liability.

A comparison between 2016 and 2015 for the Statement of Revenues, Expenses, and Changes in Fund Net Position is as follows:

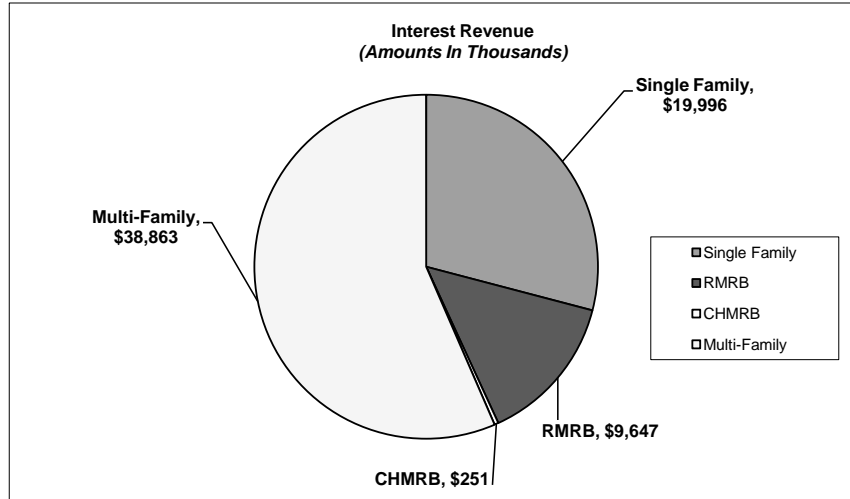
Bond Program - Statement of Revenues, Expenses, and Changes in Fund Net Position				
			Increase (Decrease)	
	2016	2015	Amount	Percentage
OPERATING REVENUES:				
Interest and investment income	\$ 69,009,361	\$ 74,527,772	\$ (5,518,411)	(7.40)%
Net change in fair value of investments	(3,711,414)	(8,734,724)	5,023,310	(57.51)%
Other operating revenues	<u>13,773,771</u>	<u>14,766,816</u>	<u>(993,045)</u>	(6.72)%
Total operating revenues	<u>79,071,718</u>	<u>80,559,864</u>	<u>(1,488,146)</u>	(1.85)%
OPERATING EXPENSES:				
Professional fees and services	1,816,814	1,503,748	313,066	20.82 %
Printing and reproduction	72,176	66,000	6,176	9.36 %
Interest	57,510,277	63,071,760	(5,561,483)	(8.82)%
Bad debt expense	865,227	449,516	415,711	92.48 %
Down payment assistance	293,292	206,186	87,106	42.25 %
Other operating expenses	<u>6,960,570</u>	<u>2,111,299</u>	<u>4,849,271</u>	229.68 %
Total operating expenses	<u>67,518,356</u>	<u>67,408,509</u>	<u>109,847</u>	0.16 %
OPERATING INCOME (LOSS)	11,553,362	13,151,355	(1,597,993)	(12.15)%
TRANSFERS	<u>(4,299,060)</u>	<u>(4,416,910)</u>	<u>117,850</u>	(2.67)%
CHANGE IN NET POSITION	7,254,302	8,734,445	(1,480,143)	(16.95)%
BEGINNING NET POSITION	218,527,104	209,792,659	8,734,445	4.16 %
ENDING NET POSITION	<u>\$ 225,781,406</u>	<u>\$ 218,527,104</u>	<u>\$ 7,254,302</u>	3.32 %

Earnings within the Bond Program's various bond indentures were \$79.1 million, of which \$65.3 million is classified as restricted and \$13.8 million as unrestricted.

Restricted earnings are primarily composed of \$68.8 million in interest and investment income and \$3.7 million net decrease in fair value of investments. Interest and investment income is restricted per bond covenants for debt service and the net decrease in fair value is reflective of unrealized gains and losses.

Unrestricted earnings are composed of \$252.2 thousand in interest and investment income and \$13.6 million in other operating revenue.

The graph below illustrates the composition of interest and investment income for the various bond indentures that make up the Bond Program:



Interest earned on program loans decreased by \$2.1 million, or 5.0%, due primarily to a decrease of \$2.0 million, or 5.0%, within the Bond Program's Multi-Family Program, due to lower loan amounts outstanding throughout the year as a result of loan payoffs.

Investment income decreased \$3.5 million, or 10.4%, and reflected lower investment yields due to declining investment balances. The decrease was primarily due to a decrease of \$1.6 million in the Single Family Revenue Bond Program and a \$1.7 million decrease in the Residential Mortgage Revenue Bond Program related to the retirement of their respective bonds outstanding.

Expenses of the Bond Program consist primarily of interest expense and other operating expenses of the Bond Program. Interest expense was \$57.5 million, which decreased \$5.6 million, or 8.8%, on the Bond Program's debt incurred to fund its various lending programs. Other operating expenses increased \$4.8 million primarily due to \$2.0 million in bond issuance expenses and \$2.0 million in servicer expenses.

The changes in net assets by bond indenture for the Bond Program for fiscal years 2016 and 2015 are as follows:

Changes in Net Position by Bond Program, Year Ended August 31, (Amounts in Thousands)				
Fund	2016	2015	Increase (Decrease)	
			Amount	Percentage
Single Family	\$ 99,670	\$ 98,988	\$ 682	0.7 %
RMRB	110,207	102,118	8,089	7.9 %
CHMRB	1,774	1,744	30	1.7 %
Taxable Mortgage Program	7,730	9,448	(1,718)	(18.2)%
Multifamily	(2,392)	(2,171)	(221)	10.2 %
General funds	8,792	8,401	391	4.7 %
Total	<u>\$ 225,781</u>	<u>\$ 218,528</u>	<u>\$ 7,253</u>	3.3 %

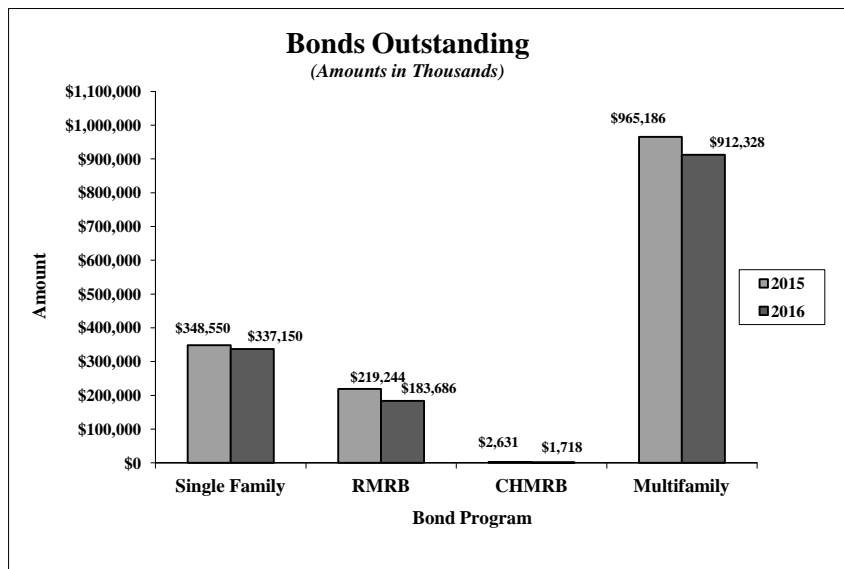
The Net Position of the Residential Mortgage Revenue Bond Program increased by \$8.1 million, or 7.9%, primarily due to a positive difference of \$2.8 million between interest income and bond interest expense, \$6.4 million transferred from the Taxable Mortgage Program to fund down payment assistance loans offset by a negative change in fair value of investments of \$389.0 thousand.

The Net Position of the Taxable Mortgage Program decreased by \$1.7 million, or 18.2%, primarily due to a \$1.7 million decrease in settlement fees collected.

BOND PROGRAM BONDS OUTSTANDING

The Bond Program also had \$293.9 million in bond debt retirements during the year primarily due to consumer refinancing and paying off of original loans. The net result was a decrease in bonds payable of \$100.7 million to \$1.4 billion of which \$27.9 million is due within one year. For additional information, see Note 4, Bonds Payable, and supplementary bond schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2016 and 2015 per bond program:



REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Texas Department of Housing and Community Affairs’ Bond Program Enterprise Fund operations for all parties interested in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Texas Department of Housing and Community Affairs, Chief Financial Officer, P.O. Box 13941, Austin, Texas, 78711-3941.

**BASIC
FINANCIAL STATEMENTS**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

STATEMENT OF NET POSITION

As of August 31, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 2)	
Cash in Bank	\$ 5,671
Cash Equivalents	9,115,647
Restricted Assets:	
Cash and Cash Equivalents (Note 2)	
Cash in Bank	17,331,630
Cash Equivalents	159,404,001
Short-term Investments (Note 2)	7,236
Loans and Contracts	23,383,276
Interest Receivable	8,632,490
Receivable:	
Interest Receivable	4,699
Accounts Receivable	215,218
Other Current Assets	69,098
Total Current Assets	<u>218,168,966</u>

Non-Current Assets :

Investments (Note 2)	1,809,256
Restricted Assets:	
Investments (Note 2)	644,661,585
Loans and Contracts	998,197,532
Other Non-current Assets	
Real Estate Owned, net	22,626
Total Non-Current Assets	<u>1,644,690,999</u>

Total Assets \$ 1,862,859,965

DEFERRED OUTFLOWS OF RESOURCES

Accumulated decrease in fair value of hedging derivative (Note 5) 15,095,971

Total Deferred Outflows of Resources \$ 15,095,971

LIABILITIES

Current Liabilities

Payables:	
Accounts Payable	\$ 226,809
Accrued Bond Interest Payable	13,676,647
Notes and Loans Payable (Note 3)	214,880
Revenue Bonds Payable (Notes 3 & 4)	27,896,818
Other Current Liabilities	238,823
Total Current Liabilities	<u>42,253,977</u>

Non-Current Liabilities

Notes and Loans Payable (Note 3)	45,490,181
Revenue Bonds Payable (Note 3 & 4)	1,406,985,542
Derivative Hedging Instrument (Note 5)	15,095,971
Other Non-Current Liabilities (Note 3)	142,348,859
Total Non-Current Liabilities	<u>1,609,920,553</u>

Total Liabilities \$ 1,652,174,530

DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources \$ -

NET POSITION

Restricted for Bonds	217,016,529
Unrestricted	8,764,877
Total Net Position	<u>\$ 225,781,406</u>

The notes to the financial statements are an integral part of this statement.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the fiscal year ended August 31, 2016

OPERATING REVENUES

Interest and Investment Income	\$ 69,009,361
Net (Decrease) in Fair Value	(3,711,414)
Other Operating Revenues	<u>13,773,771</u>
Total Operating Revenues	<u>79,071,718</u>

OPERATING EXPENSES

Professional Fees and Services	1,816,814
Printing and Reproduction	72,176
Interest	57,510,277
Bad Debt Expense	865,227
Down Payment Assistance	293,292
Other Operating Expenses	<u>6,960,570</u>
Total Operating Expenses	<u>67,518,356</u>

Operating Income 11,553,362

OTHER REVENUES, EXPENSES, GAINS,

LOSSES AND TRANSFERS

Transfers Out	<u>(4,299,060)</u>
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>(4,299,060)</u>

CHANGE IN NET POSITION

7,254,302

Net Position, September 1, 2015

218,527,104

NET POSITION, AUGUST 31, 2016

\$ 225,781,406

The notes to the financial statements are an integral part of this statement.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

STATEMENT OF CASH FLOWS

For the fiscal year ended August 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Proceeds from Loan Programs	\$ 114,969,232
Proceeds from Other Revenues	32,531,493
Payments to Suppliers for Goods/Services	(59,668,099)
Payments for Loans Provided	<u>(10,724,851)</u>
Net Cash Provided By Operating Activities	<u>77,107,775</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Proceeds from Debt Issuance	194,841,500
Proceeds from Notes Payable	45,740,000
Payments from Transfers to Other Funds	(4,299,060)
Payments of Principal on Debt Issuance	(251,885,342)
Payments of Interest	(59,327,056)
Payments for Other Cost of Debt	<u>(2,222,555)</u>
Net Cash (Used for) Noncapital Financing Activities	<u>(77,152,513)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales of Investments	166,145,307
Proceeds from Interest/Invest. Income	31,271,937
Payments to Acquire Investments	<u>(123,435,507)</u>
Net Cash Provided by Investing Activities	<u>73,981,737</u>

Net Increase in Cash and Cash Equivalents	73,936,999
Cash and Cash Equivalents, September 1, 2015	<u>111,919,950</u>

Cash and Cash Equivalents, August 31, 2016	<u>\$ 185,856,949</u>
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The notes to the financial statements are an integral part of this statement.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
REVENUE BOND PROGRAM ENTERPRISE FUND**

STATEMENT OF CASH FLOWS (Continued)

For the fiscal year ended August 31, 2016

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 11,553,362
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Provision for Uncollectibles	865,227
Operating Income and Cash Flow Categories Classification Differences	(2,333,792)
Changes in Assets and Liabilities:	
Decrease in Receivables	49,560
Decrease in Accrued Interest Receivable	3,130,978
Decrease in Loans / Contracts	12,455,884
Decrease in Property Owned	8,547
Decrease in Other Assets	759,087
Increase in Payables	48,096
(Decrease) in Accrued Interest Payable	(3,916,472)
Increase in Other Liabilities	<u>54,487,298</u>
 Total Adjustments	 <u>65,554,413</u>
 Net Cash Provided by Operating Activities	 <u>\$ 77,107,775</u>

NON CASH TRANSACTIONS

Decrease in Fair Value of Investments for 2016 was \$3,711,414

The notes to the financial statements are an integral part of this statement.

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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement — The Texas Department of Housing and Community Affairs (the “Department”), was created effective September 1, 1991, by an act of the 72nd Texas Legislature, pursuant to Senate Bill 546 (codified as Article 4413 (501), Texas Revised Civil Statutes) (the “Department Act”), passed by the Texas Legislature on May 24, 1991, and signed by the Governor of the State of Texas. Effective September 1, 1991, the Department was established to assist local governments in helping residents overcome financial, social, and environmental problems; to address low- to moderate-income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the State and the public about the needs of local government. The Department was created by merging two former agencies: the Texas Housing Agency and the Texas Department of Community Affairs.

The accompanying financial statements represent the financial status of the Revenue Bond Program Enterprise Fund (the “Bond Program”), which is included in the enterprise fund of the Department, and are not intended to present the financial position of the Department or its results of operations or cash flows. The Department is governed by a Board composed of seven members, all of whom are appointed by the Governor with advice and consent of the Senate. The Board then appoints the Executive Director with the approval of the Governor. The Department is authorized to issue tax-exempt or taxable bonds, notes, or other obligations to finance or refinance multifamily housing developments and single-family residential housing. Bonds and notes of the Department do not constitute a debt of the State or any political subdivision thereof. The Department Act specifically provides for the assumption by the Department of the outstanding indebtedness of the former agencies. The Department is required to continue to carry out all covenants with respect to any bonds outstanding, including the payments of any bonds from the sources provided in the proceedings authorizing such bonds. For financial reporting purposes, the Department is an agency of the State and is included in its reporting entity.

The Bond Program operates several bond programs under separate trust indentures, as follows:

Single-Family Bond Program (“Single-Family”) — These bonds are limited obligations of the Department. Bond proceeds were used to originate below-market rate loans for eligible low- and moderate-income residents who were purchasing a residence. These bonds were issued pursuant to a Single-Family Mortgage Revenue Bond Trust Indenture, dated October 1, 1980, and indentures supplemental thereto, and are secured on an equal and ratable basis by the trust estate established by such trust indentures.

Residential Mortgage Revenue Bond Program (“RMRB”) — Thirty-six series (six of which have been refunded) of these bonds have been issued pursuant to the RMRB master indenture and thirty-two separate Series Supplements, and are secured on an equal and ratable basis by the trust estates established by such trust indentures. Proceeds from the 1987 A Bonds were used to purchase single-family loans, while proceeds from the remaining RMRB bond issues were used to purchase pass-through certificates created through the origination of single-family loans.

Collateralized Home Mortgage Revenue Bond Program (“CHMRB”) — The Department issued eleven series of bonds pursuant to the CHMRB Trust Indenture with six separate supplements for each series. The bonds are secured on an equal and ratable basis. Proceeds from the bonds are being used to purchase pass-through certificates created through the funding of loans made to finance the purchase by eligible borrowers of new and existing single-family residences in the state.

Taxable Mortgage Program (“TMP”) — The TMP program was created to provide loans to low to moderate income homebuyers as a tool to fund the First Time Homebuyer Program. It facilitates the trading of mortgage backed securities (“MBS”). The program will be paid for from revenues generated by the packaging and sale of the associated mortgage backed securities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Multifamily Housing Revenue Bond Programs ("Multifamily") — These bonds were issued pursuant to separate trust indentures and are secured by individual trust estates, which are not on an equal and ratable basis with each other. The bonds are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the individual trust indentures. Under these programs, the proceeds were either provided to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing or used to refund other multifamily bonds issued for the same purposes.

Significant Accounting Policies — the significant accounting policies of the Bond Program are as follows:

Fund Accounting — The Bond Program's financial statements have been prepared on the basis of the proprietary fund concept as set forth by the Governmental Accounting Standards Board ("GASB"). The proprietary fund concept provides that financial activities operated similarly to private business enterprises and financed through fees and charges assessed primarily to users of the services are presented as a proprietary fund. Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred. The Bond Program has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, as allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

Investments — The Bond Program follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement No. 31 requires certain types of investments to be reported at fair value on the Statement of Net Position. The Bond Program utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. The Bond Program's portfolio of mortgage-backed securities consists of pools of mortgage loans exchanged for mortgage-backed securities or mortgage pass-through certificates. Fair value of the Bond Program's securitized mortgage loans (GNMA/FNMA) has been estimated by each bond issue's trustee using a pricing service. In accordance with GASB No. 72, *Fair Value Measurement and Application*, the Department would be required to disclose the hierarchy within which the fair value measurement is categorized. The Department has concluded that its investments do not meet the definition of investments as prescribed by GASB No. 72 so this disclosure is not necessary in Note 2.

The Bond Program has reported all investment securities at fair value as of August 31, 2016, with the exception of certain money market investments, and nonparticipating interest-earning investment contracts, which are reported at amortized cost (historical cost adjusted for amortization of premiums and accretion of discounts), provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors (see Note 2).

In accordance with GASB Statement No. 31, changes in the fair value of investments and any realized gains/losses on the sale of investments are reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position as net increase (decrease) in fair value of investments.

Loans and Contracts — Loans and contracts are carried at the unpaid principal balance outstanding less the allowance for estimated loan losses. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when the loans are 90 days past due as to either principal or interest or when payment in full of principal and interest is not expected.

Real Estate Owned — Properties acquired through foreclosure are carried at the unpaid principal balance on the related property plus accrued interest and reimbursable expenses through the date of foreclosure, less any sales proceeds, reimbursements received from mortgage insurers, and an allowance for estimated losses on such properties. After foreclosure, foreclosed assets are carried at lower of cost or fair value minus selling costs. Interest on real estate owned is credited to income as earned based on a calculation of interest recoverable in accordance with the Department's agreements with its mortgage insurers.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Allowance for Estimated Losses on Loans and Foreclosed Properties — The allowance for estimated losses on loans is available for future charge offs on single-family and multifamily loans.

All losses are charged to the allowance when the loss actually occurs or when a determination is made that a loss is likely to occur. Periodically, management estimates the likely level of future losses to determine whether the allowances for estimated losses are adequate to absorb anticipated losses in the existing loan and real estate owned portfolios. Based on these estimates, a provision for estimated losses on loans and real estate owned is made to the allowances in order to adjust the allowances to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan and real estate owned portfolios, future adjustments may be necessary based on changes in economic conditions. However, it is the judgment of management that the allowances are currently adequate to absorb reasonably foreseeable losses in the existing loan and real estate owned portfolios.

Deferred Outflows of Resources/Derivative Hedging Instrument—The Department identified its derivative instruments and measured their effectiveness in accordance with Governmental Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Department contracted a service provider to measure its derivative effectiveness using the regression analysis method. Since the derivative instruments were deemed to be effective, the Department deferred the changes in fair value for these derivatives and reported them as a deferred outflows of resources.

Operating and Nonoperating Revenues and Expenses — The Department distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Bond Program. The principal operating revenues of the Bond Program are related to interest derived from investments, interest on mortgage loans and bond related administrative fees. Operating expenses are primarily related to interest expense on bonds and general administrative expenses. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Discounts and Premiums on Debt — Discounts and premiums on debt are recognized using the interest method over the life of the bonds or collateralized mortgage obligations to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of discounts and premiums on debt.

General and Administrative Expenses — Certain General and Administrative expenses are accounted for in the Department's Administrative Program and are not reflected in the Operating Fund section of the Bond Program.

Restricted Net Position — Certain Net Position of the Bond Program are restricted for various purposes of the bond trust indentures. When both restricted and unrestricted resources are available for use, restricted resources are used first, then unrestricted resources are used as they are needed.

Cash Flows — For purposes of reporting cash flows, cash and cash equivalents consist of cash and short-term investments with a maturity at the date of purchase of three months or less, which are highly liquid and are readily exchanged for cash at amounts equal to their stated value.

Interfund Transactions — The Bond Program has transactions between and with other funds of the Department. Quasi-external transactions are charges for services rendered by one fund to another, and they are accounted for as revenue or expense. All other interfund transactions are reported as transfers.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Loss on Early Extinguishment of Debt — Any loss on extinguishment of debt prior to its stated maturity is recorded as a component of interest expense in the period the debt is retired.

Estimates — In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Statement of Net Position and the reported revenues and expenses for the period. Actual results could differ significantly from those estimates. Management judgments and accounting estimates are made in the evaluation of the allowance for estimated losses on loans and real estate owned.

NOTE 2: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

The Department is authorized by statute to make investments following the "prudent person rule" and based upon provisions within the master bond indentures and its Investment Policy adopted by the Board in accordance with the Public Funds Investment Act. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

In accordance with bond trust indentures and depository agreements, all cash is to be fully collateralized, with the collateral held by a third party in the name of the Department. At August 31, 2016, the Department's cash and deposits were fully collateralized by securities with a trustee in the Department's name. As of August 31, 2016, the carrying amount of deposits was \$17,337,301.

Current Assets Cash in Bank	
Texas Treasury Safekeeping Trust	\$ 5,671
Current Assets Restricted Cash in Bank	
Texas Treasury Safekeeping Trust	2,627,689
Demand Deposits	14,703,941
Cash in Bank	\$ 17,337,301

Investments

The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures and the Department's Investment Policy adopted by its Board. The indentures allow for investments in direct obligations of or guaranteed by the U.S. Government; obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by agencies or intermediaries of the U.S. Government; obligations issued by public agencies or municipalities; obligations and general obligations of or guaranteed by the state; demand deposits, interest-bearing time deposits or certificates of deposit; repurchase agreements in U.S. Government securities; direct or general obligations of any state within the territorial U.S.; investment agreements with any bank or financial institution; and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

The Department holds \$74,274,491 in overnight repurchase agreements maturing on the following business day, September 1, 2016, at a rate of .27%.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 2: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

At August 31, 2016, the fair value of investments (including both short-term and long-term) are shown below.

Business Type Activities	Carrying Value	Fair Value
U.S. Government Agency Obligations	\$ 562,257,016	\$ 615,065,540
U.S. Treasury Bills	14,829,103	14,829,103
Repurchase Agreements (TTSTC)	74,274,491	74,274,491
Fixed Income Money Markets	79,416,054	79,416,054
Misc (Investment Agreements/GICs)	31,412,537	31,412,537
Total	\$ 762,189,201	\$ 814,997,725

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Preservation and safety of principal is the foremost objective of the investment program. According to the Department's investment policy, investments should be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is mitigated by:

- Limiting investments to the safest types of securities.
- Pre-qualifying the financial institution, broker/dealers, intermediaries, and advisors with which the Department will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of August 31, 2016, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Investment Type	Not Rated	AAA	AA+	A
U.S. Government Agency Obligations			\$ 85,030,745	
U.S. Treasury Bills			\$ 14,829,103	
Repurchase Agreements (TTSTC)	\$ 74,274,491			
Misc (Investment Agreements/GICs)	\$ 31,412,537			

Investment Type	Not Rated	AAA-M	AA-M	A-M
Fixed Income Money Market		\$ 79,416,054		

A total of \$530,034,795 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. Government which is composed of U.S. Government Agency obligations issued by the Government National Mortgage Association.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2016, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value	% of Total Portfolio
Greenwich	\$ 74,274,491	9.11%

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 2: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. The longer the maturity of an investment will result in greater sensitivity of its fair value to changes in the market interest rates. The Department's investment policy allows for the mitigation of interest rate risk 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.
- Investing operating funds primarily in shorter-term securities.

Information about the sensitivity of the fair values of the Department's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Department's investments by maturity:

Remaining Maturity (in months)

Business Type Activities	Fair Value	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
U.S. Government Agency Obligations	\$ 615,065,540	\$ 7,236	\$ 49,010	\$ 941,443	\$ 614,067,851
Repurchase Agreements (TTSTC)	74,274,491	74,274,491			
U.S. Treasury Bills	14,829,103	14,829,103			
Fixed Income Money Markets	79,416,054	79,416,054			
Misc (Investment Agreements/GICs)	31,412,537				31,412,537
Total	\$ 814,997,725	\$ 168,526,884	\$ 49,010	\$ 941,443	\$ 645,480,388

Highly Sensitive Investments

Mortgage backed securities-These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. However, in recent years the Department has sold some of these investments at a premium and used the realized gain to fund Down Payment Assistance loans in connection with the Single Family, First-Time Homebuyer Program. Any fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2016, the Department holds \$615,065,540 in mortgage backed securities.

NOTE 3: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2016, the following changes occurred in liabilities.

Business-Type Activities	Balance 09/01/2015	Additions	Reductions	Balance 08/31/2016	Amounts Due Within One Year
Revenue Bonds Payable	\$ 1,535,610,858	\$ 194,841,500	\$ 295,569,998	\$ 1,434,882,360	\$ 27,896,818
Notes Payable	-	45,740,000	34,939	45,705,061	214,880
Total Business-Type Activities	\$ 1,535,610,858	\$ 240,581,500	\$ 295,604,937	\$ 1,480,587,421	\$ 28,111,698

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 3: SUMMARY OF LONG TERM LIABILITIES Cont'd

Revenue Bonds Payable

The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (See Note 4 for more information.) The \$295,569,998 in reductions is inclusive of \$1,657,185 in amortization of bond premium/discount and the \$194,841,500 in additions is inclusive of \$231,500 as a result of a multifamily bond issued at a premium.

Notes Payable

The Department issues notes to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing. These notes are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the notes.

Texas Department of Housing and Community Affairs			
Notes Payable Debt Service Requirements			
Business-Type Activities			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 214,880	\$ 1,473,793	\$ 1,688,673
2018	224,147	1,487,321	1,711,468
2019	233,815	1,477,950	1,711,765
2020	243,899	1,470,410	1,714,309
2021	254,419	1,457,980	1,712,399
2022-2026	1,446,465	7,123,120	8,569,585
2027-2031	1,786,487	6,793,549	8,580,036
2032-2036	12,300,949	4,979,370	17,280,319
2037-2041	29,000,000	473,604	29,473,604
Totals	<u>\$ 45,705,061</u>	<u>\$ 26,737,097</u>	<u>\$ 72,442,158</u>

Other Non-current Liabilities

Other non-current liabilities in the Enterprise Fund totaling \$142,348,859 account for funds due to Developers as a result of Multifamily bond proceeds which have corresponding investment balances adjusted to market value. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 4: BONDED INDEBTEDNESS

The Department has 106 bond series outstanding at August 31, 2016. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 3, 4, 5, 6, 7 and 8.) Proceeds from the issuance of bonds under the Single Family indenture prior to 1987 and Residential Mortgage Revenue Bonds (RMRB) Series 1987A Programs were used to acquire loans. Proceeds from Collateralized Home Mortgage Revenue Bond (CHMRB) and the remaining Single Family and RMRB programs were used to acquire pass-through certificates (GNMA, FNMA, FHLMC) backed by mortgage loans. Proceeds from the remaining Multifamily bond issues were used to finance mortgage loans.

Interest on bonds and collateralized mortgage obligations is payable periodically.

The Single Family, RMRB and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily Single Family mortgage loans, mortgage-backed securities and investments. The Multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The trust indentures contain positive and negative covenants. Events of default include the following: failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the Trustee; and non-performance or non-observance of any other covenants, agreements or conditions contained in the indentures. Management believes they are in compliance with the covenants of the indentures.

Bond contractual maturities (principal only) at August 31, 2016, are as follows (in thousands):

Description	2017	2018	2019	2020	2021	2022 to 2026	2027 to 2031
Single-family	\$ 385	\$ 3,660	\$ 430	\$ 430	\$ 445	\$ 22,745	\$ 29,900
RMRB	4,655	4,990	4,820	5,190	5,330	29,290	32,960
CHMRB						1,700	
Multifamily	<u>22,772</u>	<u>35,421</u>	<u>9,441</u>	<u>10,014</u>	<u>10,665</u>	<u>88,572</u>	<u>107,305</u>
Total	<u>\$ 27,812</u>	<u>\$ 44,071</u>	<u>\$ 14,691</u>	<u>\$ 15,634</u>	<u>\$ 16,440</u>	<u>\$ 142,307</u>	<u>\$ 170,165</u>
Description	2032 to 2036	2037 to 2041	2042 to 2046	2047 to 2051	2052 to 2056	2057 to 2061	Total
Single-family	\$ 108,875	\$ 120,390	\$ 49,890	\$	\$	\$	\$ 337,150
RMRB	40,910	54,465					182,610
CHMRB							1,700
Multifamily	<u>165,003</u>	<u>319,448</u>	<u>115,643</u>	<u>21,988</u>	<u>5,993</u>		<u>912,265</u>
Total	<u>\$ 314,788</u>	<u>\$ 494,303</u>	<u>\$ 165,533</u>	<u>\$ 21,988</u>	<u>\$ 5,993</u>	<u>\$</u>	<u>\$ 1,433,725</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 4: BONDED INDEBTEDNESS Cont'd

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage backed securities mature or prepay.

The interest payment requirements at August 31, 2016, are as follows (in thousands):

Description	2017	2018	2019	2020	2021	2022 to 2026	2027 to 2031
Single-family	\$ 7,597	\$ 7,677	\$ 7,643	\$ 7,623	\$ 7,598	\$ 37,341	\$ 35,889
RMRB	6,676	6,526	6,353	6,170	5,960	26,109	19,008
CHMRB	112	124	112	112	124	336	
Multifamily	<u>37,432</u>	<u>36,873</u>	<u>36,148</u>	<u>35,579</u>	<u>34,966</u>	<u>163,696</u>	<u>133,009</u>
Total	<u>\$ 51,817</u>	<u>\$ 51,200</u>	<u>\$ 50,256</u>	<u>\$ 49,484</u>	<u>\$ 48,648</u>	<u>\$ 227,482</u>	<u>\$ 187,906</u>
Description	2032 to 2036	2037 to 2041	2042 to 2046	2047 to 2051	2052 to 2056	2057 to 2061	Total
Single-family	\$ 32,702	\$ 18,105	\$ 7,602	\$	\$	\$	\$ 169,777
RMRB	12,120	4,540					93,462
CHMRB							920
Multifamily	<u>101,319</u>	<u>54,112</u>	<u>17,220</u>	<u>3,011</u>	<u>639</u>		<u>654,004</u>
Total	<u>\$ 146,141</u>	<u>\$ 76,757</u>	<u>\$ 24,822</u>	<u>\$ 3,011</u>	<u>\$ 639</u>	<u>\$</u>	<u>\$ 918,163</u>

Interest requirements on variable rate debt are calculated using the interest rate in effect at August 31, 2016. Interest rates on variable rate debt reset on a weekly basis by the remarketing agent.

Changes in Bonds Payable

Description	Bonds Outstanding 09/01/15	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/16	Amounts Due Within One Year
Single Family	\$ 347,390,000	\$ 144,940,000	\$ 3,055,000	\$ 152,125,000	\$ 337,150,000	\$ 385,000
RMRB	217,685,000		4,700,000	30,375,000	182,610,000	4,730,509
CHMRB	2,600,000			900,000	1,700,000	2,276
Multifamily	<u>965,352,798</u>	<u>49,670,000</u>	<u>8,044,834</u>	<u>94,712,979</u>	<u>912,264,985</u>	<u>22,779,033</u>
Total Principal	<u>\$ 1,533,027,798</u>	<u>\$ 194,610,000</u>	<u>\$ 15,799,834</u>	<u>\$ 278,112,979</u>	<u>\$ 1,433,724,985</u>	<u>\$ 27,896,818</u>
Unamortized Premium	2,749,681				1,157,375	
Unamortized (Discount)	<u>(166,621)</u>					
Total	<u>\$ 1,535,610,858</u>				<u>\$ 1,434,882,360</u>	

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 4: BONDED INDEBTEDNESS Cont'd

Demand Bonds

The Department currently holds six single family bond series in the amount \$141,560,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities which are pools of first time homebuyer loans. These bond series have the following terms.

Demand Bonds - Standby Purchase Agreements					
Single Family Bond Series	Remarketing Agent	Liquidity Provider	Commitment Fee Rate	Outstanding Variable Rate Demand Bonds as of 8/31/16	Liquidity Facility Expiration Date
2004A Jr. Lien	JP Morgan	Comptroller of Public Accounts	0.12%	\$ 3,855,000	8/31/2017
2004B	JP Morgan	Comptroller of Public Accounts	0.12%	39,380,000	8/31/2017
2004D	Piper Jaffray	Comptroller of Public Accounts	0.12%	25,700,000	8/31/2017
2005A	JP Morgan	Comptroller of Public Accounts	0.12%	31,130,000	8/31/2017
2005C	JP Morgan	Comptroller of Public Accounts	0.12%	3,090,000	8/31/2017
2007A	JP Morgan	Comptroller of Public Accounts	0.12%	38,405,000	8/31/2017
Total Demand Bonds				<u>\$ 141,560,000</u>	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). The liquidity agreement is subject to renewal yearly on an ongoing basis. The Department shall use its best effort to cause the bonds to be purchased from the liquidity facility as soon as possible. The purchased bonds are not subject to term out provisions. For fiscal year 2016, the Trustee did not draw from the liquidity provider, Comptroller of Public Accounts, related to the Department's demand bonds.

Federal Arbitrage Regulations

In accordance with Federal law, the Agency is required to rebate to the Internal Revenue Service ("IRS") the excess of the amount derived from investing the bond proceeds over the amount that would have been earned if those investments had a rate equal to the yield on the bond issue. As of August 31, 2016, the Bond Program has no liabilities to report to the IRS.

Pledged and Other Sources

GASB Statement No. 48 requires the following disclosures for "specific revenues that have been formally committed to directly collateralize or secure debt of the Department." The following table summarizes by indenture, pledged and other sources and related expenditures for the Department's revenue bonds. A detail schedule of each bond issue is included in Schedule 6.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 4: BONDED INDEBTEDNESS Cont'd

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2016						Terms of Commitment Year Ending August 31,	Percentage of Revenue Pledged
	Net Available for Debt Service		Debt Service			Pledged Revenue for Future Debt Service		
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest				
Total Single Family Bonds	\$ 169,658,121	\$ 2,716,623	\$ 3,055,000	\$ 12,232,010	\$ 506,925,648	2046	100%	
Total Residential Mtg Revenue Bonds	38,379,888	252,155	4,700,000	7,289,920	276,071,307	2041	100%	
Total 1992 CHMRB	1,151,133	701		155,857	2,621,324	2024	100%	
Total Multifamily Bonds	133,327,054		8,044,834	38,615,467	1,566,269,555	2054	100%	
Total	\$ 342,516,196	\$ 2,969,479	\$ 15,799,834	\$ 58,293,254	\$ 2,351,887,834			

Current Refunding

On October 29, 2015, the Department issued Series 2015 A & B Single Family Revenue Bonds. Series 2015 A for \$33,825,000 was issued for the primary purpose of refunding and redeeming the Single Family Mortgage Revenue Bonds Series 2006H. Refunding the 2006H Bonds will allow the Department to reduce its outstanding variable rate debt, terminate the related liquidity facility, and terminate the 2006H Swap. This refunding transaction resulted in a deferred amount of \$405,254 which represented the termination fee and fair value of the interest rate swap hedging the variable rate debt. During the current period, \$405,254 of the deferral amount has been recognized as period bond interest expense. This transaction also gave rise to a \$16,046,131 economic loss and a cash flow loss of \$24,735,357.

On February 24, 2016, the Department issued Series 2016 A & B Single Family Revenue Bonds. Series 2016 B for \$59,735,000 was issued for the primary purpose of refunding and redeeming the Single Family Mortgage Revenue Bonds Series 2006ABCDE. This transaction also gave rise to a \$16,175,194 economic gain and a cash flow gain of \$15,136,636.

NOTE 5: DERIVATIVE INSTRUMENTS

VARIABLE TO FIXED INTEREST RATE SWAP

Objective

In order to hedge against increases in interest rates on variable rate demand bond issues, the Department has entered into four interest rate swap agreements with the objective of reducing the interest rate risk of certain variable rate demand bonds. The variable rate demand bonds were issued at a lower total interest cost than attainable through traditional fixed rate bond structures. The Department has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Department makes periodic fixed interest rate payments in exchange for receiving variable rate payments that are expected to be comparable to the rates payable on the variable rate demand bonds. The swap notional amounts amortize in accordance with the scheduled and/or anticipated reductions in the related variable rate demand bond liability. The Department is potentially exposed to loss in the event of nonperformance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments. Each swap agreement includes optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 5: DERIVATIVE INSTRUMENTS Cont'd

Summary

The fair value balances and notional amounts of derivative instruments outstanding as of August 31, 2016, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2016 financial statements are as follows.

Business Type Activities		Changes in Fair Value		Fair Value at August 31, 2016		
Cash Flow Hedges	Bond Issue	Classification	Amount	Classification	Amount	Notional
Pay-fixed, receive-variable interest rate swap	2004B	Deferred outflow of resources	\$ 383,594	Debt	\$ (2,874,866)	\$ 33,530,000
Pay-fixed, receive-variable interest rate swap	2004D	Deferred outflow of resources	89,725	Debt	(1,645,410)	25,700,000
Pay-fixed, receive-variable interest rate swap	2005A	Deferred outflow of resources	(39,722)	Debt	(5,276,164)	31,130,000
Pay-fixed, receive-variable interest rate swap	2006H	Deferred outflow of resources	582,595	Debt	-	-
Pay-fixed, receive-variable interest rate swap	2007A	Deferred outflow of resources	797,560	Debt	(5,299,531)	38,405,000
			<u>\$ 1,813,752</u>		<u>\$ (15,095,971)</u>	<u>\$ 128,765,000</u>

Terms and Fair Value

The terms, including the fair value of the outstanding swaps as of August 31, 2016 are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
Bank of New York Mellon	\$ 33,530,000	\$ (2,874,866)	3/1/2014	3.67%	65.5% of LIBOR + .20%	9/1/34 (a)
Goldman Sachs Bank USA	25,700,000	(1,645,410)	1/1/2005	3.08%	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	3/1/35 (b)
JP Morgan Chase Bank	31,130,000	(5,276,164)	8/1/2005	4.01%	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	9/1/36 (c)
JP Morgan Chase Bank	38,405,000	(5,299,531)	6/5/2007	4.01%	Less of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR	9/1/38 (c)
Total	\$ 128,765,000	\$ (15,095,971)				

- Swap Agreement has an optional early par termination date of September 1, 2015 and every March and September thereafter. The Swap Agreement has 100% optional par termination rights on or after September 1, 2021.
- Swap Agreement has an optional early par termination date of March 1, 2015 and every March and September thereafter. The Swap Agreement has 100% optional par termination rights on or after September 1, 2021.
- Swap Agreement is subject to mandatory early termination date each March 1 and September 1 from mortgage loan repayments.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 5: DERIVATIVE INSTRUMENTS Cont'd

During the year ended August 31, 2016, the Department adopted GASB Statement No. 72 – Fair Value Measurement and Application, which addresses accounting and financial reporting issues related to fair value measurements. In accordance to GASB 72, the fair value of these derivative instruments was measured using the Income Approach. Using observable inputs of interest rate markets and municipal bond yields, the fair value measurement is based on the present value of future implied cash flows reflective of non-performance risk. The fair value hierarchy disclosure is as follows:

Derivative Instruments	Total	Input Level 1	Input Level 2	Input Level 3
Pay-fixed, receive-variable interest rate swap	\$ (15,095,971)		\$ (15,095,971)	
Total	\$ (15,095,971)		\$ (15,095,971)	

- Level 1- Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in the pricing asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Credit Risk

As of August 31, 2016, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps currently have a negative fair value indicating an obligation for the Department to pay the counterparty as opposed to receive payments should the Department exercise it’s optional right to terminate. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral agreements. The 2004B swap contains swap termination insurance policies with Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) to mitigate a portion of any termination payment due by the Department. The credit ratings for the counterparties are as follows.

Counterparty	Standard & Poor's	Moody's
Bank of New York Mellon	AA-/Stable	Aa2/Stable
Goldman Sachs Bank USA*	A/Review Upgrade	A1/Stable
JP Morgan Chase Bank	A+/Stable	Aa3/Stable

*Guaranteed by Goldman Sachs Group, Inc.

Basis Risk

The Department’s variable-rate bond coupon payments are related to the Securities Industry and Financial Markets Association (SIFMA) rate. The swap agreements designate a function of London Interbank Offered Rate (“LIBOR”) as the rate for payments received on these swaps. The Department will be exposed to basis risk should LIBOR and SIFMA rates converge. The swap agreements provide an option to terminate as stated in the Terms and Fair Value table on previous page.

Rollover Risk

Rollover risk is the risk that arises when a derivative associated with a government’s variable-rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative. The Department is not exposed to rollover risk on swap agreements because the variable rate debt has been structured to decline with the swap notional balances. The counterparties in the swap agreements have limited rights to terminate the swap.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 5: DERIVATIVE INSTRUMENTS Cont'd

They can terminate only if the Department were to be downgraded below investment grade or default on any swap payments. The swap providers cannot unilaterally terminate any of the swaps subjecting the Department to rollover risk.

The Department has retained par optional termination rights which are listed below. The par optional termination rights are intended to keep the notional amount in line with bonds outstanding to the extent the Department receives prepayments.

Associated Debt Issuance	Debt Maturity Date	Swap Termination Date
2004B Single Family	September 2034	Optional early par termination rights beginning September 2015, with 100% par termination rights in September 2021
2004D Single Family	March 2035	Optional early par termination rights beginning March 2015, with 100% par termination rights in September 2021
2005A Single Family	September 2036	Mandatory par termination each March 1 and September 1 from mortgage loan repayments
2007A Single Family	September 2038	Mandatory par termination each March 1 and September 1 from mortgage loan repayments

Swap Payments and Associated Debt

Using rates as of August 31, 2016, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

Fiscal Year Ending August 31	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Net	
2017	\$ -	\$ 719,353	\$ 3,957,094	\$ 4,676,447
2018		874,718	3,957,094	4,831,812
2019		874,718	3,957,094	4,831,812
2020		876,721	3,957,094	4,833,815
2021		872,714	3,957,094	4,829,808
2022-2026	20,125,000	4,089,238	19,133,884	43,348,122
2027-2031	26,780,000	3,369,564	16,277,490	46,427,054
2032-2036	72,305,000	1,764,286	8,466,143	82,535,429
2037-2041	15,405,000	108,250	690,107	16,203,357
	\$ 134,615,000	\$ 13,549,562	\$ 64,353,094	\$ 212,517,656

Netting Arrangements—The Department's swap agreements allow for netting arrangements. On each payment date, September 1 and March 1, the party with the lesser obligation will be automatically satisfied and discharged and, the obligation of the party with the greater obligation will become the excess of the larger aggregate amount over the smaller aggregate amount. As of August 31, 2016, the Department has an aggregate liability related to the interest rate swaps in the amount of \$2,102,880 payable September 1, 2016.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 6: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Department will be abolished effective September 1, 2025 unless continued in existence as provided by the Act. If abolished, the Department may continue until September 1, 2026 to close out its operations.

NOTE 7: CONTINGENCIES AND COMMITMENTS

The Department is a defendant in one legal action; *Rick Sims vs. Texas Department of Housing and Community Affairs, et al.* (“Sims”).

In *Sims*, the Plaintiff alleges violations of the Fair Housing Act, Rehabilitation Act of 1973, and the Americans with Disabilities Act, and seeks declaratory and injunctive relief. We are in the early phase of this lawsuit. Plaintiff has amended its complaint and TDHCA has filed a motion to dismiss. The court has stayed any discovery until after he rules on the motion to dismiss.

Derivative Instruments

All of the Department’s derivative instruments include provisions that require posting collateral in the event its credit rating falls below a specified level as issued by Moody’s Investor Service and Standard & Poor’s. If the Department fails to post eligible collateral, the derivative instrument may be terminated by the counterparty. The table below lists the triggering event and the collateral exposure for each instrument.

Series	Collateral Posting Exposure at Current Credit Rating	Credit Rating Downgrade Threshold	MTM Threshold for TDHCA or Counterparty
2004B ⁽¹⁾	None	A3/A- or below for AGM and TDHCA	After downgrade of AGM and TDHCA or counterparty, collateral exposure with no threshold
2004D	Yes, if MTM exceeds (\$7.5M)	A3/A- or below	After downgrade, collateral exposure with no threshold
2005A	None	A2/A	After downgrade to A2/A, collateral exposure if MTM exceeds (\$7.5M); after downgrade to A3/A or below, collateral exposure with no threshold
2007A	None	A2/A	After downgrade to A2/A, collateral exposure if MTM exceeds (\$7.5M); after downgrade to A3/A or below, collateral exposure with no threshold

(1) *AGM Swap Insurance in effect. Collateral posting only required if AGM is downgraded to A3/A- or below AND TDHCA is downgraded to A3/A- or below.*

As of August 31, 2016 the Department’s credit rating related to the Single Family Indenture was AA+ issued by Standard & Poor’s and Aa1 by Moody’s, therefore no collateral was posted. The Department’s aggregate fair value of all hedging derivative instruments with these collateral provisions is \$15,095,971. If the collateral posting requirements had been triggered at August 31, 2016, the Department would have been required to post eligible collateral equal to the aggregate fair value of the derivative instruments.

Taxable Mortgage Program

On July 26, 2012, the Department approved the Taxable Mortgage Program (“TMP”). The TMP market facilitates the forward trading of Mortgage Backed Securities (“MBSs”) issued by Ginnie Mae and Fannie Mae. In a TMP trade, the seller and buyer agree to the type of security, coupon, face value, price and settlement date at the time of trade but do not specify the actual pools to be traded.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 7: CONTINGENCIES AND COMMITMENTS Cont'd

The securities are “to be announced” two business days prior to the trade settlement date. The TMP program was created to provide loans to low to moderate income homebuyers. The program is paid for from revenues generated by the packaging and sale of the TMP MBSs. Escrow agreements were negotiated and established to limit the recourse to the servicer and the to-be-announced provider who delivers the MBSs to the purchaser. The total amount of the escrow is \$4 million, which is funded from the Department’s general funds. The TMP program commenced on October 1, 2012.

NOTE 8: SUBSEQUENT EVENTS

Debt Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Bonds	Multifamily Revenue Bonds MF Series 2016 Sky line Place Apartments	\$ 18,750,000	9/15/2016	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Sky line Place Apartments will be located in
Notes Payable	Multifamily Governmental Note Mercantile Apartments	\$ 29,500,000	9/30/2016	The multifamily governmental notes are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Mercantile Apartments will be located in Fort Worth, Texas.

NOTE 9: RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department’s policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. The Department carries Public Official Liabilities Insurance coverage in the amount of \$10,000,000 that includes Network Security and Cyber Liability in the amount of \$1,000,000; Automobile Liability Insurance in the amount of \$1,000,000; Errors and Omissions Insurance in the amount of \$500,000 related to loan servicing for others; Crime Insurance in the amount of \$350,000; and Commercial Property, Equipment Breakdown & Terrorism Insurance for the Alpine Retirement Center, the Insurance Annex Building and the Twin Towers Office Center in the amount of \$4,245,671.

The Department’s liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. The Department did not incur any claims in fiscal year 2016.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 10: SEGMENT INFORMATION FOR ENTERPRISE FUND

The Segment information below is for the Department's direct debt associated with the issuance of Single Family bonds only and does not include the Multifamily bonds where the Department is only a conduit issuer. Therefore, this note represents less than what is reported in the Enterprise Fund as a whole. Each grouping consists of separate indentures that have one or more bonds outstanding with the revenue stream and assets exclusively pledged in support of that debt. Bonds are issued for the primary purpose of providing funds for the purchase of mortgage-backed securities which represent securitized loans financing single family housing. Each indenture imposes the requirement of separate accounting of the revenues, expenses, gains, losses, assets, and liabilities.

CONDENSED STATEMENT OF NET POSITION			
	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Restricted Assets:			
Current Assets	\$ 42,171,616	\$ 25,923,923	\$ 79,984
Non-Current Assets	400,778,342	269,164,308	3,414,130
Total Assets	442,949,958	295,088,231	3,494,114
Deferred Outflows of Resources:	15,095,971		
Liabilities:			
Current Liabilities	6,514,724	5,925,398	4,607
Non-Current Liabilities	351,860,971	178,955,546	1,715,559
Total Liabilities	358,375,695	184,880,944	1,720,166
Deferred Inflows of Resources:			
Net Position:			
Restricted Net Position	\$ 99,670,234	\$ 110,207,287	\$ 1,773,948
Net Position:	<u>\$ 99,670,234</u>	<u>\$ 110,207,287</u>	<u>\$ 1,773,948</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION			
	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Operating Revenues:			
Interest and Investment Income	\$ 19,995,870	\$ 9,647,405	\$ 251,133
Net (Decrease) in Fair Value	(3,266,756)	(389,009)	(77,557)
Other Operating Revenues	212,634		
Operating Expenses	(15,864,584)	(7,545,452)	(143,649)
Operating Income (Loss)	1,077,164	1,712,944	29,927
Nonoperating Revenues (Expenses):			
Transfers In (Out)	(394,555)	6,376,424	
Changes in Net Position	682,609	8,089,368	29,927
Net Position, September 1, 2015	98,987,625	102,117,919	1,744,021
Net Position, August 31, 2016	<u>\$ 99,670,234</u>	<u>\$ 110,207,287</u>	<u>\$ 1,773,948</u>

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2016

NOTE 10: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF CASH FLOWS			
	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Net Cash Provided (Used) By:			
Operating Activities	\$ (3,077,392)	\$ (5,405,701)	\$ (621)
Noncapital Financing Activities	(25,845,820)	(36,196,523)	(1,066,386)
Investing Activities	<u>35,260,629</u>	<u>46,067,985</u>	<u>1,058,448</u>
Net Increase (Decrease)	6,337,417	4,465,761	(8,559)
Beginning Cash and Cash Equivalents	<u>34,039,525</u>	<u>20,541,913</u>	<u>71,013</u>
Ending Cash and Cash Equivalents	<u>\$ 40,376,942</u>	<u>\$ 25,007,674</u>	<u>\$ 62,454</u>

* * * * *

**SUPPLEMENTAL
SCHEDULES**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 1

SUPPLEMENTAL SCHEDULE — STATEMENT OF NET POSITION INFORMATION
BY INDIVIDUAL ACTIVITY (UNAUDITED)
AS OF AUGUST 31, 2016

	Single-Family Program	RMRB Program	CHMRB Program	Taxable Mortgage Program	Multifamily Program	Operating Fund	Total
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents:							
Cash in bank	\$	\$	\$	\$	\$	\$ 5,671	\$ 5,671
Cash equivalents				1,313,818		7,801,829	9,115,647
Restricted assets:							
Cash and cash equivalents:							
Cash in bank	2,627,689				14,703,941		17,331,630
Cash equivalents	37,749,253	25,007,674	62,454	1,935,881	94,245,157	403,582	159,404,001
Short-term investments				7,236			7,236
Loans and contracts	433,678	177,246			22,772,352		23,383,276
Interest receivable	1,336,129	734,813	17,530	8,814	6,533,490	1,714	8,632,490
Receivable:							
Interest receivable				4,640		59	4,699
Accounts receivable						215,218	215,218
Other current assets	24,867	4,190		26,498		13,543	69,098
Total current assets	42,171,616	25,923,923	79,984	3,296,887	138,254,940	8,441,616	218,168,966
NONCURRENT ASSETS:							
Investments				1,809,256			1,809,256
Restricted assets:							
Investments	381,122,416	215,092,084	3,414,130	2,632,327	42,025,121	375,507	644,661,585
Loans, contracts, and notes receivable	19,634,098	54,072,224			924,491,179	31	998,197,532
Other noncurrent assets:							
Real estate owned — net	21,828					798	22,626
Total noncurrent assets	400,778,342	269,164,308	3,414,130	4,441,583	966,516,300	376,336	1,644,690,999
TOTAL ASSETS	\$ 442,949,958	\$ 295,088,231	\$ 3,494,114	\$ 7,738,470	\$ 1,104,771,240	\$ 8,817,952	\$ 1,862,859,965
DEFERRED OUTFLOWS OF RESOURCES							
Accumulated decrease in fair value							
hedging derivatives	15,095,971						15,095,971
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 15,095,971	\$	\$	\$	\$	\$	\$ 15,095,971
LIABILITIES							
CURRENT LIABILITIES:							
Payables:							
Accounts payable	\$ 115,641	\$ 76,471	\$ 82	\$ 8,443	\$	\$ 26,172	\$ 226,809
Accrued bond interest payable	5,775,439	1,118,418	2,249		6,780,541		13,676,647
Notes and Loans Payable					214,880		214,880
Revenue bonds payable	385,000	4,730,509	2,276		22,779,033		27,896,818
Other current liabilities	238,644					179	238,823
Total current liabilities	6,514,724	5,925,398	4,607	8,443	29,774,454	26,351	42,253,977
NONCURRENT LIABILITIES:							
Notes and Loans Payable					45,490,181		45,490,181
Revenue bonds payable	336,765,000	178,955,546	1,715,559		889,549,437		1,406,985,542
Derivative Hedging Instrument	15,095,971						15,095,971
Other noncurrent liabilities					142,348,859		142,348,859
Total noncurrent liabilities	351,860,971	178,955,546	1,715,559		1,077,388,477		1,609,920,553
TOTAL LIABILITIES	\$ 358,375,695	\$ 184,880,944	\$ 1,720,166	\$ 8,443	\$ 1,107,162,931	\$ 26,351	\$ 1,652,174,530
DEFERRED INFLOWS OF RESOURCES							
TOTAL DEFERRED INFLOWS OF RESOURCES	\$	\$	\$	\$	\$	\$	\$
NET POSITION							
RESTRICTED FOR BONDS	99,670,234	110,207,287	1,773,948	4,584,257		780,803	217,016,529
UNRESTRICTED				3,145,770	(2,391,691)	8,010,798	8,764,877
TOTAL NET POSITION	\$ 99,670,234	\$ 110,207,287	\$ 1,773,948	\$ 7,730,027	\$ (2,391,691)	\$ 8,791,601	\$ 225,781,406

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 2

SUPPLEMENTAL SCHEDULE — STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2016

	Single-Family Program	RMRB Program	CHMRB Program	Taxable Mortgage Program	Multifamily Program	Operating Fund	Total
OPERATING REVENUES:							
Interest and investment income	\$ 19,995,870	\$ 9,647,405	\$ 251,133	\$ 211,559	\$ 38,862,729	\$ 40,665	\$ 69,009,361
Net increase (decrease) in fair value	(3,266,756)	(389,009)	(77,557)	29,617		(7,709)	(3,711,414)
Other operating revenues	212,634			10,480,333		3,080,804	13,773,771
Total operating revenues	16,941,748	9,258,396	173,576	10,721,509	38,862,729	3,113,760	79,071,718
OPERATING EXPENSES:							
Professional fees and services	1,110,739	207,880	1,000			497,195	1,816,814
Printing and reproduction	24,189					47,987	72,176
Interest	11,477,727	6,806,575	142,948		39,083,027		57,510,277
Bad debt expense	667,606	190,505				7,116	865,227
Down Payment Assistance	5,893	287,399					293,292
Other operating expenses	2,578,430	53,093	(299)	4,275,637		53,709	6,960,570
Total operating expenses	15,864,584	7,545,452	143,649	4,275,637	39,083,027	606,007	67,518,356
Operating Income (Loss)	1,077,164	1,712,944	29,927	6,445,872	(220,298)	2,507,753	11,553,362
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS							
Extraordinary items							
Transfers in (out)	(394,555)	6,376,424		(8,163,789)		(2,117,140)	(4,299,060)
CHANGE IN NET POSITION	682,609	8,089,368	29,927	(1,717,917)	(220,298)	390,613	7,254,302
NET POSITION —							
September 1, 2015	98,987,625	102,117,919	1,744,021	9,447,944	(2,171,393)	8,400,988	218,527,104
NET POSITION —							
August 31, 2016	\$ 99,670,234	\$ 110,207,287	\$ 1,773,948	\$ 7,730,027	\$ (2,391,691)	\$ 8,791,601	\$ 225,781,406

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SUPPLEMENTARY BOND
SCHEDULES

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

SCHEDULE 3

**Supplementary Bond Schedules
MISCELLANEOUS BOND INFORMATION**

For the fiscal year ended August 31, 2016

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat.		
				First Year	Final Maturity Date	First Call Date
2004 Single Family Series B	\$ 53,000,000	VAR - Weekly	2015	09/01/2034	03/01/2015	(e)
2004 Single Family Series A (Jr. Lien)	4,140,000	VAR - Weekly	2036	09/01/2036	09/01/2036	(e)
2004 Single Family Series D	35,000,000	VAR - Weekly	2035	03/01/2035	(f)	
2005 Single Family Series A	100,000,000	VAR - Weekly	2007	09/01/2036	03/01/2006	
2005 Single Family Series B	25,495,000	4.38% 4.38%	2006	09/01/2026	03/01/2006	
2005 Single Family Series C	8,970,000	VAR - Weekly	2017	09/01/2017	03/01/2006	
2005 Single Family Series D	3,730,000	5.00% 5.00%	2025	09/01/2035	03/01/2006	
2006 Single Family Series A	59,555,000	5.00% 5.00%	2008	09/01/2037	09/01/2006	
2006 Single Family Series B	70,485,000	5.00% 5.00%	2008	09/01/2034	09/02/2006	
2006 Single Family Series C	105,410,000	5.13% 5.13%	2008	09/01/2037	09/03/2006	
2006 Single Family Series D	29,685,000	4.50% 4.50%	2018	09/01/2028	09/04/2006	
2006 Single Family Series E	17,295,000	4.06% 4.06%	2007	09/01/2017	09/05/2006	
2006 Single Family Series H	36,000,000	VAR - Weekly	2016	09/01/2037	03/01/2016	
2007 Single Family Series A	143,005,000	VAR - Weekly	2008	09/01/2038	03/01/2008	(e)
2007 Single Family Series B	157,060,000	3.90% 5.63%	2008	09/01/2039	03/01/2008	
2013 Single Family Series A	42,500,000	2.80% 2.80%	2013	03/01/2036	09/01/2020	
2015 Single Family Series A	33,825,000	3.20% 3.20%	2039	9/1/2039	09/01/2024	
2015 Single Family Series B	19,870,000	3.13% 3.13%	2046	3/1/2046	09/01/2024	
2016 Single Family Series A	31,510,000	3.00% 3.00%	2046	3/1/2046	03/01/2025	
2016 Single Family Series B	59,735,000	3.18% 3.18%	2039	3/1/2039	03/01/2025	
2009 RMRB Series A	80,000,000	5.13% 5.13%	2011	07/01/2039	01/01/2019	
2009 RMRB Series B	22,605,000	4.72% 4.72%	2010	07/01/2022	01/01/2019	
2009 RMRB Series C-1	89,030,000	0.70% 3.57%	2029	07/01/2041	04/01/2011	
2009 RMRB Series C-2	60,080,000	0.60% 2.48%	2034	07/01/2041	11/01/2011	
2011 RMRB Series A	60,000,000	0.70% 5.05%	2012	07/01/2029	01/01/2021	
2011 RMRB Series B	87,955,000	0.30% 4.45%	2012	01/01/2034	01/01/2021	
1992 Coll Home Mtg Rev Bonds, Series C	72,700,000	3.48% 10.27%	2024	07/01/2024	05/04/1995	
TOTAL SINGLE FAMILY & RMRB BONDS	\$ 1,508,640,000					
1996 MF Series A/B (Brighton's Mark Development)	\$ 10,174,000	6.13% 6.13%	2026	04/01/2026	01/01/2003	
1998 MF Series A-C (Residence at the Oaks Projects)	8,200,000	5.98% 7.18%	2001	11/01/2030	05/01/2001	
1999 MF Series A-C (Mayfield Apartments)	11,445,000	5.70% 7.25%	2001	05/01/2031	05/01/2002	
2000 MF Series A (Timber Point Apartments)	8,100,000	VAR - Weekly	2003	09/01/2032	07/01/2000	(a)
2000 MF Series A/B (Oaks at Hampton Apartments)	10,060,000	7.20% 9.00%	2002	03/01/2040	03/01/2017	(a)
2000 MF Series A (Deerwood Apartments)	6,435,000	5.25% 6.40%	2003	12/01/2032	06/01/2010	
2000 MF Series A (Creek Point Apartments)	7,200,000	VAR - Weekly	2004	10/01/2032	07/01/2000	(a)
2000 MF Series A/B (Parks at Westmoreland Apartments)	9,990,000	7.20% 9.00%	2002	07/01/2040	07/01/2017	(a)
2000 MF Series A-C (Highland Meadow Village Apartments)	13,500,000	6.75% 8.00%	2004	11/01/2033	05/01/2019	
2000 MF Series A/B (Greenbridge at Buckingham Apartments)	20,085,000	7.40% 10.00%	2003	10/01/2040	03/01/2014	
2000 MF Series A-C (Collingham Park Apartments)	13,500,000	6.72% 7.72%	2004	11/01/2033	05/01/2019	
2000 MF Series A/B (Williams Run Apartments)	12,850,000	7.65% 9.25%	2002	11/01/2040	01/01/2011	
2001 MF Series A (Bluffview Apartments)	10,700,000	7.65% 7.65%	2003	05/01/2041	05/01/2018	
2001 MF Series A (Knollwood Apartments)	13,750,000	7.65% 7.65%	2003	05/01/2041	05/01/2018	
2001 MF Series A (Skyway Villas Apartments)	13,250,000	6.00% 6.50%	2005	12/01/2034	12/01/2011	
2001 MF Series A/B (Meridian Apartments)	14,310,000	5.45% 6.85%	2004	12/01/2034	12/01/2011	
2001 MF Series A/B (Wildwood Apartments)	14,365,000	5.45% 6.75%	2004	12/01/2034	12/01/2011	
2001 MF Series A (Oak Hollow Apartments)	8,625,000	7.00% 7.90%	2003	12/01/2041	11/01/2018	
2001 MF Series A/B (Hillside Apartments)	12,900,000	7.00% 9.25%	2003	12/01/2041	11/01/2018	
2002 MF Series A (Park Meadows Apartments)	4,600,000	6.53% 6.53%	2004	06/01/2034	05/01/2012	
2002 MF Series A (Clarkridge Villas Apartments)	14,600,000	7.00% 7.00%	2004	09/01/2042	08/01/2019	
2002 MF Series A (Hickory Trace Apartments)	11,920,000	7.00% 7.00%	2004	11/01/2042	12/01/2019	
2002 MF Series A (Green Crest Apartments)	12,500,000	7.00% 7.00%	2004	11/01/2042	11/01/2019	
2002 MF Series A/B (Ironwood Crossing)	16,970,000	5.50% 8.75%	2005	11/01/2042	10/01/2027	
2003 MF Series A/B (Reading Road)	12,200,000	VAR-Weekly	2007	07/01/2036	01/01/2004	(a)
2003 MF Series A/B (North Vista Apartments)	14,000,000	4.10% 5.41%	2006	06/01/2036	06/01/2013	
2003 MF Series A/B (West Virginia Apartments)	9,450,000	4.15% 5.41%	2006	06/01/2036	06/01/2013	
2003 MF Series A/B (Primrose Houston School)	16,900,000	5.50% 8.00%	2006	07/01/2036	07/01/2003	(a)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

**Supplementary Bond Schedules
MISCELLANEOUS BOND INFORMATION (Continued)**

For the fiscal year ended August 31, 2016

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat.		
				First Year	Final Maturity Date	First Call Date
2003 MF Series A/B (Timber Oaks Apartments)	\$ 13,200,000	6.75%	8.75%	2005	11/01/2038	06/01/2020
2003 MF Series A/B (Ash Creek Apartments)	16,375,000	5.60%	15.00%	2006	04/01/2036	10/01/2003 (a)
2003 MF Series A/B (Peninsula Apartments)	12,400,000	4.25%	5.30%	2007	10/01/2024	10/01/2013
2003 MF Series A/B (Arlington Villas)	17,100,000	6.75%	8.00%	2007	12/01/2036	01/01/2007 (a)
2003 MF Series A/B (Parkview Townhomes)	16,600,000	6.60%	8.50%	2006	04/01/2041	12/01/2020
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	31,500,000	VAR - Weekly		2007	07/01/2033	07/01/2007 (a)
2004 MF Series A/B (Timber Ridge II Apartments)	7,500,000	5.75%	8.00%	2007	08/01/2036	03/01/2007 (a)
2004 MF Series A/B (Century Park Townhomes)	13,000,000	5.75%	5.75%	2007	06/01/2037	05/01/2007 (a)
2004 MF Series A/B (Providence at Veterans Memorial)	16,300,000	6.60%	8.50%	2006	01/01/2041	03/01/2006 (a)
2004 MF Series A (Providence at Rush Creek II)	10,000,000	5.38%	6.70%	2006	01/01/2044	03/01/2021
2004 MF Series A (Humble Parkway Townhomes)	11,700,000	6.60%	6.60%	2007	01/01/2041	07/01/2021
2004 MF Series A (Chisholm Trail Apartments)	12,000,000	VAR - Weekly (b)		2006	04/15/2037	10/15/2006 (a)
2004 MF Series A (Evergreen at Plano Parkway)	14,750,000	5.25%	6.55%	2007	05/01/2044	06/01/2021
2004 MF Series A (Montgomery Pines Apartments)	12,300,000	VAR - Weekly		2006	06/15/2037	12/15/2006 (a)
2004 MF Series A (Bristol Apartments)	12,625,000	VAR - Weekly		2007	06/15/2037	06/15/2007 (a)
2004 MF Series A (Pinnacle Apartments)	14,500,000	VAR - Weekly (c)		2007	06/15/2037	09/01/2007 (a)
2004 MF Series A (Churchill at Pinnacle Park)	10,750,000	5.25%	6.55%	2007	07/01/2044	09/01/2021 (d)
2004 MF Series A (Providence at Village Fair)	14,100,000	5.00%	6.50%	2007	12/01/2044	12/01/2021
2005 MF Series A (Homes at Pecan Grove)	14,030,000	5.00%	6.50%	2007	01/01/2045	01/01/2022
2005 MF Series A (Providence at Prairie Oaks)	11,050,000	4.75%	6.50%	2007	01/01/2045	01/01/2022
2005 MF Series A (Port Royal Homes)	12,200,000	5.00%	6.50%	2007	02/01/2045	02/01/2022
2005 MF Series A (Mission Del Rio Homes)	11,490,000	5.00%	6.50%	2007	02/01/2045	02/01/2022
2005 MF Series A (Atascocita Pines Apartments)	11,900,000	VAR - Weekly (c)		2007	04/15/2038	(e)
2005 MF Series A (Tower Ridge Apartments)	15,000,000	VAR - Weekly (b)		2009	04/01/2038	(e)
2005 MF Series A (Prairie Ranch Apartments)	12,200,000	4.85%	4.85%	2007	06/20/2045	12/20/2015
2005 MF Series A (St Augustine Estate Apartments)	7,650,000	VAR - Weekly		2009	09/15/2038	n/a
2005 MF Series A (Park Manor Senior Community)	10,400,000	5.00%	6.40%	2008	07/01/2045	09/01/2022
2005 MF Series A (Providence at Mockingbird Apartments)	14,360,000	6.40%	6.40%	2007	08/01/2040	08/01/2022
2005 MF Series A (Plaza at Chase Oaks Apartments)	14,250,000	5.05%	5.05%	2007	08/01/2035	(g)
2005 MF Series A (Coral Hills Apartments)	5,320,000	5.05%	5.05%	2009	08/01/2026	08/01/2015
2006 MF Series A (Harris Branch Apartments)	15,000,000	VAR - Weekly		2009	03/15/2039	(i)
2006 MF Series A (Bella Vista Apartments)	6,800,000	6.15%	6.15%	2008	04/01/2046	04/01/2016
2006 MF Series A (Village Park Apartments)	13,660,000	4.75%	5.13%	2009	12/1/2026	06/01/2021
2006 MF Series A (Oakmoor Apartments)	14,635,000	5.50%	6.00%	2008	03/01/2046	03/01/2023
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000	VAR - Weekly		2039	07/15/2039	(h)
2006 MF Series A (Hillcrest Apartments)	12,435,000	5.25%	5.25%	2009	04/01/2027	04/01/2021
2006 MF Series A (Pleasant Village)	6,000,000	6.00%	6.00%	2008	03/01/2023	(j)
2006 MF Series A (Red Hills Villas)	5,015,000	VAR - Weekly		2036	09/15/2036	(i)
2006 MF Series A (Champion Crossing Apartments)	5,125,000	VAR - Weekly		2036	09/15/2036	(i)
2006 MF Series A (Meadowlands Apartments)	13,500,000	6.00%	6.00%	2009	09/01/2046	09/01/2023
2006 MF Series A (East Tex Pines)	13,500,000	4.95%	4.95%	2010	10/01/2046	(k)
2006 MF Series A (Villas at Henderson)	7,200,000	VAR - Weekly		2010	11/01/2023	(l)
2006 MF Series A (Aspen Park)	9,800,000	5.00%	5.00%	2010	07/01/2027	07/01/2021
2006 MF Series A (Idlewilde)	14,250,000	VAR - Weekly		2010	06/15/2040	(i)
2007 MF Series A (Lancaster)	14,250,000	VAR - Weekly		2010	07/15/2040	(i)
2007 MF Series A (Park Place at Loyola)	15,000,000	5.80%	5.80%	2010	02/01/2047	03/01/2024
2007 MF Series A (Terrace at Cibolo)	8,000,000	VAR - Weekly		2010	05/01/2040	(l)
2007 MF Series A (Santora Villas)	13,072,000	5.80%	5.80%	2010	05/01/2047	06/01/2024
2007 MF Series A (Villas at Mesquite Creek)	16,860,000	5.00%	5.81%	2010	01/20/2047	01/20/2017
2007 MF Series A (Summit Point)	11,700,000	4.80%	5.25%	2009	06/20/2047	06/20/2017
2007 MF Series A (Costa Rialto)	12,385,000	5.35%	5.35%	2010	07/01/2047	08/01/2025
2007 MF Series A (Windshire)	14,000,000	VAR - Weekly		2010	01/15/2041	(i)
2007 MF Series A (Residences at Onion Creek)	15,000,000	VAR - Weekly		2011	12/15/2040	(i)
2008 MF Series A (West Oaks Apartments)	13,125,000	VAR - Weekly		2011	07/01/2041	(m)
2008 MF Series A (Costa Ibiza Apartments)	13,900,000	VAR - Weekly		2011	08/01/2041	(e)
2008 MF Series A (Addison Park Apartments)	14,000,000	VAR - Weekly		2008	01/01/2044	(m)
2008 MF Series A (Alta Cullen Apartments Refunding)	14,000,000	VAR - Weekly		2011	03/01/2045	(m)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

**Supplementary Bond Schedules
MISCELLANEOUS BOND INFORMATION (Continued)**

For the fiscal year ended August 31, 2016

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat.		First Call Date
				First Year	Final Maturity Date	
2009 MF Series A (Costa Mariposa Apartments)	\$ 13,690,000	VAR - Weekly		2012	05/01/2042	(m)
2009 MF Series A (Woodmont Apartments)	15,000,000	VAR - Weekly		2012	06/01/2042	(m)
2013 MF Series A (Waters at Willow Run Apartments)	14,500,000	0.35%	0.35%	2014	10/01/2016	10/01/2014
2014 MF Series A (Decatur-Angle Apartments)	23,000,000	5.75%	5.75%	2016	01/01/2054	09/01/2016
2014 MF Series A (Northcrest Apartments)	2,900,000	0.35%	0.35%	2014	06/01/2017	01/01/2015
2015 MF Series A (Good Samaritan Towers)	5,620,000	0.95%	0.95%	2017	09/01/2017	03/01/2017
2015 MF Series A (Williamsburg Apts)	23,150,000	3.45%	3.45%	2016	01/01/2032	01/26/2016 (n)
2016 MF Series A (Chisolm Trace/Cheyenne Village)	13,500,000	0.80%	0.80%	2017	06/01/2018	06/01/2017
2016 MF Series A (Fifty Oaks & Edinburg Village)	7,400,000	0.65%	0.65%	2017	08/01/2018	08/01/2017
TOTAL MULTIFAMILY BONDS	\$ 1,175,101,000					
TOTAL BONDS ISSUED	\$ 2,683,741,000					

FOOTNOTES:

- (a) The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.
- (b) Variable rate not to exceed the maximum rate permitted by applicable law.
- (c) Variable rate could change to fixed rate provided the conversion option is exercised.
- (d) The bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds.
- (e) The Bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.
- (f) The Series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indenture, as follows:
During a daily interest rate period or weekly interest rate period for the Series bonds, the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.
- (g) The bonds are subject to redemption at the option of the Issuer, at the direction of the Borrower, in whole or in part on the first day of any month, in the event and to the extent the trustee receives funds from the Borrower representing an optional prepayment of the principal of the note, at a redemption price equal to the principal thereof, plus accrued interest to the redemption date plus any premium remitted therewith as required by the note.
- (h) Bonds are subject to redemption if and to the extent the Borrower is entitled to make, or is required to make, a prepayment pursuant to the loan agreement.
- (i) The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower.
- (j) The Bonds are subject to optional redemption at the direction of the Borrower on any interest payment date, in whole or in part, at the redemption price (as calculated by the sole bondholder) calculated in accordance with the Exhibit H in the bond documents plus accrued and unpaid interest, redemption if any, to the date. Optional redemptions may be made only in denominations of \$100,000 plus integral multiples of \$5,000 or for the entire amount of the bonds outstanding.
- (k) The Bonds shall be subject to redemption prior to maturity in whole but not in part on any Bond Payment Date on or after fifteen years from Conversion Date, from the proceeds of an optional prepayment of the Loan by the Borrower at a redemption price equal to the principal amount plus accrued and unpaid interest to the date fixed for redemption.
- (l) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant of the Loan Agreement, and with the prior written consent of the Bank, in whole or in part, at a redemption price equal to the principal amount, without premium, plus accrued interest to the date of redemptions.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

Supplementary Bond Schedules

MISCELLANEOUS BOND INFORMATION (Continued)

For the fiscal year ended August 31, 2016

- (m) With the prior Written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Financing Agreement.
- (n) The bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indenture, as follows: that the Pass-Through Certificate will be prepaid, the Trustee, in accordance with the provisions of this Indenture, shall use its best efforts to give not less than 20 nor more than 30 days' notice, in the name of the Issuer, of the redemption of the Bonds, which notice shall specify the following: (i) the maturity and principal amounts of the Bonds to be redeemed; (ii) the CUSIP number, if any, of the Bonds to be redeemed; (iii) the date of such notice; (iv) the issuance date for such Bonds; (v) the interest rate on the Bonds to be redeemed; (vi) the redemption date; (vii) any conditions to the occurrence of the redemption; (viii) the place or places where amounts due upon such redemption will be payable; (ix) the Redemption Price; (x) the Trustee's name and address with a contact person and a phone number; and (xi) that on the redemption date, the Redemption Price shall be paid. Neither the giving of such notice by the Trustee nor the receipt of such notice by the Bondholders shall be a condition precedent to the effectiveness of any such redemption.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 4

Supplementary Bond Schedules
CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2016

Description of Issue	Bonds Outstanding 09/01/15	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/16	Amounts Due Within One Year
2004 Single Family Series B	\$ 44,260,000	\$	\$	\$ 4,880,000	\$ 39,380,000	\$
2004 Single Family Series A (Jr. Lien)	3,855,000				3,855,000	
2004 Single Family Series D	29,585,000			3,885,000	25,700,000	
2005 Single Family Series A	37,115,000			5,985,000	31,130,000	
2005 Single Family Series B	1,635,000		120,000	720,000	795,000	80,000
2005 Single Family Series C	3,090,000				3,090,000	
2005 Single Family Series D	825,000			395,000	430,000	
2006 Single Family Series A	15,430,000		130,000	15,300,000	-	
2006 Single Family Series B	16,195,000		280,000	15,915,000	-	
2006 Single Family Series C	25,840,000		315,000	25,525,000	-	
2006 Single Family Series D	5,395,000			5,395,000	-	
2006 Single Family Series E	5,155,000		1,645,000	3,510,000	-	
2006 Single Family Series H	36,000,000			36,000,000	-	
2007 Single Family Series A	48,190,000			9,785,000	38,405,000	
2007 Single Family Series B	46,495,000		565,000	10,450,000	35,480,000	305,000
2013 Single Family Series A	28,325,000			4,940,000	23,385,000	
2015 Single Family Series A		33,825,000		4,145,000	29,680,000	
2015 Single Family Series B		19,870,000		950,000	18,920,000	
2016 Single Family Series A		31,510,000		540,000	30,970,000	
2016 Single Family Series B		59,735,000		3,805,000	55,930,000	
2009 RMRB Series A	29,265,000		315,000	3,725,000	25,225,000	312,875
2009 RMRB Series B	8,310,000		815,000	895,000	6,600,000	815,000
2009 RMRB Series C-1	53,120,000			7,535,000	45,585,000	
2009 RMRB Series C-2	42,210,000			6,100,000	36,110,000	
2011 RMRB Series A	29,925,000		1,505,000	4,180,000	24,240,000	1,537,669
2011 RMRB Series B	54,855,000		2,065,000	7,940,000	44,850,000	2,064,965
1992 Coll Home Mtg Rev Bonds, Series C	2,600,000			900,000	1,700,000	2,276
Total Single Family Bonds	\$ 567,675,000	\$ 144,940,000	\$ 7,755,000	\$ 183,400,000	\$ 521,460,000	\$ 5,117,785
1996 MF Series A/B (Brighton's Mark Development)	\$ 8,075,000	\$	\$	\$	\$ 8,075,000	\$
1998 MF Series A-C (Residence at the Oaks Projects)	5,775,000		304,000		5,471,000	312,000
1999 MF Series A-C (Mayfield Apartments)	8,345,000		162,000	8,183,000		
2000 MF Series A (Timber Point Apartments)	6,470,000			200,000	6,270,000	
2000 MF Series A/B (Oaks at Hampton Apartments)	8,949,126		137,994		8,811,132	148,265
2000 MF Series A (Deerwood Apartments)	5,140,000		155,000		4,985,000	170,000
2000 MF Series A (Creek Point Apartments)	5,460,000			100,000	5,360,000	
2000 MF Series A/B (Parks at Westmoreland Apartments)	8,921,102		134,021		8,787,081	143,995
2000 MF Series A-C (Highland Meadow Village Apts)	7,321,000		207,000		7,114,000	221,000
2000 MF Series A/B (Greenbridge at Buckingham Apts)	19,201,598		132,697	19,068,901		
2000 MF Series A-C (Collingham Park Apartments)	10,947,000		327,000		10,620,000	348,000
2000 MF Series A/B (Williams Run Apartments)	11,471,869		18,647	11,453,222		
2001 MF Series A (Bluffview Apartments)	9,860,743		108,788		9,751,955	117,350
2001 MF Series A (Knollwood Apartments)	12,671,516		139,798		12,531,718	150,801
2001 MF Series A (Skyway Villas Apartments)	6,430,000		180,000		6,250,000	195,000
2001 MF Series A/B (Meridian Apartments)	7,980,000		105,000		7,875,000	108,000
2001 MF Series A/B (Wildwood Apartments)	6,160,000		84,000		6,076,000	89,000
2001 MF Series A (Oak Hollow Apartments)	5,967,842		69,771		5,898,071	74,815
2001 MF Series A/B (Hillside Apartments)	12,136,477		78,573		12,057,904	84,253
2002 MF Series A (Park Meadows Apartments)	3,710,000		105,000		3,605,000	105,000
2002 MF Series A (Clarkridge Villas Apartments)	12,952,368		141,579		12,810,789	151,814
2002 MF Series A (Hickory Trace Apartments)	10,712,555		116,315		10,596,240	124,723
2002 MF Series A (Green Crest Apartments)	10,693,610		86,957		10,606,653	91,863
2002 MF Series A/B (Ironwood Crossing)	16,040,594		149,198		15,891,396	160,780
2003 MF Series A/B (Reading Road)	10,450,000		40,000	200,000	10,210,000	40,000
2003 MF Series A/B (North Vista Apartments)	11,035,000		290,000		10,745,000	310,000
2003 MF Series A/B (West Virginia Apartments)	7,970,000		205,000		7,765,000	215,000
2003 MF Series A/B (Primrose Houston School)	15,699,796		150,631		15,549,165	163,327
2003 MF Series A/B (Timber Oaks Apartments)	12,474,139		104,630		12,369,509	109,710
2003 MF Series A/B (Ash Creek Apartments)	15,418,897		151,881		15,267,016	164,649
2003 MF Series A/B (Peninsula Apartments)	10,545,000		240,000	25,000	10,280,000	260,000
2003 MF Series A/B (Arlington Villas)	16,253,361		141,142		16,112,219	152,933
2003 MF Series A/B (Parkview Townhomes)	13,182,338		115,973		13,066,365	121,603
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	17,710,000			570,000	17,140,000	(9,343)
2004 MF Series A/B (Timber Ridge II Apartments)	6,314,809		59,619		6,255,190	63,909
2004 MF Series A/B (Century Park Townhomes)	11,025,000		255,000		10,770,000	275,000
2004 MF Series A/B (Providence at Veterans Memorial)	6,696,684		59,801		6,636,883	62,704
2004 MF Series A (Providence at Rush Creek II)	8,320,029		83,432		8,236,597	89,196
2004 MF Series A (Humble Parkway Townhomes)	10,605,000		165,000		10,440,000	180,000
2004 MF Series A (Chisholm Trail Apartments)	10,600,000			300,000	10,300,000	
2004 MF Series A (Evergreen at Plano Parkway)	13,927,403		134,309		13,793,094	143,376

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

**Supplementary Bond Schedules
CHANGES IN BOND INDEBTEDNESS (Continued)
For the fiscal year ended August 31, 2016**

Description of Issue	Bonds Outstanding 09/01/15	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/16	Amounts Due Within One Year
2004 MF Series A (Montgomery Pines Apartments)	\$ 11,100,000	\$	\$	\$ 300,000	\$ 10,800,000	\$ -
2004 MF Series A (Bristol Apartments)	11,500,000			200,000	11,300,000	
2004 MF Series A (Pinnacle Apartments)	13,265,000				13,265,000	
2004 MF Series A (Churchill at Pinnacle Park)	9,412,003		113,209		9,298,794	120,851
2004 MF Series A (Providence at Village Fair)	13,240,694		133,890		13,106,804	142,857
2005 MF Series A (Homes at Pecan Grove)	13,038,978		83,223		12,955,755	88,796
2005 MF Series A (Providence at Prairie Oaks)	10,385,016		104,309	32,899	10,247,808	110,996
2005 MF Series A (Port Royal Homes)	11,475,076		114,603		11,360,473	122,279
2005 MF Series A (Mission Del Rio Homes)	8,879,635		56,675		8,822,960	60,471
2005 MF Series A (Atascocita Pines Apartments)	10,890,000			100,000	10,790,000	
2005 MF Series A (Tower Ridge Apartments)	15,000,000				15,000,000	
2005 MF Series A (Prairie Ranch Apartments)	11,100,000		85,000	11,015,000		
2005 MF Series A (St Augustine Estate Apartments)	5,980,000			100,000	5,880,000	
2005 MF Series A (Park Manor Senior Community)	10,400,000			10,400,000		
2005 MF Series A (Providence at Mockingbird Apts)	10,753,459		92,903		10,660,556	98,045
2005 MF Series A (Plaza at Chase Oaks Apartments)	12,268,637		310,759		11,957,878	326,820
2005 MF Series A (Coral Hills Apartments)	4,485,000		100,000		4,385,000	100,000
2006 MF Series A (Harris Branch Apartments)	13,490,000			13,490,000		
2006 MF Series A (Bella Vista Apartments)	6,430,000		65,000		6,365,000	70,000
2006 MF Series A (Village Park Apartments)	9,580,000		195,000		9,385,000	205,000
2006 MF Series A (Oakmoor Apartments)	13,759,468		135,150		13,624,318	143,486
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000				15,000,000	
2006 MF Series A (Hillcrest Apartments)	10,175,000		195,000		9,980,000	210,000
2006 MF Series A (Pleasant Village)	5,343,923		248,966	5,094,957	0	
2006 MF Series A (Red Hills Villas)	4,615,000			100,000	4,515,000	
2006 MF Series A (Champion Crossing Apartments)	4,475,000			100,000	4,375,000	100,000
2006 MF Series A (Meadowlands Apartments)	11,862,618		110,631		11,751,987	117,454
2006 MF Series A (East Tex Pines)	13,000,000		125,000		12,875,000	125,000
2006 MF Series A (Villas at Henderson)	6,615,000			100,000	6,515,000	
2006 MF Series A (Aspen Park)	9,115,000		125,000		8,990,000	135,000
2006 MF Series A (Idlewilde)	13,390,000			200,000	13,190,000	
2007 MF Series A (Lancaster)	13,380,000			200,000	13,180,000	
2007 MF Series A (Park Place at Loyola)	13,864,741		109,423		13,755,318	115,941
2007 MF Series A (Terrace at Cibolo)	4,900,000			100,000	4,800,000	
2007 MF Series A (Santora Villas)	11,766,999		97,025		11,669,974	102,804
2007 MF Series A (Villas at Mesquite Creek)	15,775,000		210,000		15,565,000	220,000
2007 MF Series A (Summit Point)	8,960,000			8,960,000		
2007 MF Series A (Costa Rialto)	10,296,693		94,312		10,202,381	99,483
2007 MF Series A (Windshire)	13,300,000			100,000	13,200,000	
2007 MF Series A (Residences at Onion Creek)	15,000,000				15,000,000	
2008 MF Series A (West Oaks Apartments)	12,215,000			140,000	12,075,000	
2008 MF Series A (Costa Ibiza Apartments)	13,120,000			200,000	12,920,000	
2008 MF Series A (Addison Park Apartments)	12,805,000			210,000	12,595,000	
2008 MF Series A (Alta Cullen Apartments Refunding)	12,100,000			200,000	11,900,000	
2009 MF Series A (Costa Mariposa Apartments)	13,270,000			105,000	13,165,000	
2009 MF Series A (Woodmont Apartments)	14,555,000			265,000	14,290,000	
2013 MF Series A (Waters @ Willow Run)	14,500,000				14,500,000	14,500,000
2014 MF Series A (Decatur Angle Apartments)	23,000,000				23,000,000	152,311
2014 MF Series A (Northcrest Apartments)	2,900,000			2,900,000		
2015 MF Series (Good Samaritan Towers)		5,620,000			5,620,000	
2015 MF Series (Williamsburg Apts)		23,150,000			23,150,000	172,716
2016 MF Series (Chisholm Trace/Cheyenne Village)		13,500,000			13,500,000	
2016 MF Series (Fifty Oaks & Edinburg Village)		7,400,000			7,400,000	
Total Multifamily Bonds	\$ 965,352,798	\$ 49,670,000	\$ 8,044,834	\$ 94,712,979	\$ 912,264,985	\$ 22,779,033
	\$ 1,533,027,798	\$ 194,610,000	\$ 15,799,834	\$ 278,112,979	\$ 1,433,724,985	\$ 27,896,818

FOOTNOTES:

- (a) Bonds Outstanding balance at 8/31/16 does not include unamortized premium or discounts.
- | | |
|---------------------------------|-------------------------|
| Bonds Outstanding per schedule | \$ 1,433,724,985 |
| Unamortized (Discount)/Premium: | |
| RMRB | 1,076,055 |
| CHMRB | 17,835 |
| Multi-Family | 63,485 |
| Bonds Outstanding | <u>\$ 1,434,882,360</u> |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 5

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2016

DESCRIPTION		2017	2018	2019	2020	2021
2004 Single Family, Series A (Junior Lien)	Principal	-	-	-	-	-
2004 Single Family, Series A (Junior Lien)	Interest	22,745	25,828	25,828	25,888	25,769
2004 Single Family, Series B	Principal	-	-	-	-	-
2004 Single Family, Series B	Interest	214,750	267,784	267,784	268,397	267,171
2004 Single Family, Series D	Principal	-	-	-	-	-
2004 Single Family, Series D	Interest	132,546	161,910	161,910	162,281	161,539
2005 Single Family, Series A	Principal	-	-	-	-	-
2005 Single Family, Series A	Interest	166,565	199,232	199,232	199,688	198,776
2005 Single Family, Series B	Principal	80,000	75,000	70,000	70,000	85,000
2005 Single Family, Series B	Interest	37,665	33,825	30,345	26,985	23,625
2005 Single Family, Series C	Principal	-	3,090,000	-	-	-
2005 Single Family, Series C	Interest	16,986	9,346	-	-	-
2005 Single Family, Series D	Principal	-	-	-	-	-
2005 Single Family, Series D	Interest	21,500	21,500	21,500	21,500	21,500
2007 Single Family, Series A	Principal	-	-	-	-	-
2007 Single Family, Series A	Interest	205,491	245,792	245,792	246,355	245,229
2007 Single Family, Series B	Principal	305,000	495,000	360,000	360,000	360,000
2007 Single Family, Series B	Interest	1,822,258	1,807,840	1,786,803	1,768,623	1,750,443
2013 Single Family, Series A	Principal	-	-	-	-	-
2013 Single Family, Series A	Interest	654,780	654,780	654,780	654,780	654,780
2015 Single Family, Series A	Principal	-	-	-	-	-
2015 Single Family, Series A	Interest	949,760	949,760	949,760	949,760	949,760
2015 Single Family, Series B	Principal	-	-	-	-	-
2015 Single Family, Series B	Interest	591,250	591,250	591,250	591,250	591,250
2016 Single Family, Series A	Principal	-	-	-	-	-
2016 Single Family, Series A	Interest	947,166	929,100	929,100	929,100	929,100
2016 Single Family, Series B	Principal	-	-	-	-	-
2016 Single Family, Series B	Interest	1,813,157	1,778,574	1,778,574	1,778,574	1,778,574
TOTAL SINGLE FAMILY BONDS		7,981,619	11,336,521	8,072,658	8,053,181	8,042,516
2009 Residential Mtg Revenue Bonds, Series A	Principal	305,000	300,000	295,000	-	-
2009 Residential Mtg Revenue Bonds, Series A	Interest	1,317,810	1,306,240	1,294,465	1,285,665	1,285,665
2009 Residential Mtg Revenue Bonds, Series B	Principal	815,000	1,100,000	790,000	1,300,000	1,300,000
2009 Residential Mtg Revenue Bonds, Series B	Interest	324,337	281,993	232,928	187,425	119,175
2009 Residential Mtg Revenue Bonds, Series C-1	Principal	-	-	-	-	-
2009 Residential Mtg Revenue Bonds, Series C-1	Interest	1,310,569	1,310,569	1,310,569	1,310,569	1,310,569
2009 Residential Mtg Revenue Bonds, Series C-2	Principal	-	-	-	-	-
2009 Residential Mtg Revenue Bonds, Series C-2	Interest	895,528	895,528	895,528	895,528	895,528
2011 Residential Mtg Revenue Bonds, Series A	Principal	1,515,000	1,570,000	1,640,000	1,720,000	1,785,000
2011 Residential Mtg Revenue Bonds, Series A	Interest	1,101,387	1,051,725	993,659	927,750	855,081
2011 Residential Mtg Revenue Bonds, Series B	Principal	2,020,000	2,020,000	2,095,000	2,170,000	2,245,000
2011 Residential Mtg Revenue Bonds, Series B	Interest	1,725,878	1,679,482	1,625,529	1,563,300	1,494,455
TOTAL RESIDENTIAL MTG REVENUE BONDS		11,330,509	11,515,537	11,172,678	11,360,237	11,290,473
1992 Coll Home Mtg Rev Bonds, Series C	Principal	-	-	-	-	-
1992 Coll Home Mtg Rev Bonds, Series C	Interest	112,474	123,722	112,474	112,474	123,722
TOTAL COLL HOME MTG REV BONDS		112,474	123,722	112,474	112,474	123,722

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2016

2022-26	2027-31	2032-36	2037-41	2042-46	2047-51	2052-56	TOTAL REQUIRED
-	-	-	3,855,000	-	-	-	3,855,000
129,141	129,141	129,201	12,989	-	-	-	526,530
11,850,000	15,080,000	12,450,000	-	-	-	-	39,380,000
1,173,370	713,764	172,854	-	-	-	-	3,345,874
8,275,000	8,600,000	8,825,000	-	-	-	-	25,700,000
690,749	433,347	129,235	-	-	-	-	2,033,517
-	3,100,000	25,225,000	2,805,000	-	-	-	31,130,000
996,160	993,494	547,210	9,025	-	-	-	3,509,382
415,000	-	-	-	-	-	-	795,000
49,981	-	-	-	-	-	-	202,426
-	-	-	-	-	-	-	3,090,000
-	-	-	-	-	-	-	26,332
45,000	250,000	135,000	-	-	-	-	430,000
107,000	59,250	16,875	-	-	-	-	290,625
-	-	25,805,000	12,600,000	-	-	-	38,405,000
1,228,960	1,228,960	914,986	99,224	-	-	-	4,660,789
2,160,000	2,870,000	13,050,000	15,520,000	-	-	-	35,480,000
8,448,361	7,813,857	6,274,525	1,722,152	-	-	-	33,194,862
-	-	23,385,000	-	-	-	-	23,385,000
3,273,900	3,273,900	3,273,900	-	-	-	-	13,095,600
-	-	-	29,680,000	-	-	-	29,680,000
4,748,800	4,748,800	4,748,800	3,324,161	-	-	-	22,319,361
-	-	-	-	18,920,000	-	-	18,920,000
2,956,250	2,956,250	2,956,250	2,956,251	2,956,248	-	-	17,737,499
-	-	-	-	30,970,000	-	-	30,970,000
4,645,500	4,645,500	4,645,500	4,645,501	4,645,499	-	-	27,891,066
-	-	-	55,930,000	-	-	-	55,930,000
8,892,870	8,892,870	8,892,870	5,335,722	-	-	-	40,941,785
60,086,042	65,789,133	141,577,206	138,495,025	57,491,747	-	-	506,925,648
4,465,000	6,335,000	5,995,000	7,530,000	-	-	-	25,225,000
6,056,917	4,566,064	2,964,572	956,696	-	-	-	21,034,094
1,295,000	-	-	-	-	-	-	6,600,000
50,925	-	-	-	-	-	-	1,196,783
-	6,735,000	17,685,000	21,165,000	-	-	-	45,585,000
6,552,845	6,382,141	4,490,535	1,653,193	-	-	-	25,631,559
-	-	10,340,000	25,770,000	-	-	-	36,110,000
4,477,640	4,477,640	4,221,208	1,930,188	-	-	-	19,584,316
10,600,000	5,410,000	-	-	-	-	-	24,240,000
2,862,093	451,126	-	-	-	-	-	8,242,821
12,930,000	14,480,000	6,890,000	-	-	-	-	44,850,000
6,108,646	3,130,640	443,804	-	-	-	-	17,771,734
55,399,066	51,967,611	53,030,119	59,005,077	-	-	-	276,071,307
1,700,000	-	-	-	-	-	-	1,700,000
336,458	-	-	-	-	-	-	921,324
2,036,458	-	-	-	-	-	-	2,621,324

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

SCHEDULE 5

**Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2016**

DESCRIPTION		2017	2018	2019	2020	2021
1996 MF Series A/B (Brighton's Mark)	Principal	-	-	-	-	-
1996 MF Series A/B (Brighton's Mark)	Interest	494,998	494,998	494,998	494,998	494,998
1998 MF Series A-C (Residence Oaks)	Principal	312,000	321,000	329,000	339,000	347,000
1998 MF Series A-C (Residence Oaks)	Interest	148,850	140,166	131,262	122,111	112,699
2000 MF Series A (Creek Point Apts)	Principal	-	-	-	-	-
2000 MF Series A (Creek Point Apts)	Interest	35,759	36,448	36,448	36,490	36,406
2000 MF Series A (Deerwood Apts)	Principal	170,000	180,000	190,000	205,000	220,000
2000 MF Series A (Deerwood Apts)	Interest	315,618	304,750	293,253	280,968	267,840
2000 MF Series A/B (Oaks at Hampton)	Principal	148,265	159,298	171,152	183,892	197,578
2000 MF Series A/B (Oaks at Hampton)	Interest	629,570	618,536	606,681	593,943	580,257
2000 MF Series A (Timber Point Apts)	Principal	-	-	-	-	-
2000 MF Series A (Timber Point Apts)	Interest	41,830	42,636	42,636	42,685	42,587
2000 MF Series A/B (Parks @ Westmoreland)	Principal	143,995	154,715	166,227	178,599	191,891
2000 MF Series A/B (Parks @ Westmoreland)	Interest	627,979	617,262	605,748	593,377	580,084
2000 MF Series A-C (Collingham Park)	Principal	348,000	370,000	392,000	417,000	444,000
2000 MF Series A-C (Collingham Park)	Interest	707,918	684,163	658,930	632,184	603,691
2000 MF Series A-C (Highland Meadow Apts)	Principal	221,000	237,000	253,000	271,000	290,000
2000 MF Series A-C (Highland Meadow Apts)	Interest	476,517	461,330	445,062	427,681	409,085
2001 MF Series A (Bluffview Senior Apts)	Principal	117,350	126,586	136,549	147,296	158,889
2001 MF Series A (Bluffview Senior Apts)	Interest	737,117	727,882	717,919	707,172	695,579
2001 MF Series A (Knollwood Villas Apts)	Principal	150,801	162,669	175,472	189,282	204,180
2001 MF Series A (Knollwood Villas Apts)	Interest	947,229	935,361	922,558	908,747	893,850
2001 MF Series A (Oak Hollow Apts.)	Principal	74,815	80,224	86,023	92,242	98,910
2001 MF Series A (Oak Hollow Apts.)	Interest	410,495	405,086	399,287	393,068	386,400
2001 MF Series A (Skyway Villas)	Principal	195,000	205,000	215,000	225,000	245,000
2001 MF Series A (Skyway Villas)	Interest	348,257	337,290	325,777	313,719	300,942
2001 MF Series A/B (Hillside Apts.)	Principal	84,253	90,344	96,875	103,878	111,387
2001 MF Series A/B (Hillside Apts.)	Interest	841,385	835,294	828,763	821,760	814,251
2001 MF Series A/B (Meridian Apts.)	Principal	108,000	119,000	123,000	132,000	147,000
2001 MF Series A/B (Meridian Apts.)	Interest	469,530	462,775	455,565	447,870	439,695
2001 MF Series A/B (Wildwood Apts.)	Principal	89,000	96,000	100,000	108,000	114,000
2001 MF Series A/B (Wildwood Apts.)	Interest	362,200	356,580	350,790	344,490	337,935
2002 MF Series A (Clarkridge Villas Apts)	Principal	151,814	162,788	174,556	187,175	200,706
2002 MF Series A (Clarkridge Villas Apts)	Interest	891,946	880,972	869,204	856,585	843,054
2002 MF Series A (Green Crest Apts)	Principal	91,863	97,044	102,518	108,301	114,410
2002 MF Series A (Green Crest Apts)	Interest	581,073	575,891	570,417	564,634	558,525
2002 MF Series A (Hickory Trace Apts)	Principal	124,723	133,740	143,408	153,775	164,891
2002 MF Series A (Hickory Trace Apts)	Interest	737,784	728,768	719,100	708,733	697,617
2002 MF Series A (Park Meadows Apts)	Principal	105,000	120,000	125,000	135,000	140,000
2002 MF Series A (Park Meadows Apts)	Interest	233,611	226,591	218,592	210,429	201,614
2002 MF Series A/B (Ironwood Crossing)	Principal	160,780	173,262	186,713	201,208	225,179
2002 MF Series A/B (Ironwood Crossing)	Interest	706,402	693,921	680,470	665,975	650,345
2003 MF Series A/B (Ash Creek Apts)	Principal	164,649	178,399	191,406	204,713	218,945
2003 MF Series A/B (Ash Creek Apts)	Interest	1,005,412	991,916	979,262	966,231	952,295
2003 MF Series A/B (North Vista Apts)	Principal	310,000	325,000	340,000	360,000	380,000
2003 MF Series A/B (North Vista Apts)	Interest	542,108	526,227	509,440	491,903	473,356
2003 MF Series A/B (Peninsula Apts)	Principal	260,000	275,000	295,000	315,000	335,000
2003 MF Series A/B (Peninsula Apts)	Interest	541,395	527,483	512,643	496,743	479,783

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2016

2022-26	2027-31	2032-36	2037-41	2042-46	2047-51	2052-56	TOTAL REQUIRED
8,075,000	-	-	-	-	-	-	8,075,000
2,474,985	-	-	-	-	-	-	4,949,975
1,886,000	1,937,000	-	-	-	-	-	5,471,000
413,268	136,304	-	-	-	-	-	1,204,660
-	-	5,360,000	-	-	-	-	5,360,000
182,240	182,240	42,564	-	-	-	-	588,595
1,360,000	1,935,000	725,000	-	-	-	-	4,985,000
1,102,080	589,920	46,878	-	-	-	-	3,201,307
1,231,607	1,763,397	2,524,810	2,431,133	-	-	-	8,811,132
2,657,572	2,125,781	1,364,369	331,347	-	-	-	9,508,056
-	-	6,270,000	-	-	-	-	6,270,000
213,180	213,180	46,296	-	-	-	-	685,030
1,196,152	1,712,639	2,451,137	2,591,726	-	-	-	8,787,081
2,663,722	2,147,235	1,407,812	383,975	-	-	-	9,627,194
2,679,000	3,669,000	2,301,000	-	-	-	-	10,620,000
2,524,032	1,483,071	235,805	-	-	-	-	7,529,794
1,778,000	2,479,000	1,585,000	-	-	-	-	7,114,000
1,717,844	1,017,834	164,093	-	-	-	-	5,119,446
1,002,904	1,464,777	2,139,354	4,458,250	-	-	-	9,751,955
3,269,434	2,807,563	2,132,981	1,120,038	-	-	-	12,915,685
1,288,780	1,882,305	2,749,170	5,729,059	-	-	-	12,531,718
4,201,369	3,607,844	2,740,981	1,439,302	-	-	-	16,597,241
612,716	868,601	1,231,354	1,745,598	1,007,588	-	-	5,898,071
1,813,834	1,557,949	1,195,200	680,954	22,299	-	-	7,264,572
1,450,000	1,955,000	1,760,000	-	-	-	-	6,250,000
1,281,046	812,328	204,103	-	-	-	-	3,923,462
690,012	978,179	1,386,690	1,965,807	6,550,479	-	-	12,057,904
3,938,179	3,650,011	3,241,497	2,662,381	151,479	-	-	17,785,000
900,000	6,336,000	10,000	-	-	-	-	7,875,000
2,047,455	1,364,640	1,975	-	-	-	-	5,689,505
683,000	4,881,000	5,000	-	-	-	-	6,076,000
1,575,220	792,250	1,000	-	-	-	-	4,120,465
1,243,313	1,762,551	2,498,638	3,542,133	2,887,115	-	-	12,810,789
3,975,486	3,456,245	2,720,159	1,676,666	186,332	-	-	16,356,649
676,452	890,010	1,170,989	7,355,066	-	-	-	10,606,653
2,688,226	2,474,668	2,193,689	100,823	-	-	-	10,307,946
1,021,924	1,448,035	2,052,770	2,910,059	2,442,915	-	-	10,596,240
3,290,970	2,864,343	2,259,607	1,402,319	177,553	-	-	13,586,794
865,000	1,195,000	920,000	-	-	-	-	3,605,000
853,308	525,339	107,908	-	-	-	-	2,577,392
1,250,259	1,549,551	1,920,494	10,223,950	-	-	-	15,891,396
3,085,653	2,786,362	2,415,420	942,987	-	-	-	12,627,535
1,345,341	1,882,694	11,080,869	-	-	-	-	15,267,016
4,516,062	3,989,870	3,064,870	-	-	-	-	16,465,918
2,240,000	2,935,000	3,855,000	-	-	-	-	10,745,000
2,050,694	1,406,257	561,393	-	-	-	-	6,561,378
8,800,000	-	-	-	-	-	-	10,280,000
1,534,614	-	-	-	-	-	-	4,092,661

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 5

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2016

DESCRIPTION		2017	2018	2019	2020	2021
2003 MF Series A/B (Primrose Houston School)	Principal	163,327	177,095	192,023	207,856	222,182
2003 MF Series A/B (Primrose Houston School)	Interest	1,013,032	999,469	984,762	969,992	956,036
2003 MF Series A/B (Reading Road)	Principal	40,000	40,000	50,000	50,000	50,000
2003 MF Series A/B (Reading Road)	Interest	168,249	166,816	163,947	160,639	157,131
2003 MF Series A/B (Timber Oaks Apts)	Principal	109,710	115,036	120,621	126,477	132,617
2003 MF Series A/B (Timber Oaks Apts)	Interest	859,970	850,158	839,870	829,083	817,773
2003 MF Series A/B (West Virginia Apts)	Principal	215,000	235,000	245,000	255,000	275,000
2003 MF Series A/B (West Virginia Apts)	Interest	391,835	380,661	368,581	356,001	342,921
2004 MF Series A (Bristol)	Principal	-	-	-	-	-
2004 MF Series A (Bristol)	Interest	76,099	76,840	76,840	76,920	76,760
2004 MF Series A (Chisholm Trail)	Principal	-	-	-	-	-
2004 MF Series A (Chisholm Trail)	Interest	69,365	70,040	70,040	70,113	69,967
2004 MF Series A (Churchill @ Pinnacle)	Principal	120,851	129,009	137,717	147,014	156,938
2004 MF Series A (Churchill @ Pinnacle)	Interest	605,485	597,327	588,619	579,323	569,399
2004 MF Series A (Evergreen @ Plano)	Principal	143,376	153,054	163,385	174,414	186,188
2004 MF Series A (Evergreen @ Plano)	Interest	899,195	889,516	879,185	868,156	856,383
2004 MF Series A (Humble Park)	Principal	180,000	190,000	205,000	215,000	235,000
2004 MF Series A (Humble Park)	Interest	686,070	674,025	661,320	647,625	633,105
2004 MF Series A (Montgomery Pines)	Principal	-	-	-	-	-
2004 MF Series A (Montgomery Pines)	Interest	72,732	73,440	73,440	73,516	73,364
2004 MF Series A (Pinnacle)	Principal	-	-	-	-	-
2004 MF Series A (Pinnacle)	Interest	89,333	90,202	90,202	90,296	90,108
2004 MF Series A (Rush Creek)	Principal	89,196	95,360	101,949	108,993	116,524
2004 MF Series A (Rush Creek)	Interest	549,146	542,983	536,394	529,350	521,819
2004 MF Series A/B (Century Park)	Principal	275,000	290,000	305,000	325,000	345,000
2004 MF Series A/B (Century Park)	Interest	576,885	561,775	546,003	529,292	511,487
2004 MF Series A/B (Timber Ridge)	Principal	63,909	68,509	73,439	78,722	84,391
2004 MF Series A/B (Timber Ridge)	Interest	420,275	415,821	411,045	405,927	400,440
2004 MF Series A/B (Veterans Memorial)	Principal	62,704	65,748	68,940	72,287	75,796
2004 MF Series A/B (Veterans Memorial)	Interest	436,154	431,924	427,489	422,839	417,963
2003 MF Series A/B (Parkview Twnhms)	Principal	121,603	127,507	133,697	140,188	146,994
2003 MF Series A/B (Parkview Twnhms)	Interest	858,733	850,530	841,929	832,910	823,453
2003 MF Series A/B (Arlington Villas)	Principal	152,933	165,710	179,553	194,552	210,803
2003 MF Series A/B (Arlington Villas)	Interest	1,095,952	1,083,255	1,069,498	1,054,592	1,038,441
2003 MF Series A (NHP-Asmara) Refunding	Principal	-	-	-	-	-
2003 MF Series A (NHP-Asmara) Refunding	Interest	107,416	109,696	109,696	109,822	109,570
2004 MF Series A (Village Fair)	Principal	142,857	152,424	162,632	173,524	185,145
2004 MF Series A (Village Fair)	Interest	847,737	838,169	827,961	817,069	805,448
2005 MF Series A (Pecan Grove)	Principal	88,796	94,743	101,088	107,858	115,082
2005 MF Series A (Pecan Grove)	Interest	839,510	833,563	827,218	820,448	813,224
2005 MF Series A (Prairie Oaks)	Principal	110,996	118,430	126,361	134,824	143,853
2005 MF Series A (Prairie Oaks)	Interest	662,840	655,406	647,475	639,012	629,983
2005 MF Series A (Port Royal)	Principal	122,279	130,468	139,206	148,527	158,475
2005 MF Series A (Port Royal)	Interest	734,831	726,642	717,904	708,581	698,634

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2016

2022-26	2027-31	2032-36	2037-41	2042-46	2047-51	2052-56	TOTAL REQUIRED
1,360,979	1,895,133	11,330,570	-	-	-	-	15,549,165
4,535,378	4,012,486	3,237,009	-	-	-	-	16,708,164
330,000	460,000	9,190,000	-	-	-	-	10,210,000
726,078	596,646	410,551	-	-	-	-	2,550,057
766,142	98,906	-	10,900,000	-	-	-	12,369,509
3,899,021	3,681,582	3,678,750	1,655,439	-	-	-	17,111,646
1,620,000	2,130,000	2,790,000	-	-	-	-	7,765,000
1,485,487	1,018,994	406,215	-	-	-	-	4,750,695
-	-	-	11,300,000	-	-	-	11,300,000
384,200	384,200	384,280	63,919	-	-	-	1,600,058
-	-	-	10,300,000	-	-	-	10,300,000
350,200	350,200	350,273	46,558	-	-	-	1,446,756
958,638	1,328,924	1,842,234	2,553,814	1,923,654	-	-	9,298,793
2,673,042	2,302,761	1,789,450	1,077,871	194,827	-	-	10,978,104
1,137,312	1,576,608	2,185,591	3,029,795	5,043,370	-	-	13,793,093
4,075,542	3,636,242	3,027,262	2,183,056	727,327	-	-	18,041,864
1,425,000	1,955,000	2,710,000	3,325,000	-	-	-	10,440,000
2,908,950	2,362,800	1,612,545	573,870	-	-	-	10,760,310
-	-	-	10,800,000	-	-	-	10,800,000
367,200	367,200	367,276	61,091	-	-	-	1,529,259
-	-	-	13,265,000	-	-	-	13,265,000
451,010	451,010	451,104	75,032	-	-	-	1,878,297
715,109	998,748	1,394,889	1,948,156	2,667,673	-	-	8,236,597
2,476,604	2,192,963	1,796,821	1,243,557	340,590	-	-	10,730,227
2,035,000	2,720,000	3,620,000	855,000	-	-	-	10,770,000
2,254,279	1,625,901	789,667	34,756	-	-	-	7,430,045
522,283	739,302	4,624,635	-	-	-	-	6,255,190
1,905,034	1,694,865	1,397,367	-	-	-	-	7,050,774
437,884	555,011	703,464	4,595,049	-	-	-	6,636,883
2,007,970	1,845,229	1,638,953	1,197,442	-	-	-	8,825,963
849,199	1,076,342	1,364,243	9,106,592	-	-	-	13,066,365
3,958,548	3,642,937	3,242,908	2,506,327	-	-	-	17,558,275
1,323,334	1,868,604	2,635,853	9,380,877	-	-	-	16,112,219
4,927,643	4,394,269	3,643,704	209,307	-	-	-	18,516,661
-	-	17,140,000	-	-	-	-	17,140,000
548,480	548,480	210,076	-	-	-	-	1,853,236
1,129,185	1,561,456	2,159,210	2,985,792	4,454,579	-	-	13,106,804
3,823,785	3,391,513	2,793,758	1,967,174	700,515	-	-	16,813,129
701,873	970,563	1,342,111	9,433,642	-	-	-	12,955,756
3,939,654	3,670,966	3,299,419	848,804	-	-	-	15,892,806
877,350	1,213,213	1,677,652	2,319,889	3,525,240	-	-	10,247,808
2,991,832	2,655,967	2,191,527	1,549,294	566,326	-	-	13,189,662
966,524	1,336,528	1,848,176	2,555,690	3,954,600	-	-	11,360,473
3,319,020	2,949,015	2,437,368	1,729,855	648,693	-	-	14,670,543

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

SCHEDULE 5

**Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2016**

DESCRIPTION		2017	2018	2019	2020	2021
2005 MF Series A (Del Rio)	Principal	60,471	64,521	68,842	73,452	78,372
2005 MF Series A (Del Rio)	Interest	571,712	567,662	563,341	558,730	553,811
2005 MF Series A (Atascocita Pines)	Principal	-	-	-	-	-
2005 MF Series A (Atascocita Pines)	Interest	72,665	73,372	73,372	73,448	73,296
2005 MF Series A (Tower Ridge)	Principal	-	-	-	-	-
2005 MF Series A (Tower Ridge)	Interest	104,567	105,000	105,000	105,109	104,891
2005 MF Series A (St Augustine)	Principal	-	-	-	-	-
2005 MF Series A (St Augustine)	Interest	39,599	39,984	39,984	40,026	39,942
2005 MF Series A (Mockingbird)	Principal	98,045	103,473	109,201	115,246	121,625
2005 MF Series A (Mockingbird)	Interest	573,268	567,841	562,113	556,068	549,688
2005 MF Series A (Chase Oaks)	Principal	326,820	343,712	361,477	380,160	399,809
2005 MF Series A (Chase Oaks)	Interest	596,377	579,485	561,720	543,037	523,388
2005 MF Series A (Coral Hills)	Principal	100,000	100,000	110,000	115,000	125,000
2005 MF Series A (Coral Hills)	Interest	220,180	215,130	209,954	204,399	198,465
2006 MF Series A (Bella Vista)	Principal	70,000	70,000	80,000	80,000	85,000
2006 MF Series A (Bella Vista)	Interest	391,447	387,142	382,837	377,917	372,997
2006 MF Series A (Village Park)	Principal	205,000	220,000	235,000	245,000	265,000
2006 MF Series A (Village Park)	Interest	474,219	464,244	453,675	442,394	430,638
2006 MF Series A (Oakmoor)	Principal	143,486	152,336	161,731	171,707	182,297
2006 MF Series A (Oakmoor)	Interest	813,556	804,706	795,310	785,335	774,745
2006 MF Series A (Sunset Pointe)	Principal	-	-	-	-	-
2006 MF Series A (Sunset Pointe)	Interest	104,567	105,000	105,000	105,109	104,891
2006 MF Series A (Hillcrest)	Principal	210,000	225,000	230,000	245,000	265,000
2006 MF Series A (Hillcrest)	Interest	521,194	510,038	498,094	485,888	472,631
2006 MF Series A (Red Hills Villas)	Principal	-	-	-	-	-
2006 MF Series A (Red Hills Villas)	Interest	29,660	29,799	29,799	29,830	29,768
2006 MF Series A (Champion Crossing)	Principal	100,000	100,000	100,000	100,000	100,000
2006 MF Series A (Champion Crossing)	Interest	28,137	27,612	26,952	26,319	25,605
2006 MF Series A (Meadowlands)	Principal	117,454	124,698	132,389	140,555	149,224
2006 MF Series A (Meadowlands)	Interest	701,925	694,681	686,990	678,824	670,155
2006 MF Series A (East Tex Pines)	Principal	125,000	135,000	145,000	155,000	160,000
2006 MF Series A (East Tex Pines)	Interest	743,125	735,585	727,465	718,765	709,630
2006 MF Series A (Villas at Henderson)	Principal	-	-	-	-	-
2006 MF Series A (Villas at Henderson)	Interest	43,148	43,651	43,651	43,696	43,605
2006 MF Series A (Aspen Park Apts)	Principal	135,000	140,000	150,000	160,000	165,000
2006 MF Series A (Aspen Park Apts)	Interest	447,875	441,000	433,875	426,250	418,250
2006 MF Series A (Idlewilde Apts)	Principal	-	-	-	-	-
2006 MF Series A (Idlewilde Apts)	Interest	88,827	89,692	89,692	89,785	89,599
2007 MF Series A (Lancaster Apts)	Principal	-	-	-	-	-
2007 MF Series A (Lancaster Apts)	Interest	88,760	89,624	89,624	89,717	89,531
2007 MF Series A (Park Place)	Principal	115,941	122,847	130,165	137,918	146,133
2007 MF Series A (Park Place)	Interest	794,760	787,853	780,536	772,782	764,567
2007 MF Series A (Terrace at Cibolo)	Principal	-	-	-	-	-
2007 MF Series A (Terrace at Cibolo)	Interest	31,419	32,160	32,160	32,197	32,123
2007 MF Series A (Santora Villas)	Principal	102,804	108,928	115,416	122,291	129,576
2007 MF Series A (Santora Villas)	Interest	674,155	668,031	661,543	654,668	647,384

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2016

2022-26	2027-31	2032-36	2037-41	2042-46	2047-51	2052-56	TOTAL REQUIRED
477,980	660,960	913,988	6,424,374	-	-	-	8,822,960
2,682,932	2,499,952	2,246,926	611,120	-	-	-	10,856,186
-	-	-	10,790,000	-	-	-	10,790,000
366,860	366,860	366,936	122,145	-	-	-	1,588,954
-	-	-	15,000,000	-	-	-	15,000,000
525,000	525,000	525,109	170,768	-	-	-	2,270,444
-	-	-	5,880,000	-	-	-	5,880,000
199,920	199,920	199,962	83,321	-	-	-	882,658
716,890	938,530	1,228,698	7,228,848	-	-	-	10,660,556
2,639,678	2,418,034	2,127,866	1,433,954	-	-	-	11,428,510
2,331,214	2,999,243	4,815,444	-	-	-	-	11,957,879
2,284,771	1,616,746	685,506	-	-	-	-	7,391,030
3,835,000	-	-	-	-	-	-	4,385,000
887,158	-	-	-	-	-	-	1,935,286
530,000	710,000	970,000	1,320,000	2,450,000	-	-	6,365,000
1,777,349	1,594,079	1,344,696	1,006,446	546,125	-	-	8,181,035
1,560,000	6,655,000	-	-	-	-	-	9,385,000
1,935,714	170,532	-	-	-	-	-	4,371,416
1,094,667	1,476,542	1,991,635	2,686,418	5,563,499	-	-	13,624,318
3,690,540	3,308,663	2,793,570	2,098,788	1,107,944	-	-	16,973,157
-	-	-	15,000,000	-	-	-	15,000,000
525,000	525,000	525,109	305,973	-	-	-	2,405,649
1,615,000	7,190,000	-	-	-	-	-	9,980,000
2,131,369	372,487	-	-	-	-	-	4,991,701
200,000	1,000,000	1,300,000	2,015,000	-	-	-	4,515,000
147,128	123,156	86,379	1,128	-	-	-	506,647
500,000	1,000,000	1,300,000	1,075,000	-	-	-	4,375,000
118,256	92,136	55,352	601	-	-	-	400,970
896,068	1,208,663	1,630,305	2,199,037	2,966,171	2,187,424	-	11,751,988
3,200,824	2,888,231	2,466,590	1,897,857	1,130,722	10,937	-	15,027,736
955,000	1,265,000	1,675,000	2,225,000	2,950,000	3,085,000	-	12,875,000
3,392,855	3,073,275	2,649,005	2,086,985	1,341,830	89,465	-	16,267,985
6,515,000	-	-	-	-	-	-	6,515,000
96,628	-	-	-	-	-	-	314,379
1,005,000	7,235,000	-	-	-	-	-	8,990,000
1,952,250	358,748	-	-	-	-	-	4,478,248
-	-	-	13,190,000	-	-	-	13,190,000
448,460	448,460	448,553	343,820	-	-	-	2,136,888
-	-	-	13,180,000	-	-	-	13,180,000
448,120	448,120	448,213	350,904	-	-	-	2,142,613
872,082	1,164,660	1,555,399	2,077,226	2,774,121	4,658,827	-	13,755,319
3,681,419	3,388,839	2,998,100	2,476,270	1,779,374	131,209	-	18,355,709
-	-	-	4,800,000	-	-	-	4,800,000
160,800	160,800	160,837	120,556	-	-	-	763,052
773,273	1,032,701	1,379,167	1,841,867	2,459,805	3,604,147	-	11,669,975
3,111,526	2,852,096	2,505,629	2,042,924	1,424,988	148,452	-	15,391,396

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 5

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2016

DESCRIPTION		2017	2018	2019	2020	2021
2007 MF Series A (Villas @ Mesquite Creek)	Principal	220,000	235,000	245,000	260,000	275,000
2007 MF Series A (Villas @ Mesquite Creek)	Interest	779,631	766,704	752,946	740,000	726,875
2007 MF Series A (Costa Rialto)	Principal	99,483	104,938	110,691	116,761	123,163
2007 MF Series A (Costa Rialto)	Interest	543,414	537,959	532,205	526,135	519,733
2007 MF Series A (Windshire)	Principal	-	-	-	-	-
2007 MF Series A (Windshire)	Interest	88,895	89,760	89,760	89,853	89,667
2007 MF Series A (Residences @ Onion Creek)	Principal	-	-	-	-	-
2007 MF Series A (Residences @ Onion Creek)	Interest	104,567	105,000	105,000	105,109	104,891
2008 MF Series A (Addison Park)	Principal	-	-	-	-	-
2008 MF Series A (Addison Park)	Interest	87,242	88,165	88,165	88,266	88,064
2008 MF Series A (Costa Ibiza)	Principal	-	-	-	-	-
2008 MF Series A (Costa Ibiza)	Interest	76,443	77,520	77,520	77,609	77,431
2008 MF Series A (West Oaks)	Principal	-	-	-	-	-
2008 MF Series A (West Oaks)	Interest	80,320	82,110	82,110	82,204	82,016
2009 MF Series A (Costa Mariposa Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Costa Mariposa Apartments)	Interest	77,892	78,990	78,990	79,080	78,900
2009 MF Series A (Woodmont Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Woodmont Apartments)	Interest	84,549	85,740	85,740	85,838	85,642
2008 MF Series A (Alta Cullen Apartments)	Principal	-	-	-	-	-
2008 MF Series A (Alta Cullen Apartments)	Interest	77,540	78,540	78,540	78,630	78,450
2013 MF Series A (Waters @ Willow Run)	Principal	14,500,000	-	-	-	-
2013 MF Series A (Waters @ Willow Run)	Interest	47,125	-	-	-	-
2014 MF Series A (Decatur Angle Apartments)	Principal	152,311	161,464	171,167	181,453	192,357
2014 MF Series A (Decatur Angle Apartments)	Interest	1,318,528	1,309,532	1,299,995	1,289,884	1,279,166
2015 MF Series (Good Samaritan Towers)	Principal	-	5,620,000	-	-	-
2015 MF Series (Good Samaritan Towers)	Interest	53,390	26,695	-	-	-
2015 MF Series (Williamsburg Apts)	Principal	156,691	273,696	286,332	296,738	313,252
2015 MF Series (Williamsburg Apts)	Interest	808,368	799,950	790,175	782,126	769,352
2016 MF Series (Chisolm Trace/Cheyenne Village)	Principal	-	13,500,000	-	-	-
2016 MF Series (Chisolm Trace/Cheyenne Village)	Interest	108,000	108,000	-	-	-
2016 MF Series (Fifty Oaks-Edinburg)	Principal	-	7,400,000	-	-	-
2016 MF Series (Fifty Oaks-Edinburg)	Interest	44,893	48,100	-	-	-
TOTAL MULTI-FAMILY BONDS		60,204,117	72,293,416	45,588,977	45,592,907	45,630,846
Total		79,628,719	95,269,196	64,946,787	65,118,799	65,087,557
Less Interest		51,816,368	51,198,421	50,255,866	49,484,921	48,647,795
Total Principal		27,812,351	44,070,775	14,690,921	15,633,878	16,439,762

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2016

2022-26	2027-31	2032-36	2037-41	2042-46	2047-51	2052-56	TOTAL REQUIRED
1,595,000	2,025,000	2,610,000	3,340,000	4,270,000	490,000	-	15,565,000
3,411,875	2,966,250	2,396,750	1,665,875	731,750	12,250	-	14,950,906
724,831	946,568	1,236,140	1,614,296	2,108,136	3,017,375	-	10,202,382
2,489,647	2,267,908	1,978,336	1,600,177	1,106,336	138,004	-	12,239,854
-	-	-	13,200,000	-	-	-	13,200,000
448,800	448,800	448,893	396,571	-	-	-	2,190,999
-	-	-	15,000,000	-	-	-	15,000,000
525,000	525,000	525,109	455,000	-	-	-	2,554,676
-	-	-	-	12,595,000	-	-	12,595,000
440,825	440,825	440,926	440,724	213,287	-	-	2,416,489
-	-	-	12,920,000	-	-	-	12,920,000
387,600	387,600	387,689	387,511	-	-	-	1,936,923
-	-	-	12,075,000	-	-	-	12,075,000
410,550	410,550	410,644	403,483	-	-	-	2,043,987
-	-	-	-	13,165,000	-	-	13,165,000
394,950	394,950	395,040	394,860	59,081	-	-	2,032,733
-	-	-	-	14,290,000	-	-	14,290,000
428,700	428,700	428,798	428,602	71,411	-	-	2,213,720
-	-	-	-	11,900,000	-	-	11,900,000
392,700	392,700	392,790	392,610	281,237	-	-	2,243,737
-	-	-	-	-	-	-	14,500,000
-	-	-	-	-	-	-	47,125
1,149,715	1,539,261	2,060,796	2,759,036	3,693,854	4,945,411	5,993,175	23,000,000
6,211,115	5,828,226	5,315,610	4,629,304	3,710,464	2,480,304	638,744	35,310,872
-	-	-	-	-	-	-	5,620,000
-	-	-	-	-	-	-	80,085
1,794,120	2,248,421	17,780,750	-	-	-	-	23,150,000
3,670,499	3,319,077	259,484	-	-	-	-	11,199,031
-	-	-	-	-	-	-	13,500,000
-	-	-	-	-	-	-	216,000
-	-	-	-	-	-	-	7,400,000
-	-	-	-	-	-	-	92,993
252,268,358	240,313,806	266,322,515	373,560,600	132,863,289	24,998,805	6,631,919	1,566,269,555
369,789,924	358,070,550	460,929,840	571,060,702	190,355,036	24,998,805	6,631,919	2,351,887,834
227,482,814	187,905,924	146,141,615	76,757,523	24,822,237	3,010,621	638,744	918,162,849
142,307,110	170,164,626	314,788,225	494,303,179	165,532,799	21,988,184	5,993,175	1,433,724,985

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 6

Supplementary Bond Schedules
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2016

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2016			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2004 Single Family Series A (Jr. Lien)	\$ 211	\$ 792	\$	\$ 14,308
2004 Single Family Series B	6,847,289	87,052		1,168,425
2004 Single Family Series D	5,084,724	61,166		764,604
2005 Single Family Series A	7,490,814	77,227		1,259,545
2005 Single Family Series B	779,725	2,386	120,000	56,518
2005 Single Family Series C	232,138	9,274		11,558
2005 Single Family Series D	427,304	1,291		30,854
2006 Single Family Series A	15,739,986	4,485	130,000	356,688
2006 Single Family Series B	16,374,116	4,680	280,000	371,021
2006 Single Family Series C	26,251,934	7,410	315,000	609,960
2006 Single Family Series D	5,567,169	1,755		129,193
2006 Single Family Series E	3,624,779	1,170	1,645,000	74,493
2006 Single Family Series H	36,463,942	286,917		197,345
2007 Single Family Series A	11,929,259	96,131		1,583,977
2007 Single Family Series B	12,785,576	11,919	565,000	2,078,431
2013 Single Family Series A	6,133,994	10,740		709,427
2015 Single Family Series A	5,443,774	527,795		856,480
2015 Single Family Series B	1,777,925	336,452		513,124
2016 Single Family Series A	1,380,524	423,381		488,606
2016 Single Family Series B	5,322,938	764,600		957,453
Total Single Family Bonds	\$ 169,658,121	\$ 2,716,623	\$ 3,055,000	\$ 12,232,010
2009 RMRB Series A	\$ 5,236,059	\$ 166,267	\$ 315,000	\$ 1,426,361
2009 RMRB Series B	1,290,361	43,503	815,000	373,024
2009 RMRB Series C-1	9,565,617	12,506		1,416,081
2011 RMRB Series A	5,259,788	6,650	1,505,000	1,232,450
2009 RMRB Series C-2	7,432,744	10,361		956,494
2011 RMRB Series B	9,595,319	12,868	2,065,000	1,885,510
Total Residential Mtg Revenue Bonds	\$ 38,379,888	\$ 252,155	\$ 4,700,000	\$ 7,289,920
1992 CHMRB Series C	\$ 1,151,133	\$ 701	\$	\$ 155,857
Total 1992 CHMRB	\$ 1,151,133	\$ 701	\$	\$ 155,857
1996 MF Series A/B (Brighton's Mark Development)	\$ 503,247	\$	\$	\$ 503,247
1998 MF Series A-C (Residence at the Oaks Projects)	154,502		304,000	154,502
1999 MF Series A-C (Mayfield Apartments)	8,492,904		162,000	309,902
2000 MF Series A (Creek Point Apartments)	112,492			12,492
2000 MF Series A (Deerwood Apartments)	323,099		155,000	323,099
2000 MF Series A (Timber Point Apartments)	214,712			14,712
2000 MF Series A/B (Greenbridge at Buckingham Apartments)	20,231,623		132,697	1,162,722
2000 MF Series A/B (Oaks at Hampton Apartments)	639,014		137,994	639,014
2000 MF Series A/B (Parks at Westmoreland Apartments)	637,150		134,021	637,150
2000 MF Series A/B (Williams Run Apartments)	11,642,308		18,647	189,086
2000 MF Series A-C (Collingham Park Apartments)	722,904		327,000	722,904
2000 MF Series A-C (Highland Meadow Village Apartments)	486,067		207,000	486,067
2001 MF Series A (Bluffview Apartments)	744,990		108,788	744,990
2001 MF Series A (Knollwood Apartments)	957,347		139,798	957,347
2001 MF Series A (Oak Hollow Apartments)	415,132		69,771	415,132
2001 MF Series A (Skyway Villas Apartments)	355,729		180,000	355,729
2001 MF Series A/B (Hillside Apartments)	846,606		78,573	846,606
2001 MF Series A/B (Meridian Apartments)	475,455		105,000	475,455
2001 MF Series A/B (Wildwood Apartments)	366,870		84,000	366,870
2002 MF Series A (Clarkridge Villas Apartments)	901,355		141,579	901,355
2002 MF Series A (Park Meadows Apartments)	238,916		105,000	238,916
2002 MF Series A (Green Crest Apartments)	585,580		86,957	585,580

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

Supplementary Bond Schedules

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE (Continued)

For the Fiscal Year Ended August 31, 2016

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2016			
	Net Available for Debt Service		Debt Service	
	and Other	Expenses/Expenditures and	Principal	Interest
2002 MF Series A (Hickory Trace Apartments)	\$ 745,516	\$	\$ 116,315	\$ 745,516
2002 MF Series A/B (Ironwood Crossing)	717,053		149,198	717,053
2003 MF Series A (NHP Foundation-Asmara Project) Refunding	613,803			34,459
2003 MF Series A/B (Reading Road)	332,269		40,000	132,268
2003 MF Series A/B (Arlington Villas)	1,106,728		141,142	1,106,728
2003 MF Series A/B (Ash Creek Apartments)	1,017,011		151,881	1,017,011
2003 MF Series A/B (North Vista Apartments)	553,147		290,000	553,147
2003 MF Series A/B (Parkview Townhomes)	865,918		115,973	865,918
2003 MF Series A/B (Peninsula Apartments)	574,412		240,000	549,412
2003 MF Series A/B (Primrose Houston School)	1,024,537		150,631	1,024,537
2003 MF Series A/B (Timber Oaks Apartments)	868,564		104,630	868,564
2003 MF Series A/B (West Virginia Apartments)	399,590		205,000	399,590
2004 MF Series A (Bristol Apartments)	224,658			24,658
2004 MF Series A (Chisholm Trail Apartments)	322,537			22,537
2004 MF Series A (Churchill at Pinnacle Park)	612,509		113,209	612,509
2004 MF Series A (Evergreen at Plano Parkway)	907,527		134,309	907,527
2004 MF Series A (Humble Parkway Townhomes)	695,475		165,000	695,475
2004 MF Series A (Montgomery Pines Apartments)	323,620			23,620
2004 MF Series A (Pinnacle Apartments)	28,804			28,804
2004 MF Series A (Providence at Rush Creek II)	554,445		83,432	554,445
2004 MF Series A (Providence at Village Fair)	855,978		133,890	855,978
2004 MF Series A/B (Century Park Townhomes)	587,227		255,000	587,227
2004 MF Series A/B (Timber Ridge II Apartments)	424,093		59,619	424,093
2004 MF Series A/B (Providence at Veterans Memorial)	395,433		59,801	395,433
2005 MF Series A (Atascocita Pines Apartments)	123,447			23,447
2005 MF Series A (Mission Del Rio Homes)	575,201		56,675	575,201
2005 MF Series A (Park Manor Senior Community)	10,400,000			-
2005 MF Series A (Homes at Pecan Grove)	844,632		83,223	844,632
2005 MF Series A (Plaza at Chase Oaks Apartments)	611,131		310,759	611,131
2005 MF Series A (Port Royal Homes)	741,885		114,603	741,885
2005 MF Series A (Providence at Prairie Oaks)	703,931		104,309	671,032
2005 MF Series A (Prairie Ranch Apartments)	11,416,919		85,000	401,919
2005 MF Series A (Providence at Mockingbird Apartments)	577,992		92,903	577,992
2005 MF Series A (St Augustine Estate Apartments)	112,776			12,776
2005 MF Series A (Tower Ridge Apartments)	42,822			42,822
2006 MF Series A (Aspen Park)	453,208		125,000	453,208
2006 MF Series A (Bella Vista Apartments)	393,779		65,000	393,779
2006 MF Series A (Champion Crossing Apartments)	110,176			10,176
2005 MF Series A (Coral Hills Apartments)	224,809		100,000	224,809
2006 MF Series A (East Tex Pines)	747,354		125,000	747,354
2006 MF Series A (Harris Branch Apartments)	13,490,331			333
2006 MF Series A (Hillcrest Apartments)	527,428		195,000	527,428
2006 MF Series A (Idlewilde)	228,693			28,693
2006 MF Series A (Meadowlands Apartments)	708,194		110,631	708,194
2006 MF Series A (Oakmoor Apartments)	821,216		135,150	821,216
2006 MF Series A (Pleasant Village)	5,260,618		248,967	165,662
2006 MF Series A (Red Hills Villas)	110,655			10,655
2006 MF Series A (The Residences at Sunset Pointe)	42,822			42,822
2006 MF Series A (Village Park Apartments)	481,341		195,000	481,341
2006 MF Series A (Villas at Henderson)	114,096			14,096
2007 MF Series A (Villas at Mesquite Creek)	790,588		210,000	790,588
2007 MF Series A (Costa Rialto)	548,162		94,312	548,162
2007 MF Series A (Lancaster)	228,705			28,705
2007 MF Series A (Park Place at Loyola)	800,748		109,423	800,748
2007 MF Series A (Santora Villas)	679,465		97,024	679,465
2007 MF Series A (Summit Point)	9,061,745			101,745
2007 MF Series A (Terrace at Cibolo)	110,393			10,393

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

Supplementary Bond Schedules

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE (Continued)

For the Fiscal Year Ended August 31, 2016

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2016			
	Net Available for Debt Service		Debt Service	
	and Other	Expenses/Expenditures and	Principal	Interest
2007 MF Series A (Windshire)	\$ 128,710	\$	\$	\$ 28,710
2007 MF Series A (Residences at Onion Creek)	42,822			42,822
2008 MF Series A (West Oaks Apartments)	166,242			26,242
2008 MF Series A (Costa Ibiza Apartments)	226,329			26,329
2008 MF Series A (Addison Park Apartments)	246,186			36,186
2008 MF Series A (Alta Cullen Apartments Refunding)	227,620			27,619
2009 MF Series A (Costa Mariposa Apartments)	131,737			26,737
2009 MF Series A (Woodmont Apartments)	294,191			29,191
2013 MF Series A (Waters at Willow Run)	69,479			69,479
2014 MF Series A (Decatur Angle Apartments)	1,322,500			1,322,500
2014 MF Series A (Northcrest Apartments)	2,903,263			3,263
2015 MF Series A (Good Samaritan Towers)	53,093			53,093
2015 MF Series A (Williamsburg Apartments)	599,362			610,099
2015 MF Series A (Chisolm Trace/Cheyenne Village)	30,600			30,600
2015 MF Series A (Fifty Oak & Edinburg Village)	802			802
Total Multifamily Bonds	\$ 133,327,054	\$	\$ 8,044,834	\$ 38,615,467
Total	\$ 342,516,196	\$ 2,969,479	\$ 15,799,834	\$ 58,293,254

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

SCHEDULE 7

Supplementary Bond Schedules

DEFEASED BONDS OUTSTANDING

For the fiscal year ended August 31, 2016

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Business-Type Activities		
2007 MF Series A (Summit Point)	2016	<u>\$ 8,850,000</u>
Total Business-Type Activities		<u><u>\$ 8,850,000</u></u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 8

Supplementary Bond Schedules
EARLY EXTINGUISHMENT AND REFUNDING
For the fiscal year ended August 31, 2016

Description of Issue	Category	Amount Extinguished or Refunded	For Refunding Only		
			Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Business-Type Activities					
2004 Single Family Series B	Early Extinguishment	\$ 4,880,000			
2004 Single Family Series D	Early Extinguishment	3,885,000			
2005 Single Family Series A	Early Extinguishment	5,985,000			
2005 Single Family Series B	Early Extinguishment	720,000			
2005 Single Family Series D	Early Extinguishment	395,000			
2006 Single Family Series A	Early Extinguishment	1,380,000			
2006 Single Family Series A	Current Refunding	13,920,000	13,811,330	3,499,742	3,740,561
2006 Single Family Series B	Early Extinguishment	1,435,000			
2006 Single Family Series B	Current Refunding	14,480,000	14,366,960	3,640,536	3,891,043
2006 Single Family Series C	Early Extinguishment	2,300,000			
2006 Single Family Series C	Current Refunding	23,225,000	23,043,690	5,839,189	6,240,986
2006 Single Family Series D	Early Extinguishment	200,000			
2006 Single Family Series D	Current Refunding	5,195,000	5,154,445	1,306,118	1,395,992
2006 Single Family Series E	Early Extinguishment	125,000			
2006 Single Family Series E	Current Refunding	3,385,000	3,358,575	851,051	909,612
2006 Single Family Series H	Early Extinguishment	1,260,000			
2006 Single Family Series H	Current Refunding	34,740,000	33,825,000	(24,735,357)	(16,046,131)
2007 Single Family Series A	Early Extinguishment	9,785,000			
2007 Single Family Series B	Early Extinguishment	10,450,000			
2013 Single Family Series A	Early Extinguishment	4,940,000			
2015 Single Family Series A	Early Extinguishment	4,145,000			
2015 Single Family Series B	Early Extinguishment	950,000			
2016 Single Family Series A	Early Extinguishment	540,000			
2016 Single Family Series B	Early Extinguishment	3,805,000			
2009 RMRB Series A	Early Extinguishment	3,725,000			
2009 RMRB Series B	Early Extinguishment	895,000			
2009 RMRB Series C-1	Early Extinguishment	7,535,000			
2009 RMRB Series C-2	Early Extinguishment	6,100,000			
2011 RMRB Series A	Early Extinguishment	4,180,000			
2011 RMRB Series B	Early Extinguishment	7,940,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	900,000			
1999 MF Series A-C (Mayfield Apartments)	Early Extinguishment	8,183,000			
2000 MF Series A (Timber Point Apartments)	Early Extinguishment	200,000			
2000 MF Series A (Creek Point Apartments)	Early Extinguishment	100,000			
2000 MF Series A/B (Greenbridge at Buckingham Apts)	Early Extinguishment	19,068,902			
2000 MF Series A/B (Williams Run Apartments)	Early Extinguishment	11,453,222			
2003 MF Series A/B (Reading Road)	Early Extinguishment	200,000			
2003 MF Series A/B (Peninsula Apartments)	Early Extinguishment	25,000			
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	Early Extinguishment	570,000			
2004 MF Series A (Chisholm Trail Apartments)	Early Extinguishment	300,000			
2004 MF Series A (Montgomery Pines Apartments)	Early Extinguishment	300,000			
2004 MF Series A (Bristol Apartments)	Early Extinguishment	200,000			
2005 MF Series A (Providence at Prairie Oaks)	Early Extinguishment	32,899			
2005 MF Series A (Atascocita Pines Apartments)	Early Extinguishment	100,000			
2005 MF Series A (Prairie Ranch Apartments)	Early Extinguishment	11,015,000			
2005 MF Series A (St Augustine Estate Apartments)	Early Extinguishment	100,000			
2005 MF Series A (Park Manor Senior Community)	Early Extinguishment	10,400,000			
2006 MF Series A (Harris Branch Apartments)	Early Extinguishment	13,490,000			
2006 MF Series A (Pleasant Village)	Early Extinguishment	5,094,956			
2006 MF Series A (Red Hills Villas)	Early Extinguishment	100,000			
2006 MF Series A (Champion Crossing Apartments)	Early Extinguishment	100,000			
2006 MF Series A (Villas at Henderson)	Early Extinguishment	100,000			
2006 MF Series A (Idlewilde)	Early Extinguishment	200,000			
2007 MF Series A (Lancaster)	Early Extinguishment	200,000			
2007 MF Series A (Terrace at Cibolo)	Early Extinguishment	100,000			
2007 MF Series A (Summit Point)	Early Extinguishment	8,960,000			
2007 MF Series A (Windshire)	Early Extinguishment	100,000			
2008 MF Series A (West Oaks Apartments)	Early Extinguishment	140,000			
2008 MF Series A (Costa Ibiza Apartments)	Early Extinguishment	200,000			
2008 MF Series A (Addison Park Apartments)	Early Extinguishment	210,000			
2008 MF Series A (Alta Cullen Apartments Refunding)	Early Extinguishment	200,000			
2009 MF Series A (Costa Mariposa Apartments)	Early Extinguishment	105,000			
2009 MF Series A (Woodmont Apartments)	Early Extinguishment	265,000			
2014 MF Series A (Northcrest Apartments)	Early Extinguishment	2,900,000			
Total Business-Type Activities		<u>\$ 278,112,979</u>	<u>\$ 93,560,000</u>	<u>\$ (9,598,721)</u>	<u>\$ 132,063</u>

Texas Department of Housing and Community Affairs - Housing Finance Division

Computation of Unencumbered
Fund Balances as of August 31, 2016, and
Independent Auditor's Report

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Independent Auditor's Report

Department of Housing and Community Affairs Board of Directors

Mr. J. Paul Oxer, P.E., Chair

Dr. Juan Sanchez Muñoz, Vice Chair

Mr. T. Tolbert Chisum

Ms. Leslie Bingham Escareño

Mr. Tom H. Gann

Mr. J. B. Goodwin

Report on the Financial Statements

We have audited the accompanying Computation of Unencumbered Fund Balances (Computation) of the Department of Housing and Community Affairs' (Department) Housing Finance Division, as of August 31, 2016, and the related notes to the Computation.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Computation in accordance with the financial reporting provisions of Texas Government Code, Sections 2306.204 and 2306.205. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Computation that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Computation based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Computation is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Computation. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Computation, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Computation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Computation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Computation, referred to above, presents fairly, in all material respects, the unencumbered fund balances of the Department's Housing Finance Division, as of August 31, 2016, in accordance with the financial reporting provisions of Texas Government Code, Sections 2306.204 and 2306.205, as described in Note 1 of the Computation.

Basis of Accounting

We draw attention to Note 1 of the Computation, which described the basis of accounting. As described in Note 1 of the Computation, the Computation is prepared by the Department on the basis of the financial reporting provisions of Texas Government Code, Sections 2306.204 and 2306.205, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Texas Government Code, Sections 2306.204 and 2306.205. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Department and is not intended to be and should not be used by anyone other than this specified party.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

December 20, 2016

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
HOUSING FINANCE DIVISION**

**COMPUTATION OF UNENCUMBERED FUND BALANCES
AS OF AUGUST 31, 2016**

(Amounts in thousands)

	S/F	RMRB	CHMRB	Taxable	M/F	Operating	Housing	Housing	Government
	Program	Program	Program	Mortgage	Program	Fund	Trust Fund	Initiatives	Fund
Qualifying Assets:									
Cash and Cash Equivalents	\$ 40,377	\$ 25,008	\$ 62	\$ 3,250	\$ 108,949	\$ 9,606	\$ 5,834	\$ 18,776	\$ 25,151
Investments @ fair value	381,122	215,092	3,414	4,449	42,025	376			
Fair Value Adjustment	(29,999)	(19,501)	(264)	(277)	(2,756)	(12)			
Loans and Contracts	20,068	54,249			947,264		52,384	113	467,308
Real Estate owned, @ net	22					1	21		
Accrued Interest receivable	1,336	735	18	13	6,533	2		34	21
Federal Receivable									7,689
Legislative Appropriations									5,155
Subtotal	<u>\$ 412,926</u>	<u>\$ 275,583</u>	<u>\$ 3,230</u>	<u>\$ 7,435</u>	<u>\$ 1,102,015</u>	<u>\$ 9,973</u>	<u>\$ 58,239</u>	<u>\$ 18,923</u>	<u>\$ 505,324</u>
Less restrictions:									
Trust Indenture	\$ (412,926)	\$ (275,583)	\$ (3,230)	\$ (2,860)	\$ (1,102,015)	\$	\$	\$	\$
Operating Reserve						(1,217)		(6,783)	
Appropriated State Treasury Funds						(1,395)			(5,155)
General Appropriations Act ("GAA")							(52,405)		
Funds Reserved, Committed or under Contract							(5,834)		
Add'l restrictions per Department				(4,575)		(6,387)		(351)	
Restricted Use of Fees						(971)		(11,641)	
Federal Funds									(500,169)
Subtotal	<u>\$ (412,926)</u>	<u>\$ (275,583)</u>	<u>\$ (3,230)</u>	<u>\$ (7,435)</u>	<u>\$ (1,102,015)</u>	<u>\$ (9,970)</u>	<u>\$ (58,239)</u>	<u>\$ (18,775)</u>	<u>\$ (505,324)</u>
Unencumbered Fund Balance:	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3</u>	<u>\$</u>	<u>\$ 148</u>	<u>\$</u>

See accompanying independent auditor's report and accompanying notes to the computation

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — HOUSING FINANCE DIVISION

NOTES TO THE COMPUTATION OF UNENCUMBERED FUND BALANCES AS OF AUGUST 31, 2016 (Amounts in thousands)

1. BACKGROUND OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

General Statement — The Texas Department of Housing and Community Affairs (“Department”) was created effective September 1, 1991, by an act of the 72nd Texas Legislature, pursuant to Senate Bill 546 (subsequently codified as Chapter 2306, Texas Government Code) (“Department Act”), passed by the Texas Legislature on May 24, 1991, and signed by the Governor of the State of Texas. Effective September 1, 1991, the Department was established to assist local governments in helping residents overcome financial, social, and environmental problems; to address low-to moderate-income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the State and the public about the needs of local government. The Department was created by merging two former agencies: the Texas Housing Agency and the Texas Department of Community Affairs.

The Department is governed by a Governing Board composed of seven members appointed by the Governor with advice and consent of the Senate. The Department is administered by an Executive Director to be employed by the Board with the approval of the Governor. The Department is authorized to issue tax-exempt or taxable bonds, notes, or other obligations to finance or refinance multifamily housing developments and single-family residential housing. Bonds and notes of the Department do not constitute a debt of the State or any political subdivision thereof. The Department Act specifically provides for the assumption by the Department of the outstanding indebtedness of the former agencies. The Housing Finance Division (“Division”) of the Department is required to continue to carry out all covenants with respect to any bonds outstanding, including the payments of any bonds from the sources provided in the proceedings authorizing such bonds. The Department Act requires a portion of the unencumbered fund balances, as defined; of the Division of the Department to be transferred to the Housing Trust Fund from the bond programs should certain conditions be met.

The Division operates several bond programs under separate trust indentures, as follows:

General — Single-Family — Since 1979, the year of creation of the Texas Housing Agency (“Agency”), a predecessor to the Department, through August 31, 2016, the Agency or the Department has issued 56 series of Single-Family Mortgage Revenue Bonds, 4 series of Junior Lien Single-Family Mortgage Revenue Refunding Bonds, 36 series of Residential Mortgage Revenue Bonds, 10 series of GNMA/FNMA Collateralized Home Mortgage Revenue Bonds, 11 series of Collateralized Home Mortgage Revenue Bonds, and 2 series of Government National Mortgage Association (“GNMA”) Collateralized Home Mortgage Revenue Bonds. As of August 31, 2016, the outstanding principal amount of bonded indebtedness of the Department for single-family housing purposes was \$521,460.

Single-Family Mortgage Revenue Bonds (“SFMRBs”) — The Department has issued 56 series of SFMRBs under a SFMRB Trust Indenture, dated as of October 1, 1980, and 62 indentures supplemental thereto, which are secured on an equal and ratable basis by the trust estate established by the SFMRB

Indenture. As of August 31, 2016, 13 series were outstanding, with an aggregate outstanding principal amount totaling \$333,295.

Junior Lien Bonds — The Department has issued four series of its Junior Lien SFMRBS (“Junior Lien Bonds”) pursuant to a Junior Lien Trust Indenture, as supplemented by the First Supplemental Junior Lien Trust Indenture and the Second Supplemental Junior Lien Trust Indenture, each dated as of May 1, 1994, the Third Supplemental Junior Lien Trust Indenture dated as of March 27, 2002; and the Fourth Supplemental Junior Lien Trust Indenture dated as of April 1, 2004, by and between the Department and J.P. Morgan Trust Company, Texas, NA, as trustee. The Junior Lien Bonds are secured on an equal and ratable basis with each other and on a subordinated basis to the SFMRBs by the trust estate held under the SFMRB Indenture. As of August 31, 2016, 1 series was outstanding, with an aggregate outstanding principal of \$3,855.

Residential Mortgage Revenue Bonds (“RMRBs”) — As of August 31, 2016, the Department has issued 36 series of RMRBs pursuant to the RMRB Trust Indenture and 32 separate series supplements, which are secured on an equal and ratable basis by the trust estate established by the RMRB Indenture. As of August 31, 2016, 6 series were outstanding, with an aggregate outstanding principal amount of \$182,610.

Collateralized Home Mortgage Revenue Bonds (“CHMRBs”) — The Department has issued 11 series of CHMRBs pursuant to the CHMRB Master Indenture and six separate series supplements, which are secured on an equal and ratable basis by the trust estate established by such trust indentures. As of August 31, 2016, 1 series of CHMRBs was outstanding, with an aggregate outstanding principal amount of \$1,700.

Taxable Mortgage Program (“TMP”) - On July 26, 2012, the Department approved the TMP. The TMP market facilitates the forward trading of Mortgage Backed Securities (MBSs) issued by Ginnie Mae. The program is paid from revenues generated by the packaging and sale of the TMP MBSs. Escrow agreements were established to limit the recourse to the servicer and the to be announced provider. The total amount of the escrow is \$4 million, funded from the Department’s general funds.

General — Multifamily (“M/F”) — The Department and the Agency have issued 221 multifamily housing revenue bonds, which have been issued pursuant to separate trust indentures and are secured by individual trust estates, which are separate and distinct from each other. As of August 31, 2016, 99 series were outstanding, with an aggregate outstanding principal amount of \$912,265.

The Division operates other programs under the authority of the General Appropriations Act, Texas Government Code, and Federal Grants, as follows:

Operating Fund — The Department's enabling legislation, Texas Government Code (“TGC”) Chapter 2306, has several provisions regarding the deposit of funds related to the Operating Fund: §§2306.118, 2306.120, and 2306.172.

Funds held in this fund account are for the principal operating activities conducted by the Department which are held in the Special Housing Programs. Funds held in the Administration Fund are generated from revenue from Single Family/Multifamily Administration fees for the purpose of general administration expenses associated with bond funds. In addition, the balance includes funds designated for a specific purpose by Board action such as Supplemental Bond Contingency Reserve, Single Family and Multifamily Asset Workout and Bond/ Mortgage Credit Certificates (“MCC”) funds reserved for future Cost of Issuance.

Housing Trust Fund — The Department Act provided for a transfer of a portion of the unencumbered fund balance from the bond programs for use in the Housing Trust Fund. In addition, the Housing Trust Fund receives yearly appropriated General Revenue. The fund will be used to provide assistance for

low-and very-low-income persons and families in financing, acquiring, rehabilitating, and developing affordable, decent, and safe housing. The fund will be made available to local units of government, public housing authorities, the Department, community housing development organizations, and nonprofit organizations, as well as eligible low- and very-low-income individuals and families.

Housing Initiatives — The Department's enabling legislation, Texas Government Code, Chapter 2306, has several provisions regarding the deposit of funds related to Housing Initiatives: §§ 2306.118, 2306.120, and 2306.172. There are numerous provisions for fees to be collected for the purpose of supporting the housing finance programs such as single family bonds, multifamily bonds, housing tax credits, asset management, and compliance monitoring: §§2306.144, 2305.147, 2306.176, 2306.228, 2306.266 and 2306.6716

Multifamily developers are assessed an annual fee based on the number of low income units available for rent. Other fees collected are application fees, commitment fees, and inspection fees. The authority for the collection of these fees is outlined in the Department's Qualified Allocation Plan (“QAP”), which is published annually. These fees are generated for the purpose of offsetting expenses incurred by the Department related to the monitoring and administration of these properties and the Housing Tax Credit Program.

Governmental Fund— Funds within the governmental funds are comprised of programs funded with state appropriated general revenue and federal funds. They are restricted for use to each specific program.

The Emergency Solutions Grants Program (“ESG”) is a program intended to address the immediate needs of homeless individuals and families. Nonprofit organizations and local governments are awarded funds to provide shelter and related services for homeless persons, as well as intervention services to persons threatened with homelessness.

The Homeless Housing and Services Program (“HHSP”) assists the state’s eight largest urban areas in providing services to homeless individuals and families, including case management and housing placement and retention. Eligible cities include Arlington, Austin, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, and San Antonio.

The Section 8 Housing Assistance Program provides rental subsidy vouchers to very low income families, including the elderly and persons with disabilities. The statewide program is specifically designed for families in small cities and rural communities not served by a local or regional program.

Through the HOME Investment Partnerships (“HOME”) Program, TDHCA provides funds for Single Room Occupancy (“SRO”) developments, Rental Housing Developments, Home Rehabilitation Assistance (“HRA”), Home Buyer Assistance (“HBA”), and Tenant Based Rental Association (“TBRA”).

The Neighborhood Stabilization (“NSP”) Program provides funds to units of local government or eligible nonprofits for the acquisition, clearance, rehabilitation, and redevelopment of foreclosed or abandoned homes for affordable housing. Funding may also be used to create finance mechanisms for homebuyer assistance for extremely low and very low income Texans, as well as eligible land bank activities.

The Community Services Block Grant (“CSBG”) Program makes funds available to community action agencies throughout the state to serve persons at or below federal poverty guidelines. This funding assists these agencies in providing essential services such as: access to childcare and health and human services for children, families, and the elderly. It also helps with nutrition, transportation, housing, substance abuse prevention, migrant assistance, job training, and employment services.

The Tax Credit Assistance Program (“TCAP”) provides gap financing for Housing Tax Credit (“HTC”) developments adversely affected by market downturns. The Tax Credit Assistance Program income will be applied to future affordable housing activities.

Comprehensive Energy Assistance Program (“CEAP”) provides case management, consumer education, and financial assistance to help extremely low and very low income consumers reduce their utility bills to an affordable level.

The Weatherization Assistance Program (“WAP”) helps extremely low and very low income consumers control their energy costs through the installation of weatherization measures, the repair or replacement of inefficient appliances, and energy conservation education.

BASIS OF PRESENTATION

Management of the Department has determined the following criteria and definitions should be used in the computation of unencumbered fund balances specified by the Department Act, Texas Government Code, §§2306.204 and 2306.205. Management’s interpretation of unencumbered funds includes all funds associated with the Department inclusive of federal funds and state appropriated funds under the Governmental Fund. In addition, the scope of restrictions includes but not necessarily limited to state or federal laws or other applicable legal requirements. These criteria and definitions were determined based on the requirements of the bond trust indentures; the Board’s designated purposes, financial advisors’ recommendations for credit rating purposes, the General Appropriations Act and Federal requirements:

Definition of Unencumbered Fund Balance — Housing Finance Division unencumbered funds are the funds associated with any and all of the department’s housing finance activity which are not subject to any restrictions precluding their immediate transfer to the Housing Trust Fund. Such restrictions include, but are not necessarily limited to, being subject to a state or federal or other applicable legal requirement, including but not limited to, the General Appropriations Act then in effect or constraint that would not allow such transfer, being held in trust subject to the terms of a bond indenture, including an open indenture, having been designated by the Department’s Governing Board for a specific use or contingency, including but not limited to, the Department’s operating budget or established reserves.

In addition, the Department’s financial advisor has recommended that additional restrictions be maintained in the determination of unencumbered fund balance for ensuring the maintenance of parity over the immediate future. Generally, the unencumbered fund balances cannot be distributed or utilized except when certain conditions have been met within the bond trust indentures, including filing of a statement of projected revenues that projects that anticipated cash flows will be sufficient to pay Department expenses of the Division and aggregate debt service through the maturity of the bonds and to maintain all other reserve fund requirements of the respective bond trust indentures. Any distribution of fund balances would result in a rating downgrade by rating agencies if it was determined that such distribution would negatively impact the indenture.

Qualifying Assets — Qualifying assets exclude unearned revenue, other assets and the interfund receivables (payables). The following is a summary of amounts considered to be qualifying assets in determination of unencumbered fund balance by the respective bond trust indentures and the bond rating agencies:

- Cash, cash equivalents, and investments are included at fair value.
- Fair value adjustment represents the adjustment to eliminate the unrealized gain or loss in investments marked to fair value, since these funds are not currently available. Unamortized premium/discount represents adjustment to value investments at par.

- Loans and Contracts are fully amortizing loans and are included at their current contractual balances outstanding, net of the estimated allowance for estimated loan losses. Loans and contracts found in the Single Family Program, Residential Mortgage Revenue Bonds (“RMRB”), and Multifamily are restricted to the trust indentures. Loan and contracts under the Operating Fund, Housing Trust Funds, and Housing Initiatives are designated for program purposes. Loans within the Governmental Fund were funded with Federal Funds for the purposes of Single Family loans and multifamily development loans from HOME, TCAP, and NSP grants.
- Real estate owned is included at the carrying amount, net of the allowance for estimated losses.
- Accrued interest receivable is included at the contractual balances of accrued interest on investments, mortgage-backed securities, and loans.
- Federal Receivable—The Department considers receivables collected within sixty days after year-end to be available and recognizes them as revenue of the current year.
- Legislative Appropriations— The Departments receives state appropriated funds for specific purposes related to programmatic and administrative purposes.

Restrictions — The restrictions represent amounts to be deducted from qualifying assets for amounts required by the respective bond trust indentures, other Governing Board-designated purposes, recommendations by the Department’s financial advisors, federal and state guidelines in the determination of unencumbered fund balance.

- Trust Indentures restrict all funds within the Single Family Program, RMRB Program, CHMRB Program and Multifamily Program and certain balances within the General Fund and TMP accounts. Per bond covenants, bonds are payable from and secured by the Trust Estate inclusive of all funds and investments.
- The Taxable Mortgage Program has funds which are restricted per required escrow agreements, required funding of down payment assistance, and operating expenses.
- Operating reserve fund represents a restriction of approximately \$8M for operating expenses of the related bond programs and the Department.
- State Treasury funds are being held in the state treasury and are appropriated by the GAA and are restricted for its prescribed authority.
- The GAA provides the Departments with the authority and funding to establish the Housing Trust Fund. The Department's enabling legislation, TGC Chapter 2306, has several provisions regarding the Housing Trust Fund. The loans and contracts are restricted for the use of Housing Trust Fund.
- Funds Reserved, Committed, or under Contract are restricted based on current reservations or contracts for the purpose to provide loans and grants to entities and individuals to finance, acquire, rehabilitate, and develop affordable housing.
- Additional Restrictions per Department are designated by the Governing Board and are not available for any other purpose as of August 31, 2016.

- Restricted uses of fees for administrative expenses are set forth by the Department's enabling legislation, TGC Chapter 2306. There are numerous provisions for fees to be collected for the purpose of supporting the housing finance programs such as single family bonds, multifamily bonds, housing tax credits, asset management and compliance monitoring: §§2306.144, 2305.147, 2306.176, 2306.228, 2306.266, and 2306.6716 and are restricted for the administrative expenses of the Department.
- The Federal government awards grants to the Department for the purpose of housing, poverty related services, homelessness initiatives, and energy assistance. Any funds or assets related to federal funds are restricted for its specified purposes.

As of August 31, 2016, the following additional restrictions existed:

Taxable Mortgage Program	
	Additional Restrictions By Department
Escrow Agreement	\$ 4,575
	<u>\$ 4,575</u>

Escrow Agreement — An escrow agreement is in place between the Department and Hilltop Securities, the Purchaser, and the Department and US Bank, the Servicer.

Operating Fund	
	Additional Restrictions By Department
Supplemental Bond Contingency Reserve	\$ 1,657
Warehousing Agreement - Escrow Fund	<u>767</u>
	<u>2,424</u>
Single Family & Multifamily Asset Preservation & Workout:	
Below Market Interest Rate Program/Asset Management	<u>22</u>
	22
Bond/MCC Program:	
Bond Programs/COI	2,113
Bond Programs/MCC Fees	1,553
Bond Programs/Marketing	241
Bond Programs/Maintenance	<u>34</u>
	<u>3,941</u>
	<u>\$ 6,387</u>

Supplemental Bond Contingency Reserve — This reserve will be used to supplement the Single Family Surplus and Swap Termination Value Holdback requirement, pursuant to Section 2.16 (c) of the 37th Supplement and/or for other bond requirements such as collateral, pledges or issuer contributions.

Warehousing Agreement – Escrow Fund — This reserve is a required Escrow account established by the Warehousing Agreement between the Department and the warehouse facility.

Single Family & Multifamily Asset Preservation & Workout — These funds are reserved for single family and multifamily asset preservation and workout.

Bond/MCC Program — These funds are reserved for the MCC bond program and future bond programs.

Housing Initiatives	
	<u>Additional Restrictions By Department</u>
Capital Budget	\$ 351

Housing Initiatives — These reserves are designated for certain purposes such as Capital Budget.

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Report on Compliance with the Public Funds Investment Act

Department of Housing and Community Affairs Board of Directors

Mr. J. Paul Oxer, P.E., Chair
Dr. Juan Sanchez Muñoz, Vice-Chair
Mr. T. Tolbert Chisum
Ms. Leslie Bingham Escareño
Mr. Tom H. Gann
Mr. J. B. Goodwin

Mr. Timothy Irvine, Executive Director, Department of Housing and Community Affairs
Mr. David Cervantes, Chief Financial Officer, Department of Housing and Community Affairs
Ms. Monica Galuski, Director of Bond Finance, Department of Housing and Community Affairs

We have performed tests designed to verify whether the Department of Housing and Community Affairs (Department) complied with the requirements of the Public Funds Investment Act for the year ended August 31, 2016. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no issues of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

This report is intended solely for the information and use of the Department's Board of Directors, the Department's management, and the Legislature. However, this report is a matter of public record, and its distribution is not limited.

Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

December 20, 2016

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SAO Report No. 17-310

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BOARD REPORT ITEM
INTERNAL AUDIT DIVISION
January 26, 2017

Report on the Internal Audit “Review of Compliance Monitoring”

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
An Internal Audit of the Compliance Monitoring (CM) Division
Audit Report # 16-004

Executive Summary

The Office of Internal Audit (OIA) evaluated the monitoring processes performed by The Compliance Monitoring Division. Based on the fieldwork performed between September 2016 and October 2016, OIA concludes that the Compliance Monitoring processes are generally performed accurately and according to applicable rules; However, the following opportunities for improvement were identified.

Findings

- Our audit indicated that opportunity for improvement exists within The Compliance Monitoring Division to strengthen and improve its internal policies and procedures, and to achieve a higher standard of consistency as it relates to timeliness of reporting and time card reporting.

Recommendations

- The timeliness of reporting on compliance activities could be improved.
- Reporting on time spent on compliance activities allocated among different programs could be improved.

Response:

Management agreed with our recommendations.
Detailed responses are included in the body of the audit report.

Responsible Area:

Division Director and Division Manager

Objective, Scope and Methodology

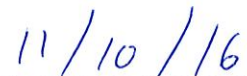
The audit of the Compliance Monitoring Division was identified in the Fiscal Year 2016 Annual Audit Plan. Based on an assessment of risks and controls, the following audit objectives were developed:

to determine if staff members are performing their compliance monitoring as intended and based upon standard operating procedures; and
to determine if staff members are properly allocating time to time-cards.

The audit scope included the fiscal year 2015 and calendar year 2015 desk and onsite reviews performed by the Compliance Division's Compliance Monitoring Section (CMS). The scope did not include subrecipient monitoring. The audit methodology included gaining an understanding of the CMS, its activities and processes by interviewing employees of the CMS and other staff, and by reviewing TDHCA, State, and Federal documentation. OIA identified relevant criteria for evaluating the monitoring process. OIA tested a random sample of desk and on-sight reviews. OIA summarized the results in the Report # 16-004 that follows.



Mark Scott, CPA, CIA, CISA, CFE, MBA
Director, Internal Audit



Date Signed



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

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J.B. Goodwin

November 10, 2016

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.state.tx.us

RE: An Internal Audit Review of Compliance Monitoring

To: Chairman J. Paul Oxer and the Board Members of the Texas Department of Housing and Community Affairs

Dear Chairman Oxer and Board Members,

This report presents the results of the Office of Internal Audit's (OIA) "Review of Compliance Monitoring." The review was included in the Fiscal Year 2016 Annual Audit Plan. Based on OIA's evaluation of risks and controls, the following audit objectives were developed:

- to determine if staff members are performing their compliance monitoring as intended and based upon standard operating procedures; and
- to determine if staff members are properly allocating time to time-cards.

The audit scope included the fiscal year 2015 and calendar year 2015, desk and onsite reviews performed by the Compliance Division's Compliance Monitoring Section (CMS). The scope did not include subrecipient monitoring.

The audit methodology included gaining an understanding of the CMS, its activities and processes by interviewing employees of the CMS and other staff, and by reviewing TDHCA, State, and Federal documentation. OIA identified relevant criteria for evaluating the monitoring process. OIA tested a random sample of desk and on-sight reviews.

A. AUDIT RESULTS

Our audit indicated that opportunity for improvement exists within Compliance Monitoring Division to strengthen and improve its internal policies and procedures, and to achieve higher standard of consistency as it relates to timeliness of reporting and time card reporting.



B. MULTIFAMILY COMPLIANCE MONITORING OVERVIEW

The objectives of the Department in performing regular monitoring of affordable rental housing are¹: to provide for monitoring that meets applicable requirements of U.S. Department of Housing and Urban Development (HUD), the U.S. Department of treasury (Treasury), the Internal Revenue Services (IRS), and applicable state laws and rules; enable the Department to communicate with responsible persons; report information to the Federal Department and the TDHCA Governing Board regarding the condition and operations of developments; articulate and communicate clear standards to promote the maintenance and operation of development; identify matters of noncompliance; ensure that responsible persons understand the compliance status of their developments and the implications of such status; and to provide a transparent system of accountability, consistency, and an awareness of the high quality standards of affordable housing in the State of Texas.

The affordable rental housing programs monitored by the Compliance Division are: the Housing Tax Credit Program (HTC); the HOME investment Partnership Program (HOME); the Tax Exempt Bond Program (BOND); the Housing Trust Fund Program (HTF); the Tax Credit Assistance Program (TCAP); the Tax Credit Exchange Program (Exchange); the Neighborhood Stabilization Program (NSP); and Preservation programs.

TDHCA requires reports to be submitted electronically through the Department's web-based Compliance Monitoring and Tracking System (CMTS). Each development is required to submit an Annual Owner Compliance Report (AOCR) no later than April 30 of each year, reporting data current as of December 31 of the previous year. The four (4) parts to the AOCR are: A) Owner's Certification of Program Compliance; B) Unit Status Report (USE); C) Housing for Persons with Disabilities, owner's of state or federally assisted housing Developments with twenty (20) or more housing units are required to report information regarding housing units designed for persons with disabilities; and D) Internal Revenue Service(IRS) Form 8703, must be filed by tax exempt bond properties and submit a copy of the filed form to the Department. Other Financial Information that the owner is required to submit through CMTS are: A) the Annual Owner's Financial Certification; B) Development assisted through Exchange or TCAP must also submit a Quarterly Owner's Financial Certification which are due the 15th day of January, April, July, and October; C) When required, Periodic USRs are due the 10th day of January, April, July, and October and must report occupancy as of the last day of the previous month for the reporting period; and D) Exchange developments must submit IRS Form(s) 8609 thirty (30) days after the department issues the executed form(s). Also, all rental Developments assisted or administered by the Department are required to submit a current USR prior to an onsite monitoring visit².

A written notice is required to be provided to the Owner of a Development if the Compliance Monitoring Section (CMS) does not receive the AOCR and will specify a thirty (30) day corrective action period. Also, for other noncompliance, other than a violation that imposes an imminent hazard or threat to health and safety, the notice will specify a ninety (90) day corrective action period. Extensions to corrective action periods may be authorized, which can be up to an additional six (6) months, from the date of the notice to the Development Owner only if there is good cause and the owner requests the extension during the original ninety (90) days corrective action period³.

¹ Texas Administrative Code Rule §10.601

² Texas Administrative Code Rule §10.607

³ Texas Administrative Code Rule §10.602



The TDHCA Compliance Division⁴ ensures housing program compliance and financial compliance with federal and state regulatory mandates through established oversight and monitoring procedures. Onsite monitoring visits and desk reviews are mechanisms used for in-depth investigation and overall assessment, respectively. Compliance objectives are achieved through five sections within the division: Contract Monitoring, Compliance Monitoring, Physical Inspection, and Community Affairs Monitoring.

The Compliance Monitoring division is responsible for long-term compliance with the various housing programs administered by TDHCA. Compliance Monitoring is also responsible for fair housing issues, property compliance training, and public information requests.

The Compliance Division and the Compliance Monitoring Section is tasked to determine the Frequency and the Depth of monitoring for Housing Tax Credit Properties after the Federal Compliance Period, which is period commencing on January 1st of the first year of the credit Period as elected on Form 8609 by the owner extending fifteen years. During the compliance period Onsite reviews are conducted approximately every three years. Additionally, Bond, HOME, and Housing Trust Fund programs are subject to limited annual Desk reviews. The total number of properties under Compliance Monitoring Division is 2152 properties. During 2015 Compliance Monitoring Division performed 186 Desk reviews and 660 Onsite reviews.

C. EVALUATION OF THE TDHCA MULTIFAMILY COMPLIANCE MONITORING PROCESS

The primary product or service that the TDHCA CMS provides is the review of necessary records to assure adherence to program requirements and terms of the deed restrictions on multifamily affordable housing properties. Compliance monitors regularly conduct site inspections to verify that the income of tenants and rents charged for housing are at or below limits established by programs. Monitors perform on-site and desk monitoring reviews and collect Annual Owner's Compliance Reports as required under Chapter 2306 of the Texas Government Code.

The Department regularly conducts training sessions for the Housing Tax Credit Program (HTC), the Bond Program (BOND), and the HOME Investment Partnerships Program (HOME) to ensure compliance with all program requirements. These training sessions teach program regulations and will help all individuals ensure compliance when implementing Department funded programs. The main types of available training sessions are **Property Compliance** and **1st Thursday Income Eligibility**.

D. FINDINGS AND/OR RECOMMENDATIONS

D.16-004.1 Findings and Recommendations:

The timeliness of reporting on compliance activities could be improved.

- a. From a sample of 20 on-sites reviewed 10 (50%) did not meet the internal policy of issuing post site visit reports within 35 days of onsite.
- b. In one case the corrective action documents were received on 8/04/16, but follow up letter and / or final report has not been issued as of 10/04/16.
- c. From a sample of 20 Desk reviews tested we found that the USR was not received by the established deadline for seven properties in 2015, and eight properties in 2016.
- d. From a sample of 20 Desk reviews tested a Desk Review letter was not issued by the deadline in five instances.

⁴ <http://www.tdhca.state.tx.us/pmcomp/>

- e. From a sample of 20 Desk Reviews tested 11 properties (55%) did not have a Desk review performed during FY 15 or CY 15.

D.16-004.2 Finding and Recommendations:

Reporting on time spent on compliance activities allocated among different programs could be improved.

- a. From sample of 20 site visits reviewed (16 Monitors), in 12 instances the time card did not reflect the accurate coding for the program under review. Information derived from time sheets may not be reliable for the purposes of work scheduling, budgeting, and billing.

MANAGEMENT COMMENTS – CORRECTIVE ACTION TABLE

<i>Finding Item Number</i>	<i>Management Comments – Status Pertaining to the Recommendations and Action to be Taken</i>	<i>Target Completion Date</i>	<i>Responsible Party</i>
D.16-004.1a	Management agrees. The division’s Standard Operating Procedure (SOP) # 2082.17 has already been updated to reflect the necessary changes	Completed	
D.16-004.1b	Management agrees that the division was in violation of SOP # 2882.12, however the 45 days requirement is not a Federal requirement and therefore not a Federal violation. As a result the SOP has been updated to only require the deadline for Housing Tax Credit properties to ensure compliance with Treasury Regulation §1.42-5. For all other programs the response is to be completed within 45 days of the end of the CAP, unless deadline is extended by the Director of Multifamily Compliance if needed.	Completed	
D.16-004.1c/d/e	Management agrees. In response management has reviewed to SOPs against the federally mandated requirements and determined that the SOP exceeds the review requirements established in federal regulations. As a result the SOP has been updated eliminating quarterly desk reviews. Management acknowledges that some Desk Reviews were not completed in FY15 in accordance with the SOP, and that staff did not comply with the SOP, but would like to note that the federal review requirements were satisfied.	Completed	
D.16-004.2	Management requested this issue to be tested for and appreciates Internal Audit’s review of this issue. Memos have been distributed to the compliance staff on November 4, 2016 to provide clear guidance for time card reporting for each program.	Completed	



OIA extends our sincere appreciation to management and staff of TDHCA for their cooperation and assistance during the course of this audit.

Sincerely,



Mark Scott, CPA, CIA, CISA, CFE, MBA
Director of Internal Audit

MES/bke

cc:

Tim Irvine, Executive Director
Jeffrey Pender, Deputy General Counsel
Patricia Murphy, Chief of Compliance
Stephanie Naquin, Director of Multifamily Compliance

4d

BOARD REPORT ITEM
INTERNAL AUDIT DIVISION
January 26, 2017

Report of the Meeting of the Audit Committee

REPORT ITEM

Verbal report.

4e

BOARD REPORT ITEM

INTERNAL AUDIT DIVISION

January 26, 2017

Presentation and Discussion of the Internal Audit Self Assessment for Peer Review

BACKGROUND

The Internal Audit Division is required by statute to comply with the standards set by the Institute of Internal Auditors. The *Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing* require that the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity including both internal and external assessments. Standard 1311's interpretation of internal assessments is that "Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards. Periodic assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards."



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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January 26, 2017

Writer's direct phone # 512.475.3813

Email: mark.scott@tdhca.state.tx.us

RE: Internal Audit Division's Quality Assurance and Improvement Program (Self assessment)

To: Chairman J. Paul Oxer and the Board Members of the Texas Department of Housing and Community Affairs (TDHCA)

Dear Chairman Oxer and Board Members,

This is the Office of Internal Audit (OIA) report (report # 17-005) on the self assessment of the TDHCA internal audit function. This project was identified in the FY 2017 internal audit plan. It is part of the quality assurance program required by the Texas Internal Auditing Act, and a required deliverable for an external assessment of the internal auditing program.

The Institute of Internal auditor's *International Standards for the Professional Practice of Internal Auditing* requires that the director of Internal Audit develop and maintain a quality assurance and improvement program. The objective of the internal assessments is to evaluate the internal audit activity's conformance with the Institute of Internal Auditors: Definition of internal auditing, the Standards and the Code of Ethics. These standards require:

- 1300 – Quality Assurance / Improvement Program
 - 1311 – Internal Assessments
 - Periodic review performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.

In conducting the self assessment of internal auditing at TDHCA, OIA utilized the peer review manual developed by the State Agency Internal Audit Forum (SAIAF), a work group comprised of internal auditors in Texas State government. This manual includes a checklist which covers the Institute of Internal Auditors International Professional Practices Framework (IPPF), or "Red Book", including Code of Ethics, Attribute Standards, and Performance Standards. (see Exhibit A)



Our self-assessment of internal audit work quality included an evaluation of the audit project *An Internal Audit of the Real Estate Analysis Division* (Report # 16-002), issued in April 2016. Our self assessment of OIA indicated general compliance with the standards. For each of the standards, we have noted documents that demonstrate compliance with the standard. These include audit charters, audit reports, and various types of audit working papers, as well as internal Standard Operating Procedures (SOPs).

We noted opportunities for improvement in the following areas:

The Internal Audit Division at TDHCA

The internal auditing program is managed by the Director of Internal Audit, who reports directly to the Audit Committee of the agency's Governing Board. Audit committee meetings are held every three months. The quality assurance review showed that the audit charter did not include all the references to ethics literature required by the peer review manual. This is being updated.

Overall Audit and Risk Coverage

The Internal Auditing Act requires that an agency conduct a program of internal auditing that includes audits of an agency's financial systems, information systems, administrative systems and programs. We reviewed the history of prior internal audit work done at TDHCA and did not find that audits of information systems have been conducted. A 2010 review of I.T. Governance (see Exhibit B) is the only indication of audits of information systems. I.T. security testing is performed by an externally contracted company. However, that company does not conduct audits that include all the IPPF scope areas. To address this issue, we have an extensive audit of I.T. planned for 2017.

Findings from Work-paper Review

As part of the peer review preparation, the SAIAF work paper review tool was utilized to review one complete set of audit working papers, for the audit of Real Estate Analysis (REA). The REA audit was well received by agency management and included an important finding related to timeliness of underwriting reports. The following issues were noted in the work paper review:

1. The auditor did not evaluate Information Systems used by REA for internal control and reliability of information.
2. The auditor recorded the audit methodology and procedure steps in a planning memo, rather than in a formal work program.
3. The standard audit template includes a statement that the audit was conducted in accordance with applicable standards including IIA, or Red Book standards. GAGAS, or yellow book standards, incorporate AICPA literature related to financial statement audits. These include statistical probability and confidence intervals, reporting by the "audit organization" to the external auditee, and other aspects not relevant or possible in the conduct of internal audit. The audit report thus did not include a reference to compliance with GAGAS.

The issues identified during this self assessment will be included as part of audit close-out and quality assurance review, for future audits.

This self assessment and the accompanying work papers and review tools will be provided to the external quality assurance team.

Sincerely,



Mark Scott, CPA, CIA, CISA, CFE, MBA
Director of Internal Audit

MES/bke

cc:

Tim Irvine, Executive Director

Jeffrey Pender, Deputy General Counsel

Exhibit A

INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING (STANDARDS)

Introduction to the Standards

Internal auditing is conducted in diverse legal and cultural environments; for organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)* is essential in meeting the responsibilities of internal auditors and the internal audit activity.

The purpose of the *Standards* is to:

1. Guide adherence with the mandatory elements of the International Professional Practices Framework.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing services.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

The *Standards* are a set of principles-based, mandatory requirements consisting of:

- Statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance that are internationally applicable at organizational and individual levels.
- Interpretations clarifying terms or concepts within the *Standards*.

The *Standards*, together with the Code of Ethics, encompass all mandatory elements of the International Professional Practices Framework; therefore, conformance with the Code of Ethics and the *Standards* demonstrates conformance with all mandatory elements of the International Professional Practices Framework.

The *Standards* employ terms as defined specifically in the Glossary. To understand and apply the *Standards* correctly, it is necessary to consider the specific meanings from the Glossary. Furthermore, the *Standards* use the word "must" to specify an unconditional requirement and the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

The *Standards* comprise two main categories: Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. Attribute and Performance Standards apply to all internal audit services.

Implementation Standards expand upon the Attribute and Performance Standards by providing the requirements applicable to assurance (.A) or consulting (.C) services.

International Standards for the Professional Practice of Internal Auditing (*Standards*)

Assurance services involve the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor. Generally, three parties are participants in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — the internal auditor, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

The *Standards* apply to individual internal auditors and the internal audit activity. All internal auditors are accountable for conforming with the standards related to individual objectivity, proficiency, and due professional care and the standards relevant to the performance of their job responsibilities. Chief audit executives are additionally accountable for the internal audit activity's overall conformance with the *Standards*.

If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the *Standards*, conformance with all other parts of the *Standards* and appropriate disclosures are needed.

If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, internal audit communications may also cite the use of other requirements, as appropriate. In such a case, if the internal audit activity indicates conformance with the *Standards* and inconsistencies exist between the *Standards* and other requirements, internal auditors and the internal audit activity must conform with the *Standards* and may conform with the other requirements if such requirements are more restrictive. The review and development of the *Standards* is an ongoing process. The International Internal Audit Standards Board engages in extensive consultation and discussion before issuing the *Standards*. This includes worldwide solicitation for public comment through the exposure draft process. All exposure drafts are posted on The IIA's website as well as being distributed to all IIA institutes.

Suggestions and comments regarding the *Standards* can be sent to:

The Institute of Internal Auditors
Standards and Guidance
1035 Greenwood Blvd, Suite 401
Lake Mary, FL 32746 USA

E-mail: guidance@theiia.org Web: www.globaliia.org

International Standards for the Professional Practice of Internal Auditing (*Standards*)

INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING (STANDARDS)

Attribute Standards

1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

- **1000.A1** – The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.
- **1000.C1** – The nature of consulting services must be defined in the internal audit charter.

1010 – Recognizing Mandatory Guidance in the Internal Audit Charter

The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing must be recognized in the internal audit charter. The chief audit executive should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board.

1100 – Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

Interpretation:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board.

International Standards for the Professional Practice of Internal Auditing (Standards)

This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

1110 – Organizational Independence

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

Interpretation:

Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- *Approving the internal audit charter.*
- *Approving the risk-based internal audit plan.*
- *Approving the internal audit budget and resource plan.*
- *Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters.*
- *Approving decisions regarding the appointment and removal of the chief audit executive.*
- *Approving the remuneration of the chief audit executive.*
- *Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scopes or resource limitations.*

1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.

1111 – Direct Interaction with the Board

The chief audit executive must communicate and interact directly with the board.

1112 – Chief Audit Executive Roles Beyond Internal Auditing

Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Interpretation:

The chief audit executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organizational independence of the internal audit activity or the individual

objectivity of the internal auditor. Safeguards are those oversight activities, often undertaken by the board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

1130 – Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:

Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

1130.A1 – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2 – Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.

1130.A3 – The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

1130.C1 – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2 – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 – Proficiency

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Interpretation:

Proficiency is a collective term that refers to the knowledge, skills, and other competencies required of internal auditors to effectively carry out their professional responsibilities. It encompasses consideration of current activities, trends, and emerging issues, to enable relevant advice and recommendations. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organizations.

1210.A1 – The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2 – Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3 – Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1 – The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 – Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1 – Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied.

-
- Adequacy and effectiveness of governance, risk management, and control processes.
 - Probability of significant errors, fraud, or noncompliance.
 - Cost of assurance in relation to potential benefits.

1220.A2 – In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3 – Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1 – Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results.
- Relative complexity and extent of work needed to achieve the engagement's objectives.
- Cost of the consulting engagement in relation to potential benefits.

1230 – Continuing Professional Development

Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

1300 – Quality Assurance and Improvement Program

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement program.

1310 – Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both internal and external assessments.

1311 – Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the Standards.

Periodic assessments are conducted to evaluate conformance with the Code of Ethics and the Standards.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs. The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.

1320 – Reporting on the Quality Assurance and Improvement Program

The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:

- The scope and frequency of both the internal and external assessments.

-
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
 - Conclusions of assessors.
 - Corrective action plans.

Interpretation:

The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments, and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”

Indicating that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* is appropriate only if supported by the results of the quality assurance and improvement program.

Interpretation:

The internal audit activity conforms with the Code of Ethics and the Standards when it achieves the outcomes described therein. The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322 – Disclosure of Nonconformance

When nonconformance with the Code of Ethics or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.

Performance Standards

2000 – Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.

Interpretation:

The internal audit activity is effectively managed when:

- *It achieves the purpose and responsibility included in the internal audit charter.*
- *It conforms with the Standards.*
- *Its individual members conform with the Code of Ethics and the Standards.*

-
- *It considers trends and emerging issues that could impact the organization.*

The internal audit activity adds value to the organization and its stakeholders when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.

2010 – Planning

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Interpretation:

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organization's strategies, key business objectives, associated risks, and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

2010.A1 – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2 – The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.

2010.C1 – The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.

2020 – Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 – Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan.

2040 – Policies and Procedures

The chief audit executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 – Coordination and Reliance

The chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

Interpretation:

In coordinating activities, the chief audit executive may rely on the work of other assurance and consulting service providers. A consistent process for the basis of reliance should be established, and the chief audit executive should consider the competency, objectivity, and due professional care of the assurance and consulting service providers. The chief audit executive should also have a clear understanding of the scope, objectives, and results of the work performed by other providers of assurance and consulting services. Where reliance is placed on the work of others, the chief audit executive is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

2060 – Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the *Standards*. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board.

Interpretation:

The frequency and content of reporting are determined collaboratively by the chief audit executive, senior management, and the board. The frequency and content of reporting depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the board.

The chief audit executive's reporting and communication to senior management and the board must include information about:

- *The audit charter.*
- *Independence of the internal audit activity.*
- *The audit plan and progress against the plan.*
- *Resource requirements.*
- *Results of audit activities.*
- *Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues.*
- *Management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organization.*

-
- *These and other chief audit executive communication requirements are referenced throughout the Standards.*

2070 – External Service Provider and Organizational Responsibility for Internal Auditing

When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.

Interpretation:

This responsibility is demonstrated through the quality assurance and improvement program which assesses conformance with the Code of Ethics and the Standards.

2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

2110 – Governance

The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for:

- Making strategic and operational decisions.
- Overseeing risk management and control.
- Promoting appropriate ethics and values within the organization.
- Ensuring effective organizational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organization.
- Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.

2110.A1 – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

2110.A2 – The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives.

2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- *Organizational objectives support and align with the organization's mission.*

-
- *Significant risks are identified and assessed.*
 - *Appropriate risk responses are selected that align risks with the organization's risk appetite.*
 - *Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.*

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organization's risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1 – The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2120.A2 – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

2120.C1 – During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2120.C2 – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes.

2120.C3 – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 – Control

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2130.C1 – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization’s control processes.

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations. The plan must consider the organization’s strategies, objectives, and risks relevant to the engagement.

2201 – Planning Considerations

In planning the engagement, internal auditors must consider:

- The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity’s objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.
- The adequacy and effectiveness of the activity’s governance, risk management, and control processes compared to a relevant framework or model.
- The opportunities for making significant improvements to the activity’s governance, risk management, and control processes.

2201.A1 – When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1 – Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.

2210 – Engagement Objectives

Objectives must be established for each engagement.

2210.A1 – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2 – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

2210.A3 – Adequate criteria are needed to evaluate governance, risk management, and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must identify appropriate evaluation criteria through discussion with management and/or the board.

Interpretation:

Types of criteria may include:

- *Internal (e.g., policies and procedures of the organization).*
- *External (e.g., laws and regulations imposed by statutory bodies).*
- *Leading practices (e.g., industry and professional guidance).*

2210.C1 – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.

2210.C2 – Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives.

2220 – Engagement Scope

The established scope must be sufficient to achieve the objectives of the engagement.

2220.A1 – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

2220.A2 – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

2220.C1 – In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

2220.C2 – During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

2230 – Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care.

2240 – Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.

2240.A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

2240.C1 – Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 – Performing the Engagement

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals.

2320 – Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information

Internal auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.

2330.A1 – The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.A2 – The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2330.C1 – The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2340 – Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 – Communicating Results

Internal auditors must communicate the results of engagements.

2410 – Criteria for Communicating

Communications must include the engagement's objectives, scope, and results.

2410.A1 – Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors' opinion should be provided. An opinion must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

2410.A2 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

2410.C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and

balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organization and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 – Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

2430 – Use of “Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*”

Indicating that engagements are “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*” is appropriate only if supported by the results of the quality assurance and improvement program.

2431 – Engagement Disclosure of Nonconformance

When nonconformance with the Code of Ethics or the *Standards* impacts a specific engagement, communication of the results must disclose the:

- Principle(s) or rule(s) of conduct of the Code of Ethics or the Standard(s) with which full conformance was not achieved.
- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement and the communicated engagement results.

2440 – Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

Interpretation:

The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. When the chief audit executive delegates these duties, he or she retains overall responsibility.

2440.A1 – The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2 – If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the chief audit executive must:

- Assess the potential risk to the organization.
- Consult with senior management and/or legal counsel as appropriate.
- Control dissemination by restricting the use of the results.

2440.C1 – The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2 – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.

2450 – Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization; and the expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

The communication will include:

- *The scope, including the time period to which the opinion pertains.*
- *Scope limitations.*
- *Consideration of all related projects, including the reliance on other assurance providers.*
- *A summary of the information that supports the opinion.*
- *The risk or control framework or other criteria used as a basis for the overall opinion.*
- *The overall opinion, judgment, or conclusion reached.*

The reasons for an unfavorable overall opinion must be stated.

2500 – Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 – Communicating the Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.

Exhibit B



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
C. Kent Conine, *Chair*
Gloria Ray, *Vice Chair*
Leslie Bingham Escareño
Tom H. Gann
Lowell A. Keig
Juan S. Muñoz, Ph.D.

November 17, 2010

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

Re: An Internal Audit of Information Technology Governance

The Internal Audit Division has completed its audit of the Texas Department of Housing and Community Affairs' (Department's) information technology (IT) governance. The objective of this audit was to determine if the Department's leadership, organizational structures and processes ensure that the Department's information technology sustains the Department's organizational strategies and objectives.

We found that the Department's leadership supports the Information Systems Division (IS) and ensures that IS supports the goals and objectives of the Department. IS addresses business needs, considers user needs, involves users in development and implementation, tracks projects, and communicates project status to management. Although the Department's IT strategy is well aligned with its business strategy, there are two processes that could be improved to further document this alignment. The IS Steering Committee, used to review and approve new IT systems and changes to existing systems, should resume meeting formally to discuss and prioritize these systems and changes. In addition, the policies and procedures used to manage systems requests should be revised to reflect the actual processes used to make these requests.

IT governance is the process used to manage an organization's IT functions and to ensure that these functions reflect the priorities and objectives of the organization. IT governance helps to keep the organization on track to achieve its goals and to maximize its investment in information technology. Governance includes the process for deciding how money is spent, how functions are prioritized and how the IS division is managed. The IT Governance Institute maintains that: *"Effective IT governance helps ensure that IT supports business goals, maximizes business investment in IT, and appropriately manages IT-related risks and opportunities."*

IS Steering Committee

The IT Governance Institute's CoBIT manual for best practices states that an IT steering committee should be established and should be composed of executive, business and IT management. The purpose of the IT steering committee is to determine prioritization of IT projects in line with the enterprise's business strategy and priorities, track status of projects and resolve resource conflicts, and monitor service levels and improvements. The Department's IS Steering Committee previously met regularly to fulfill these responsibilities, but it is not currently meeting. Instead, the process is managed via email among the various parties responsible for the process. As a result, there is a risk that the committee members may not feel that they have adequate time to express their opinions or to consider various options.

Recommendation

The IS Steering Committee should begin meeting on a regularly scheduled basis to ensure that IS projects are in line with the agency's organizational strategies and objectives.

Management's Response

Management agrees with the recommendation and will begin scheduling IS Steering Committee meetings again in accordance with the IS Steering Committee Policy Statement. The first meeting will be scheduled in January 2011.

SOP 1264.08 – Requesting IS Services

The policies and procedures used by IS to handle requests for new systems or for system changes may need revision. Examples of system changes include modifications to custom or third-party information systems, bug fixes, or web site updates. The current policy (SOP 1264.08) classifies IS requests into eight different categories and identifies the process for requesting the IS service. In addition, the policy states that any IS request that is estimated to take 16 hours or more to complete requires the completion of the Change Request Form and any IS request that is estimated to take 200 hours or more to complete requires the completion of the IS Project Request Form. These forms are then presented to the IS Steering Committee for approval. However, IS does not consistently follow this policy as it relates to the Change Request Form and the IS Project Request Form. There is a risk that these requests may not be consistently tracked or appropriately prioritized without the use of a formal documented process to consistently handle these requests.

Recommendation

IS should consistently follow the policy 1264.08 – Requesting IS Services as stated or update the policy to reflect the current process.

Management's Response

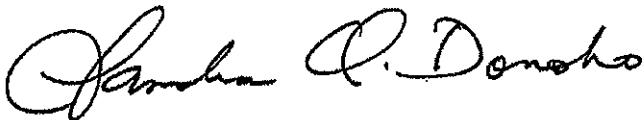
In conjunction with the renewal of IS Steering Committee meetings, management will resume consistent use of the Change Request Form and IS Project Request Form as defined in SOP 1264.08.

This audit was a performance audit and was conducted as part of the 2010 annual internal audit plan. An audit of IT governance is required by the *International Standards for the Professional Practice of Internal Auditing*. We conducted fieldwork for this audit in September and October 2010. This audit was conducted in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*.

We reviewed documents, conducted interviews with key staff, and tested a judgmental sample of three IT projects. Our criteria included the Institute of Internal Auditors' Standard 2110.A2 of the *International Professional Practices Framework*, and best practices from the IT Governance Institute (ITGI) and the Committee on Sponsoring Organizations (COSO).

We would like to extend our sincere thanks to executive management and the management and staff of the Information Systems Division for their cooperation and assistance during the course of this audit.

Sincerely,



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

cc:

Michael Gerber, Executive Director
Tim Irvine, General Counsel
Bill Dally, Deputy Executive Director Administration
Curtis Howe, Director Information Systems

5

BOARD ACTION REQUEST

LEGAL DIVISION

JANUARY 26, 2017

Presentation, Discussion, and Possible Action on recommendation to debar Ebenezer Anene for a period of ten years

RECOMMENDED ACTION

WHEREAS, Ebenezer Anene is the President and Director of EBENZ, a Texas nonprofit corporation (“EBENZ”);

WHEREAS, on October 21, 2012, EBENZ executed a Reservation System Participant (“RSP”) Agreement 2011-0062 (“RSP Agreement”), agreeing to participate in the HOME Investment Partnership Program or HOME, and agreeing to follow applicable federal and state laws, including OMB Circular No. A-122;

WHEREAS, the Texas Department of Housing and Community Affairs (“TDHCA” or “Department”) periodically monitors RSP Agreements for compliance with applicable federal and state laws;

WHEREAS, on April 1, 2014, the Department provided a preliminary warning to EBENZ in a desk review monitoring report, observing that EBENZ did not appear to be meeting minimum requirements relating to procurement or documenting costs, and directing EBENZ to ensure that it collects legally required documentation;

WHEREAS, on November 23, 2015, TDHCA conducted a monitoring review, and violations were identified for failure to meet procurement requirements and adequately document costs. On, November 30, 2015, a monitoring report was issued, and a deadline of December 30, 2015, was set to submit corrections;

WHEREAS, EBENZ submitted multiple corrective responses, but was ultimately unable to properly document all costs;

WHEREAS, on February 9, 2016, TDHCA demanded EBENZ to repay disallowed costs in an amount totaling \$73,720.78;

WHEREAS, EBENZ has been provided multiple opportunities for repayment but has refused to repay disallowed costs. In addition, the Department has referred the matter to the Office of the Attorney General for collection;

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

WHEREAS, 10 TAC §2.401(f) also addresses debarment and lists examples of material and repeated violations in connection with the administration of programs administered by the Department. Specifically, EBENZ violated 10 TAC §2.401(f)(3) by failing to repay disallowed costs;

WHEREAS, Ebenezer Anene received a Notice of Debarment Determination and did not submit a written appeal to the Board;

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

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

NOW, therefore, it is hereby

RESOLVED, that the Board orders the debarment of Ebenezer Anene for a ten year term.

BACKGROUND

EBENZ signed a HOME Investment Partnerships Program Reservation System Participant Agreement 2011-0062 (“RSP Agreement”) in 2012, committing to be a Reservation System Participant in three set-asides: Homeowner Rehabilitation Assistance Set-Aside #1001695 (“Set-Aside #1001695”), Single-Family Programs for Persons with Disabilities Set-Aside #1001696 (“Set-Aside #1001696”), and Disaster Relief Set-Aside #1001697 (“Set-Aside 1001697”). EBENZ failed to maintain adequate records to demonstrate that costs were allowable under state and federal program requirements, and then failed to repay the associated disallowed costs.

The documentation problems leading to the disallowed costs currently in question are repeat observations under the current RSP Agreement. A desk review monitoring report was sent to EBENZ on April 1, 2014, observing that Mr. Anene did not appear to be meeting minimum requirements relating to procurement or adequately documenting costs. The report warned Mr. Anene that he must ensure in the future that requests for reimbursement of costs entered into the Housing Contract System are adequately documented. EBENZ continued to maintain inadequate documentation and the majority of disallowed costs relate to activity by EBENZ after April 1, 2014. Another monitoring review was performed on November 23, 2015, and costs totaling \$73,720.78 were ultimately disallowed after EBENZ failed to provide acceptable supporting documentation. Mr. Anene has refused to repay the disallowed costs.

Tex. Gov’t. Code §2306.0504(c) states that the Department shall debar a person from participation in a Department program if the person materially or repeatedly violates any condition imposed by the department in connection with the administration of a debarment program. One of the material violations identified by 10 TAC §2.401(f) is failure to repay disallowed costs. Accordingly, the department must debar Mr. Anene.

The Enforcement Committee held an informal conference and recommended debarment for a term of 10 years. A Notice of Debarment Determination was sent to Mr. Anene on December 1, 2016. 10 TAC §2.401(l) provides that, “The Board reserves the discretion to impose longer or shorter debarment periods than those recommended by staff based on its finding that such longer or shorter periods are appropriate when considering all factors and/or for the purposes of equity or other good cause.”

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



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

To: TDHCA Governing Board
From: Timothy K. Irvine, Executive Director
Date: January 26, 2017
Subject: Report to the Board

The Enforcement Committee has recommended a 10 year debarment term against Ebenezer Anene (“Respondent”), President and Director of EBENZ, a Texas nonprofit corporation, for failure to repay disallowed costs in the amount of \$73,720.78, associated with HOME Reservation System Participant Agreement 2011-006. I have, in my capacity as Executive Director of the Department, made the following **PRELIMINARY DETERMINATIONS:**

I. JURISDICTION:

1. On September 21, 2012, Respondent executed the HOME Investment Partnerships Program Reservation System Participant Agreement 2011-0062 (“RSP Agreement”), committing to be a Reservation System Participant in three set-asides: Homeowner Rehabilitation Assistance Set-Aside #1001695 (“Set-Aside #1001695”), Single-Family Programs for Persons with Disabilities Set-Aside #1001696 (“Set-Aside #1001696”), and Disaster Relief Set-Aside #1001697 (“Set-Aside 1001697”). Two reservations and commitments were made under Set-Aside #1001695: Activity #38983 for 6518 Anderson St, and Activity #39886 for 3010 8th Avenue North. Two reservations and commitments were made under Set-Aside #1001696: Activity #39242 for 2808 Arkansas Avenue and Activity # 38611 for 2524 13th Avenue North. No reservations or commitments were made under Set-Aside 1001697.
2. EBENZ is a Texas nonprofit corporation that is qualified to participate in the HOME reservation system, and is subject to the regulatory authority of TDHCA.
3. Respondent is the president and director of EBENZ. He executed the RSP Agreement and is designated as the primary contact for EBENZ.

II. MATERIAL VIOLATIONS SUBJECT TO DEBARMENT:

1. TDHCA conducted a monitoring review on November 23, 2015, and issued a monitoring report on November 30, 2015, identifying violations for failure to meet procurement requirements and adequately document costs. A deadline of December 30, 2015, was set to submit corrective documentation. Respondent submitted multiple corrective responses, but was ultimately unable to properly document all costs. TDHCA then demanded repayment of disallowed costs totaling \$73,720.78 on February 9, 2016. Respondent failed to repay those disallowed costs, a material violation under 10 TAC §2.401(f)(3) that justifies debarment, and Respondent continues to refuse to make arrangements to repay the disallowed costs.



III. LAW/RULE VIOLATIONS:

1. Respondent violated 10 TAC §53.32(c)(6), 10 TAC §53.42(c)(6), effective at the time the RSP Agreement was executed, and Section 8.2.B. of the RSP Agreement when it failed to meet minimum requirements under OMB Circular No A-122 to reasonably document costs.
2. Respondent violated Section 8.3 of the RSP Agreement when a monitoring review was conducted and Respondent failed to take the actions specified in the subsequently issued monitoring reports for Activity #s 38983, 39886, and 39242.
3. Respondent violated Section 3.1(iii) of the RSP Agreement when disallowed costs totaling \$73,720.78 were demanded and not repaid.

IV. RECOMMENDED DEBARMENT TERM:

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

1. **Repeated occurrences:** EBENZ has been cited for contract monitoring violations relating to prior contracts, but EBENZ corrected past violations and therefore has not previously been referred to the Enforcement Committee. The documentation problems leading to the disallowed costs currently in question are repeat observations under the current RSP Agreement. A desk review monitoring report was sent to EBENZ on April 1, 2014, observing that Mr. Anene did not appear to be meeting minimum requirements relating to procurement or adequately documenting costs. The report warned Mr. Anene that he must ensure in the future that requests for reimbursement of costs entered into the Housing Contract System are adequately documented. EBENZ continued to maintain inadequate documentation and the majority of disallowed costs relate to activity by EBENZ after April 1, 2014. An onsite monitoring review was performed on November 23, 2015, and costs totaling \$73,720.78 were ultimately disallowed after EBENZ failed to provide acceptable supporting documentation. Mr. Anene has refused to repay the disallowed costs.
2. **Seriousness of underlying issues:** The disallowed costs are very serious because they represent payments from TDHCA to EBENZ for costs that could not be supported by documentation that is acceptable under the HOME Final Rule, and state and federal standards followed by the Department, including OMB Circular A-122. The Department gave EBENZ the benefit of the doubt and reviewed multiple corrective submissions, ultimately decreasing the disallowed costs from \$182,672.50 to \$73,720.78, but there was no acceptable documentation for the final disallowed costs calculation. As a result of this failure to comply, the Department may have repayment liability to the Department of Housing and Urban Development. Since the disallowed costs have not been repaid, the Department would bear that potential repayment at a minimum.
3. **Presence or absence of corrective action, including corrective action to install new responsible persons and ensure they are qualified and properly trained:** As demonstrated above, Mr. Anene did not change record-keeping procedures in response to TDHCA's desk review conducted in April of 2014, which had warned him that documentation did not meet minimum standards. Mr. Anene refuses to accept staff's determination regarding disallowed costs and has provided the same corrective documentation on multiple occasions. He argues that he paid a subcontractor directly for work performed at the property, but there is no back-up documentation that would permit payment in this manner under the federal regulations required for this program. Prior to the informal conference with the Enforcement Committee, Mr. Anene attended numerous meetings with Department staff and made public comment during Board

meetings, but has presented no acceptable evidence to support the disallowed costs. All evidence that has been submitted to the Department has been reviewed and considered in the final disallowed costs calculation of \$73,720.78 for Activity #s 38983, 39886, and 39242.

Mr. Anene has also argued that the combined disallowed costs for Activity #'s 38983, 39886, and 39242 offset costs that were not reimbursed under the RSP Agreement for Activity #38611 at 3010 8th Avenue North, which should be accepted as corrective action. However, reimbursable costs associated with one activity cannot be used to repay disallowed costs for another activity. Further, the home for Activity #38611 was demolished, the homeowner was displaced, and construction was not completed before the already extended expiration date of October 21, 2015. Although demolition and some site work were completed before the deadline, costs were not reimbursable for that activity because reimbursement request documentation was not timely received before the contract expired on October 21, 2015, and the contract was not eligible for further extensions. This, therefore, cannot be considered corrective action relating to disallowed costs.

4. **Other relevant information:** EBENZ failed to complete work that resulted in housing compliant with state and federal construction standards for the four contract activities under the RSP Agreement and submitted misleading documentation to the Department, both as evidence for reimbursement and as corrective action for violations identified under a physical inspection.
 - a. **Failure to complete work:** Four homes were approved for assistance to be served under the RSP Agreement, but there were problems for all of them, with construction deficiencies for one home under Set-Aside #1001695, both homes under Set-Aside # 1001696, and the final home under #1001695 not being completed by the end of the contract term. An alternate administrator was ultimately procured, who hired contractors to complete the work on all four homes. Although the construction deficiencies were ultimately resolved by the new administrator, EBENZ was not involved in that corrective action.
 - b. **Misleading documentation submitted to the Department for two matters:** The first matter involves EBENZ requesting a draw of HOME funds for a single family residential dwelling at 2808 Arkansas Avenue, League City, Texas, Activity #39242 under Set-Aside #1001696. As supporting evidence for the draw, EBENZ submitted an invoice purporting to have been provided by a third party. TDHCA has confirmed that the third party did not, in fact, perform those underlying services for which HOME funds were drawn from TDHCA. These funds are part of the disallowed costs outlined above. For the second matter, TDHCA performed an inspection of a single family dwelling at 6518 Anderson Street, Texas City, Texas, Activity #38983 under Set-Aside #1001695, and found that the home did not possess a no-step entrance as required by Tex. Gov't Code §2306.514 and Section 2.8.A. of the RSP Agreement. EBENZ was directed to take corrective action and provide documentation of that corrective action to TDHCA on or before January 6, 2016. No corrections were received, and TDHCA sent a reminder email on February 8, 2016. On February 9, 2016, Mr. Anene submitted a photograph via email that had been altered to show a ramp at the rear entrance of the home. TDHCA reinspected on February 11, 2016, and verified that there was no ramp installed. Both matters are further evidence of difficulties EBENZ had in properly administering funds under Department programs, and have been referred to the State Auditor's Office.

A Notice of Debarment Determination was sent to Mr. Anene on December 1, 2016, as required by 10 TAC §2.401(k). 10 TAC §2.401(l) provides that, “The Board reserves the discretion to impose longer or shorter debarment periods than those recommended by staff based on its finding that such longer or shorter periods are appropriate when considering all factors and/or for the purposes of equity or other good cause.”

The debarment term of 10 years is appropriate under the debarment factors outlined above. Accordingly, after consideration of all appropriate factors, including those set out in TEX. GOV'T CODE §2306.0504 and 10 TEX. ADMIN. CODE §2.401, the Enforcement Committee has recommended a debarment term of 10 years.

ENFORCEMENT ACTION AGAINST
EBENEZER ANENE

§
§
§
§
§

BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

FINAL ORDER

General Remarks and official action taken:

On this 26th day of January, 2017, the Governing Board (“Board”) of the Texas Department of Housing and Community Affairs (“TDHCA” or “Department”) considered the matter of whether enforcement action should be taken against **EBENEZER ANENE** (“Respondent”), president and director of EBENZ, a Texas nonprofit corporation, for failure to repay disallowed costs in the amount of \$73,720.78 relating to Reservation System Participant Agreement 2011-0062.

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

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

FINDINGS OF FACT

Jurisdiction:

1. On September 21, 2012, Respondent executed the HOME Investment Partnerships Program Reservation System Participant Agreement 2011-0062 (“RSP Agreement”), committing to be a Reservation System Participant in three set-asides: Homeowner Rehabilitation Assistance Set-Aside #1001695 (“Set-Aside #1001695”), Single-Family Programs for Persons with Disabilities Set-Aside #1001696 (“Set-Aside #1001696”), and Disaster Relief Set-Aside #1001697 (“Set-Aside 1001697”). Two reservations and commitments were made under Set-Aside #1001695: Activity #38983 for 6518 Anderson St, and Activity #39886 for 3010 8th Avenue North. Two reservations and commitments were made under Set-Aside #1001696: Activity #39242 for 2808 Arkansas Avenue and Activity # 38611 for 2524 13th Avenue North. No reservations or commitments were made under Set-Aside 1001697.
2. EBENZ is a Texas nonprofit corporation that is qualified to participate in the HOME reservation system, and is subject to the regulatory authority of TDHCA.

3. Respondent is the president and director of EBENZ. He executed the RSP Agreement and is designated as the primary contact for EBENZ.

Material Violations Subject To Debarment:

1. TDHCA conducted a monitoring review on November 23, 2015, and issued a monitoring report on November 30, 2015, identifying violations for failure to meet procurement requirements and adequately document costs. A deadline of December 30, 2015, was set to submit corrective documentation. Respondent submitted multiple corrective responses, but was ultimately unable to properly document all costs. TDHCA then demanded repayment of disallowed costs totaling \$73,720.78 on February 9, 2016. Respondent failed to repay those disallowed costs, a material violation under 10 TAC §2.401(f)(3) that justifies debarment, and Respondent continues to refuse to make arrangements to repay the disallowed costs.

CONCLUSIONS OF LAW

1. TDHCA is a designated Participating Jurisdiction within the meaning of 24 C.F.R. Part 92 and has the authority pursuant to TEX GOV'T CODE Chapter 2306, Subchapter F, to make a subaward or otherwise contract with eligible organizations to participate in the administration of HOME funds provided to the State of Texas under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Section 12704 et seq).
2. Pursuant to the RSP Agreement, EBENZ is required to administer HOME funds in accordance with federal and state requirements, including but not limited to the HOME Investments Partnerships Act of 1990, 42 U.S.C. 12721-12839; applicable Federal and CPD Notices issued by HUD; 24 C.F.R. Part 92; 24 C.F.R. Part 84, OMB Circular No A-122, Tex. Gov't Code 2306; and 10 TAC §53¹.
3. Pursuant to 24 C.F.R. 504 (a) and 10 TAC 20.15 (a), TDHCA is required to monitor for noncompliance with all state and federal requirements under the HOME program.
4. Respondent violated 10 TAC §53.32(c)(6), 10 TAC §53.42(c)(6) effective at the time the RSP Agreement was executed, and Section 8.2.B. of the RSP Agreement when it failed to meet minimum requirements under OMB Circular No A-122 to reasonably document costs.
5. Respondent violated Section 8.3 of the RSP Agreement when a monitoring review was conducted and Respondent failed to take the actions specified in the subsequently issued monitoring reports for Activity #s 38983, 39886, and 39242.
6. Respondent violated Section 3.1(iii) of the RSP Agreement when disallowed costs totaling \$73,720.78 were demanded and not repaid.
7. Pursuant to Tex. Gov't. Code §2306.0504(c), the Department shall debar a person from participation in a Department program if the person materially or repeatedly violates any condition imposed by the department in connection with the administration of a department program.

¹ References to violations of TDHCA rules at 10 TAC §53 refer to the version of the code in effect at the time the RSP Agreement was signed in 2012. All past violations remain violations under the current code and all interim amendments.

8. Pursuant to 10 TAC §2.401(f)(3), failure to repay disallowed costs is a material violation that justifies debarment.

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

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

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

[Remainder of page intentionally blank]

6

**TO BE POSTED NOT LATER THAN THE
THIRD DAY BEFORE THE DATE OF
THE MEETING**

7a

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action regarding an exemption under 10 TAC §10.101(a)(2) for 2017 Housing Tax Credit (“HTC”) Application #17010 Baxter Lofts

RECOMMENDED ACTION

WHEREAS, pursuant to 10 TAC §10.101(a)(2)(E), Development Sites within 500 feet of active railroad tracks may be considered ineligible as determined by the Board;

WHEREAS, pursuant to 10 TAC §10.101(a)(2), Historic Developments that would otherwise qualify under 10 TAC §11.9(e)(6) of the Qualified Allocation Plan (“QAP”) may be granted an exemption by the Board if such exemption is requested at the time of or prior to the filing of an Application;

WHEREAS, the Applicant for the Baxter Lofts (“Applicant”) is now requesting an exemption from the 500-foot distance separation requirement for railroad tracks; and

WHEREAS, staff has found that the request is in keeping with the requirements of 10 TAC §10.101(a)(2), and staff believes that Baxter Lofts would otherwise qualify as a Historic Development under 10 TAC §11.9(e)(6) of the QAP;

NOW, therefore, it is hereby

RESOLVED, that the requested exemption for Baxter Lofts as presented at this Meeting is approved, and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

The Baxter Building, located at 106 ½ A Street in downtown Harlingen, was the subject Development Site for the 2016 Baxter Lofts application (#16029). The 2016 application included a letter from the Texas Historical Commission stating their preliminary determination that the property appears to be eligible for Certified Historic Structure status. With this letter, the application met the requirements of 10 TAC §11.9(e)(6) of the QAP regarding Historic Developments.

Staff recommends approval of the exemption.



December 7, 2016

Ms. Sharon Gamble
9% Competitive Housing Tax Credit Program Administrator
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Via: Sharon.Gamble@tdhca.state.tx.us

Re: Historic Undesirable Site Feature Exemption Request
Baxter Lofts Harlingen, Texas

Dear Ms. Gamble:

The Applicant for the Baxter Lofts located at 106 ½ A Street in downtown Harlingen respectfully requests an exemption from the 500-foot distance separation requirement for railroad tracks. The 2017 Multifamily Rules Subchapter B Section 10.101(a)(2) permits this exemption for qualified Historic Developments. The Baxter Lofts site is approximately 237 feet from the closest rail. See Exhibit "A", map with distance between site and railroad track annotated.

As discussed during the 2017 QAP and Rules public comment period, Texas towns were settled on railroad stops. Many historic structures are located near railroads, like the Baxter Lofts in downtown Harlingen. Additionally, the development site is well outside the 100' distance requirement in the 2015 and 2016 Multifamily Rules.

As required per QAP Section 11.9(e)(6), the Applicant reasonably expects the development to receive historic tax credits. See attached documentation from the Texas Historic Commission, Exhibit "B".

Due to the unique locational nature of historic properties, the 237-foot separation, and the exemption provision permitted by the Rules, the Applicant respectfully requests a TDHCA Board waiver for the separation requirement. Please feel free to contact me if you have any questions or require any additional information.

Sincerely,

A handwritten signature in black ink that reads "Sallie Burchett".

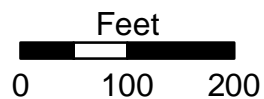
Sallie Burchett, AICP
Consultant to the Project

cc: Marni Holloway



Baxter Lofts

106 1/2 S A Street Harlingen, Texas 78550
237 feet from nearest railroad track



TEXAS HISTORICAL COMMISSION
real places telling real stories

February 25, 2016

Ms. Catherine Montgomery AIA
Preservation and Design Studio, PLLC
310 North Lee Avenue, Suite 310
Oklahoma City, OK 73102

PROPERTY: Historic Baxter Building, Cameron County
106 ½ (or 106) South A Street
Harlingen, TX 78550
Proposed Baxter Lofts (TDHCA ID #16029)

Dear Ms. Montgomery,

The Texas Historical Commission understands that your client proposes to pursue both **federal and state historic rehabilitation tax credits** for the property identified above (specifically, the Federal 20% Historic Preservation Tax Incentives, and the Texas Historic Preservation Tax Credit).

Our agency's preliminary determination is that the above property appears to be eligible for Certified Historic Structure status, and is therefore **preliminarily eligible for consideration in both above-mentioned historic rehabilitation tax credit programs.**

This letter represents a preliminary determination by our National Register Coordinator only. Full compliance with all Federal and State Tax Credit program requirements, including compliance with the Secretary of the Interior's Standards for Rehabilitation, will be assessed during the formal application process before any official determination is made.

Should you have any questions, please contact Valerie Magolan, Tax Credit Program Specialist, at valerie.magolan@thc.state.tx.us, or at 512-463-3857.

Yours truly,



Sharon Fleming, AIA
Deputy State Historic Preservation Officer
Director, Division of Architecture



7b

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action regarding an exemption under 10 TAC §10.101(a)(2) for 2017 Housing Tax Credit (“HTC”) Application #17255 Trinity Oaks Apartments

RECOMMENDED ACTION

WHEREAS, pursuant to 10 TAC §10.101(a)(2)(E), Development Sites within 500 feet of active railroad tracks may be considered ineligible as determined by the Board;

WHEREAS, pursuant to 10 TAC §10.101(a)(2), Rehabilitation Developments with ongoing and existing federal assistance from the U.S. Department of Housing and Urban Development (“HUD”), U.S. Department of Agriculture (“USDA”), or U.S. Department of Veterans Affairs (“VA”) may be granted an exemption by the Board if such exemption is requested at the time of or prior to the filing of an Application;

WHEREAS, the Applicant for the Trinity Oaks Apartments (“Applicant”) is now requesting an exemption from the 500-foot distance separation requirement for railroad tracks; and

WHEREAS, staff has found that the applicant is proposing to rehabilitate an existing property supported by financing and rental assistance from both HUD and USDA and the request is in keeping with the requirements of 10 TAC §10.101(a)(2);

NOW, therefore, it is hereby

RESOLVED, that the requested exemption for the Trinity Oaks Apartments as presented at this Meeting is approved, and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

The Trinity Oaks Apartments, located in Sulphur Springs, is a USDA financed property with rental assistance from both USDA and HUD. The Applicant provided documentation of existing federal assistance from USDA and ongoing federal assistance from HUD. A Pre-application has been submitted for the At-Risk, USDA, and Nonprofit Set-asides for tax credits to help finance the acquisition and rehabilitation of the property.

Staff recommends approval of the exemption.



December 27, 2016

Ms. Sharon Gamble
Director of Multifamily Housing Finance
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

Re: Request for exemption to Undesirable Site Feature
Trinity Oaks Apartments
Sulphur Springs, Texas

Dear Ms. Gamble:

We are considering an application for housing tax credits for the acquisition and rehabilitation of the Trinity Oaks Apartments in Sulphur Springs, Texas. This USDA financed property has rental assistance from both USDA and HUD. It will be an application in the USDA set aside for tax credits to help finance the acquisition and renovation of this almost 30 year old property. The property is adjacent to a railroad and we are asking for an exemption to this Undesirable Site Feature.

The north boundary of Trinity Oaks is adjacent to railroad tracks. The nearest building is 466' from the tracks. These tracks are owned and only used by Blacklands Railroad a local rail company based in Sulphur Springs. The line runs from Greenville about 40 miles to the west to Mt. Pleasant about 40 miles to the east. A telephone conversation with their office indicated the only had "2 or 3 trains a week" traffic on these tracks. They don't carry hazardous materials as the majority of their commerce is agricultural in nature and the average speed of a train is about 20 mph here and the average train carries 10 cars with one locomotive. Their phone number is 903-439-0738.

A telephone conversation with the City of Sulphur Springs' engineer confirmed this information and confirmed that the City does not have a quiet zone ordinance that addresses railroad whistles or horns because the volume of traffic is so small and the trains are assembled here rather than pass through so that isn't a noise issue.

As noise is the only possible undesirable feature of these railroad tracks we investigated the decibel noise level produced by these tracks. Using HUD's Noise Guidebook and assuming the elevation of the tracks is approximately the same as the elevation of the apartments the following calculations were completed.

**3701 Kirby Drive, Suite 860
Houston, Texas 77098
(713) 526-6634**

Distance – 466 ft.

Diesel Engines – (charts page 66)

1 engine / 2 = 0.5

Speed adjustment – 1.5 = 0.75

Whistle adjustment – 10 = 7.5

Railroad cars – (charts page 66)

10 cars / 50 = 0.20

Speed adjustment – 0.44 – 0.088

Whistle adjustment – 100 = 8.8

DNL (“outdoor day/night average sound level”) – Engines – 52 dB (“decibels”) (graph page 69)

DNL – Cars - >50 dB – not on graph (graph page 70)

Combined DNL difference is 4 dB so add 1.5 to largest (chart page 51)

Combined dB from railroad 53.5 dB

DNLs exceeding 65 dB are considered unacceptable by HUD. This level is well below this threshold. As there is little traffic on Woodlawn and the airport is too far away to be a factor the overall noise level of this site will be acceptable.

Trinity Oaks is an application to rehabilitate an existing property supported by financing and rental assistance from both HUD and USDA. We request that staff and the board grant an exemption to the property’s proximity to the railroad track.

Sincerely,




Daniel Algeier
Chief Operating Officer

TRINITY OAKS APARTMENTS

SULPHUR SPRINGS, TX

Legend

 Site

Blacklands RR

Trinity Oaks Apts

W California St

Sunset St

Locust St

Jerry St

7th St

Mulberry St

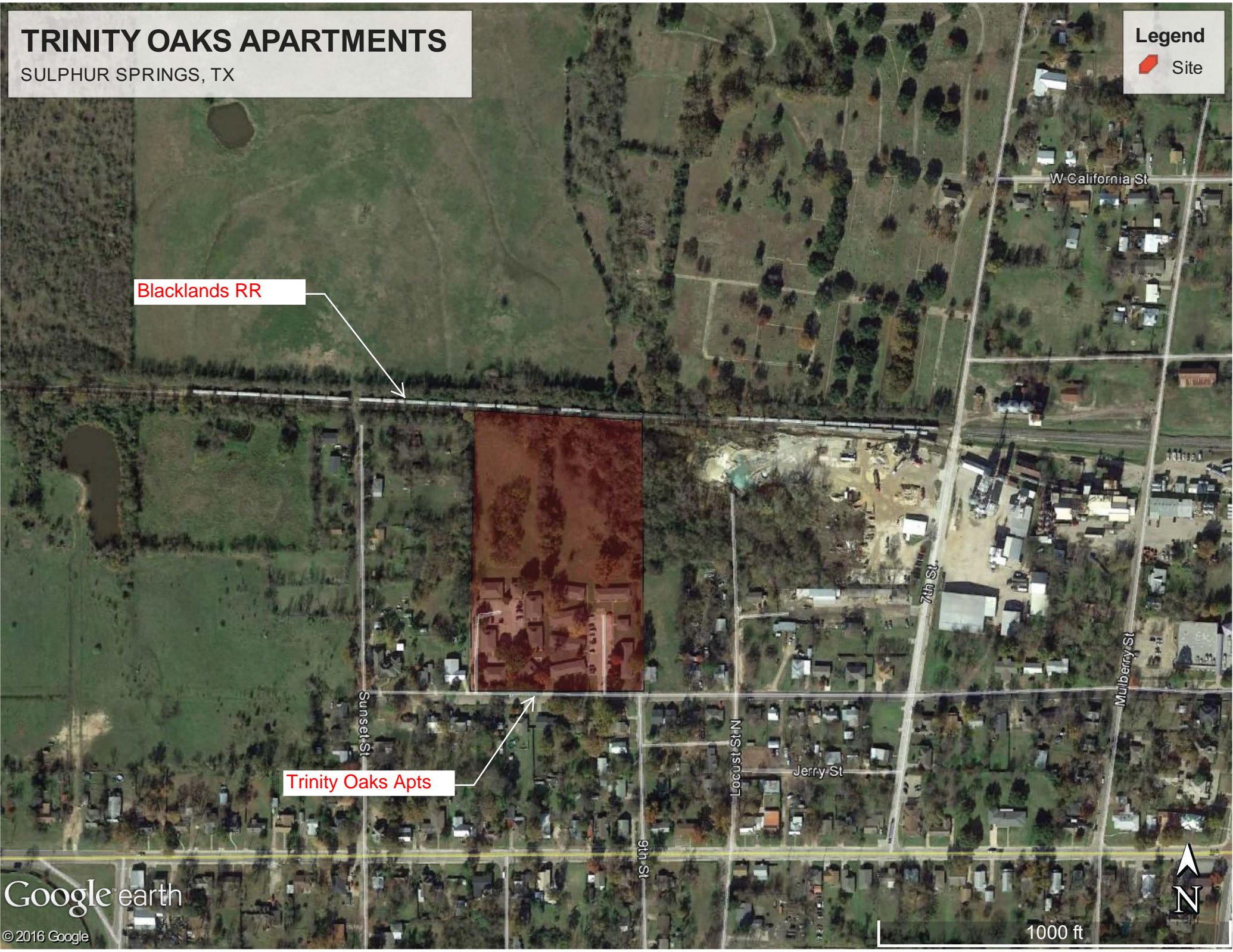
9th St



1000 ft

Google earth

© 2016 Google



KIND OF LOAN
Type: <u>ERM</u>
Pursuant to:
<input type="checkbox"/> Consolidated Farm and Rural Development Act.
<input checked="" type="checkbox"/> Title V of the Housing Act of 1949.

PROMISSORY NOTE

STATE	TEXAS
COUNTY	HOPKINS
CASE NO.	50-12-1337999

Date November 12, 1982

FOR VALUE RECEIVED, the undersigned (whether one or more persons, herein called "Borrower?") jointly and severally promise to pay to the order of the United States of America, acting through the Farmers Home Administration,

United States Department of Agriculture, (herein called the "Government") at its office in Sherman, Texas

THE PRINCIPAL SUM OF FIVE HUNDRED NINE THOUSAND AND NO/100
DOLLARS (\$ 509,000.00), plus INTEREST on the UNPAID PRINCIPAL of ELEVEN AND ONE-HALF PERCENT (11 1/2 %) PER ANNUM.

Payment of the said Principal and Interest shall be as agreed between the Borrower and the Government using one of four alternatives as indicated below: (check one)

I. Principal and Interest payments shall be deferred. The first installment shall be all accrued interest and shall be due on _____, 19 ____ . Payment of Principal and later accrued Interest shall be in _____ installments as indicated in the box below;

II. Principal and Interest payments shall be deferred. The interest accrued to _____, 19 ____ shall be added to the Principal. Such new Principal and later accrued Interest shall be payable in _____ regular amortized installments on the dates indicated in the box below. Borrower authorizes the Government to enter the amount of such new Principal herein \$ _____ and the amount of such regular installments in the box below, when such amounts have been determined.

III. Payment of Interest shall not be deferred. Installments of accrued Interest shall be payable on the _____ of each _____ beginning on _____, 19 ____, through _____, 19 ____, Principal and later accrued Interest shall be paid in _____ installments as indicated in the box below;

IV. Payments shall not be deferred. Principal and Interest shall be paid in 600 installments as indicated in the box below:

\$ <u>4897.00</u>	on <u>December 12</u>	, 19 <u>82</u>
\$ <u>4897.00</u>	thereafter on the <u>12th</u>	of each <u>month</u>
until the PRINCIPAL and INTEREST are fully paid except that the FINAL INSTALLMENT of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and PAYABLE <u>FIFTY</u> (<u>50</u>) YEARS from the DATE of this NOTE. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.		

29 1/2
4067 00

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to the Borrower as requested by Borrower and approved by the Government. Approval of the Government is mandatory provided the advance is requested for a purpose authorized by the Government. Interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof. Borrower authorizes the Government to enter the amount and date of such advance in the Record of Advances.

Every payment made on any indebtedness evidenced by this note shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations (7 C.F.R. 1861.2) of the Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

Borrower agrees that the Government at any time may assign this note and insure the payment thereof, and in such case, though the note is not held by the Government, Borrower shall continue to pay to the Government, as collection agent for the holder, all installments of principal and interest as scheduled herein.

If this note is held by an insured lender, prepayments made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Borrower hereby certifies that he is unable to obtain sufficient credit elsewhere to finance his actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near his community for loans for similar purposes and periods of time, and that the loan evidenced hereby shall be used solely for purposes authorized by the Government.

Property constructed, improved, purchased, or refinanced in whole or in part with the loan evidenced hereby shall not be leased, assigned, sold, transferred, or encumbered, voluntarily or otherwise, without the written consent of the Government. Unless the Government consents otherwise in writing, Borrower (a) will personally operate such property as a farm with his own and his family's labor if this is an FO loan, or (b) will personally occupy and use such property if this is an RH loan on a "nonfarm tract" or a section 504 RH loan.

REFINANCING AGREEMENT: If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept a loan in sufficient amount to pay this note in full and, if the lender is a cooperative, to pay for any necessary stock. This paragraph and the preceding paragraph shall not apply to any comaker signing this note pursuant to Section 502 of the Housing Act of 1949 to compensate for deficient repayment ability of other undersigned person(s).

DEFAULT: Failure to pay when due any debt evidenced hereby or perform any covenant or agreement hereunder shall constitute default under any other instrument evidencing a debt of Borrower owing to, insured or Guaranteed by the Government or securing or otherwise relating to such a debt; and default under any such other instrument shall constitute default hereunder. **UPON ANY SUCH DEFAULT,** the Government at its option may declare all or any part of any such indebtedness immediately due and payable.

This Note is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act or Title V of the Housing Act of 1949 and for the type of loan as is indicated in the "KIND OF LOAN" block above. This Note shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

Presentment, protest, and notice are hereby waived.

HOUSING ASSOCIATES OF SULPHUR SPRINGS

By: *S. Daniel Allgeier* (SEAL)
 S. Daniel Allgeier, (BORROWER)
 General Partner & Individually

By: *Elmer M. Allgeier* (SEAL)
 Elmer M. Allgeier, (SPOUSE)
 General Partner & Individually

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE	AMOUNT	DATE
(1) \$ 509,000.00	Nov. 12, 1982	(8) \$		(15) \$	
(2) \$		(9) \$		(16) \$	
(3) \$		(10) \$		(17) \$	
(4) \$		(11) \$		(18) \$	
(5) \$		(12) \$		(19) \$	
(6) \$		(13) \$		(20) \$	
(7) \$		(14) \$		(21) \$	
TOTAL				\$ 509,000.00	Nov. 12, 1982

INTEREST CREDIT AND RENTAL ASSISTANCE AGREEMENT

State	TEXAS
County	HOPKINS
Case Number	50-12-1337999

Type of Loan	Loan Code
<input checked="" type="checkbox"/> RRH <input type="checkbox"/> RCH <input type="checkbox"/> LH	84-01

- This Agreement to be effective on 12th day of November, 82, between the United States of America, acting through the Farmers Home Administration pursuant to Section 521 of the Housing Act of 1949, (herein called "the Government") and Housing Associates of Sulphur Springs (herein called "Borrower") supplements a promissory note in the principal amount of \$09,000.00, dated November 12, 1982 which was drawn in a single advance multiple advances.
- Subject to the provisions of this agreement, the Government will compute interest on the Borrower's account at the rate specified for the plan of operation selected below:
 - PLAN I. The effective interest rate is three (3) percent plus surcharge as determined by the Government formula or procedure based on the income of the family.
 - PLAN I S 8. For a profit type operation with a HUD Section 8 Housing Assistance Payment Contract in effect on all or a part of the units in the project.
The effective interest rate is 9.5 percent as determined by the Government formula or procedure based on market and contract rental rates.
 - PLAN II. For non-profit and limited profit type operation with or without a HUD Section 8 Housing Assistance Payments contract in effective on a part of the units in the project.
The effective interest rate is one (1) percent plus all rental income over basic rent as determined by the Government formula or procedure for the program.
 - PLAN II RA. For nonprofit and limited profit type operations utilizing the Rental Assistance Payments Program.
The Government agrees to credit the account or make a cash payment to the borrower in accordance with Government formula and procedure for the program.
 - RA. For labor housing loans, direct RRH loans and insured RRH loans approved prior to August 1, 1968, utilizing the Rental Assistance Payments Program.
The Government agrees to credit the account or make a cash payment to the borrower in accordance with Government formula and procedure for the program.
- Borrower shall submit to the Government, as required by the Government in form prescribed or approved by it, proof of Borrower's income and expenses for the previous calendar year or other designated periods, and any information on the family size and income of the occupants of the housing financed with the loan evidenced by the note.
- If the Government should determine that the Borrower has defaulted under any terms or conditions of this agreement, the note, Borrower's related Loan Resolution, and supplementary or related agreements, or any related security instrument, or violates any program regulations, at its option the Government may terminate this agreement as of any specified date following the default.
- No credit to the Borrower's account provided for in paragraph 2 shall be made following any termination date specified pursuant to paragraph 4.
- The Government shall credit annually or more often to Borrower's account, and/or pay the borrower in case of rental assistance so long as there is no default in any obligation of Borrower to the Government, amounts equal to the difference, determined in accordance with a formula and procedure prescribed by the Government, between the payment that would be required in accordance with the terms of the note and the payment required under such formula and procedure.
- No terms or conditions of the note or any related security or other instrument shall be affected by this agreement except as expressly set forth herein.
- This agreement is subject to the present regulations of the Farmers Home Administration, and to its future regulations not inconsistent with the express provisions hereof.
- Upon request, the borrower will permit representatives of FmHA (or other agencies of the Department of Agriculture authorized by the Department) to inspect and make copies of any records of borrower pertaining to FmHA loans and this agreement.
- If the borrower has received any excessive credit or payment, in addition to any other rights of recovery, the Government may deduct the amount from any subsequent credit or payment.

(CORPORATE SEAL)

HOUSING ASSOCIATES OF SULPHUR SPRINGS

D. Daniel Allgeier (NAME OF BORROWERS)

S. Daniel Allgeier, General Partner

Elmer H. Allgeier, General Partner (SIGNATURE & TITLE OF EXECUTIVE OFFICIAL)

3727 Dillido Road, Suite 152

(P. O. BOX OR STREET ADDRESS)

Dallas, Texas, 75228

(CITY, STATE, AND ZIP CODE)

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By Arthur F. Maxwell

Arthur F. Maxwell

District Director

(TITLE)

November 12, 1982

(DATE OF EXECUTION)

**Contract Renewal
Request Form
Multifamily Section 8 Contracts**

**U.S. Department of Housing
and Urban Development**
Office of Housing

OMB No. 2502-0587
(Exp. 04/30/2017)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Title V of the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act of 1988 (P.L. 106-65, 111 Stat. 1384) authorizes the FHA Multifamily Housing Mortgage and Housing Assistance Restructuring Program. HUD implemented a statutory permanent program directed at FHA-insured multifamily projects that have project-based Section 8 contracts with above-market rents. The information collection is used to determine criteria eligibility of FHA-insured multifamily properties for participation in the Mark to Market program and the terms on which participation should occur. The purpose of the program is to preserve low-income rental housing affordability while reducing the long-term costs of Federal rental assistance. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

Cover Sheet

TRINITY OAKS APARTMENTS	
PROJECT NAME	
600 WOODLAWN, SULPHUR SPRINGS, TEXAS	
PROJECT ADDRESS	
TRINITY OAKS HOUSING, LTD.	
PROJECT OWNER	
TX16R000036	07-950-7531
FHA PROJECT NO	DUNS NUMBER
48	24
TOTAL UNITS IN PROJECT	TOTAL SECTION 8 UNITS IN PROJECT
01/20/2015	
DATE OF SUBMISSION	DATE RECEIVED BY HUD

Section 8 contracts and stages in the project:

Section 8 Contract Number	Stage Number (if applicable)	Combine (Yes?)	# Units	Expiration Date	Renew (Yes?)
TX16R000036		<input type="checkbox"/>	24	1/1/2019	X
		<input type="checkbox"/>			
		<input type="checkbox"/>			
		<input type="checkbox"/>			
		<input type="checkbox"/>			
		<input type="checkbox"/>			
		<input type="checkbox"/>			

I hereby elect to renew the above-indicated contracts under the following option (Check the appropriate box(es) below and provide the corresponding worksheet(s)):

This is an Initial or Subsequent Renewal of a MAHRA contract.

OPTION ONE - Request Renewal Under Mark-Up-To-Market Procedures

Option One A Entitlement Mark-Up-To-Market

Option One B Discretionary Authority

I hereby request a contract renewal for a _____-year term. (A five-year minimum term)

OPTION TWO - Request Renewal With Rents At or Below Comparable Market Rents And Without Restructuring

I hereby request a contract renewal for a 20-year term. (A maximum 20-year term)

OPTION THREE - Request Referral to OAHP for: Choose One

OPTION THREE-A - Reduction of Section 8 Rents to Comparable Market Rents without Restructuring (Lite)

OPTION THREE-B - Restructure of the mortgage and reduction of Section 8 Rents to Comparable Market Rents (Full)

OPTION FOUR - Request Renewal of the Contract for Projects Exempt from or not Eligible for Debt Restructuring

I hereby request a contract renewal for a _____-year term.

OPTION FIVE - Portfolio Reengineering Demonstration and Preservation Contract Renewals

I request a contract renewal of my Demonstration Program Contract. (Based on Use Agreement)

Mortgage Restructuring Demonstration Use Agreement

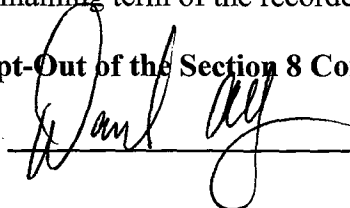
Budget Based Without Mortgage Restructuring Demonstration Use Agreement

I request a contract renewal of my Preservation Program Contract.

I hereby request a contract renewal for a _____-year term. (The term may not exceed the remaining term of the recorded Use Agreement.)

OPTION SIX - Opt-Out of the Section 8 Contract

Owner's signature:



Date: 1/20/2015

RENEWAL WORKSHEET FOR OPTION TWO

Requesting A Contract Renewal At or Below Comparable Market Rent

I hereby request an **INITIAL RENEWAL** of my contract. I have attached a **Rent Comparability Study (RCS)** and the OCAF Adjustment worksheet. The comparison chart below reflects the results of the study and compares them to the expiring Section 8 units in my project.

COMPARISON CHART

	(I)	(II)	(III)	(IV)	(V)	(VI)
UNITTYPE AND CONTRACT/STAGE NUMBER	# OF UNITS	CURRENT SECTION 8 CONTRACT RENTS	COMPS ESTIMATED SUBJECT MARKET RENTS	CURRENT SECTION 8 RENT POTENTIAL (II X III)	COMPS ESTIMATED SUBJECT MARKET RENT POTENTIAL (II X IV)	
1 BR TX16R000036	24	538	555	12,912	13,320	
TOTAL				12,912	≤	13,320

*For Option Two, the Total of Column V must be less than The total of Column VI. * If the total of Column VI is greater than the total of Column V the project is not eligible to renew under Option Two.*

Please choose from the following choices for Rent Adjustments if the project's current rent potential is less than or equal to the market rent potential of the comparable market rents or the current rent potential is above market but the project is exempt from restructuring and the owner is willing to reduce rents to comparable market rents.

I understand that the initial renewal rents will be set at current rent adjusted by OCAF but not to exceed comparable market rents. I am submitting the required OCAF calculation worksheet.

or

I am submitting an attached budget that reflects the projected costs for the first 12 months covered by the renewal contract. I understand that the increase cannot take the rents above the comparable market rents. I have abided by the requirements in 24 CFR 245 regarding tenant notification of a proposed rent increase; and the attached budget and rent schedule was available to tenants upon their request.

or

I am submitting a budget to request a budget-based rent increase under Chapter 15 not to exceed market. I have abided by the requirements in 24 CFR 245 regarding tenant notification of a proposed rent increase; and the attached budget and rent schedule was available to tenants upon their request.

- Capital repairs
- To facilitate a change in ownership
- A blended transaction

or

I hereby certify that: *(Check the following)*

- Neither I, nor any of my affiliates, are suspended or debarred, **or**
- I, or my affiliates, are suspended or debarred and are requesting a contract renewal subject to HUD approval; and
- This information is true and complete.

Project Name TRINITY OAKS APARTMENTS

Owner's Name TRINITY OAKS HOUSING LTD

Owner's Signature 

Date 1/20/2015

Warning: Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions, including but not limited to: (i) fines and imprisonment under 18 U.S.C. §§ 287, 1001, 1010 and 1012; (ii) civil penalties and damages under 31 U.S.C. § 3729; and (iii) administrative sanctions, claims, and penalties under 24 C.F.R parts 24, 28 and 30.

RENEWAL WORKSHEET FOR OPTION TWO

Requesting Subsequent Renewal of Contract At or Below Comparable Market Rent

I hereby request a **SUBSEQUENT RENEWAL** of my Section 524 contract without restructuring and
(Please select one of the following):

My Rent Comparability Study is less than five years old. I request that the contract rents be adjusted by the currently published OCAF.

- The date of my Rent Comparability study is _____.
- I am submitting the OCAF Adjustment Worksheet (Form HUD 9625).

My Rent Comparability Study is less than five years old. I request a budget-based rent adjustment.

- The date of my Rent Comparability Study is 12/26/2014.
- I am submitting an attached budget, which reflects the projected costs for the first 12 months covered by the renewal contract.
- I have abided by the requirements in 24 CFR 245 regarding tenant notification of a proposed rent increase.
- The attached budget and rent schedule was available to tenants upon their request.

New Comparable Market Rent Potential _____
Comparable Rent Potential from original RCS _____

Year	OCAF (I)	Prior Year Adjusted Rent Potential (I x III)	Adjusted Rent potential (III)
OCAF year *			
OCAF year			
OCAF year			
OCAF year			

New Comparable Market Rent Potential _____
Rent Potential Based on Attached Budget _____

** Use the Comparable Rent Potential from original RCS (for Column 2) to find the Adjusted Rent Potential.*

- I am submitting the comparison chart from the Option Two Initial Renewal Request that reflects the results of the study and compares them to the expiring Section 8 units in my project.
- I am submitting the OCAF Adjustment Worksheet (Form HUD 9625).

My Rent Comparability Study is five years old. I request that the contract rents be adjusted by the currently published OCAF.

- I am submitting a new Rent Comparability Study.

I am submitting a budget-based rent increase under Chapter 15, not to exceed market. I have abided by the requirements in 24 CFR 245 regarding tenant notification of a proposed rent increase.

- Capital repairs
- To facilitate a change in ownership
- A blended transaction

- The ownership entity is an eligible nonprofit and meets all of the requirements outlined in Chapter 15 of the Section 8 Renewal Guide.
- The ownership entity agrees to accept a 20-year recorded Use Agreement. For example, if the owner has a 20-year agreement; the term must be extended for an additional 20 years.

My Rent Comparability Study is five years old. I request a budget-based rent adjustment.

- I am submitting a new Rent Comparability Study.
- I am submitting an attached budget, which reflects the projected costs for the first 12 months.
- I have abided by the requirements in 24 CFR 245 regarding tenant notification of a proposed rent increase
- The attached budget and rent schedule was available to tenants upon their request.
- I am submitting the OCAF Adjustment Worksheet (Form HUD 9625).

I hereby certify that:

- Neither I, nor any of my affiliates, are suspended or debarred or
- I, or my affiliates, are suspended or debarred and are requesting a contract renewal subject to HUD approval: and;
- This information is true and complete.

Project Name TRINITY OAKS APARTMENTS

Owner's Name TRINITY OAKS HOUSING, LTD

Owner's Signature 

Date 2/23/15

Warning: Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions, including but not limited to: (i) fines and imprisonment under 18 U.S.C. §§ 287, 1001, 1010 and 1012; (ii) civil penalties and damages under 31 U.S.C. § 3729; and (iii) administrative sanctions, claims, and penalties under 24 C.F.R parts 24, 28 and 30.

EXHIBIT A

IDENTIFICATION OF UNITS ("CONTRACT UNITS")
BY SIZE AND APPLICABLE CONTRACT RENTS

Section 8 Contract Number: TX16R000036

FHA Project Number N/A

Effective Date of the Rent Increase: 1/1/2017

Number of Contract Units	Number of Bedrooms	Contract Rent	Utility Allowance	Gross Rent
24	1 BR	\$555	\$91	\$646

Do not submit a Gross Rent Change through TRACS until the HUD-92458 Rent Schedule has been returned to you duly executed from your HUD/PBCA office.

- Note:
- (1) This Exhibit will be amended by Contract Administrator notice to the Owner to specify adjusted contract rent amounts as determined by the Contract Administrator in accordance with the Renewal Contract.
 - (2) These rents are applicable with the Amend Rents Automatic OCAF for this effective Date.

7c

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action regarding a Request for Rural Designation under 10 TAC §10.204(5)

RECOMMENDED ACTION

WHEREAS, pursuant to 10 TAC §10.204(5), each Application must identify whether the proposed Development Site is located in an Urban Area or Rural Area of a Uniform State Service Region;

WHEREAS, certain areas located within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area may request a Rural Area designation from the Department for purposes of receiving an allocation Housing Tax Credits (Tex. Gov't Code §2306.6740);

WHEREAS, in order to apply for a Rural Area designation, a letter meeting certain criteria must be submitted from a duly authorized official of the political subdivision in which the Development is located; and

WHEREAS, a request received regarding a designation for Country Terrace Village Apartments (Highlands, Texas) did not include such a letter and therefore did not meet the requirements of 10 TAC §10.204(5)(B);

NOW, therefore, it is hereby

RESOLVED, that the requested designation for the Country Terrace Village Apartments as presented at this Meeting is denied, and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Pursuant to Tex. Gov't Code §2306.6740, Designation of Certain Areas as Rural, the Department shall provide for the designation of an area located within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area as a rural area for purposes of receiving housing tax credits administered by the Department. Rules adopted must provide procedures by which a political subdivision or a census-designated place may apply for a rural designation.

Pursuant to 10 TAC §10.204(5), in order for the area to be designated Rural by the Department for the 2017 Application Round, such requests must have been made no later than December 16, 2016.

Staff received a Request for Rural Area designation from Devin Baker of LCJ Development dated December 13, 2016, and supplemented on December 27, 2016. Mr. Baker has submitted Pre-application #17713 Country Terrace Village Apartments (Highlands, Texas) and had previously alerted the Department that he had been unable to obtain a letter from a duly authorized official of the political subdivision or census designated place addressing the factors outlined in 10 TAC §10.204(5)(B). Mr. Baker requested and was granted a five-day extension to provide the letter. The letter was not provided.

A request for a Rural Area designation from the political subdivision was not received within the extended deadline; therefore, staff recommends denial of the request from the applicant.

Request for Rural Designation

The purpose of the *Request for Rural Designation Packet* is to formalize the process by which a municipality may request a Rural designation from the Department under §10.204(5)(B) of the Uniform Multifamily Rules for an area within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area. **The request must be submitted to Elizabeth.Henderson@tdhca.state.tx.us by 5:00 p.m. (Austin local time) on December 16, 2016 in order to be considered.**

Devin Baker

Contact Name

dpbaker@lciompanies.com

Email

281.689.2030 x128

Phone

PO Box 489 / 19276 FM 1485

Contact Address

New Caney

City/Place

Montgomery

County

77357

Zip

6

Region

All of the following must be checked to be considered for a Rural Designation under §10.204(5)(B) of the Uniform Multifamily Rules.

Please ensure that the letter from a duly authorized official of the political subdivision or census designated place (CDP) is attached and addresses the factors listed below:

- Population of the political subdivision or census designation place does not exceed 25,000;
- Description of the characteristics of the political subdivision or CDP and how it differs from the characteristics of the area(s) with which it shares a contiguous boundary;
- Description of the percentage of the total border of the political subdivision or CDP that is contiguous with other political subdivisions or CDPs designated as urban. For purposes of this assessment, less than 50% contiguity with urban designated places is presumptively rural in nature;
- The presence of a significant number of unimproved roads in the political subdivision or unimproved roads that are relied upon to connect it to other places;
- Description of how the political subdivision or CDP lacks major amenities commonly associated with urban or suburban areas; and
- The boundaries of the political subdivision or CDP contain, or are surrounded by, significant areas of undeveloped or agricultural land. For purposes of this assessment, significant being more than one-third of the total surface of the political subdivision or CDP, or a minimum of 1,000 acres immediately contiguous to the border.

Photographs are attached as supporting documentation.

Photographs of the area, including roadways, surrounding the proposed site are included.

Provide a brief description of the factors the photographs are identifying in the box above.

Other supporting documentation is included.

A brief narrative of the proposed site and the reason why it should be classified Rural is included.

Provide a brief description of the supporting documentation in the box above.

I have included each of the checked items, including documentation, photos and/or narratives, that supports my request for Rural designation under §10.204(5)(B) of the Uniform Multifamily Rules.

The undersigned hereby requests a determination regarding the eligibility of a Rural designation. By signing this document, I am affirming that all statements and representations made in this document, including all supporting materials, are true and correct.



Signature

Devin Baker / Acquisition Development Manager

Printed Name and Title

12/13/16

Date

The Country Terrace Village Apartments is a two-phase apartment complex located at 2500 E. Wallisville Rd. (Phase I) and 8410 Oleander St. (Phase II) in Highlands, Texas. Both phases were originally built under the cost containment restrictions of the USDA Rural Development 515 Program and still under the regulatory control of the USDA. The Applicant plans to submit this site as a 9% Acquisition/Rehabilitation Application in 2017.

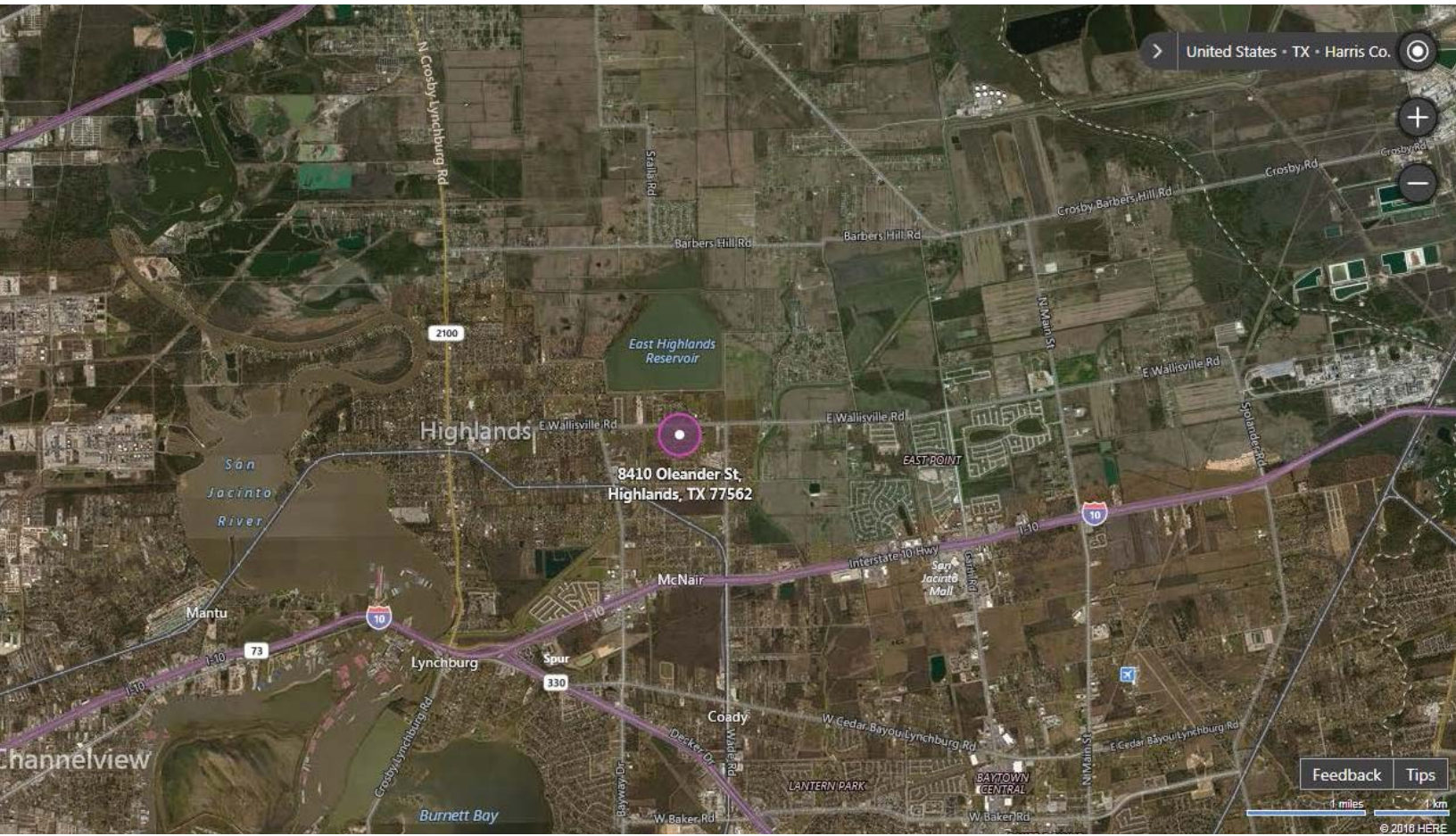
This unique site is located in Harris County, just outside of the boundaries of both the Census Designated Place of Highlands and Houston's Extraterritorial Jurisdiction. Because of this site's special location, the closest CDP is that of Highlands (Urban; Population - 15,589). The proposed site's census tract (48201253000) has a population of 3,888 with all surrounding census tracts having a population of no more than 10,000. The Department has designated the Highlands CDP as Urban, however, the site does not fall within those boundaries. The next closest CDP is Barrett (Rural; Population - 4,282).

The proposed site, which is not in a CDP and does not have a political subdivision, is only bordered by the Highlands CDP. Although Highlands has been inaccurately designated Urban, this site does not lie within those boundaries. Therefore, the less than 50% contiguity with Urban places is not applicable to this site due to the lack of contiguity with any surrounding CDPs or political subdivisions. The absence of surrounding places can prove that this area is in fact rural.

This site is rural in nature due to the fact that all contiguous census tracts (even that which makes up the majority of the Highlands CDP) have many rural characteristics along with small population sizes. The infrastructure around the site is very minimal. The roads used to get to the development are primarily used for homeowners and farmers in the local area. Although there are unimproved roads in the area which are used for agricultural purposes, there are none that affect the site directly. All road infrastructure in the area is limited to two-lanes with limited to no shoulder space.

Along with being significantly surrounded by undeveloped and agricultural land, the proposed site lacks most all major amenities that would be associated with an Urban site. For example, none of the public roads leading to or from the site have sidewalks, the emergency services (which include a volunteer fire department) are funded through county, and the site lacks proximity to any big box chain grocers.

The Applicant believes that this development site is being wrongly designated as Urban due to its proximity to Baytown and location within the Houston MSA. Although this area is experiencing growth, it is still very much rural in nature and will remain so for the foreseeable future.



United States • TX • Harris Co.



Highlands

8410 Oleander St
Highlands, TX 77562

San Jacinto River

East Highlands Reservoir

Lynchburg

McNair

EAST POINT

Mantu

73

Spur

330

Coady

W Cedar Bayou Lynchburg Rd

LANTERN PARK

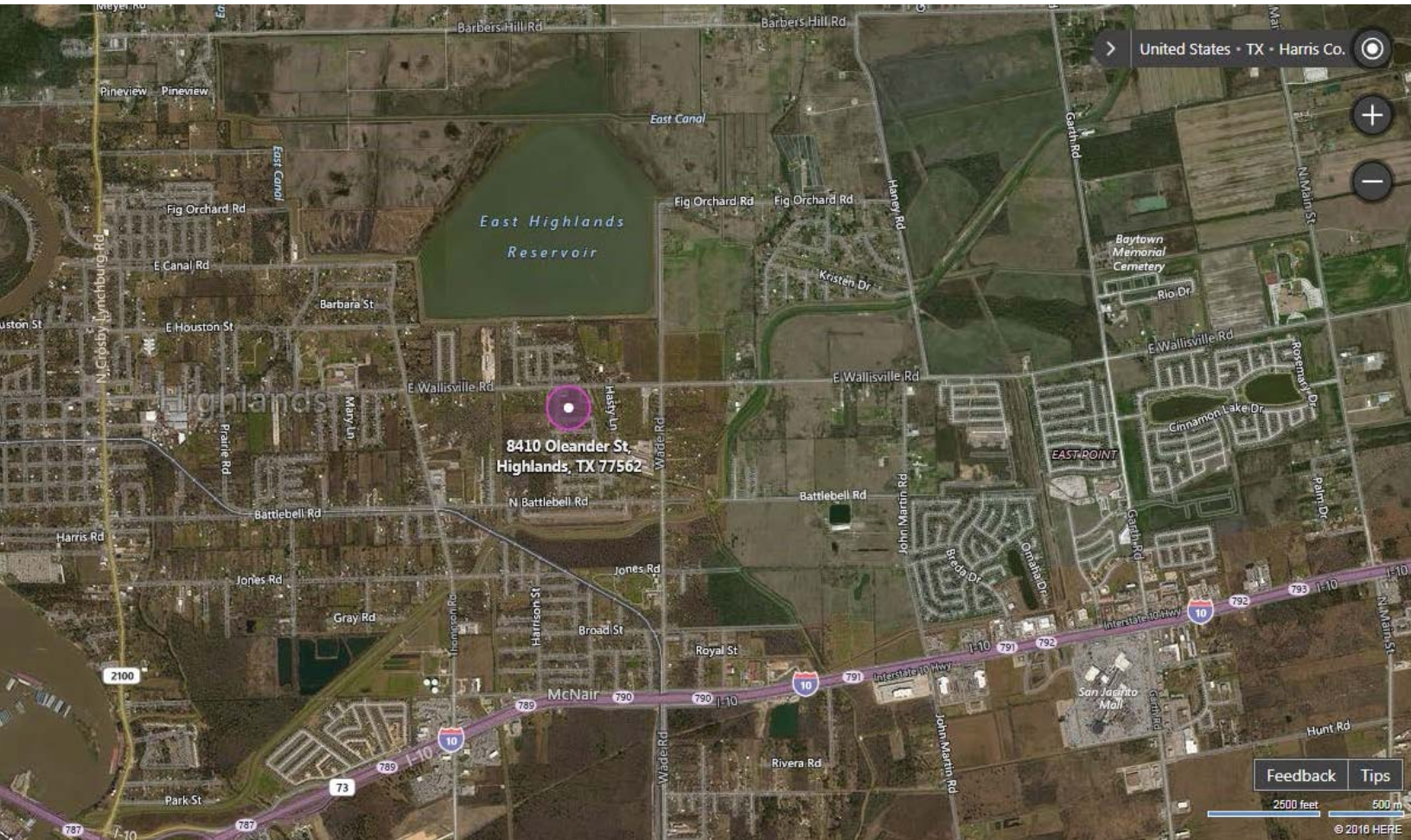
BAYTOWN CENTRAL

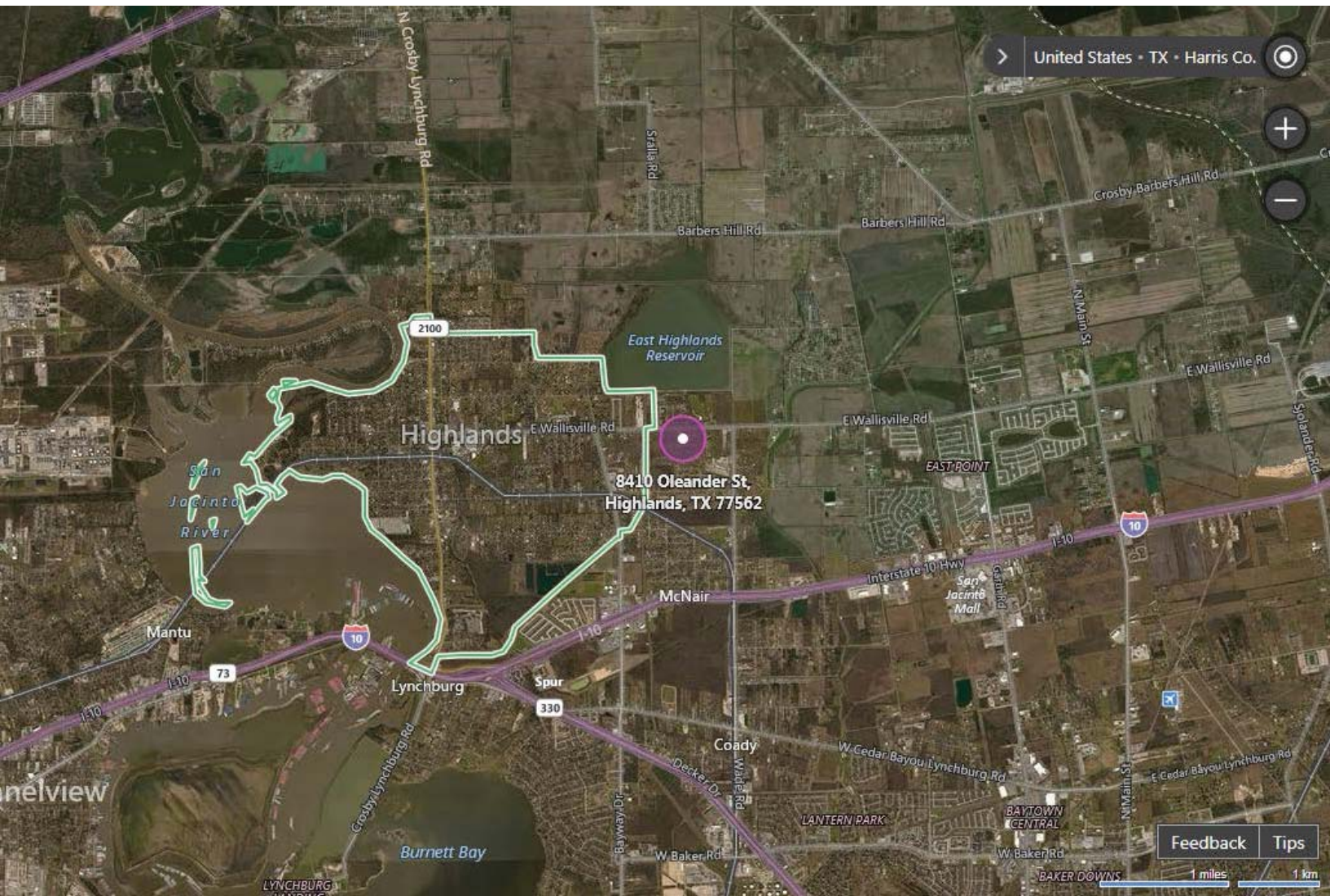
W Baker Rd

Feedback Tips

1 miles 1 km

© 2016 HERE





United States • TX • Harris Co.



Highlands

8410 Oleander St,
Highlands, TX 77562

Feedback Tips

1 miles 1 km



FM 2100 Southbound Coming into HighlandsX



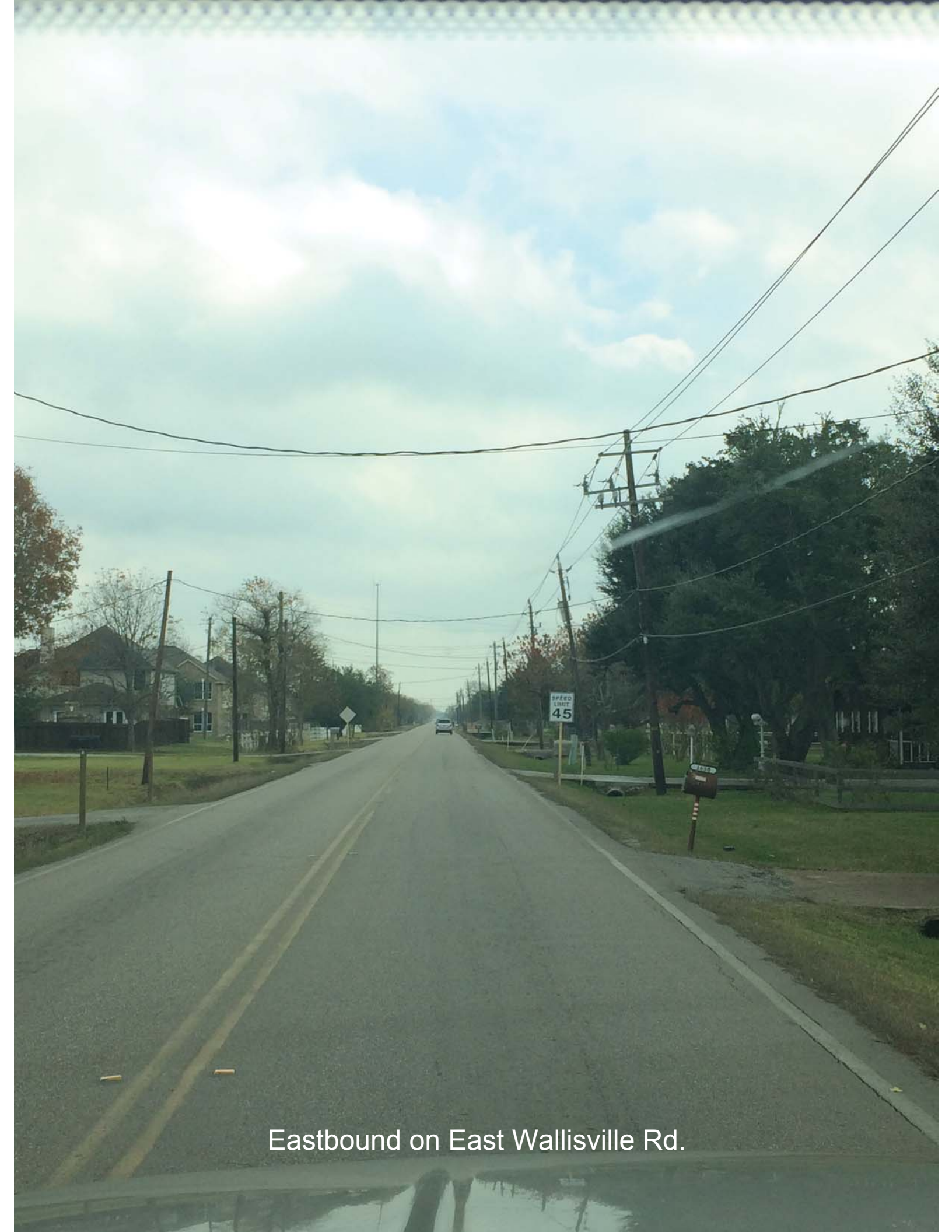
Downtown Highlands



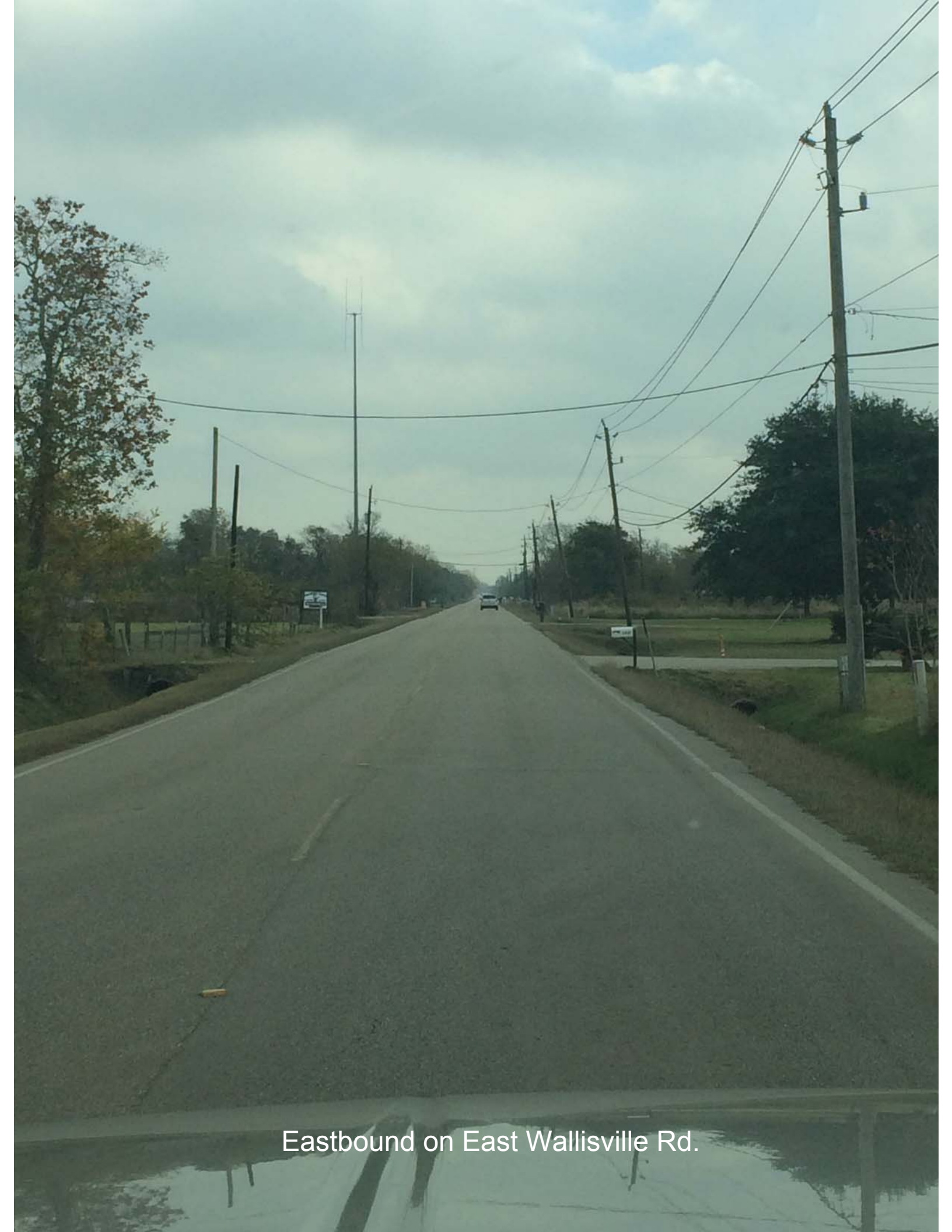
FM 2100 Southbound & Wallisville Rd.



Eastbound on East Wallisville Road



Eastbound on East Wallisville Rd.



Eastbound on East Wallisville Rd.



Country Terrace Village Apartments Phase I
(Looking West)



Country Terrace Village Apartments Phase II
(Looking Southwest)



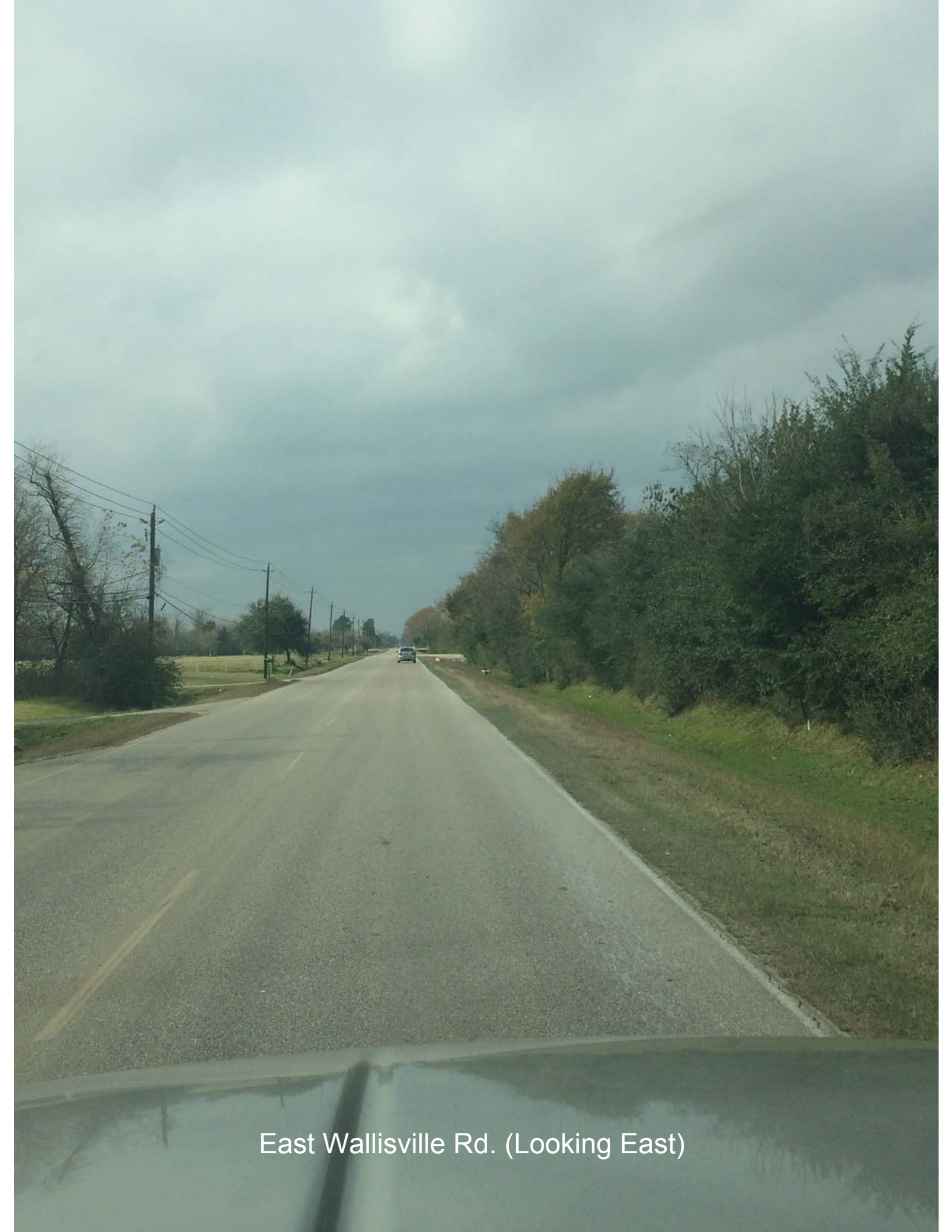
Haney Rd. & East Wallisville
(Looking Southwest)



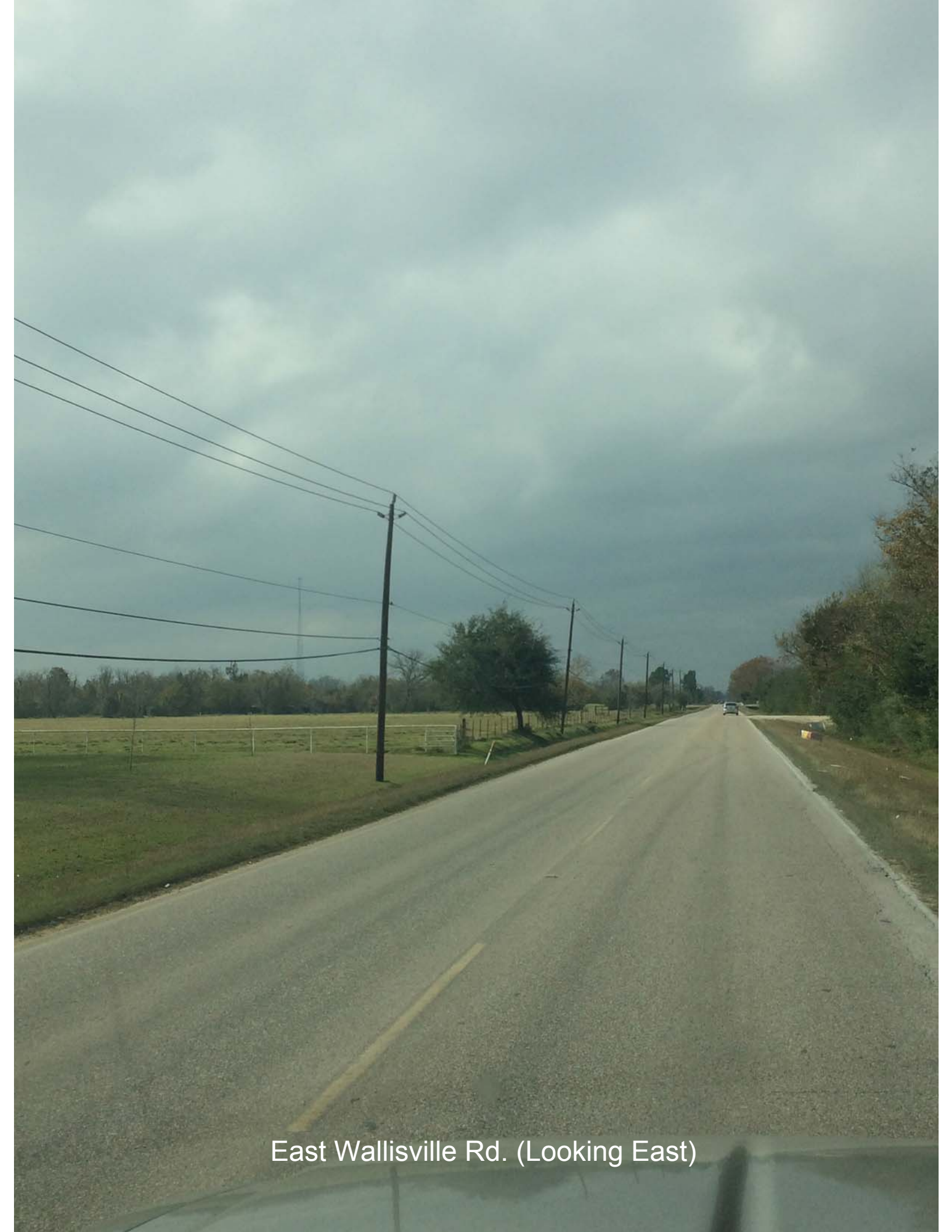
Haney Rd. & East Wallisville
(Looking Southwest)



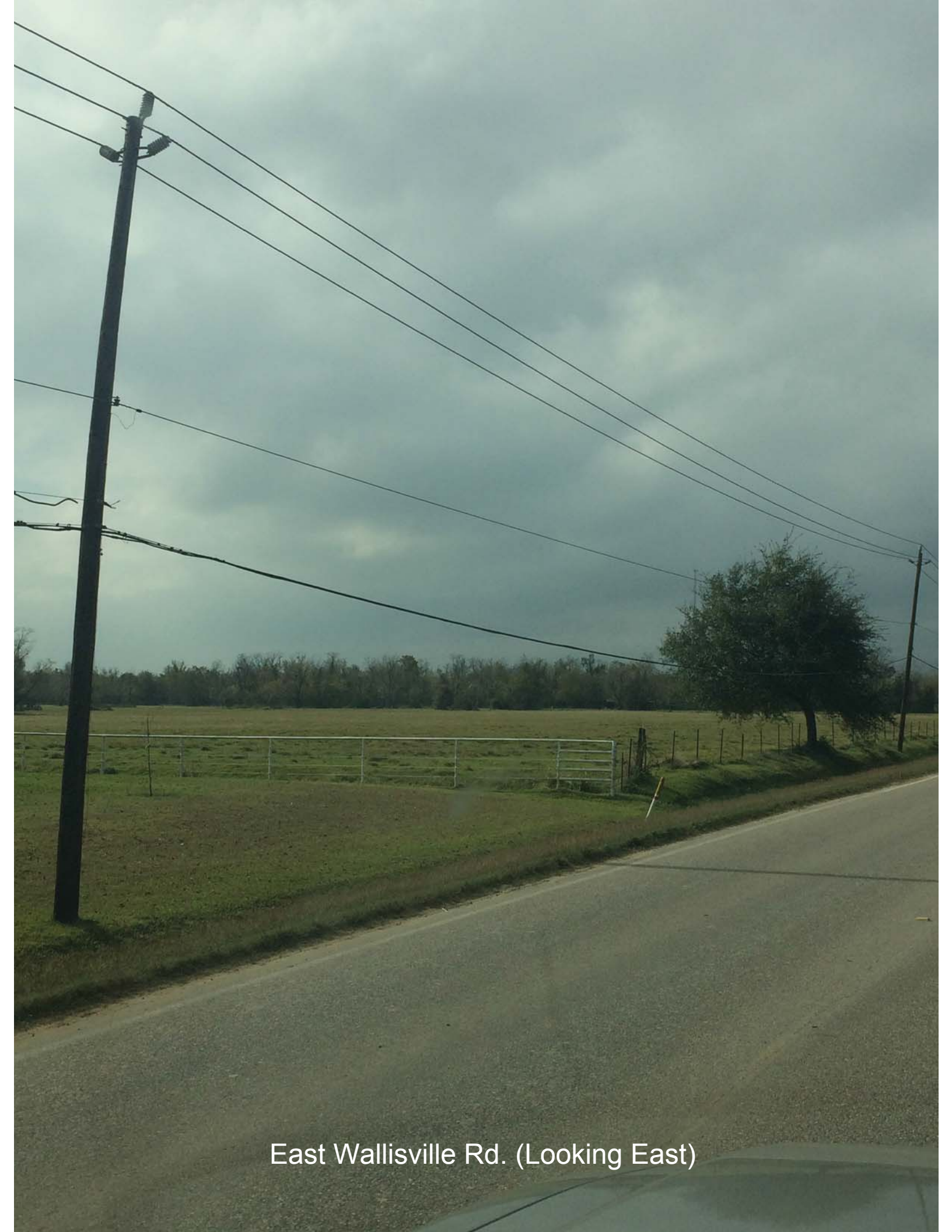
East Wallisville Rd. (Looking East)



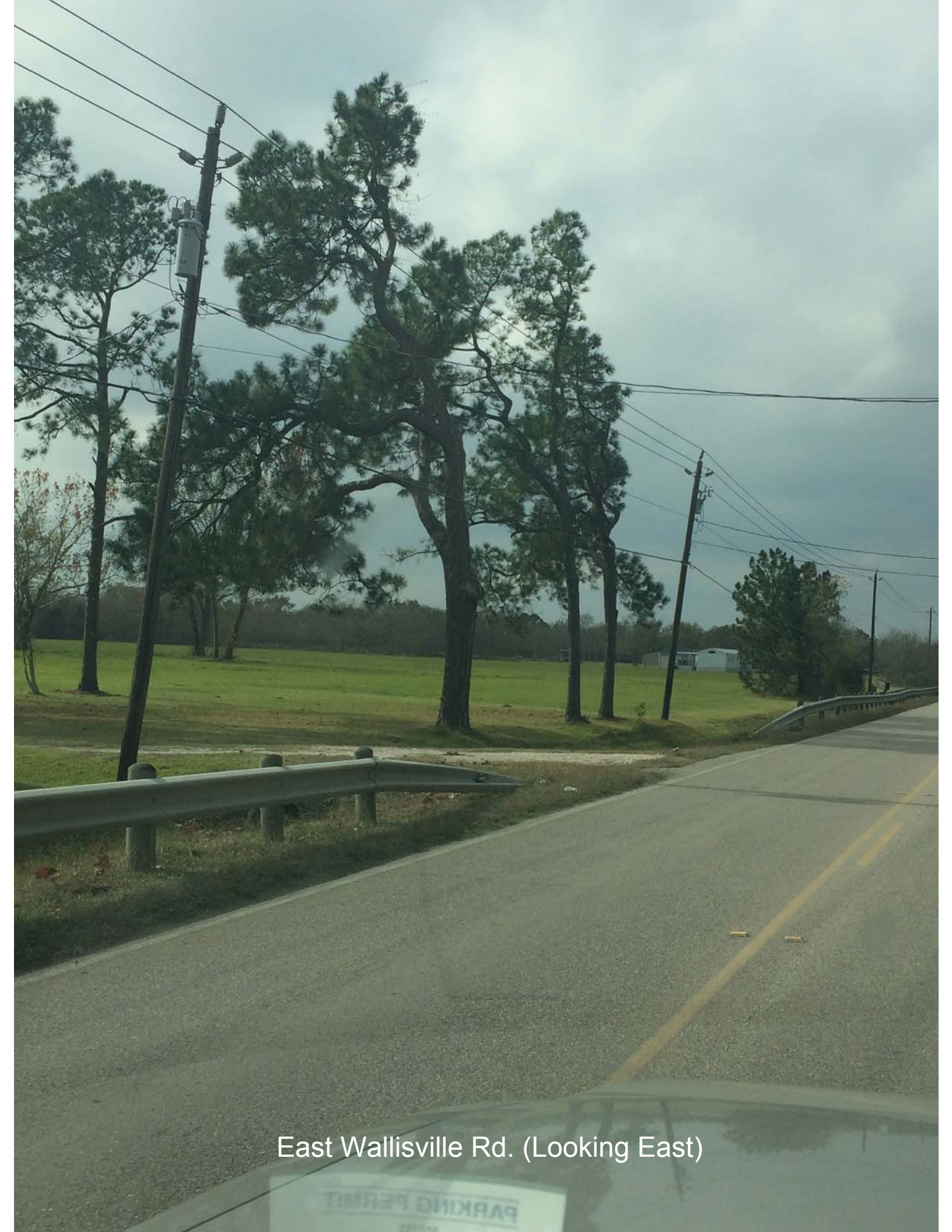
East Wallisville Rd. (Looking East)



East Wallisville Rd. (Looking East)



East Wallisville Rd. (Looking East)



East Wallisville Rd. (Looking East)



Northeast Corner of E. Wallisville & Wade Rd.



Wade Rd & E. Wallisville Rd. (Looking North)



Wade Rd. (Looking Southeast @ E. Wallisville)



Northeast Corner of Wade Rd. & E. Wallisville Rd.



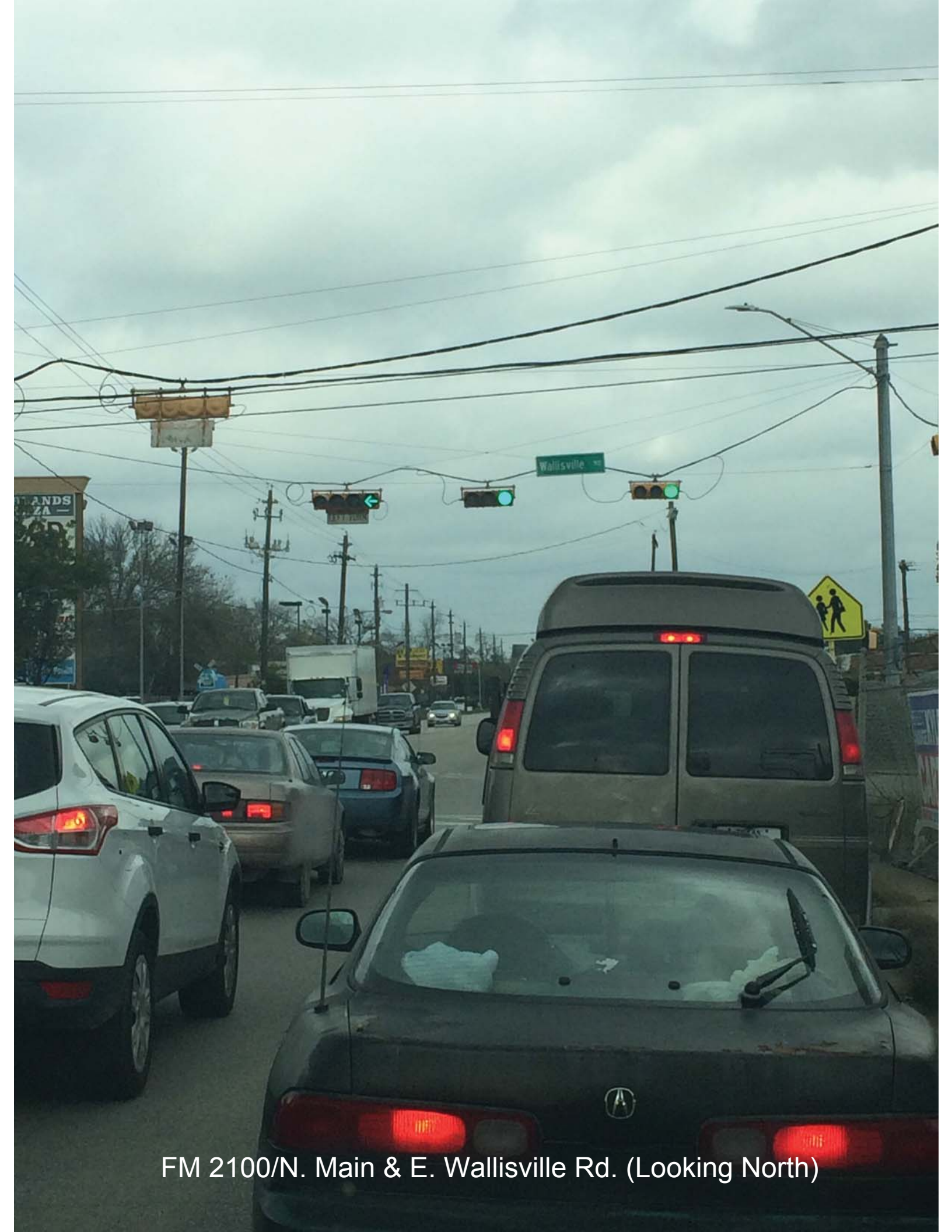
Wade Rd. (Looking Southwest @ E. Wallisville)



Westbound E. Wallisville Rd. (1/10 mile from Site)



FM 2100/N. Main & Batte Bell Rd. (Looking North)



FM 2100/N. Main & E. Wallisville Rd. (Looking North)

December 13, 2016

Ms. Marni Holloway
Director of Multifamily Finance
Texas Department of Housing and Community Affairs
211 E. 11th Street Austin, Texas 78701

Re: 2017 Rural Designation Extension Request
Country Terrace Village

Ms. Holloway:

Please let this letter serve as an official request for an extension regarding the political subdivision documentation required of the Applicant for the Rural Designation of the Country Terrace Village Apartments.

Due to this property's unique location, Goose Creek Consolidated Independent School District was contacted to provide a letter of support for the Rural Designation. Due to the tight window between the Governor executing the 2017 Qualified Allocation Plan and the Rural Designation request deadline, the Superintendent's staff feels as if they will be unable to provide this letter by Friday, December 16th. They have verbally provided support, but nothing has been provided in writing. Thus, we cordially ask for a 5 business day extension for the submittal of the local political subdivision's support letter.

We hope you will consider this request. Please feel free to contact my office if you would like any additional information.

Respectfully,



Devin Baker

Acquisition / Development
(281) 689-2030 ext.128
dpbaker@lcjcompanies.com



December 27, 2016

Ms. Marni Holloway
Director of Multifamily Finance
Texas Department of Housing and Community Affairs
211 E. 11th Street Austin, Texas 78701

Re: 2017 Rural Designation Request Supplemental Request
Country Terrace Village

Ms. Holloway:

Please let this letter serve as a supplement to the Rural Designation package sent to the Department on December 14, 2016 for the Country Terrace Village Apartments. At that time, all documentation was submitted to the Department aside from the political subdivision letter, which was granted a December 27th extension.

The Country Terrace Village Apartments is a two-phase apartment complex that was originally built under the cost containment restrictions of the USDA Rural Development 515 Program. USDA maintains regulatory control of this Development from an operational, compliance, and lienholder position. The Applicant will submit this site as a 9% Application in 2017 under the definition of USDA Set-Aside in which “5 percent of the State Housing Credit Ceiling for each calendar year shall be allocated to Rural Developments which are financed through USDA”.

This is a unique site. Located in Harris County and just outside of the boundaries of both the CDP of Highlands and Houston’s ETJ, the proposed site is seemingly unrepresented. The closest CDP is that of Highlands (Urban; Population - 15,589). The proposed site’s census tract (48201253000) has a population of 3,888 with all surrounding census tracts having a population of no more than 10,000. The Department has designated the Highlands CDP as Urban, however, the site does not fall within those boundaries. The next closest CDP is Barrett (Rural; Population – 4,282).

The proposed site, which is not in Highlands and does not have a political subdivision, shares a border with the CDP of Highlands. Although Urban may not be the best designation for Highlands, this site does not lie within those boundaries anyway. The less than 50% contiguity with Urban places criteria is not applicable to this site due to the lack of contiguity with any surrounding CDPs or political subdivisions. The absence of surrounding places could prove that this area is in fact rural.

This site is rural in nature due to the fact that all contiguous census tracts have many rural characteristics along with small population sizes. The infrastructure around the site is very minimal,

and the roads used to get to the development are primarily used for homeowners and farmers in the local area. All road infrastructure in the area is limited to two-lanes with limited to no shoulder space. The proposed site also lacks most all major amenities that would be associated with an Urban site. For example, none of the public roads leading to or from the site have sidewalks, the emergency services (which include a volunteer fire department) are funded through county, and the site lacks proximity to any big box chain grocers.

Along with the site characteristics, the Applicant should be able to rely on legislation passed through HB 429, which specifically grandfathers all USDA properties as Rural. This bill, passed in 2013 (83rd Legislative Session), stated that all USDA 515 properties developed before September 2013, and still retaining USDA financing, are eligible to apply for low-income housing tax credits under the Rural Designation by means of grandfathering. Below is Section 2306.111 (d-4) of the Texas Government Code Title 10 Subchapter G in which the bill was implemented.

A proposed or existing development that, before September 1, 2013, has been awarded or has received federal financial assistance provided under Section 514, 515, or 516 of the Housing Act of 1949 (42 U.S.C. Section 1484, 1485, or 1486) may apply for low income housing tax credits allocated under Subsection (d-2) or (d-3) for the uniform state service region in which the development is located regardless of whether the development is located in a rural area.

HB 429 changed the definition of Rural, while simultaneously creating language that protected existing USDA properties from the new definition. The legislation made sure that USDA properties would always be considered Rural as long as they retained USDA financing.

In 2013, a presentation of the Department's interpretation of this new language was offered to the Rural Rental Housing Association's Legislative Committee. In conclusion of this meeting, there was no reason for RRHA and its members to believe anything else to be true, accurate, or enforceable.

In the next legislative session (September 2015), HB 74 was passed in order to better define the definition of Rural. In an effort to validate and confirm the interpretation of HB 74, the Applicant contacted John Mestro, of the House Legislative Counsel, who drafted HB 74 during the last regular session. It is his belief that HB 74 did not, in fact, disallow the USDA grandfathering provision previously provided via HB 429. Included is a letter from Representative Mary Gonzalez (HB 74 Author) clearly stating that this was not, and is not, the purpose of this bill.

The Applicant has reached out to every possible entity that would fall under the undefined definition of political subdivision. Some would have not been acceptable to the Department, and others did not feel comfortable designating a site for an industry in which they are not familiar, and frankly, do not care to become familiar. Please let this letter serve as a request for the Department to

look at the facts and characteristics of the site and make a determination, absent a support letter, without looping this property in with the City of Houston.

We hope you will consider this request. Please feel free to contact my office if you would like any additional information.

Respectfully,



Devin Baker

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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January 9, 2017

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Mr. Devin Baker
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RE: REQUEST FOR RURAL DESIGNATION FOR COUNTRY TERRACE VILLAGE UNDER §10.204(5) OF THE 2017 MULTIFAMILY RULES.

Dear Mr. Baker:

The Texas Department of Housing and Community Affairs (the "Department") received your Request for Rural Designation on December 13, 2016. 10 TAC §10.204(5)(B) of the 2017 Multifamily Rules states that "certain areas located within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area can request a Rural designation from the Department for purposes of receiving an allocation Housing Tax Credits." The rule also prescribes the documentation requirements for such request, including submission by December 16, 2016. We have been unable to locate a request from "a duly authorized official of the political subdivision or census designated place addressing the factors outlined in clauses (i)-(vi) of this subparagraph."

Despite an extension of time, we still have not been provided with such a letter addressing the factors set forth in 10 TAC §10.204(5)(B) from a duly authorized official. While, as you state in your letter of December 13, 2016, you expected such a letter from the Goose Creek Consolidated Independent School District, it has not been presented to the Department. Because no such letter from a duly authorized official was presented we are unable to recommend approval. Accordingly, the request will be placed on the January Board agenda with a denial recommendation.

Sincerely,

A handwritten signature in black ink, appearing to read "Marni Holloway", followed by the word "for:".

Marni Holloway
Multifamily Finance Director

EBH



7d

**TO BE POSTED NOT LATER THAN THE
THIRD DAY BEFORE THE DATE OF
THE MEETING**

7e

**TO BE POSTED NOT LATER THAN THE
THIRD DAY BEFORE THE DATE OF
THE MEETING**

7f

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
JANUARY 26, 2017

Presentation, Discussion, and Possible Action on a waiver relating to 10 TAC §10.101(b)(5) concerning Common Amenities associated with multifamily applications submitted under the 2017 program year.

RECOMMENDED ACTION

WHEREAS, the Uniform Multifamily Rules contain eligibility, threshold and procedural requirements relating to applications requesting multifamily funding;

WHEREAS, the 2017 Uniform Multifamily Rules were adopted by the Governing Board on November 10, 2016, were subsequently published in the *Texas Register*, and effective on December 29, 2016;

WHEREAS, a reference error relating to common amenities required as part of the threshold requirements for all multifamily developments was discovered that, as adopted, requires all multifamily developments to construct a porte-cochere; and

WHEREAS, to address the error, staff recommends a waiver be granted to all 2017 multifamily development applications so that having a porte-cochere would not be a requirement;

NOW, therefore, it is hereby

RESOLVED, that the requirement for all multifamily developments be constructed to include a porte-cochere as found under 10 TAC §10.101(b)(5), is hereby waived for all multifamily applications submitted under the 2017 program year.

BACKGROUND

The Board approved the adopted repeal and adopted new Chapter 10 regarding the Uniform Multifamily Rules at the Board meeting of November 10, 2016, to be published in the *Texas Register* and considered effective for purposes of applications submitted for consideration of multifamily funding for the 2017 program year.

The requirements contained in 10 TAC Chapter 10, Subchapter B are concerning Site and Development Requirements and Restrictions and contain various eligibility and threshold requirements for all multifamily developments. Subsequent to publication in the *Texas Register*, staff discovered an error as it relates to the list of Common Amenities identified under 10 TAC §10.101(b)(5), which includes options available to Development Owners. The error involves an incorrect reference in the opening paragraph of this section that requires all developments to include a porte-cochere, a new option added to the list for 2017. Staff does not believe it is appropriate and

could be problematic to require all multifamily developments (new construction and rehabilitation) to include such an amenity. While Development Owners may select from the list which common amenities to offer at their property in order to meet the threshold requirement, the Department has historically required that a portion of the threshold points come from the Green Building Features listed in this section. This requirement has remained the same for many years and was not proposed or contemplated to be changed as the Department went through the rule-making process last fall; however, with the addition of the new porte-cochere amenity, the reference to the Green Building Features failed to get updated by staff.

Staff recommends the Board grant a waiver to the rule under 10 TAC §10.101(b)(5) of the Uniform Multifamily Rules that requires the porte-cochere for all 2017 multifamily applications, which includes several that have already been submitted, as identified below. Staff notes that this amenity remains on the list should a Development Owner still desire to construct one; however, with this waiver they would not be required to do so.

17400	Casas Del Rio/Villa Hermosa
17402	Harris Ridge
17403	Lord Road
17500	Works at Pleasant Valley
17501	Live Oak Trails
17502	Kerrville Seniors
17503	Reserve at Dry Creek

Staff intends to correct the reference that would require a portion of the points required to meet threshold come from the list of Green Building Features when it begins drafting the 2018 Uniform Multifamily Rules later this year.