# BOARD MEETING OF MAY 15, 2003

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

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

*MISSION*

*TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS*

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

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**BOARD MEETING**

**May 15, 2003**

**ROLL CALL**

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

**BOARD MEETING**
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**507 Sabine, Board Room, Fourth Floor, Austin, Texas 78701**
**May 15, 2003 12:30 p.m.**

# A G E N D A

| | |
|---|---|
| **CALL TO ORDER, ROLL CALL**<br>**CERTIFICATION OF QUORUM** | Michael Jones<br>Chair of Board |

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

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

| | | |
|---|---|---|
| **EXECUTIVE SESSION** | | Michael Jones |
| | Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code – Matter Concerning a Former Department Employee and Sections 2306.6703, 2306.6733 and 572.054, Texas Government Code | |
| **OPEN SESSION** | | Michael Jones |
| | Action in Open Session on Items Discussed in Executive Session | |
| **ACTION ITEMS** | | |
| Item 1 | Presentation, Discussion and Possible Approval of Minutes of Board Meeting of April 10, 2003 | Michael Jones |
| Item 2 | Presentation, Discussion and Possible Approval of Financial Items: | C. Kent Conine |

a) Insurance:
   1) Directors and Officers Insurance

b) Multifamily Mortgage Revenue Bonds and 4% Tax Credits:
   1) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Primrose Houston School Apartments, Lancaster, Texas in an Amount not to Exceed $16,900,000 and Issuance of Determination Notice in the amount of $749,036 for Low Income Housing Tax Credits for 02-479, Primrose Houston School Apartments with TDHCA as the Issuer

   2) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Arbor Bend Villas, Fort Worth, Texas in an Amount not to Exceed $8,880,000 and Issuance of Determination Notice in the amount of $427,815 for Low Income Housing Tax Credits for 02-480, Arbor Bend Villas with TDHCA as the Issuer

c) Single Family Bond Program:
   1) Issuance of Residential Mortgage Refunding Revenue Bonds, Series 2003A and Series 2003B

   2) Mortgage Rate Reduction for Residential Mortgage Revenue Bonds, Series 2000B, Series 2000C, Series 2000D and Series 2000E

   3) Research and Development of a Mortgage Credit Certificate Program

Item 3 Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items: — Michael Jones

a) Issuance of Determination Notices to Tax-Exempt Bond Transactions with Local Bond Issuers:
   02-484 Sycamore Center Villas, Fort Worth, $753,222
   Tarrant County HFC is the Issuer
   03-402 Kimberly Pointe Apartments, Houston, $531,572
   Harris County HFC is the Issuer
   03-403 Shadow Ridge, Houston, $565,705
   Harris County HFC is the Issuer

b) Issuance of Additional Low Income Housing Tax Credits for:
   99-10T San Jose Ltd. (aka Tigua Village), Rehabilitation for $32,169
   99-12T Woodglen Village Apartments, New Construction for $9,920
   000-07T Texas Pueblo, Rehabilitation for $33,519

Item 4 Presentation, Discussion and Possible Approval of Programmatic Items: — Shad Bogany

a) HOME Program Awards for Disaster Relief:
   City of Albany for $500,000

Item 5 Presentation, Discussion and Possible Approval of Audit Items: — Vidal Gonzalez

a) Status of Prior Audit Issues

b) Status of Central Database Project

**REPORT ITEMS**

Executive Directors Report — Edwina Carrington

1) Items Related to 78th Legislative Session – Legislative Memo
2) Status of TDHCA Sunset Legislation
3) HOME Program Homebuyer Assistance (Down Payment) Activity Report
4) Status of Public Input Policy

**EXECUTIVE SESSION** — Michael Jones

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – 1) Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District;

Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code - 1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A – Proposed Closing Agreement with the IRS

Personnel Matters under Section 551.074, Texas Government Code

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

**OPEN SESSION** Michael Jones

Action in Open Session on Items Discussed in Executive Session

Item 6 Presentation, Discussion and Possible Approval of Resolution Approving the Closing Agreement with the Internal Revenue Service with Respect to Multifamily Housing Revenue Bonds (Williams Run Apartments) Series 2000A — Michael Jones

**ADJOURN** Michael Jones
Chair of Board

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

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

**BOARD MEETING**
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**507 Sabine, Fourth Floor Boardroom, Austin, Texas 78701**
**April 10, 2003 9:00 a. m.**

**Summary of Minutes**

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

The Board Meeting of the Texas Department of Housing and Community Affairs of March 13, 2003 was called to order by Board Chair Michael Jones at 9:15 a.m. It was held at 507 Sabine, Fourth Floor Boardroom, Austin, Texas. Roll call certified a quorum was present. Vidal Gonzalez was absent.

Members present:
Michael Jones -- Chair
C. Kent Conine -- Vice-Chair
Beth Anderson -- Member
Shad Bogany -- Member
Norberto Salinas -- Member

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

**PUBLIC COMMENT**

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

Mr. Jones called for public comment and the following gave comments at this time.

John Henneberger, Co-Director, Texas Low Income Housing Service of Texas, Austin, Texas
Mr. Henneberger urged the Board to move expeditiously on developing criteria for receiving public input as there is concern for a clearer definition of the criteria that the Board would apply to consider the public comments on affordable housing developments. This Board is uniquely equipped to develop this criteria and is the proper place where the consideration of this type of process is properly vested as opposed to the Legislature.

Sam Guzman, Austin, Texas
Mr. Guzman read a letter from Rep. Eddie Rodriguez into the record which stated: "Dear Ms. Carrington: I am writing to express my support for Carlos Herrera's request to your department to consider approving his request to add additional land to his low income housing tax credit project. The additional land will assist the developer in meeting the issues faced during the zoning process, satisfy the concerns of the surrounding neighborhoods, and respond to the sensitive environmental and wetlands issues. I believe this project is an effort to satisfy City of Austin requirements, community issues and concerns, and its commitment to excellence reflects the type of housing so desperately needed by our community's working families.

Mr. Herrera and his development team, along with the support of the community, have achieved unanimous support by the city council on the zoning of this site. I trust the department can consider Mr. Herrera's request in a positive manner so this project may move forward to completion. As state representative for this district, I strongly support this project and look forward, not only to the investment in our community, but also to the high quality affordable housing for families. Sincerely, Eddie Rodriguez, State Representative, District 51".

Joe Vela, Commissioner Gomez' Office, Austin, Texas
Mr. Vela read a letter from Commissioner Margaret Gomez into the record which stated: "Dear Ms. Carrington: I enthusiastically support Mr. Herrera's application to the Texas Department of Housing and

Community Affairs for low income housing credits. The project is a $15 million investment and will provide 163 units of high quality affordable housing in the southeast quadrant of Travis County. As County Commission, I recognize the critical need for quality and affordable housing for low income families. With a population of over 812,000 Travis County continues to grow, as does our demand for affordable housing.

The Pleasant Valley Courtyard project will be vital to addressing this need. That is why I support this application without reservation. I would also request that you consider the application for an amendment request to add additional land to increase the quality of life for the residents. I appreciate Mr. Herrera's commitment to ensuring the Travis County residents are provided the quality of life they so richly deserve. Margaret Gomez, County Commissioner, Travis County."

Robert Greer, President, Michaels Dev. Co., Marlton, New Jersey
Mr. Greer stated the Michaels Development Company is has been developing affordable housing for over 30 with about 25,000 units in 17 states. Their concentration has been on the production of new and preserved affordable housing in the country. It is their interest to be considered and approved to assume the responsibilities of the general partner to go forward with the preservation of these 800 units in three communities in Texas in litigation with the department.

Mr. Jones closed Public Comment at 9:25 a.m. but would allow the public who requested to speak at the presentation of the agenda items to do so at that time.

**ACTION ITEMS**

**(1) Presentation, Discussion and Possible Approval of Minutes of Board Meeting of March 13, 2003**

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the minutes of the meeting of March 13, 2003.
Passed Unanimously

Frances Ferguson, Neighborhood Reinvestment Corp., Austin, Texas
Ms. Ferguson applauded the Board for the discussion on board decision making criteria and public input. This Board is taking a ground breaking role in ensuring that affordable housing is available fairly across a community, as opposed to being located in one part of town and creating an environment that cannot be a healthy community. There are several national groups working on this issue also. She encouraged the Board to allocate resources for national groups to come to Texas so there is a wealth of experience not only of what is happening in Texas but the country.

**(2) Presentation and Discussion of Board Decision Making Criteria and Public Input**

Ms. Edwina Carrington stated staff provided information and posed questions to the Board for discussion in helping frame this issue which helps staff in developing policy and rules related to the consideration of public input as staff reviews the financing of developments. There has been a considerable amount of public opposition on several multifamily bond transactions at TEFRA hearings and at Board meetings. Staff would like to have a policy discussion with the Board on framing these issues, coming up with guidelines, rules and policies that would help incorporate this into the decision making process.

Mayor Salinas stated the people need to have representation and public hearings should be held and the department should let the legislature handle this item.

Ms. Beth Anderson stated that this Board and staff with the help of constituencies, the development community, the advocacy community and other organizations is in the best position to clarify the process of how public input is received and consider that input in making decisions. It will not be an easy project but she supports it for TDHCA to have a rule-making process to take control of the destiny and how the Board works with the citizens and developers in Texas. There may be a need for a role for this department to provide technical assistance to communities and might provide assistance to communities. The Board should think deeply about their obligation to prepare communities to offer their public input in a constructive way. Projects work best when they are a joint endeavor between the community and the developers, etc. This Board is not just a regulatory body and should look for innovative ideas taking place in other states.

Mayor Salinas does not think the Board needs to do anything on public comments as city planning will decide how land will be used. There are no problems in South Texas or Dallas but there are in Houston and the legislature needs to introduce a bill on Houston zoning. There is good communication with developers and good developers go to communities, talk to the people and address their ideas and projects. People get public notices on hearings on various projects. This Board has no authority on zoning and the Boards role is to allocate credits.

Mr. Conine stated the Board and staff should have a workshop to try to answer the questions proposed by staff. The Board allocates federal funds and if the project meets all the rules of a local municipality and the rules that TDHCA has set that this project will qualify for approval. He asked if the board can filter public comment and can they quantify it to a point to where they know that whatever a person is saying is actually the truth. TDHCA should see what other states are doing and can the TDHCA process can be improved. There is a misconception that these projects do not pay taxes and all they have is crime committed in the projects. This is going to be a huge educational curve that needs to be implemented all across the state.

Mayor Salinas agreed with Mr. Conine and stated the cities should not lose control of where the projects are going to be placed in the communities. The planning and zoning commissions are the ones who are going to decide where projects will be approved.

Mr. Bogany stated the Board's role is to put housing where Texans need it. It is up to the developer to sell the idea to the community - show the kind of project; tell why they are asking for approval and make sure communities know that affordable housing does not bring property values down. The developer should discuss over-crowding of school and along with TDHCA staff explain the project, talk about the schools, computers and social activities being planned and have pictures of projects that a developer has completed. He felt there should be an advisory committee assembled to examine the problems and bring their ideas back to the full Board. The key to getting a community to support a project is presentation. Another is concentration and developers have to be able to do scattered housing. On the advisory committee there should be staff, advocates, developers, Bond Review Board representative and legislative member.

Mayor Salinas stated the Board has to listen to public comments and he would do so and vote accordingly.

Mr. Jones agreed with many of the comments made by the Board members. The Board represents on behalf of the State of Texas, people in communities that want to have public input. The Board also represents developers who have dedicated their lives to providing housing. The Board wants to do best for people as this is the true mission of the Board. The advisory committee should review the way notices are provided to communities, and provide suggestions to improve this process but keep it simple. Once the Board has taken public comment, the next issue is criteria. What criteria should the Board use and how should they use it? TDHCA needs to be at the leading edge to help make the public feel the Board is listening to them as there is now a misconception that staff is on the developers' side. TDHCA needs to be fair and look at the real issues involved.

Ms. Carrington stated the department has an internal working group set up to discuss this issue and to identify and quantify that criteria. People have been identified to be involved in this group. Invitees would be developers, neighborhood groups, local government officials, housing advocates, Bond Review Board and legislative representatives. She stated department staff, syndicators, lenders and developers who use the tax credit program are working on this issue through the QAP. There is another work group stemming from the Housing Colloquium that is dealing with public opposition more from a policy standpoint than what the department is doing. Staff is also reaching out to other states on this issue and seeing what can be used in Texas.

Mr. Conine stated these ideas need to be communicated to the legislature and he encouraged staff to do this.

Ms. Carrington stated staff will do additional work on this item and will have a report back to the Board at the May meeting.

**(3) Presentation, Discussion and Possible Approval of Request for Amended Site Plan for #02-073, Pleasant Valley Courtyards, Austin, Texas under the 2002 Qualified Allocation Plan**

Carlos Herrera, El Dorado Housing Dev., Dallas, Texas
Mr. Herrera stated he had support letters from County Commissioner Margaret Gomez, from State Rep. Eddie Rodriguez and Senator Gonzalo Barrientos. He asked the Board to consider an amendment to Pleasant Valley Courtyards to allow land to be added. There are issues regarding the net useable area and in order to develop and improve the project, they are asking the Board to per acreage to be added to the project.

Dina McKinney, Austin, Texas
Ms. McKinney allocated her time to Cynthia Bast.

Cynthia Bast, Attorney, Locke Liddell & Sapp, Austin, Texas
Ms. Bast stated the proposed amendment is supported by the City of Austin, Travis County, and the Kensington Neighborhood Association. The proposed site plan represents better planning to protect sensitive wetlands on the property, to lower the density, and to allow the creeks and natural beauty to be used in a way that benefits the entire neighborhood. This project did participate in the City of Austin's Smart housing program. She requested the Board's assistance in conforming to the city and neighborhood expectations and asked approval of the item. The 2002 QAP does not prohibit the addition of land to a project and asked approval of the change in the site plan as this is in the best interest of the property and future residents.

Pebble Jackson, Austin, Texas
Ms. Jackson did not testify.

Christine Sullivan, Austin, Texas
Ms. Sullivan did not testify.

Kent Clemons, Austin, Texas
Mr. Clemons did not testify.

Craig Alter, Austin, Texas
Mr. Alter did not testify.

Roger Arriaga, Mayor Gus Garcia Office, Austin, Texas
Mr. Arriaga represented the City of Austin and the Mayors Office. He read a letter of support into the record from Mayor Gustavo Garcia: "Dear Ms. Carrington: I want to express my full support for the Pleasant Valley Courtyards, L.P., and their interest in obtaining TDHCA approval on the expansion of their site. The development of the entire 26 acre site is favored by the City of Austin and the community in the area, including the Kensington Neighborhood Association. Mr. Herrera and their team have diligently worked with the City of Austin to create a development plan that presents a greater beneficial living environment for the community. The amendment to add more land will offer protection to the natural resources, such as creeks, springs, wetlands, and an environmentally sensitive watershed that already exists on the land. I encourage you to strongly consider this expansion and aid in the creation of additional affordable housing in Austin. Signed Gustavo L. Garcia, Mayor of Austin."

Ms. Carrington stated staff reviewed this request for an amendment to the 2002 tax credit application and has taken the position that the addition of land and changing of the location of the buildings within the site does represent a material change to the application. Staff does acknowledge that the changes being made seem to be improvements and there is tremendous support for the site amendment. For staff the key is that to receive 15 points in the pre-application, the sites need to be identical. Because this is no longer an identical site, the pre-app would have lost the 15 points and if they lost those points, they would have tied with another application. If this had to go to a tie-breaker, the other project would have received the application and not Pleasant Valley. If the Board does not approve this item the tax credits would go into the 2003 allocation pool. Staff is not however recommending the approval of the amendment.

Motion made by C. Kent Conine and seconded by Beth Anderson to accept staff's recommendation and not grant the amended site plan as requested by Pleasant Valley Courtyards.
Passed with 3 ayes (Ms. Anderson, Mr. Conine and Mr. Bogany) and 1 no (Mr. Salinas) and Mr. Jones did not vote

Ron Anderson, Executive Director, Housing and Community Services, San Antonio, Texas
Mr. Anderson stated the Housing and Community Services of San Antonio has acquired and rehabbed over 1,200 units of low-income affordable housing that would no longer exist as low income housing if their organization had not taken over. They work with communities and residents to help them achieve economic and social self-sufficiency. Country Club meets all of the criteria of their mission and for elderly residents. It is located near San Antonio's Medical Center and is in a moderately upscale neighborhood. He asked the Board to assist in the way of a low interest loan for the acquisition and rehab of the property. There are other resources that will help them with rehab also. The property is 25 years old and they are asking for preservation funding to preserve the affordable housing which is 100% Section 8, project based. If they are unable to purchase the property, the vouchers will be lost to Texas and if approved, they will save these vouchers for the state.

Raymond Lucas, San Antonio, Texas
Mr. Lucas did not testify.

**(4) Presentation, Discussion and Possible Approval of Financial Items:**
**a) Housing Preservation Incentives Program:**
**1) Request for Reconsideration by Country Club Village Apartments, for a Loan in the Amount of $909,657, San Antonio, Texas**

Ms. Carrington stated staff is asking the Board to reconsider the approval for a loan in the amount of $909,657 from the housing preservation incentives program. This project has 82 project based Section 8 units for elderly residents.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the request by Country Club Village Apartments for a loan in the amount of $909,657, San Antonio, Texas for preservation.

Amendment to the motion by Beth Anderson to approve this item subject to receipt of a favorable decision on the project getting the HOME grant in the amount of $250,000 from San Antonio and notifying the local tax jurisdictions and a favorable resolution with the various taxing jurisdictions of their willingness to grant the tax exemption.

Amendment accepted by Mr. Bogany and Mr. Salinas.
Amended motion Passed Unanimously

**b) Investments:**
**1) Second Quarter Investment Report**

Mr. William Dally, Chief of Agency Administration, stated the portfolio increased by $92.5 million for a total of $1.28 billion due to bond issuances in the RMRB and multifamily issues. The portfolio consists of 60% mortgage backed securities, 34% guaranteed investment contracts and investment agreements, 4% repurchase agreements and 2% others.

**2) Directors and Officers Insurance**

Mr. Dally stated staff has been in discussions with the State Office of Risk Management and are recommending a new policy with a $1 million cap, $50,000 deductible to cover any federal action with regards to the civil rights for employment issues. Original premium was $125,000 and the new premium is $25,000 with coverage reduced from $10 million to $1 million.

General Counsel Chris Wittmayer advised the Board they could discuss this item in Executive Session.

**c) Professional Services (Single Family):**

**1) Firms Recommended to Provide Trustee Services for the Department's Single Family Mortgage Revenue Bond Issues**

Ms. Carrington stated staff is requesting the Board to approve two trustees, Wells Fargo and Bank One for the single family mortgage revenue bond program.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve Bank One and Wells Fargo to provide trustee services for the single family mortgage revenue bond issues.
Passed Unanimously

**2) Firms Recommended to Provide Co-Managing Investment Banking Services for the Sale of the Department's Single Family Mortgage Revenue and Refunding Bonds**

Ms. Carrington stated staff is recommending two additional firms to provide co-management investment banking services to TDHCA. There are currently six senior managers and six co-managers approved. The two new firms being recommended are: Loop Capitol Markets, LLC in Chicago but with an office in Austin and Samuel A. Ramirez and Company in New York but has a Texas presence.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the addition of Loop Capitol Markets, LLC and Samuel A. Ramirez and Company to provide co-managing investment banking services for the sale of the department's single family mortgage revenue and refunding bonds.
Passed Unanimously

**3) Reissuance of Request for Qualifications for Co-Managing Investment Banking Firms for the Sale of the Department's Single Family Mortgage Revenue and Refunding Bonds**

Ms. Carrington stated staff is requesting approval to reissue the request for qualifications for co-managing underwriters for the single family bond program. The Board selected two in the previous item but staff would also like to select from one to four more co-managers. To do this staff needs to reissue the request for qualifications and to add those who have experience with derivatives and sub-prime mortgage securitization.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the reissuance of a request for qualifications for co-managing investment banking firms for the sale of the Department's single family mortgage revenue and refunding bonds.

Ms. Anderson had questions as at one time the staff wanted to reduce the number of firms and now they are asking to increase the number.

Ms. Carrington stated there are six senior managers and six co-managers and would reduce the number of senior managers and have a team of one senior manager and several co-managers.

Mr. Bryon Johnson stated there would be three teams rotating for different issues with a senior manager, a co-senior manager and three to four co-managers. The reduction would be in the number of senior managers. Staff would return to the Board and provide a recommendation of the teams with the approval of the documents for the single family bond transaction.

Ms. Carrington stated the public good is by having more firms on a list they tend to be more creative, bring more experience, bring distribution capabilities and creative kinds of ideas and structures.

**4) Transfer of Investment Banking Firms Between the Senior Manager And Co-Senior Manager Investment Banking Pools**

Ms. Carrington stated staff is requesting authorization to transfer the role between senior manager and co-senior manager for two firms currently in the investment banking pool. This would transfer M.R. Beal and Company from the senior pool to the co-manager pool and transfer Siebert Brandford Shank from co-manager pool to senior manager pool.

Ms. Anderson requested to see sales performance assessment at the finish of cycling through all the co-managers at the end of the year. This should take place around the end of 2003. She asked what was the sales performance of Siebert Brandford Shank that justifies them being elevated to senior management.

Mr. Johnson replied on a national perspective Siebert Brandford Shank was ranked 16th in terms of co-manager, co-senior business and in Texas they ranked 8th. In minority firms on a national level, they were ranked first in co-manager and co-senior business. M. R. Beal has had changes in personnel and some of their bankers have left and the company has not kept in touch with TDHCA. Siebert has been working on the PHA securitization transaction and has participated fully in the transactions, have produced orders and taken down their share of the bonds.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the transfer of investment banking firms between the senior manager and co-senior manager investment banking pools for Siebert Brandford & Shanks to senior manager and M.R. Beal Investment Company to co-senior manager.
Passed Unanimously

**d) Single Family Mortgage Revenue Bonds:**

**1) Recommendations Relating to the Prospective Issuance of Tax-Exempt Residential Mortgage Revenue Bonds for Single Family Mortgage Loans (Program 59A)**

Ms. Carrington stated the Department issued a convertible auction bond in approximately $74 million in December, 2002. Staff is now proposing a structure for single family mortgage revenue bonds for loans for first time home buyers and this would take $40 million from the $70 million COB of last December and be in the form of a variable rate auction bond and would involve an interest rate swap.

Peter Wise, Bear Stearns, New York, New York

Mr. Wise stated the bond finance division has been considering and discussing this structure for some time. Mortgage rates have hit 40 year lows and tax exempt yields have not decreased as much as treasury yields. The mortgages the department is doing are pegged to tax exempt rates and the result is call spread compression between the mortgages. A traditional transaction does not produce a mortgage rate that is competitive with local commercial banks. This refunding would be from convertible option bonds so there is no requirement for volume cap. The proposed interest rate swap would reduce mortgage rates by about 50 basis points versus a traditional fixed-rate transaction. Two swaps are being considered with one having the right to terminate the swap at par so there would be a guarantee that there would be no cost to the department after a period of time. They are recommending a LIBOR taxable index swap.

This allows the department to offer a mortgage rate competitive with a commercial bank and reduces mortgage rates from 10 to 15 basis points below conventional and allows a great many first-time homebuyers to purchase a home. One downside is if the corporate marginal tax rate were to be drastically reduced, then the department's bonds would trade at higher yields than what Bear Stearns contractual obligation is to pay to the department. The other downside is if the departments bonds trade differently than where previously traded, or where variable-rate bonds have traditionally priced and traded in the past.

Mr. Gary Machak stated that termination insurance and par termination rights are being added and the auction rate bonds are insured. The final decision will be made at pricing. If there is a level of comfort the structure will go forward and he recommended the proposal for approval.

Ms. Anderson had questions on what should the board be doing to make sure the capacity to manage this kind of debt is available.

Mr. Machak advised that the personnel of TDHCA has the experience to manage this and the Board should be kept aware of what is going on with the experience level of these people.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the issuance of tax-exempt residential mortgage revenue bonds for single family mortgage loans.
Passed with 4 ayes and 1 abstained (Mr. Salinas abstained)

**2) Underwriting Teams for the Sale of Residential Mortgage Revenue and Refunding Bonds (Program 59A)**

Ms. Carrington stated this selects the team to execute the previously approved transaction. Staff is recommending the approval of Bear Stearns as the senior manager, U.S. Bancorp, Piper Jaffrey as co-senior, Solomon Smith Barney as co-senior, George K. Baum, co-manager, Siebert Brandford, co-manager and U.S.B./Paine Webber as co-manager.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the teams of: Bear Stearns as the senior manager, U.S. Bancorp, Piper Jaffrey as co-senior, Solomon Smith Barney as co-senior, George K. Baum, co-manager, Siebert Brandford, co-manager and U.S.B./Paine Webber as co-manager for the sale of Residential Mortgage Revenue and Refunding Bonds.
Passed Unanimously

**e) Taxable Junior Lien Program:**

**1) Recommendations Revising Allocations of Taxable Junior Lien Single Family Mortgage Revenue Bond Proceeds (Program 58)**

Ms. Carrington stated this relates to reprogramming of funds for the taxable junior lien. Staff is requesting approval of a reallocation of $1 million down payment assistance program use and $152,944 for multifamily preservation program use. This $1 million is coming from a Section 8 home ownership voucher program and the $154,944 is coming from cost of insurance.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the recommendations revising the allocations of taxable junior lien single family mortgage revenue bond proceeds.
Passed Unanimously

Mr. Conine requested an update on the HOME program down payment assistance program and was advised by Ms. Carrington that this item will be presented at the Board meeting in May, 2003.

**f) Professional Services (Multi-family):**

**1) Request for Qualifications for Underwriters for the Multifamily Mortgage Revenue Bond Program**

Ms. Carrington stated this item relates to the issuance of a multifamily underwriter request for qualifications. On the multifamily program, there are about 24 firms that were selected in 1999 to serve as underwriters and since it has been some time since a RFQ was issued, staff is proposing that this be done now.

Motion made by Shad Bogany and seconded by Beth Anderson to approve the issuance of a request for qualifications for underwriters for the Multifamily Mortgage Revenue Bond Program.
Passed Unanimously

**1) Request for Qualifications for Bond Trustees for the Multifamily Mortgage Revenue Bond Program**

Ms. Carrington stated this is a request for qualifications for trustee services for the multifamily division. The current list was approved in June 1996 and there are three trustees on the list which are Wells Fargo, BankOne and J.P. Morgan/Chase. Staff would like to determine if other financial instructions in the state would like to perform trustee services for multifamily.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the issuance of a request for qualifications for bond trustees for the Multifamily Mortgage Revenue Bond Program and the Request for Qualifications should be sent to Texas based banks also to give them the opportunity to participate.
Passed Unanimously

Brent Stewart, Trammell Crow Residential, Austin, Texas
Mr. Stewart was available for any questions the Board might have on West Virginia Apartments.

**g) Multifamily Mortgage Revenue Bonds and 4% Tax Credits:**

**1) Proposed Issuance of Multifamily Mortgage Revenue Bonds for West Virginia Apartments, Dallas, Texas in an Amount not to Exceed $9,450,000 and Issuance of Determination Notice for 03-401, West Virginia Apartments with TDHCA as The Issuer**

Ms. Carrington stated staff is recommending approval of the issuance of tax exempt multifamily mortgage revenue bonds in the amount of $9,450,000 for West Virginia Apartments, which is located in Dallas and is new construction with 204 units. The amount of tax credits being requested is $668,961.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve Resolution No. 03-22 for the issuance of multifamily mortgage revenue bonds for West Virginia Apartments, Dallas, Texas in an amount not to exceed $9,450,000 and issuance of a determination notice for 03-401 with the tax credit amount of $686,961.
Passed Unanimously

Marnie Miller, Charter Mac, Denver, Colorado
Ms. Miller stated Charter Mac will assume the construction risk on the Hillery Gardens. All costs are in line with all other new construction projects that have been financed in the past.

Kurt Kehoe, Picerne Aff. Development, Altamonte Springs, Florida
Mr. Kehoe asked the Board to approve the issuance of bonds and tax credits for Hillery Gardens even though TDHCA staff is not recommending approval. Staff contents there are insufficient sources of funds available to complete the project. The underwriting report states the loan should be limited to $12,950,000 and the underwritten hard construction costs require the project uses to be increased by about $1.7 million which required a large deferral of fees. These deferred fees were unable to be repaid by expected cash flow within 15 years. He disagreed with these underwriting conclusions. In the tax credit amount, there was $681,694 requested but TDHCA underwriter computes an annual amount of $707,987 but then states an amount of $645,369 must be used. The tax credit application estimated a value of $200 per unit for property insurance which the underwriter agreed with but then Mr. Kehoe provided an actual quote for property insurance from the insurance provider to TDHCA that confirmed a cost of $155 per unit on an annual basis. The methodology used by TDHCA underwriters on construction costs skews the construction costs since the base construction cost is a straight square footage cost. Picerne does not use this methodology. Also the TDHCA underwriter has taken into account the slowdown in the economy and the pressures in the current marketplace on construction costs. The cost per unit used by TDHCA for built-in appliances is $1625 per unit which is $500 per unit higher than the actual costs as evidenced by a General Electric's bid. TDHCA has included their construction contingency number in the total uses, even though

the total construction cost is computed separately. This double counts the contingency which resulted in the underwriters total uses to increase by $569,920. He stated they are willing to reduce their construction profit and overhead fees to zero. This reduces the required project cost by $911,973 and he asked the board to approve the bond amount of $12,950,000 and the allocation of tax credits of $645,369.

**2) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Hillery Garden Villas, Burleson, Texas in an Amount not to Exceed $13,300,000 and Issuance of Determination Notice for 02-488, Hillary Garden Villas with TDHCA as the Issuer**

Ms. Carrington stated staff is not recommending approval of the issuance of the tax exempt bonds on Hillery Gardens Apartments nor the issuance of the 4% tax credits as there were insufficient funds to complete the transaction.

Tom Gouris, Director of Real Estate Analysis, stated even with the appliance issue and the waiving of fees that this does not have any impact on changing the costs and staff would still not recommend approval. There were adjusters that reduced the amount to $1,247 which is fairly consistent with Mr. Kehoe's $1,123 and there is a fixed price per unit in determining what that fixed price per square foot is. Staff does not double count the contingency mentioned. If contractors fees were reduced staff would reduce the amount of credits and a gap would still remain as they would have less sources of funds. There is not enough money to finish the project under the sources and uses and also due to underwriting guidelines, he recommended denying the project.

Motion made by Beth Anderson and seconded by Norberto Salinas to confirm staff's recommendation to decline the project of Hillery Garden Villas, Burleson, Texas.
Passed with 3 ayes (Mr. Salinas, Mr. Anderson, Mr. Bogany) 1 no (Mr. Conine) and 1 not voting (Mr. Jones)

The board took a break at 12:45 pm and returned to open session at 1:20 pm.

**3) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Sphinx @ Murdeaux, Dallas, Texas in an Amount not to Exceed $15,085,000 and Issuance of Determination Notice for 02-469, Sphinx at Murdeaux with TDHCA as the Issuer**

Ms. Carrington stated staff is recommending the issuance of tax exempt bonds in the amount of $15,085,000 for the Sphinx @ Murdeaux in Dallas, Texas and the issuance of the 4% tax credits in the amount of $973,584. It has 240 units with some 4 bedroom units. There were speakers at the public hearing who had questions and concerns about a transaction that had been an application to the department several years ago that did not move forward but no one spoke on this project.

Rev. H. J. Johnson, Chair, Pleasant Wood/Pleasant Grove Community and Economic Development Corporation, Dallas, Texas

Rev. Johnson stated he appreciated the hospitality that he received from the TDHCA staff. This corporation is a self-determining corporation who has a filed a 501c(3). They have done a comprehensive land use study paralleled by the City of Dallas. This land use study covers the area of this application. The city council persons of that area, the state representative and senator and neighbors all support the project.

J. Eugene Thomas, Southeast Dallas Land Use Study, Dallas, Texas

Mr. Thomas stated he is the chairperson of the comprehensive land use study for the southeast sector of Dallas and they are excited about having the Sphinx at Murdeaux in their community.

Motion made by Beth Anderson and seconded by Shad Bogany to approve the issuance of Resolution No. 03-21 for multifamily mortgage revenue bonds for Sphinx @ Murdeaux, Dallas, in an amount not to exceed $15,085,000 and issuance of a determination notice for 02-469 for tax credits in the amount of $973,584.
Passed Unanimously

Neal Sox Johnson, RRHA, Temple, Texas

Mr. Johnson stated his appreciation for staff working on a policy on process/procedures for USDA rescue transactions. He asked that the definition on rescue deals include those in inventory as well as those accelerated to the process of foreclosure. The transactions do not compete with anything so as they are done on a first-come, first-serve basis and he felt there was no need to score. He recommended the open cycle and if it works, then to incorporate it in the 2004 QAP.

**5) Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:**

**a) Policy on Process/Procedures for USDA "Rescue Transactions" To Request a 2004 Forward Commitment of Tax Credits**

Ms. Carrington stated staff did go back at the board's direction from the last board meeting, and add language to the policy that would include scoring of these transactions. Staff did not however include the recommendation to add those in inventory. The policy covers those that are in the foreclosure process or in the loan acceleration process.

Motion made by Beth Anderson and seconded by C. Kent Conine to adopt the proposed staff policy with the addition of a $250,000 cap for the 2003 forward commitments and to amend the definition to include the properties that already are holding in inventory and the motion still follows the staff recommendation that the Board does want the applications to be scored.
Passed Unanimously

**b) Interagency Contract Between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs Concerning the Low Income Housing Tax Credit Program Rural Set Aside**

Ms. Carrington stated staff is requesting approval of the proposed Memorandum of Understanding between TDHCA and ORCA related to the joint administration on the rural set-aside on the tax credit program. Staff completed the cost estimate (fiscal note) on this MOU and estimates the fiscal impact would be $14,167 and the maximum amount allowable is $15,150.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the interagency contract between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs on the Low Income Housing Tax Credit Program rural set aside.
Passed Unanimously

**c) Issuance of Determination Notices to Tax-Exempt Bond Transactions With Issuers Other than TDHCA:**

**02-470 The Shire Apartments, Port Arthur, Texas ,**
**Jefferson County HFC is the Issuer**
**02-471 Southside Villas, San Antonio, Texas**
**San Antonio HFC is the Issuer**
**02-474 Quail Creek Apartments, Denton, Texas**
**Denton County HFC is the Issuer**
**02-476 Wurzbach Manor Apartments, San Antonio, Texas**
**Bexar County HFC is the Issuer**
**02-477 The Oaks, Dallas, Texas**
**City of Dallas HFC is the Issuer**
**02-483 Cypress View Villas, Weatherford, Texas**
**Northwest Central Texas HFC is the Issuer**
**02-486 The Vistas Apartments, Marble Falls, Texas**
**Capital Area HFC is the Issuer**
**02-490 Caspita Apartments, Cedar Park, Texas**
**Capital Area HFC is the Issuer**

Ms. Carrington stated these applications are with issuers other than TDHCA. Six of the eight are new construction and two are acquisition rehab. The acquisition rehabs are the Shire Apartments in Pt. Arthur which is a 32 year-old property with 310 units with the direct construction cost of

$13,330 per unit. Wurzbach Manor in San Antonio has a Section 8 housing assistance payments contract, is an old HUD 236 property built in 1976 and cost about $16,000 per unit for rehab.

Bill Fisher, Provident Realty, Dallas, Texas
Mr. Fisher stated he was available as a resource witness for questions.

Motion made by Norberto Salinas and seconded by C. Kent Conine to approve the issuance of determination notices for 02-470, The Shire Apartments, Port Arthur for $554,837; 02-471, Southside Villas, San Antonio for $736,947; 02-474, Quail Creek Apartments for $1,039,028, Denton; 02-476, Wurzbach Manor Apartments, San Antonio for $353,285; 02-477, The Oaks, Dallas for $857,388; 02-483, Cypress View Villas, Weatherford for $510,477; 02-486 The Vistas Apartments, Marble Falls for $386,696 and 02-490, Caspita Apartments, Cedar Park for $628,789.
Passed Unanimously

Rod Buffington, City of Plano, Plano, Texas
Mr. Buffington stated he was available to answer any questions the Board might have.

**6) Presentation, Discussion and Possible Approval of Programmatic Items:**
**a) HOME Program:**
**1) Authorization for the TDHCA Executive Director to Request a Reduction of the State of Texas 2003 Home Investment Partnerships Program (HOME) Allocation To Provide $199,583 to Assist Montgomery County and to Provide $225,746 to Assist the City of Plano in Meeting the HUD Requirements to be Designated Participating Jurisdictions Under the HOME Program**

Ms. Carrington stated per HUD regulations and guidelines to qualify as a participating jurisdiction communities look at a formula funding based on poverty, population, worst case housing, etc. They have to have a dollar amount on that formula of a minimum of $750,000 and if the have these factors and formula and the $750,000 then they are designated a participating jurisdiction. They would receive their HOME allocation directly from HUD. In these two cities, both are asking TDHCA to make up the difference between what they're eligible for right now from HUD and the $750,000. Staff is recommending this item which would mean a reduction in the state's funds but the benefit to the local community is they know what they are getting on an annual basis. They are able to do long range planning related to the money as opposed to competing for funds annually basis and not knowing whether they will be funded from the State.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the authorization for the TDHCA Executive Director to request a reduction of the State of Texas 2003 Home Investment Partnerships Program (HOME) Allocation to provide $199,583 to assist Montgomery County and to provide $225,746 to assist the City of Plano in meeting the HUD requirements to be designated participating jurisdictions under the HOME Program.
Passed Unanimously

**b) Proposed Amendments to the Board and Staff Appeals Process Rules, 10 Texas Administrative Code Sections 1.7 and 1.8**

Mr. Chris Wittmayer, General Counsel, stated staff is requesting to make amendments and improvements in the Board and Staff Appeal Rules. Staff is proposing to only have one appeals hearing rather than two and this would eliminate the Board Appeals Committee. A clarification is proposed that bonds and 4% tax credit are under the 1.8 rule and not under the QAP rule in 49.18(b) which applies to the 9% tax credits. Staff proposes to reduce the appeals period in the 1.8 and 1.7 rules to seven days to be consistent with the QAP and proposes to clarify that this is de novo review, (the board renews their previous decision anew), rather than defer to any of their previous decision. On public comment and notice, staff proposes to clarify that the board will consider a public comment under its usual procedures but that members making public comments are not parties to the appeal and no rights accrue to them under these appeals rules. Staff is adding a specific notification to neighborhood representatives that appear at the previous committee and speak at the previous board meeting, and speak either for or against a development, that they will receive specific telephonic notification of the appeal. Three attempts to contact them will suffice for notices. Staff also proposes to add a good cause exception where the board could hear the appeal, even if there is some technical shortcoming in meeting the rules and propose similar amendments to the staff appeals rules. If the board concurs, staff would publish these rules for a 30 day comment period and then bring to the board for final consideration.

Motion made by Beth Anderson and seconded by Shad Bogany to approve the proposed amendments to the Board and Staff Appeals Process Rules.
Passed Unanimously

**7) Presentation, Discussion and Possible Approval of Audit Items:**

**c) Proposed Amendments to Internal Audit Charter**

Mr. David Gaines stated staff is requesting amendments to the Internal Audit Charter that relate to recommendations from the recent quality control review of the internal audit function. One change is that the departments Board periodically assess whether resources allocated to the Internal Audit Division are adequate to implement an effective program of the internal auditing. The next amendment adds reference to the internal auditing responsibility to perform to the Code of Ethics as prescribed by the Institute of Internal Auditors.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the amendments as stated by staff to the Internal Audit Charter.
Passed Unanimously

**d) Status of Prior Audit Issues**

Mr. Gaines stated there are 24 issues being reported which is 8 more than in the past - due to audits recently released. Eleven have been reported as implemented, leaving 13 that management continues to work on. Six relate to the HOME monitoring report issued in November of 2001 and since the last report on prior audit issues, HUD has delivered a letter to the department; staff has met with HUD officials; and the department is going to establish that each house funded under the HOME Program met the states and HUDs standards at the time the activity was completed. Home owners and home buyers will be sent a simplified house checklist being prepared by the department and approved by HUD. The checklist will ask the home owners and home buyers if their houses met the required standards at the time the activity was completed and the funds were spent. For any claims by the home owners or home buyers, the department will conduct onsite inspections. Required corrective actions will be taken where it's determined that the construction was not in conformance with standards. The department will also provide for an appeals process to any claim by these home owners or home buyers that upon inspection, the department determines that it's not a legitimate claim. The department is going to have to inspect only those houses where they receive complaints of non-compliance, as opposed to reinspecting all such properties since 1998.

Motion made by Shad Bogany and seconded by Beth Anderson to approve the report on the prior audit issues.
Passed Unanimously

Mr. Gaines further stated that Issue No. 268 is the soft cost issue reported by KPMG in their FY2001 single audit and in their subsequent audit, KPMG reported that management has taken corrective actions on this issue. Issues 282 through 284 are audit findings resulting from the peer review of the departments internal audit function. With the board's approval of the charter these issues are considered implemented and will be dropped from further consideration. The remaining five issues result from the KPMG federal portion of the statewide single audit. The cumulative question of costs relating to these issues is about $34,000. Management considers most of these issues as resolved or implemented but the department may need to identify sources of funds in the future to satisfy this question of cost if HUD determines that such costs are unallowable and must be repaid. For Issue 298, management plans to implement controls by May 1st to prevent this error from happening again. The next issues relate to how long the department holds federal funds before disbursing funds. If held too long, the state owes the federal government interest earned on those funds and it will have the liability if the federal government holds funds too long before remitting to us, after claims have been made, they may owe interest to the department or the state. The department will monitor more closely its fund clearance pattern and will identify significant changes so this would be reported to the Comptrollers office. The last three issues have been reported as implemented.

Motion made by Shad Bogany and seconded by Beth Anderson to accept the internal auditors report.
Passed Unanimously

Jim Henderson, President, Interstate Realty Co., Marlton, New Jersey
Mr. Henderson stated they along with the Michaels Development Company propose to preserve and rehabilitate about 800 apartments in three municipalities in Texas. The preservation of affordable housing is the single most critical issue facing the housing industry today and meeting the needs of the residents of communities is equally important. They operate 25,000 apartments in 17 states, Washington DC and the Virgin Islands. They have established computer learning centers, social services provisions including job readiness, education, GED programs and basic literacy programs to meet the needs of their residents. They have created in excess of 1,100 jobs in the last three years – jobs that provide living wages, real jobs.

John O'Donnell, Michaels Dev. Company, Marlton, New Jersey
Mr. O'Donnell stated they were seeking approval of the proposed settlement and he took the opportunity to acknowledge the staff and the amount of time spent on this project over the last few weeks to come to a resolution. The proposed settlement would accept Michaels Development Company as a replacement general partner. This will bring a minimum of an additional $6 million in rehabilitation to these properties.

Antoinette M. Jackson, Attorney, Coats Rose Houston, Texas
Ms. Jackson stated she has been working with HUD to prepare the transfer of physical asset applications and providing HUD with information they requested regarding the Michaels Group, the rehab and the takeover of the properties. She was available to answer any questions.

**REPORT ITEMS**
Executive Directors Report
a) Items Related to 78th Legislative Session – Legislative Memo
b) Status of TDHCA Sunset Legislation
There was no Executive Directors report presented.

**EXECUTIVE SESSION**
Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – 1) Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District; 2) Hiram Clark Civic Club, Inc. v TDHCA, District Court, Travis County, Texas; Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, Settlement Agreement, (3) Board Decision Making Criteria and Public Input; Personnel Matters under Section 551.074, Texas Government Code; If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

Mr. Jones stated: "On this day, April 10, 2003 at a regular board meeting of the Texas Department of Housing and Community Affairs held in Austin, Texas the Board of Directors adjourned into a closed executive session as evidenced by the following: The Board of Directors began its executive session today, April 10, 2003, at 2:18 p.m. The subject matter of this executive session deliberation is as follows: Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – 1) Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District; 2) Hiram Clark Civic Club, Inc. v TDHCA, District Court, Travis County, Texas; Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, Settlement Agreement, (3) Board Decision Making Criteria and Public Input; Personnel Matters under Section 551.074, Texas Government Code; If permitted by law, the Board may discuss any item listed on this agenda in Executive Session.

The Board went into Executive Session at 2:18 p.m. and returned to Open Session at 3:05 p.m.

**OPEN SESSION**

Action in Open Session on Items Discussed in Executive Session

Mr. C. Kent Conine, Vice-Chairman of the Board, stated: "The Board of Directors has completed its executive session of the Texas Department of Housing and Community Affairs on April 10, 2003 at 3:05 p.m. I hereby certify that this agenda of the executive session was properly authorized, pursuant to Section 551.103 of the Texas Government Code, posted in the secretary of State's Office seven days prior to the meeting, pursuant to Sec. 551.044 of the Texas Government Code; that all members of the Board of Directors were present with the exception of Vidal Gonzalez and Michael Jones (who had to leave the meeting). The subject matter of this executive deliberation was as follows: Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District – Action taken – none; Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; - Action taken – none; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan – Action taken – none; (3) Heatherwilde Estates Apartments, LIHTC Development No. 02-075 – Action taken – none; (4) Bond and Tax Credit Development Approval – Disapproval Factors – Action taken – none; (5) Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464; - Action taken – none; (6) Request for Relief by Kingfisher Creek Apartments, LIHTC No. 00-062; - Action taken - none; Personnel Matters under Texas Government Code 551.074 – Action taken – none; and Discussion of any item listed on this agenda – Action taken – none. I certify that this is a true and accurate record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code." Signed by C. Kent Conine.

Mr. Jones left the meeting during the Executive Session.

**8) Presentation, Discussion and Possible Action on Proposed Settlement in Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District**

Mr. Gouris stated originally they were looking at rehab of about $11,000 hard costs to $14,000 per unit. In recent conversations they indicated it was $6 million for four projects. That would be on top of what they had proposed. These four projects are located in Fort Worth, Lubbock and two in Houston.

Mr. Bob Greer advised that Century Pacific will be getting relief from all their obligations, financial and compliance obligations on all programs and being saved from being put out of business. The Michaels Group is taking all other projects in other states as they are buying the Century Pacific out completely.

Mr. O'Donnell stated the Michaels Group will be paying the debt off and will put in improvements for these properties.

Mr. Gouris will review the proposal to determine if the proposed amount will wipe out the seller notes, will the first lien note pick up the $10,000 and will debt service support this.

Motion made by Shad Bogany and seconded by Norberto Salinas to accept the settlement subject to the Michaels Group providing staff a list of items that will do and provide all information for staff to redo the underwriting reports within three weeks from this date forward and that if staff is satisfied with documents and financing plan, that the item will not have to be returned to the Board.
Passed Unanimously

**ADJOURN**

The meeting adjourned at 3:20 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

P:bdminap/dg

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

# *REPORT AND OVERVIEW OF PUBLIC OFFICIALS LIABILITY INSURANCE*

**INTRODUCTION BY WILLIAM DALLY,**
**CHIEF OF AGENCY ADMINISTRATION**

**Topic**: Recently purchased Public Officials Liability and Employment Practices Liability Insurance Policy From Arthur J. Gallagher & Co. – Dallas (Binder Attached)

**Guest Presentation By**:

**Sally Becker**, Risk Management Specialist-Insurance
State Office of Risk Management
State Insurance Program (Attached)
HB 1203, effective September 1, 2002

**Special Resource Guests**:

**Jonathan Bow**, Esq.
General Counsel – State Office of Risk Management

**Gerald Michalak**
Executive Vice President – Arthur J. Gallagher & Co.- Dallas

**Robert O'Keefe**, Esq.
Acting Chief, General Litigation, Attorney General's Office

**Nellie Herrera**, Esq.
Chief, Tort Litigation, Attorney General's Office

# STATE OFFICE OF RISK MANAGEMENT

**WILLIAM P. CLEMENTS, JR. BUILDING, 6TH FLOOR**
**P.O. BOX 13777, AUSTIN, TEXAS 78711**
**(512) 475-1440**


State Insurance Program – HB1203

Beginning 9/1/02, the State Office of Risk Management will operate as a full-service risk and insurance manager for state agencies.

One of the major goals is to eliminate policies that do not cover agency's risks or charge a premium for covering non-existent risks. The state and its agencies have immunity from suit, known as sovereign immunity. Only in certain areas has the state waived its immunity. The Texas Tort Claims Act identifies these areas as well as provides limits where immunity has been waived.

Under HB1203 (now codified in Labor Code 412), SORM will act as a broker for insurance purchases by state agencies under any line of insurance other than health or life insurance, including liability insurance. Lines of insurance will be reviewed one at a time. Upon review, SORM will determine if need exists for a statewide insurance policy – SORM sponsored program; no need exists for any agency to purchase coverage – Prohibited line; and, a need for a single agency to purchase coverage but not necessarily statewide – Individual policy.

SORM's first line of insurance reviewed – Directors' & Officers' (Public Officials) Liability with Employment Practices Liability. Awarded to Arthur J. Gallagher as the agent and National Union Fire Insurance Co. of Pittsburgh, PA as the insurer (AIG). The unique features of this program include defense costs outside the limit of liability, errors & omissions coverage and third party liability. Each State agency would be underwritten on their own merits for experience, expenditures and number of employees. And each agency is able to make the business decision on liability limit and retention.

# ACORD INSURANCE BINDER

DATE: 04/11/2003

HIS BINDER IS A TEMPORARY INSURANCE CONTRACT, SUBJECT TO THE CONDITIONS SHOWN ON THE REVERSE SIDE OF THIS FORM.

| | |
|---|---|
| RODUCER | PHONE (A/C, No, Ext): (972)991-3700 FAX (972)991-4061 |
| Arthur J Gallagher & Co. - Dallas<br>14241 Dallas Parkway<br>Suite 300<br>Dallas, TX 75254 | |
| CODE: | SUB CODE: |
| AGENCY CUSTOMER ID 00007763 | |

| COMPANY | BINDER # |
|---|---|
| National Union Fire Ins Co. | B03041107301 |

| EFFECTIVE DATE | EFFECTIVE TIME | | EXPIRATION DATE | EXPIRATION TIME |
|---|---|---|---|---|
| 04/11/2003 | 12:01 | X AM / PM | 06/11/2003 | X 12:01 AM / NOON |

THIS BINDER IS ISSUED TO EXTEND COVERAGE IN THE ABOVE NAMED COMPANY PER EXPIRING POLICY #:

DESCRIPTION OF OPERATIONS/VEHICLES/PROPERTY (Including Location)
Public Officials Liability/EPL

INSURED

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

## COVERAGES

| TYPE OF INSURANCE | COVERAGE/FORMS | DEDUCTIBLE | COINS % | AMOUNT (LIMITS) |
|---|---|---|---|---|
| PROPERTY — CAUSES OF LOSS: BASIC, BROAD, SPEC | | | | |
| GENERAL LIABILITY | | EACH OCCURRENCE | | $ 10,000,000 |
| COMMERCIAL GENERAL LIABILITY | $100,000 Deductible | FIRE DAMAGE (Any one fire) | | $ |
| CLAIMS MADE / OCCUR | | MED EXP (Any one person) | | $ |
| X Public Official Liab | | PERSONAL & ADV INJURY | | $ |
| X Empl.Practices Liab | | GENERAL AGGREGATE | | $ 10,000,000 |
| | RETRO DATE FOR CLAIMS MADE: | PRODUCTS - COMP/OP AGG | | $ |
| AUTOMOBILE LIABILITY | | COMBINED SINGLE LIMIT | | $ |
| ANY AUTO | | BODILY INJURY (Per person) | | $ |
| ALL OWNED AUTOS | | BODILY INJURY (Per accident) | | $ |
| SCHEDULED AUTOS | | PROPERTY DAMAGE | | $ |
| HIRED AUTOS | | MEDICAL PAYMENTS | | $ |
| NON-OWNED AUTOS | | PERSONAL INJURY PROT | | $ |
| | | UNINSURED MOTORIST | | $ |
| | | | | $ |
| AUTO PHYSICAL DAMAGE — DEDUCTIBLE | ALL VEHICLES / SCHEDULED VEHICLES | ACTUAL CASH VALUE | | |
| COLLISION: | | STATED AMOUNT | | $ |
| OTHER THAN COL: | | OTHER | | |
| GARAGE LIABILITY | | AUTO ONLY - EA ACCIDENT | | $ |
| ANY AUTO | | OTHER THAN AUTO ONLY: | | |
| | | EACH ACCIDENT | | $ |
| | | AGGREGATE | | $ |
| EXCESS LIABILITY | | EACH OCCURRENCE | | $ |
| UMBRELLA FORM | | AGGREGATE | | $ |
| OTHER THAN UMBRELLA FORM | RETRO DATE FOR CLAIMS MADE: | SELF-INSURED RETENTION | | $ |
| WORKER'S COMPENSATION AND EMPLOYER'S LIABILITY | | WC STATUTORY LIMITS | | |
| | | E.L. EACH ACCIDENT | | $ |
| | | E.L. DISEASE - EA EMPLOYEE | | $ |
| | | E.L. DISEASE - POLICY LIMIT | | $ |
| SPECIAL CONDITIONS/ OTHER COVERAGES | Policy Term April 11, 2003 to April 11, 2004<br>Exclusions: Terrorism, Intellectual Property, Fungus & Mold<br>Bonds, Mortgage Banking Ops. See Policy for full exclusions | FEES | | $ |
| | | TAXES | | $ |
| | | ESTIMATED TOTAL PREMIUM | | $ |

NAME & ADDRESS

MORTGAGEE — X ADDITIONAL INSURED
LOSS PAYEE
LOAN #

AUTHORIZED REPRESENTATIVE
Gerald Michalak/SLJ
G.J. Michalak

ACORD 75-S (1/98) NOTE: IMPORTANT STATE INFORMATION ON REVERSE SIDE 

# TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

## HOUSING FINANCE DIVISION - MULTIFAMILY

**REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE**

**2003 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS**

**Primrose Houston School**
**NW corner of Pleasant Run and Houston School Road**
**Lancaster, Texas**
**Southwest Housing Development**
**280 Units**
**$15,000,000 (*) Tax Exempt – Series 2003A**
**$1,900,000 (*) Taxable – Series 2003B**

## TABLE OF EXHIBITS



*(*) Preliminary - subject to change*



*507 Sabine, Suite #700*
*Austin, Texas 78701*
*(512) 475-2213/(512) 475-0764 [Fax]*
*Attn: Multifamily Bond Administrator*

# FINANCE COMMITTEE AND BOARD APPROVAL MEMORANDUM

**May 15, 2003**

| | |
|---|---|
| **DEVELOPMENT:** | Primrose Houston School Apartments, Lancaster, Dallas County, Texas |
| **PROGRAM:** | Texas Department of Housing & Community Affairs<br>2003 Private-Activity Multifamily Housing Mortgage Revenue Bonds<br>(Reservation received 1/24/2003) |
| **ACTION REQUESTED:** | Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. |
| **PURPOSE:** | The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Primrose Houston I Housing, L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipment and long-term financing of a new, 280 unit multifamily residential rental development located at the northwest corner of Pleasant Run and Houston School Road, Lancaster, Dallas County Texas 75146 (the "Development"). The Bonds will be tax-exempt by virtue of the Development's qualifying as a residential rental development. |
| **BOND AMOUNT:** | $15,000,000 Series 2003 A Tax Exempt Bonds<br>$ 1,900,000 Series 2003 B Taxable Bonds<br>$16,900,000 Total Bonds<br><br>(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion. |
| **ANTICIPATED CLOSING DATE:** | The Department received a volume cap allocation for the Bonds on January 23, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before May 24, 2003, the anticipated closing date is May 23, 2003. |
| **BORROWER:** | The general partner of the Borrower is Primrose Houston I Development, L.L.C., a Texas limited liability company, the sole member of which is Brian Potashnik.. |
| **COMPLIANCE HISTORY:** | A recent Compliance Report reveals that the principal of the general partner above has a total of 15 properties being monitored by the |

** Preliminary - Represents Maximum Amount*

Department. Eight of these properties have received a compliance score of between 0-9. All of the scores are below the material non-compliance threshold score of 30.

**ISSUANCE TEAM & ADVISORS:**

GMAC Commercial Holding Capital Corp ("Bond Purchaser")
Wells Fargo Bank Texas, NA, ("Trustee")
Vinson & Elkins L.L.P. ("Bond Counsel")
Dain Rauscher, Inc. ("Financial Advisor")
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)
Wachovia Bank, National Association ("Letter of Credit Provider")

**BOND PURCHASER:** The Bonds will be purchased by GMAC Commercial Holding Capital Corp. The purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

**DEVELOPMENT DESCRIPTION:** The Development is a 280-unit multifamily residential rental development to be constructed on approximately 22.0717 acres of land located at the northwest corner of Pleasant Run and Houston School Road, Lancaster, Dallas County Texas 75146. The site density will be 12.68 dwelling units per acre. The Development will include a total of twenty (20) two and three-story wood-framed buildings with a total of 298,000 net rentable square feet and an average unit size of 1,064 square feet. The development will include a clubhouse with offices, a community room, a community laundry room, a community pool and a playground.

| Units | Unit Type | Square Feet |
|---|---|---|
| 120 | 2-Bedrooms/2-Baths | 950 |
| 120 | 3-Bedrooms/2-Baths | 1100 |
| 40 | 4-Bedrooms/2-Baths | 1300 |
| 280 | Total Units | |

**SET-ASIDE UNITS:** For Bond covenant purposes, at least forty (40%) of the residential units in the development are both rent restricted and occupied by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each development will be set aside on a priority basis for persons with special needs. *(The Borrower has elected to set aside 100% of the units for tax credit purposes.)*

**RENT CAPS:** For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%) of the area median income.

**TENANT SERVICES:** Tenant Services will be performed by Housing Services of Texas (HST). HST will employ an on-site social service administrator to coordinate and administer the programs at the Primrose Houston School Apartments.

**DEPARTMENT ORIGINATION FEES:**

$1,000 Pre-Application Fee (Paid).
$10,000 Application Fee (Paid).
$84,500 Issuance Fee (.50% of the bond amount paid at closing).

**DEPARTMENT ANNUAL FEES:**

$16,900 Bond Administration (0.10% of first year bond amount)
$7,000 Compliance ($25/unit/year adjusted annually for CPI)

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

**ASSET OVERSIGHT FEE:**

$7,000 to TDHCA or assigns ($25/unit/year adjusted annually for CPI)

**TAX CREDITS:**

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to $749,036 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99%, to raise equity funds for the development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $6,141,479 of equity for the transaction.

**BOND STRUCTURE:**

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

The Bonds will be privately placed with the Bond Purchaser, and will mature over a term of 32 and one half years. During the construction and lease-up period, the Bonds will pay as to interest only. The Bonds will be secured by a first lien on the Development.

During the Construction Phase, the Letter of Credit Provider will provide a Letter of Credit to the benefit of the Bond Purchaser to secure the Borrower's reimbursement obligations during the construction phase. The Borrower's reimbursement obligations to the Letter of Credit Provider will be secured by a 2nd lien mortgage on the property and certain related obligations to the Trustee on behalf of the Bond Purchaser. Upon satisfaction of certain Conversion Requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase. The Bond Purchaser will return the Letter of Credit to the Letter of Credit Provider upon completion and lease up of the development.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund.

The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

**BOND INTEREST RATES**: The interest rate on the Tax Exempt Bonds during construction will be 5.5% and upon conversion to permanent will be a spread of 150 basis points over the 30-Year "A" Rated Municipal Housing Bond Index (the interest rate payable by the borrower will be capped at 6.75%; the Trustee will enter into an interest rate cap agreement that will cap the interest rate payable on the Tax Exempt Bonds at 6.75%). The taxable bonds will be 8.00% during construction and permanent phase until maturity.

**CREDIT ENHANCEMENT:** The bonds will be unrated with no credit enhancement.

**FORM OF BONDS:** The Bonds will be issued and delivered in certified form to the Bond Purchaser in book entry form and in denominations of $100,000 and any multiple of $1.00 in excess thereof.

**MATURITY/SOURCES & METHODS OF REPAYMENT:** The Bonds will bear interest at the rates set forth above until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Sub-Account of the Interest Account of the Bond Fund, earnings derived from amounts held on deposit in an investment agreement, and other funds deposited to the Capitalized Interest Sub-Accounts, the interest account of the Bond Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

**TERMS OF THE MORTGAGE LOAN:** The Mortgage Loan is a non-recourse obligation of the Owner (which means, subject to certain exceptions, the Owner is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Owner's interest in the development to secure the payment of the Mortgage Loan.

**REDEMPTION OF BONDS PRIOR TO MATURITY:** The Bonds are subject to redemption under any of the following circumstances:

***Mandatory Redemption:***

(a) In whole, if the Development shall have been damaged or destroyed to the extent that it is not practicable or feasible to rebuild, repair or restore the damaged or destroyed property within the period and under the conditions described in the Mortgage following such event of damage or destruction; or

(b) In whole, if title to, or the use of, all or a substantial portion of the Development shall have been taken under the exercise of the power of eminent domain by any governmental authority with the result that the Borrower is thereby prevented from carrying on its normal operation of the Development within the period and under the conditions described in the Mortgage; or

(c) In whole or in part, to the extent that insurance proceeds or proceeds of any condemnation award with respect to the Development are not applied to restoration of the Development in accordance with the provisions of the Mortgage; or

(d) In whole, upon receipt by the Trustee of Written Direction from the Bondholder Representative, in accordance with the Construction Phase Financing Agreement, to redeem the Bonds as a result of the occurrence of an Event of Default as defined in and under the Construction Phase Financing Agreement.

(e) In whole, upon receipt by the Trustee of Written Direction from the Bondholder Representative, on or after the Commitment Maturity Date, if the Conversion Notice is not issued by the Bondholder Representative prior to the Commitment Maturity Date; or

(f) In part, in the event that the Borrower or the Construction Phase Credit Facility Provider elects to make a Pre-Conversion Loan Equalization Payment and the Trustee has received Written Notice thereof and Written Direction from the Construction Phase Credit Facility Provider to redeem Bonds, in an amount equal to the amount of the Note prepaid by the Borrower.

(g) In part, in the event and to the extent amounts remaining in the Development Fund allocated to the Bonds are transferred to the Redemption Account of the Bond Fund.

(h) In part on each Bond Payment Date, commencing the first business day of the month immediately after commencement of amortization of the loan.

(i) as otherwise provided in the Note and the Commitment.

***<u>Optional Redemption:</u>***

(a) The Bonds are subject to redemption, in whole, but not in part, on any date on which the Note may be prepaid pursuant to its terms at the option of the Borrower any time on or after the first fifteen years of the Permanent Period.

**FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:**

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

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

The Trust Indenture will create the following Funds and Accounts:

1. Bond Fund – The Trustee shall deposit moneys it receives for deposit to the Bond Fund in the appropriate account of the Bond Fund which will consist of four (4) accounts as follows:

   (a) Interest Account (including the Capitalized Interest Sub-account) – an amount that when taken together with other amounts already held therein equals the interest due on the Bonds on the next Bond Payment Date;

   (b) Principal Account - an amount equal to the amounts paid by the Borrower as scheduled principal payments under the Note;

   (c) Redemption Account – an amount, in any, required to redeem Bonds on a designated redemption date;

   (d) Construction Phase Credit Facility Account- amounts drawn on the Construction Phase Credit Facility shall initially be deposited to the Construction Phase Credit Facility Account

2. Development Fund (including the Credit Facility Fees Account) – Funds for the acquisition and construction of the Development, to pay other Qualified Development Costs and to pay other costs related to the Development.
3. Expense Fund – an amount equal to 1/12 of the Annual Rebate Analyst Fee, the Trustee Fee and the Issuer's Fee;
4. Cost of Issuance Fund – Funds to the cover the cost of Issuance of this transaction
5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

Essentially, all of the Bond proceeds will be deposited into the Development Fund and disbursed therefrom during the Construction Phase (not to exceed 12 months) to finance the construction of the Development. Although costs of issuance of up to two percent (2%) of the principal amount of the Tax Exempt Bonds may be paid from Tax Exempt Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower and/or proceeds of the Taxable Bonds.

**DEPARTMENT ADVISORS:**

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 17, 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee Wells Fargo Bank Texas, N.A. formerly Norwest Bank N.A. was selected as bond trustee by the Department pursuant to a request for proposal process in June 1996.

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

7. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

**ATTORNEY GENERAL REVIEW OF BONDS:**

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

RESOLUTION NO. 03-40

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (PRIMROSE HOUSTON SCHOOL APARTMENTS) SERIES 2003A AND TAXABLE MULTIFAMILY HOUSING REVENUE BONDS (PRIMROSE HOUSTON SCHOOL APARTMENTS) SERIES 2003B; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the “Department”) has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the “Act”), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the “Board”) from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the “State”) intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Primrose Houston School Apartments) Series 2003A (the “Series A Bonds”) and Texas Department of Housing and Community Affairs Taxable Multifamily Housing Revenue Bonds (Primrose Houston School Apartments) Series 2003B (the “Series B Bonds” and together with the Series A Bonds, the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the “Indenture”) by and between the Department and Wells Fargo Bank Texas, N.A. (the “Trustee”), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

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

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

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

WHEREAS, it is anticipated that the Note will be secured by a first lien Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust and Loan Documents (the "Assignment") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department shall enter into a Bond Placement Agreement (the "Purchase Agreement") with Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp., as placement agent (the "Placement Agent"), a purchaser as set forth in the Purchase Agreement (the "Purchaser") and the Borrower, with respect to the sale of the Bonds; and

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

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

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

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

## ARTICLE I

## ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) (A) the interest rate on the Series A Bonds shall be the greater of (x) five and one-half percent (5.50%) per annum from and including the date of issuance thereof through and including July 31, 2005 and six and three-quarters percent (6.75%) thereafter and (y) the 30-year "A" Rated Municipal Housing Bond Index, as published from time to time by Municipal Market Data, until paid on the maturity date or earlier redemption or acceleration thereof and (B) the interest rate on the Series B Bonds shall be eight percent (8.00%) per annum from and including the date of issuance thereof until paid on the maturity date or earlier redemption or acceleration thereof; (ii) the aggregate principal amount of the Series A Bonds shall be $15,000,000 and of the Series B Bonds shall be $1,900,000; (iii) the final maturity of the Series A Bonds shall occur on July 1, 2036 and the Series B Bonds shall occur on April 1, 2021; and (iv) the Chairman or Vice Chairman of the Governing Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rates on the Bonds (as determined by the Indexing Agent (as defined in the Loan Agreement)), which determinations shall be conclusively evidenced by the execution and delivery by the Chairman or Vice Chairman of the Governing Board or the Executive Director of the Department of the Indenture and the Purchase Agreement.

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

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

Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

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

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

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

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B - Indenture
Exhibit C - Loan Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Assignment
Exhibit F - Purchase Agreement
Exhibit G - Asset Oversight Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the

Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary of the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

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

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

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

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

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

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

(a) Need for Housing Development.

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

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

(iii) That the Borrower is financially responsible;

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

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

(b) Findings with Respect to the Borrower.

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

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

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

(c) Public Purpose and Benefits.

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

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

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

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

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

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

## ARTICLE IV

## GENERAL PROVISIONS

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

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

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

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

PASSED AND APPROVED this ____ day of May, 2003.

By: ___________________________
Michael E. Jones, Chairman

[SEAL]

Attest: ________________________
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Primrose Houston I Housing, L.P., a Texas limited partnership

Project: The Project is a 280-unit multifamily facility to be known as Primrose Houston School Apartments and to be located at the northwest corner of Pleasant Run and Houston School Road in Lancaster, Texas. The Project will include a total of 20 two- and three-story residential apartment buildings with a total of approximately 298,000 net rentable square feet and an average unit size of approximately 1,064 square feet. The unit mix will consist of:

120 two-bedroom/two-bath units
120 three-bedroom/two-bath units
40 four-bedroom/two-bath units

280 Total Units

Unit sizes will range from approximately 950 square feet to approximately 1,300 square feet.

Common areas will include a swimming pool, a children's play area, laundry facilities and a community building with kitchen facilities, parlor with television, fitness center and telephones. All ground units will be wheelchair accessible.

**LOW INCOME HOUSING TAX CREDIT PROGRAM**

# 2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Primrose Houston School Apartments** TDHCA#: 02479

## DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Lancaster | QCT: N | DDA: N | TTC: N |
| Development Owner: | Primrose Houston I Housing, LP | | | |
| General Partner(s): | Primrose Houston I Development, LLC, 100%, Contact: Brian Potashnik | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: TDHCA | | | |
| Development Type: | Family | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $749,036 Eligible Basis Amt: $742,903 Equity/Gap Amt.: $1,024,851

**Annual Tax Credit Allocation Recommendation: $742,903**

Total Tax Credit Allocation Over Ten Years: $ 7,429,030

## PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 280 LIHTC Units: 280 % of LIHTC Units: 100%

Gross Square Footage: 303,753 Net Rentable Square Footage: 298,000

Average Square Footage/Unit: 1064

Number of Buildings: 18

Currently Occupied: N

**Development Cost**

Total Cost: $25,302,757 Total Cost/Net Rentable Sq. Ft.: $84.91

**Income and Expenses**

Effective Gross Income:[1] $2,455,320 Ttl. Expenses: $1,088,106 Net Operating Inc.: $1,367,214

Estimated 1st Year DCR: 1.07

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Southwest Housing Management |
| Attorney: | Shackelford, Melton & McKinley | Architect: | BGO Architects |
| Accountant: | Reznick, Fedder & Silverman | Engineer: | To Be Determined |
| Market Analyst: | Butler Burgher | Lender: | GMAC |
| Contractor: | Affordable Housing Construction | Syndicator: | Wachovia |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| Public Hearing:<br># in Support: 2<br># in Opposition: 11<br># Undecided: 2 | Sen. Royce West, District 23 - S<br>Rep. Helen Giddings, District 109 - NC<br>Mayor Joe Tillotson - NC<br>Edward S. McRoy, City Planner, City of Lancaster; Consistent with the local Comprehensive Plan. |

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

## CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Receipt, review and acceptance of documentation that the appropriate zoning was received for the proposed development.
3. Receipt, review and acceptance of an amendment or extension agreement or acknowledgement from seller that the closing will be delayed beyond the April 30, 2003 deadline.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable).

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

## DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date
Chairman of Executive Award and Review Advisory Committee

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

Chairperson Signature:
Michael E. Jones, Chairman of the Board Date

# Primrose Houston School Apartments

## Estimated Sources & Uses of Funds

| **Sources of Funds** | |
|---|---|
| Bond Proceeds, Series 2003A Bonds (Tax-Exempt) | $ 15,000,000 |
| Bond Proceeds, Series 2003 B (Taxable) | $ 1,900,000 |
| LIHTC Equity | 5,869,937 |
| GIC Earnings | 169,000 |
| NOI Prior to Stabilization | 1,386,973 |
| Deferred Developer's Fee | 1,838,090 |
| **Total Sources** | $ 26,164,000 |

| **Uses of Funds** | |
|---|---|
| Deposit to Mortgage Loan Fund (Construction funds) | $ 20,523,117 |
| Capitalized Interest (Constr. Interest) | 1,487,200 |
| Marketing | 75,000 |
| Developer's Fee/Overhead | 2,635,871 |
| Costs of Issuance | |
| Direct Bond Related | 1,055,750 |
| Bond Purchaser Costs | 224,000 |
| Other Transaction Costs | 73,062 |
| Real Estate Closing Costs | 90,000 |
| **Total Uses** | $ 26,164,000 |

## Estimated Costs of Issuance of the Bonds

| **Direct Bond Related** | |
|---|---|
| TDHCA Issuance Fee (.50% of Issuance) | $ 84,500 |
| TDHCA Application Fee | 11,000 |
| TDHCA Bond Compliance Fee ($25 per unit) | 7,000 |
| TDHCA Bond Counsel and Direct Expenses (Note 1) | 75,000 |
| TDHCA Financial Advisor and Direct Expenses | 40,000 |
| Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1) | 2,500 |
| Borrower's Bond Counsel | 100,000 |
| Placement Agent | 169,000 |
| Placement Agent Counsel | 20,000 |
| Letter of Credit Bank (Origination) | 169,000 |
| Letter of Credit Bank On-Going 24 months | 338,000 |
| Letter of Credit Counsel | 15,000 |
| Trustee's Fees (Note 1) | 8,000 |
| Trustee's Counsel (Note 1) | 5,000 |
| Attorney General Transcript Fee ($1,250 per series, max. of 2 series) | 5,000 |
| Texas Bond Review Board Application Fee | 500 |
| Texas Bond Review Board Issuance Fee (.025% of Reservation) | 3,750 |
| TEFRA Hearing Publication Expenses | 2,500 |
| **Total Direct Bond Related** | $ 1,055,750 |

**Bond Purchase Costs**

# Primrose Houston School Apartments

| | | |
|---|---|---|
| Lender Loan Origination Fee (GMAC 1.0%) | | 169,000 |
| Lender Application Fee | | 25,000 |
| Lender Counsel & Expenses (GMAC) | | 30,000 |
| **Total** | $ | 224,000 |

| | | |
|---|---|---|
| **Other Transaction Costs** | | |
| Tax Credit Syndicator Fees &Expenses | | 37,500 |
| Tax Credit Determination Fee (4% annual tax cr.) | | 29,962 |
| Tax Credit Applicantion Fee ($20/u) | | 5,600 |
| **Total** | $ | 73,062 |

| | | |
|---|---|---|
| **Real Estate Closing Costs** | | |
| Title & Recording (Const.& Perm.) | | 65,000 |
| Property Taxes | | 25,000 |
| **Total Real Estate Costs** | $ | 90,000 |
| | | |
| **Estimated Total Costs of Issuance** | $ | 1,442,812 |

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

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

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **DATE:** | May 7, 2003 | **PROGRAM:** | 4% LIHTC<br>MRB | **FILE NUMBER:** | 02479<br>2003-068 |

## DEVELOPMENT NAME

Primrose Houston School Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Primrose Houston I Housing, L.P. | | | **Type:** | For Profit | | |
| **Address:** | 5910 North Central Expwy, Suite 1145 | | | **City:** | Dallas | **State:** | Texas |
| **Zip:** | 75206 | **Contact:** | Brian Potashnik | **Phone:** | (214) 891-1402 | **Fax:** | (214) 978-3578 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Primrose Houston I Development, LLC | **(%):** | | **Title:** | Managing General Partner |
| **Name:** | Related Capital Company | **(%):** | | **Title:** | Limited Partner |
| **Name:** | Brian Potashnik | **(%):** | N/A | **Title:** | Owner of GP and Contractor |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | Pleasant Run Road and Houston School Road | | | ☐ **QCT** | ☐ **DDA** |
| **City:** | Lancaster | **County:** | Dallas | **Zip:** | 75146 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| 1) $749,036 | N/A | N/A | N/A |
| 2) $15,000,000 | 6.75% | 40 yrs | 40 yrs |
| 3) $1,900,000 | 8.00% | 40 yrs | 40 yrs |

**Other Requested Terms:**
1) Annual ten-year allocation of low-income housing tax credits
2) Tax-exempt bonds;
3) Taxable bonds

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

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $742,903 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of documentation that the appropriate zoning was received for the proposed development;
2. Receipt, review, and acceptance of an amendment or extension agreement or acknowledgement from seller that the closing will be delayed beyond the April 30, 2003 deadline; and,
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 280 | **# Rental Buildings** | 18 | **# Common Area Bldngs** | 1 | **# of Floors** | 2 | **Age:** | N/A yrs | **Vacant:** | N/A | at | / / |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Rentable SF:** | 298,000 | **Av Un SF:** | 1,064 | **Common Area SF:** | 5,753 | **Gross Bldg SF:** | 303,753 |

### STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 25% stone veneer/75% stucco exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

### APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, ceiling fans, laminated counter tops, cable

### ON-SITE AMENITIES

A 5,753 SF community building with activity rooms, management offices, laundry facilities, kitchen, restrooms, computer, central mailroom, swimming pool, equipped children's play area are located at the entrance to the property. In addition, perimeter fencing is also planned for the site

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Uncovered Parking:** | 560 | spaces | **Carports:** | 0 | spaces | **Garages:** | 0 | spaces |

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Primrose Houston School Apartments is a relatively dense (12.7 units per acre) new construction development of 280 units of affordable housing located in Lancaster. The development is comprised of 20 evenly distributed, medium size, garden style walk-up residential buildings as follows:

- (5) Building Type C with eight four-bedroom units;
- (15) Building Type H with eight two- bedroom units and eight three- bedroom units;

**Development Plan:** Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The Applicant has revised the plan to include two community buildings instead of one. There will be a building dedicated to management and leasing and a building dedicated to supportive services. The 2,664-square foot leasing center will include the management offices, maintenance rooms, community room, kitchen and restrooms. The 3,089-square foot community center will include a learning center, computer lab, library, art room, class rooms, kitchen, restrooms and storage rooms.

**Architectural Review:** The exterior elevations are attractive, with stucco and stone exteriors. All units are of average size for market rate and LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units. The units are in two-story structures with mixed stucco and stone exterior finish and pitched roofs.

**Supportive Services:** The Applicant has contracted with Housing Services of Texas to provide the following supportive services to tenants: afterschool program, adult education programs, health screenings and immunizations, family counseling/domestic crisis intervention, computer education, emergency assistance and relief, community outreach programs, vocational guidance social/recreational activities, state workforce development and welfare program assistance. These services will be provided at no cost to tenants. The Applicant has agreed to pay $2,000 per month for these support services.

**Schedule:** The Applicant anticipates construction to begin in June of 2003, to be completed in December of 2004, to be placed in service in June of 2005, and to be substantially leased-up in May of 2005.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | |
|---|---|---|---|---|---|
| **Size:** | 22+/- acres | 958,320 | square feet | **Zoning/ Permitted Uses:** | MF |

**Flood Zone Designation:** Zone X **Status of Off-Sites:** Fully Improved

## SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Lancaster is located 12 miles south of the Dallas business district in Dallas County. The site is an irregularly-shaped parcel located in Lancaster. The site is situated on the north side of Pleasant Run Road and west of Houston School Road.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly vacant land, multi-family and single family homes. Adjacent land uses include:

- **North:** vacant land and single family homes
- **South:** cleared vacant land and Pleasant Run
- **East:** Houston School Road and single family homes
- **West:** vacant land and the Pleasant Run Apartments

**Site Access:** Access to the property is from the north or south from Houston School Road. The development will have one main entry from the north or south from Houston School Road. Access to Interstate Highway 35E is less than one mile which provides connections to all other major roads serving the Dallas area.

**Public Transportation:** Lancaster is not offered services by the DART (Dallas Area Rapid Transit) bus system.

**Shopping & Services:** The site is within one mile of one major grocery store, 15 shops, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The market analyst states that the subject property, as proposed, does not comply with current zoning regulations. Specifically, the density and square footage requirements are not being met. The Applicant has indicated that they were not aware of these requirements at the time of application but are in the process of rezoning the property to a PD (planned development district) designation. According the minutes of the April 15th meeting of the Planning and Zoning Commission, a motion was made to send a favorable recommendation forward to the city council on this case with conditions. As of the date of this report, however, documentation of successful rezoning had not been provided to the Underwriter. Therefore, this report is conditioned upon receipt, review, and acceptance of documentation that appropriate zoning was received for the proposed development.

**Site Inspection Findings:** TDHCA staff performed a site inspection on March 24, 2003 and found the location to be acceptable for the proposed development.

## HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 3, 2003 was prepared by Butler Burgher, Inc. and contained the following conclusions:

- "No potentially significant on-site environmental concerns of recognized environmental conditions were observed during the site visit;
- LUST sites were not identified during the January 29, 2003 review of current regulatory databases;
- The Subject property was not listed on the solid waste landfills database, nor were any landfills identified that would have any impact on the Subject;
- Butler Burgher's site reconnaissance did not identify adjacent or off-site recognized environmental conditions; and
- A National Environmental Protection Act (NEPA) Report was reviewed, and there were no issues identified in the NEPA Report that impact the Subject property.

**Recommendations:** Based on the above findings and conclusions of the Phase I ESA, Butler Burgher makes no further recommendations." (p. 15)

## POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants and households earning 60% or less of AMGI. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| 60% of AMI | $27,960 | $31,920 | $35,940 | $39,900 | $43,080 | $46,260 |

**MARKET HIGHLIGHTS**

A market feasibility study dated February 7, 2003 was prepared by Butler Burgher, LLC and highlighted the following findings:

**Definition of Market/Submarket:** "The subject's PMA is generally bounded by IH 20 to the north, U.S. 67 to the west, U.S. 287 to the southwest and south, SH 34 to the southeast, and U.S. 175 to the northeast. This area includes the cities of Lancaster, Desoto, and portions of Cedar Hill, Duncanville, Ennis, and Seagoville, as well as other smaller surrounding towns." (p. 49)

**Population:** The estimated 2002 population of the primary market area was 199,782 and is expected to increase to approximately 219,370 by 2007. Within the primary market area there were estimated to be 67,497 households in 2002.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| Type of Demand | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth | 136* | 3% | 134 | 3% |
| Resident Turnover | 4,456 | 97% | 4,544 | 97% |
| Units Under Construction (-) | (60) | 0% | 0 | 0% |
| **TOTAL ANNUAL DEMAND** | **4,532** | **100%** | **4,678** | **100%** |

Ref: p. 69 *market analyst used average future demand

**Capture Rate:** The Underwriter calculated a concentration capture rate of 16.3% based upon a revised supply of unstabilized comparable affordable units of 762 divided by a demand of 4,677. Based on the market analyst's information, the concentration capture rate of 17.7% is based upon a supply of unstabilized comparable affordable units of 802 divided by a demand of 4,532.

**Local Housing Authority Waiting List Information:** "The Dallas County and Dallas Housing Authorities offer 4,290 low rent units and 13,380 Section 8 units to qualified residents…New additions to the waiting list are being accepted; however, the waiting period for the Section 8 units is 1 to 3 years while the waiting list for public housing is 8 to 24 months due to the lack of available units." (p. 49)

**Market Rent Comparables:** The market analyst surveyed 10 comparable apartment projects totaling 1,910 units in the market area. (p. 79)

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| Unit Type (% AMI) | Proposed | Program Max | Differential | Market | Differential |
| **2-Bedroom (50%)** | $700 | $700 | $0 | $790 | -$90 |
| **3-Bedroom (50%)** | $800 | $800 | $0 | $930 | -$130 |
| **4-Bedroom (50%)** | $890 | $890 | $0 | $1,055 | -$165 |

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

**Submarket Vacancy Rates:** "M/PF Research reflects 92.1% overall occupancy for 6,664 units in December 2002 in the Duncanville/DeSoto/Cedar Hill/Lancaster submarket." (p. 72)

**Absorption Projections:** "An absorption rate of 20 units/month is reasonable for the subject, as encumbered by the LIHTC, resulting in a 13-month absorption period to obtain stabilization at 92.0%." (p. 71)

**Known Planned Development:** "Including the subject, there are currently four affordable family developments which are in the planned/approved stage of development or currently under construction (Rosemont at Timbercreek, West Virginia Apartments, Hickory Trace Apartments and Timbercreek Apartments) within the subject's primary market area." (p. 70)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

## OPERATING PROFORMA ANALYSIS

**Income:** The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines. The Applicant estimated $20/unit/month for secondary income and the Underwriter allowed this higher amount based on the DFW database average which supports this higher estimate. Estimates of vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of $3,479 per unit is more than 5% lower than a TDHCA database-derived estimate of $3,886 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($60K lower), payroll ($36K lower), repairs and maintenance ($17K higher), utilities ($7K higher), water, sewer, and trash ($20K lower) and property tax ($22K lower).

**Conclusion:** The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a bonds-only debt coverage ratio that is within the Department's acceptable range.

## ACQUISITION VALUATION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land (32.90 acres):** | $480,100 | **Assessment for the Year of:** | 2002 |
| **Land (per acre):** | $14,593 | **Valuation by:** | Dallas County Appraisal District |
| **Prorated Assessed Value (22 acres):** | $321,040 | **Tax Rate:** | 2.857 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Earnest money contract | | |
| **Contract Expiration Date:** | 4/ 30/ 2003 | **Anticipated Closing Date:** | 4/ 30/ 2003 |
| **Acquisition Cost:** | $1,925,000 | **Other Terms/Conditions:** | $7,500 earnest money |
| **Seller:** | Schlachter Realty, Ltd. | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Land Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. However, the contract appears to have lapsed, therefore, receipt, review, and acceptance of an amendment or extension agreement or acknowledgement from seller that the closing will be delayed beyond the April 30, 2003 deadline is a condition of this report. In addition, there is an assignment of contract which Mr. Potashnik executed both on behalf of the assignee and assignor that calls for reimbursement of costs of up to $150,000 in costs through closing. These costs as indicated would be considered part of the developments cost for closing however no additional profit on the assignment should be allowed.

**Sitework Cost:** The Applicant's claimed sitework costs of $5,850 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is within 5% of the Underwriter's Marshall & Swift *Residential Cost Handbook*- derived estimate, and is therefore regarded as reasonable as submitted.

**Ineligible Costs:** The Underwriter reduced the Applicant's interim financing fees by $169,659 to reflect the net effect of the Applicant's projection of $169,659 in income from a guaranteed investment contract, which

results in an equivalent reduction in eligible basis.
**Fees:** The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs by $3,640, $10,920 and $10,920, respectively. Consequently the Applicant's eligible fees in these areas have been reduced by this amount with the overage effectively moved to ineligible costs.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $20,353,498 is used to determine a credit allocation of $742,903 from this method. This is $6,133 less than the Applicant's original request due to the decrease in eligible basis described above and offset by the Applicant using 3.64% applicable percentage instead of the 3.65% underwriting rate as of the month of Application. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

## FINANCING STRUCTURE

### INTERIM TO PERMANENT FINANCING

**Source:** GMAC **Contact:** Paul Weismann

**Principal Amount:** $15,000,000 **Interest Rate:** 6.75%

**Additional Information:** tax-exempt bonds

**Amortization:** 40 yrs **Term:** 40 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

**Annual Payment:** $1,326,137 **Lien Priority:** 1st **Commitment Date** 03/ 17/ 2003

### INTERIM TO PERMANENT FINANCING

**Source:** GMAC **Contact:** Paul Wiesmann

**Principal Amount:** $1,900,000 **Interest Rate:** 8.00%

**Additional Information:** taxable bonds

**Amortization:** 40 yrs **Term:** 40 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

**Annual Payment:** included above **Lien Priority:** 1st **Commitment Date** 03/ 17/ 2003

### LIHTC SYNDICATION

**Source:** Wachovia Securities **Contact:** John Nelson

**Address:** **City:**

**State:** **Zip:** **Phone:** (704) 383-0838 **Fax:**

**Net Proceeds:** $5,872,443 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 83¢

**Commitment** ☐ LOI ☒ Firm ☐ Conditional **Date:** 04/ 18/ 2003

**Additional Information:**

### APPLICANT EQUITY

**Amount:** $2,261,277 **Source:** Deferred Developer Fee

### FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from four sources: a bond financed interim to permanent loan, syndicated LIHTC equity, and deferred developer's fees.
**Bonds:** GMAC has offered to provide interim to permanent financing in the amount of $15,000,000 in tax-exempt bonds and $1,900,000 in taxable bonds. The commitment letter indicates that the tax-exempt bonds and taxable bonds shall mature 40 years and approximately 14.9 years, respectively. The interest rate on the tax-exempt bonds will be set at 6.75% and 8.00% for the taxable bonds. The Underwriter used a blended interest rate of 6.82%.

**LIHTC Syndication:** Wachovia Securities has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,872,443 based on a syndication factor of 83%. The funds would be disbursed in a four-phased pay-in schedule:

1. $1,761,733 at Partnership Closing;
2. $3,139,720 upon the latter of (i) 67% Construction Completion, (ii) ten months after construction start, or (iii) April 1, 2004, advanced based on percentage of completion under a construction loan format;
3. $ 920,990 upon the latter of (i) permanent loan closing/conversion, (ii) the attainment of 1.10 Debt Service Coverage for 90 consecutive days, (iii) receipt of accountants final cost certification, (iv) 95% economic occupancy, anticipated to occur on July 1, 2005;
4. $50,000 upon the latter of (i) disbursement of Capital Contributions #1 through #3, (ii) receipt of IRS Form(s) 8609, anticipated to occur on October 1, 2005.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $2,261,277 amount to 84% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed $742,903 annually for ten years, resulting in syndication proceeds of approximately $6,156,476. Based on the underwriting analysis, the Applicant's deferred developer fee will be decreased to $2,237,281, which should be repayable from cash flow within 10 years.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

Brian Potashnik is the owner of the General Partner and the General Contractor. These are common relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principal of the General Partner, Brian Potashnik, submitted an unaudited financial statement as of December 20, 2002 and is anticipated to be guarantor of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.

The owner of the General Partner and General Contractor, Brian Potashnik has completed 17 affordable housing developments totaling 3,277 units since 1993.

## SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses are more than 5% outside of the Underwriter's verifiable range.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Raquel Morales* | **Date:** | May 7, 2003 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | May 7, 2003 |

# MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

***Primrose Houston School Apartments, Lancaster, #02479***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| TC50% | 120 | 2 | 2 | 950 | $748 | $700 | $84,000 | $0.74 | $48.00 | $35.00 |
| TC50% | 120 | 3 | 2 | 1,100 | $864 | $800 | 96,000 | 0.73 | $64.00 | $40.00 |
| TC50% | 40 | 4 | 2 | 1,300 | $963 | $890 | 35,600 | 0.68 | $73.00 | $42.00 |
| TOTAL: | 280 | | AVERAGE: | 1,064 | $828 | $770 | $215,600 | $0.72 | $58.43 | $38.14 |

| **INCOME** | Total Net Rentable Sq Ft: | 298,000 | | TDHCA | APPLICANT | | USS Region | 3 |
|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $2,587,200 | $2,587,200 | | IREM Region | Dallas |
| Secondary Income | | Per Unit Per Month: | $20.00 | 67,200 | 67,200 | $20.00 | Per Unit Per Month | |
| Other Support Income: (describe) | | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | $2,654,400 | $2,654,400 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (199,080) | (199,080) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | $2,455,320 | $2,455,320 | | | |
| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | | PER SQ FT | PER UNIT | % OF EGI |

| Expense | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 3.77% | $331 | 0.31 | $92,620 | $32,500 | $0.11 | $116 | 1.32% |
| Management | | 5.00% | 438 | 0.41 | 122,766 | 122,766 | 0.41 | 438 | 5.00% |
| Payroll & Payroll Tax | | 10.13% | 888 | 0.83 | 248,640 | 212,750 | 0.71 | 760 | 8.66% |
| Repairs & Maintenance | | 5.22% | 458 | 0.43 | 128,255 | 144,980 | 0.49 | 518 | 5.90% |
| Utilities | | 2.04% | 179 | 0.17 | 50,062 | 57,400 | 0.19 | 205 | 2.34% |
| Water, Sewer, & Trash | | 5.22% | 458 | 0.43 | 128,160 | 107,800 | 0.36 | 385 | 4.39% |
| Property Insurance | | 2.43% | 213 | 0.20 | 59,600 | 59,600 | 0.20 | 213 | 2.43% |
| Property Tax | 2.857 | 7.49% | 657 | 0.62 | 184,004 | 162,400 | 0.54 | 580 | 6.61% |
| Reserve for Replacements | | 2.28% | 200 | 0.19 | 56,000 | 56,000 | 0.19 | 200 | 2.28% |
| Other:Supp Svcs | | 0.73% | 64 | 0.06 | 18,000 | 18,000 | 0.06 | 64 | 0.73% |
| TOTAL EXPENSES | | 44.32% | $3,886 | $3.65 | $1,088,106 | $974,196 | $3.27 | $3,479 | 39.68% |
| NET OPERATING INC | | 55.68% | $4,883 | $4.59 | $1,367,214 | $1,481,124 | $4.97 | $5,290 | 60.32% |
| **DEBT SERVICE** | | | | | | | | | |
| Tax-Exempt Bonds | | 50.27% | $4,408 | $4.14 | $1,234,316 | $1,326,137 | $4.45 | $4,736 | 54.01% |
| Trustee Fee | | 0.14% | $13 | $0.01 | $3,500 | | $0.00 | $0 | 0.00% |
| TDHCA Admin. Fees | | 0.69% | $60 | $0.06 | 16,900 | | $0.00 | $0 | 0.00% |
| Asset Oversight Fees & Complian | | 0.46% | $40 | $0.04 | 11,200 | 11,200 | $0.04 | $40 | 0.46% |
| NET CASH FLOW | | 4.27% | $374 | $0.35 | $104,797 | $143,787 | $0.48 | $514 | 5.86% |
| INITIAL AGGREGATE DEBT COVERAGE RATIO | | | | | 1.08 | 1.11 | | | |
| INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO | | | | | 1.10 | | | | |
| RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO | | | | | 1.11 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 8.21% | $7,528 | $7.07 | $2,107,750 | $2,107,750 | $7.07 | $7,528 | 8.33% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 6.38% | 5,850 | 5.50 | 1,638,000 | 1,638,000 | 5.50 | 5,850 | 6.47% |
| Direct Construction | | 48.32% | 44,323 | 41.65 | 12,410,413 | 12,490,201 | 41.91 | 44,608 | 49.36% |
| Contingency | 2.04% | 1.11% | 1,022 | 0.96 | 286,204 | 286,204 | 0.96 | 1,022 | 1.13% |
| General Req'ts | 6.00% | 3.28% | 3,010 | 2.83 | 842,905 | 858,612 | 2.88 | 3,066 | 3.39% |
| Contractor's G & A | 2.00% | 1.09% | 1,003 | 0.94 | 280,968 | 286,204 | 0.96 | 1,022 | 1.13% |
| Contractor's Profit | 6.00% | 3.28% | 3,010 | 2.83 | 842,905 | 858,612 | 2.88 | 3,066 | 3.39% |
| Indirect Construction | | 2.66% | 2,436 | 2.29 | 682,000 | 682,000 | 2.29 | 2,436 | 2.70% |
| Ineligible Costs | | 10.85% | 9,953 | 9.35 | 2,786,758 | 2,786,758 | 9.35 | 9,953 | 11.01% |
| Developer's G & A | 2.81% | 1.92% | 1,764 | 1.66 | 493,900 | 536,815 | 1.80 | 1,917 | 2.12% |
| Developer's Profit | 12.19% | 8.36% | 7,669 | 7.21 | 2,147,260 | 2,147,260 | 7.21 | 7,669 | 8.49% |
| Interim Financing | | 2.43% | 2,230 | 2.10 | 624,341 | 624,341 | 2.10 | 2,230 | 2.47% |
| Reserves | | 2.10% | 1,923 | 1.81 | 538,439 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $91,721 | $86.18 | $25,681,844 | $25,302,757 | $84.91 | $90,367 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *63.47%* | ***$58,219*** | ***$54.70*** | ***$16,301,395*** | ***$16,417,833*** | ***$55.09*** | ***$58,635*** | *64.89%* |

**SOURCES OF FUNDS**

| Source | % | Per Unit | Per Sq Ft | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| Tax-Exempt Bonds | 58.41% | $53,571 | $50.34 | $15,000,000 | $15,000,000 | $15,000,000 | Developer fee Avalable |
| Taxable Bonds/ Additional Financin | 7.40% | $6,786 | $6.38 | 1,900,000 | 1,900,000 | 1,900,000 | $2,641,160 |
| LIHTC Syndication Proceeds | 22.87% | $20,973 | $19.71 | 5,872,443 | 5,872,443 | 6,165,476 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 8.80% | $8,076 | $7.59 | 2,261,277 | 2,261,277 | 2,237,281 | 85% |
| Additional (excess) Funds Required | 2.52% | $2,315 | $2.17 | 648,124 | 269,037 | 0 | 15 yr cumulative cash flow |
| TOTAL SOURCES | | | | $25,681,844 | $25,302,757 | $25,302,757 | $4,906,811.48 |

***Primrose Houston School Apartments, Lancaster, #02479***

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $41.47 | $12,357,278 |
| Adjustments | | | | |
| Exterior Wall Finish | 1.20% | | $0.50 | $148,287 |
| 9' Celing | 3% | | 1.24 | 370,718 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (1.01) | (300,980) |
| Floor Cover | | | 1.92 | 572,160 |
| Porches/Balconies | $15.74 | 69,587 | 3.67 | 1,094,951 |
| Plumbing | $615 | 840 | 1.73 | 516,600 |
| Built-In Appliances | $1,625 | 280 | 1.53 | 455,000 |
| Fireplaces | | | 0.00 | 0 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.47 | 438,060 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $57.91 | 5,753 | 1.12 | 333,142 |
| Other: Exterior Stairways | $1,400 | 70 | 0.33 | 98,000 |
| SUBTOTAL | | | 53.97 | 16,083,217 |
| Current Cost Multiplier | 1.03 | | 1.62 | 482,497 |
| Local Multiplier | 0.92 | | (4.32) | (1,286,657) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $51.27 | $15,279,056 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.00) | ($595,883) |
| Interim Construction Interes | 3.38% | | (1.73) | (515,668) |
| Contractor's OH & Profit | 11.50% | | (5.90) | (1,757,091) |
| NET DIRECT CONSTRUCTION COSTS | | | $41.65 | $12,410,413 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $16,900,000 | Term | 480 |
| Int Rate | 6.82% | DCR | 1.11 |

| | | | |
|---|---|---|---|
| **Secondary** | | Term | |
| Int Rate | | Subtotal DCR | 1.10 |

| | | | |
|---|---|---|---|
| **All-In** | | Term | |
| **Rate** | | Aggregate DCR | 1.08 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $1,234,316 |
| Trustee Fee | 3,500 |
| TDHCA Admin. Fees Asset Oversight F | 28,100 |
| NET CASH FLOW | $101,297 |

| | | | |
|---|---|---|---|
| **Primary** | $16,900,000 | Term | 480 |
| Int Rate | 6.82% | DCR | 1.11 |

| | | | |
|---|---|---|---|
| **Secondary** | | Term | |
| Int Rate | | Subtotal DCR | 1.10 |

| | | | |
|---|---|---|---|
| **All-In** | | Term | |
| **Rate** | | Aggregate DCR | 1.08 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

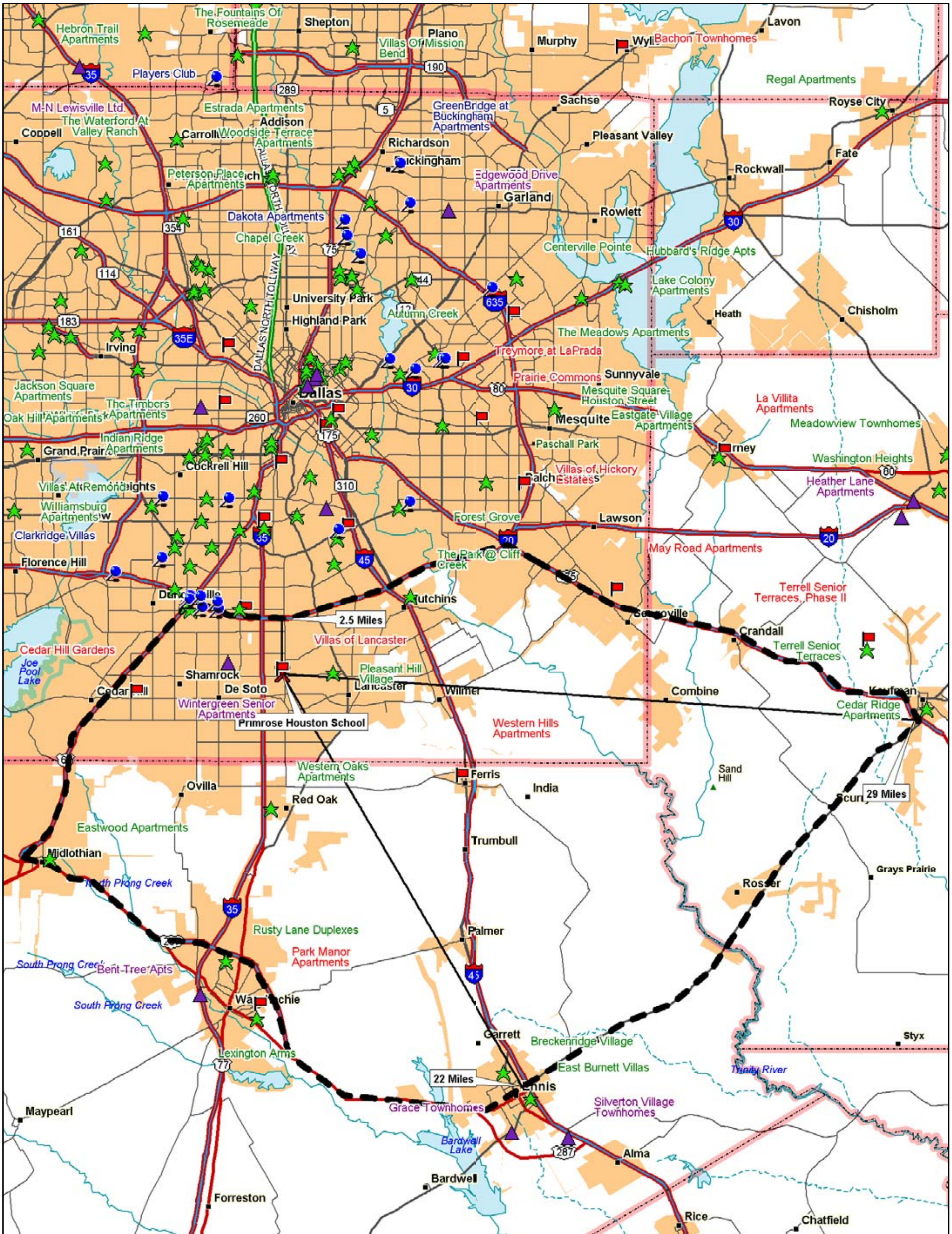
| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $2,587,200 | $2,664,816 | $2,744,760 | $2,827,103 | $2,911,916 | $3,375,709 | $3,913,372 | $4,536,671 | $6,096,906 |
| Secondary Income | 67,200 | 69,216 | 71,292 | 73,431 | 75,634 | 87,681 | 101,646 | 117,836 | 158,361 |
| Other Support Income: (descri | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 2,654,400 | 2,734,032 | 2,816,053 | 2,900,535 | 2,987,551 | 3,463,390 | 4,015,018 | 4,654,506 | 6,255,267 |
| Vacancy & Collection Loss | (199,080) | (205,052) | (211,204) | (217,540) | (224,066) | (259,754) | (301,126) | (349,088) | (469,145) |
| Employee or Other Non-Renta | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $2,455,320 | $2,528,980 | $2,604,849 | $2,682,994 | $2,763,484 | $3,203,636 | $3,713,892 | $4,305,418 | $5,786,122 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $92,620 | $96,325 | $100,178 | $104,185 | $108,352 | $131,827 | $160,388 | $195,136 | $288,849 |
| Management | 122,766 | 126,449 | 130,242 | 134,150 | 138,174 | 160,182 | 185,695 | 215,271 | 289,306 |
| Payroll & Payroll Tax | 248,640 | 258,586 | 268,929 | 279,686 | 290,874 | 353,892 | 430,564 | 523,847 | 775,421 |
| Repairs & Maintenance | 128,255 | 133,385 | 138,721 | 144,270 | 150,040 | 182,547 | 222,096 | 270,214 | 399,983 |
| Utilities | 50,062 | 52,064 | 54,147 | 56,312 | 58,565 | 71,253 | 86,690 | 105,472 | 156,125 |
| Water, Sewer & Trash | 128,160 | 133,286 | 138,618 | 144,163 | 149,929 | 182,412 | 221,932 | 270,014 | 399,686 |
| Insurance | 59,600 | 61,984 | 64,463 | 67,042 | 69,724 | 84,829 | 103,208 | 125,568 | 185,872 |
| Property Tax | 184,004 | 191,364 | 199,018 | 206,979 | 215,258 | 261,895 | 318,635 | 387,668 | 573,843 |
| Reserve for Replacements | 56,000 | 58,240 | 60,570 | 62,992 | 65,512 | 79,705 | 96,974 | 117,984 | 174,644 |
| Other | 18,000 | 18,720 | 19,469 | 20,248 | 21,057 | 25,620 | 31,170 | 37,923 | 56,136 |
| TOTAL EXPENSES | $1,088,106 | $1,130,403 | $1,174,354 | $1,220,026 | $1,267,486 | $1,534,162 | $1,857,352 | $2,249,097 | $3,299,866 |
| NET OPERATING INCOME | $1,367,214 | $1,398,577 | $1,430,494 | $1,462,968 | $1,495,998 | $1,669,474 | $1,856,540 | $2,056,321 | $2,486,256 |
| DEBT SERVICE | | | | | | | | | |
| Tax-Exempt Bonds | $1,234,316 | $1,234,316 | $1,234,316 | $1,234,316 | $1,234,316 | $1,234,316 | $1,234,316 | $1,234,316 | $1,234,316 |
| Trustee Fee | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 |
| TDHCA Admin. Fees Asset O | 28,100 | 28,016 | 27,927 | 27,831 | 27,728 | 27,095 | 26,205 | 11,200 | 11,200 |
| NET CASH FLOW | $101,297 | $132,744 | $164,752 | $197,321 | $230,454 | $404,562 | $592,518 | $807,305 | $1,237,240 |
| AGGREGATE DCR | 1.08 | 1.10 | 1.13 | 1.16 | 1.18 | 1.32 | 1.47 | 1.65 | 1.99 |

## LIHTC Allocation Calculation - Primrose Houston School Apartments, Lancaster, #02479

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $2,107,750 | $2,107,750 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,638,000 | $1,638,000 | $1,638,000 | $1,638,000 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $12,490,201 | $12,410,413 | $12,490,201 | $12,410,413 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $286,204 | $280,968 | $282,564 | $280,968 |
| Contractor profit | $858,612 | $842,905 | $847,692 | $842,905 |
| General requirements | $858,612 | $842,905 | $847,692 | $842,905 |
| **(5) Contingencies** | $286,204 | $286,204 | $286,204 | $286,204 |
| **(6) Eligible Indirect Fees** | $682,000 | $682,000 | $682,000 | $682,000 |
| **(7) Eligible Financing Fees** | $624,341 | $624,341 | $624,341 | $624,341 |
| **(8) All Ineligible Costs** | $2,786,758 | $2,786,758 | | |
| **(9) Developer Fees** | | | $2,654,804 | |
| Developer overhead | $536,815 | $493,900 | | $493,900 |
| Developer fee | $2,147,260 | $2,147,260 | | $2,147,260 |
| **(10) Development Reserves** | | $538,439 | | |
| **TOTAL DEVELOPMENT COSTS** | $25,302,757 | $25,681,844 | $20,353,498 | $20,248,897 |

| **Deduct from Basis:** | | | |
|---|---|---|---|
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $20,353,498 | $20,248,897 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $20,353,498 | $20,248,897 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $20,353,498 | $20,248,897 |
| Applicable Percentage | | 3.65% | 3.65% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $742,903 | $739,085 |
| **Syndication Proceeds** | **0.8299** | **$6,165,476** | **$6,133,790** |

| | |
|---|---|
| **Total Credits (Eligible Basis Method)** | **$742,903** |
| **Syndication Proceeds** | **$6,165,476** |




© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001
Zoom Level: 9-1 Datum: WGS84

Scale 1 : 375,000
1" = 5.92 mi

TN
MN
5.2°E

# RENT CAP EXPLANATION
## Dallas MSA

### AFFORDABILITY DEFINITION & COMMENTS

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

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

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

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

**MSA/County:** Dallas **Area Median Family Income (Annual):** $65,000

**ANNUALLY** — Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules

| # of Persons | At or Below 50% | At or Below 60% | At or Below 80% |
|---|---|---|---|
| 1 | $ 23,300 | $ 27,960 | $ 37,250 |
| 2 | 26,600 | 31,920 | $ 42,550 |
| **3** | **29,950** | **35,940** | **$ 47,900** |
| 4 | 33,250 | 39,900 | $ 53,200 |
| 5 | 35,900 | 43,080 | $ 57,450 |
| 6 | 38,550 | 46,260 | $ 61,700 |
| 7 | 41,250 | 49,500 | $ 65,950 |
| 8 | 43,900 | 52,680 | $ 70,200 |

FIGURE 1

**MONTHLY**

| Unit Type | Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities) At or Below 50% | 60% | 80% | Utility Allowance by Unit Type (provided by the local PHA) | Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap) At or Below 50% | 60% | 80% |
|---|---|---|---|---|---|---|---|
| Efficiency | $ 582 | $ 699 | $ 931 | $ 45.00 | $ 537 | $ 654 | $ 886 |
| 1-Bedroom | 623 | 748 | 997 | 48.00 | 575 | 700 | 949 |
| **2-Bedroom** | **748** | **898** | **1,197** | **61.00** | **687** | **837** | **1,136** |
| 3-Bedroom | 864 | 1,037 | 1,383 | 83.00 | 781 | 954 | 1,300 |
| 4-Bedroom | 963 | 1,156 | 1,542 | 94.00 | 869 | 1,062 | 1,448 |
| 5-Bedroom | 1,064 | 1,277 | 1,701 | 108.00 | 970 | 1,183 | 1,607 |

FIGURE 2 — FIGURE 3 — FIGURE 4

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

For example, a family of three earning $33,000 per year would fall in the 60% set-aside group. A family of three earning $28,000 would fall in the 50% set-aside group.

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

For example, a family of three in the 50% income bracket earning $29,950 could not pay more than $748 for rent and utilities under the affordable definition.

1) $29,950 divided by 12 = **$2,496** monthly income; then,

2) **$2,496** monthly income times 30% = **$748** maximum total housing expense.

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

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

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

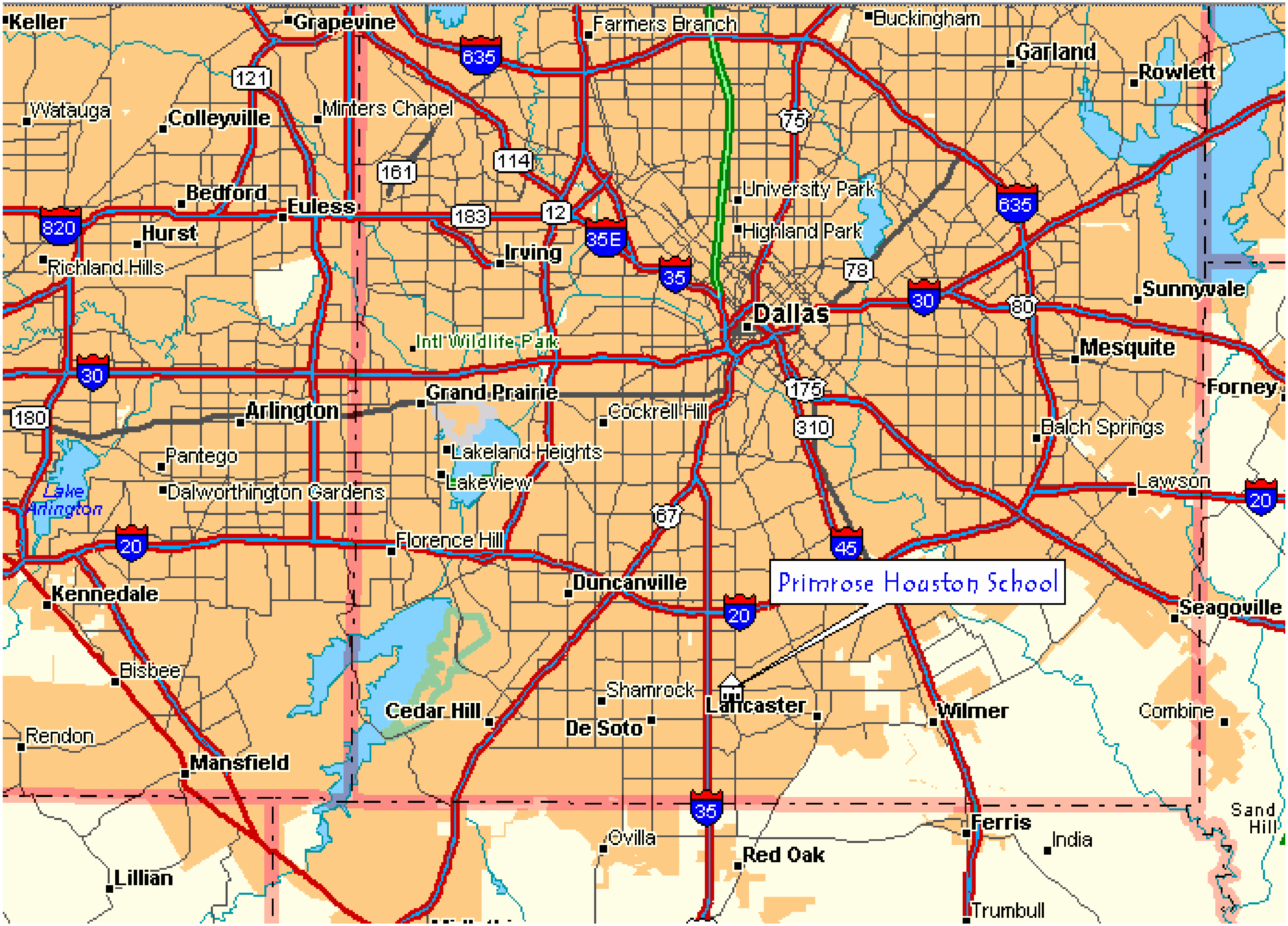
# RESULTS & ANALYSIS:

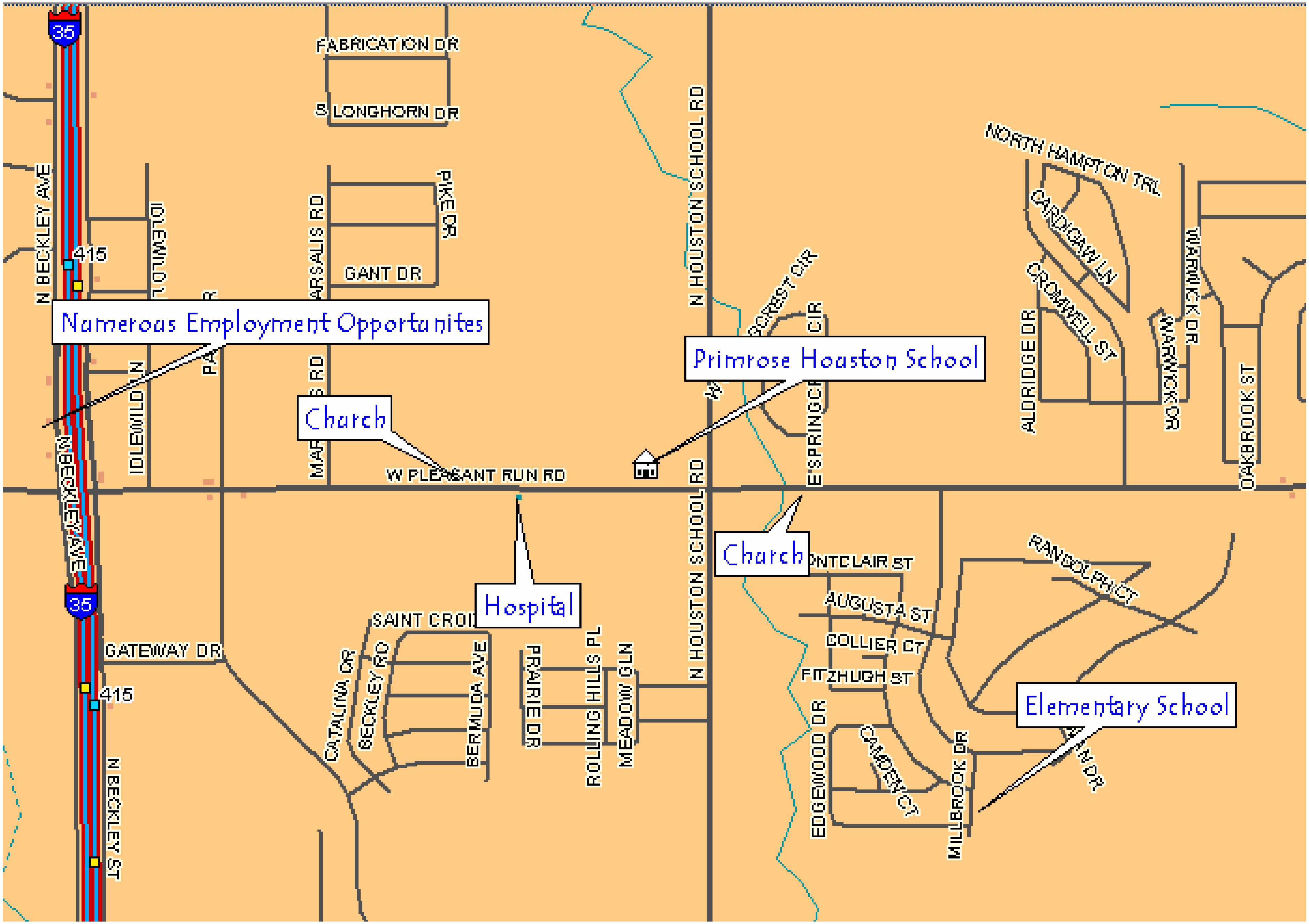
**Tenants** in the 60% AMFI bracket will **save $111 to $223** per month (leaving 3.7% to 5.8% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **13.9% to 20.4%**.

| **PROJECT INFORMATION** | | | | |
|---|---|---|---|---|
| | **Unit Mix** | | | |
| Unit Description | 2-Bedroom | 3-Bedroom | 4-Bedroom | |
| Square Footage | 950 | 1,100 | 1,300 | |
| Rents if Offered at Market Rates | $ 798 | $ 968 | $ 1,092 | |
| Rent per Square Foot | $0.84 | $0.88 | $0.84 | |

| **SAVINGS ANALYSIS FOR 60% AMFI GROUPING** | | | | |
|---|---|---|---|---|
| Rent Cap for 50% AMFI Set-Aside | $687 | $781 | $869 | |
| **Monthly Savings for Tenant** | **$ 111** | **$ 187** | **$ 223** | |
| Rent per Square Foot | $0.72 | $0.71 | $0.67 | |
| | | | | |
| Maximum Monthly Income - 60% AMFI | $2,995 | $3,458 | $3,855 | |
| **Monthly Savings as % of Monthly Income** | **3.7%** | **5.4%** | **5.8%** | |
| **% DISCOUNT OFF MONTHLY RENT** | **13.9%** | **19.3%** | **20.4%** | |

**Appraisal provided by:** Butler Burgher, LLC, 8150 N Central Expressway, Suite 801, Dallas, Texas 75206. Report dated March 17, 2003


Keller
Grapevine
Farmers Branch
Buckingham
Garland
Rowlett
635
121
Watauga
Colleyville
Minters Chapel
75
114
161
University Park
Bedford
Euless
820
Hurst
183
12
35E
Highland Park
635
Richland Hills
Irving
35
78
30
Sunnyvale
80
Dallas
Intl Wildlife Park
Mesquite
30
Forney
Grand Prairie
175
180
Arlington
Cockrell Hill
310
Balch Springs
Pantego
Lakeland Heights
Lake Arlington
Dalworthington Gardens
Lakeview
Lawson
20
67
20
Florence Hill
45
Primrose Houston School
Kennedale
Duncanville
20
Seagoville
Bisbee
Shamrock
Cedar Hill
Lancaster
Wilmer
Combine
De Soto
Rendon
Mansfield
35
Ferris
Sand Hill
Ovilla
India
Red Oak
Lillian
Trumbull



Numerous Employment Opportunities
Church
Primrose Houston School
Church
Hospital
Elementary School
35
415
35
415
FABRICATION DR
S LONGHORN DR
PIKE DR
GANT DR
N HOUSTON SCHOOL RD
NORTH HAMPTON TRL
CARDIGAN LN
CROMWELL ST
ALDRIDGE DR
WARWICK DR
WARWICK DR
OAKBROOK ST
N BECKLEY AVE
IDLEWILD LN
IDLEWILD LN
W PLEASANT RUN RD
E SPRINGCREST CIR
RANDOLPH CT
AUGUSTA ST
COLLIER CT
FITZHUGH ST
EDGEWOOD DR
CAMDEN CT
MILLBROOK DR
SAINT CROIX
GATEWAY DR
CATALINA DR
BECKLEY RD
BERMUDA AVE
PRAIRIE DR
ROLLING HILLS PL
MEADOW GLN
N BECKLEY ST

# Developer Evaluation

Project ID # **02479** Name: **Primrose Houston School** City:

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

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

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

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

**Portfolio Management and Compliance**

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

Total # of Projects monitored: 8 Projects grouped by score 0-9 8 10-19 0 20-29 0

Total # monitored with a score less than 30: 8 # not yet monitored or pending review: 7

**Program Monitoring/Draws**

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

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

**Asset Management**

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

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

Reviewed by Sara Carr Newsom Date day, April 24, 2003

**Multifamily Finance Production**

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

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

Reviewed by Robbye Meyer Date 2 /7 /2003

**Single Family Finance Production**

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

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

Reviewed by __________ Date __________

**Community Affairs**

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

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

Reviewed by Dyna Lang Date 4 /30/2003

**Office of Colonia Initiatives**

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

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

Reviewed by __________ Date __________

**Real Estate Analysis (Cost Certification and Workout)**

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

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

Reviewed by __________ Date __________

**Loan Administration**

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

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

Reviewed by stephanie stuntz Date 4 /30/2003

**Executive Director:** Edwina Carrington **Executed:** Monday, May 05, 2003

# Status Summary

**Project ID#** 02479

**Name:** Primrose Houston Scho

**City**

- [ ] LIHTC 9
- [x] LIHTC 4
- [ ] HOM
- [ ] HT
- [x] Bond
- [ ] SEC
- [ ] ESGP
- [ ] Other

| Developer | Role | Disbarr |
|---|---|---|
| Primrose Houston I Housing, L.P. | Owner/Applicant Name | ☐ |
| Primrose Houston I Development, L.L.C. | General Partner | ☐ |
| Brian Potashnik | Managing Member of G.P | ☐ |

**Projects/Contracts Monitored by the Department**

| Program | Project ID | Project Name | Score |
|---|---|---|---|
| LIHTC | 70028/94032 | Estrada Apartments | 0 |
| LIHTC | 70037/94038 | Melody Place Apartments | 02 |
| LIHTC | 70039/95049 | Melody Village Apartments | 05 |
| LIHTC | 96014 | Courtyards @ Kirnwood | 01 |
| LIHTC | 96015 | The Birchwood Apartments | 04 |
| LIHTC | 98002 | The Village @ Johnson Creek | 03 |
| LIHTC | 98032 | Villas @ Redmond | 03 |
| LIHTC | 00003 | The Villas @ Greenville | 0 |
| LIHTC/BO | 00014T/MF031 | The Oaks at Hampton | N/A |
| LIHTC/BO | 00029T/MF034 | Parks @ Westmoreland | N/A |
| LIHTC | 01406 | Hillside Apartments | N/A |
| LIHTC/BO | 01408/MF040 | Rosemont @ Pecan Creek | N/A |
| LIHTC/BO | 01409/MF039 | Primrose @ Sequoia (Bluffview) | N/A |

# Status Summary

| | | | |
|---|---|---|---|
| LIHTC | 01424 | Arbors @ Creekside | N/A |
| LIHTC/BO | 01435/MF048 | Oak Hollow Apartments | N/A |

**Out of State Response Received:** Yes

**Non-Compliance Reported** No

**Completed By:** Sara Carr Newsom **Date:** 4/24/2003

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

### Public Comment Summary

Primrose Houston School

**Public Hearing**

| | |
|---|---|
| *Total Number Attended* | 15 |
| *Total Number Opposed* | 11 |
| *Total Number Supported* | 2 |
| *Total Number Undecided* | 2 |
| *Total Number that Spoke* | 10 |

**Letters Received**

| | |
|---|---|
| *Opposition* | 0 |
| *Support* | 1 |
| *Senator Royce West* | |

**Summary of Opposition**

1. *The development will negatively impact property values*
2. *Want the developer to build single family homes*
3. *Do not want apartments*
4. *Do not want development to have tax credits*
5. *Development does not meet city standards*
6. *Will add to the traffic congestion*

**Response to Summary of Opposition**

1. *Recent studies do not conclude that there is a loss in property values as a result of affordable housing in the neighborhood.*
2. *The application is for multifamily development*
3. *The City of Lancaster approved a variance to the current zoning to allow this development to proceed*
4. *No response by staff*
5. *The City of Lancaster approved a variance to the current zoning to allow this development to proceed*
6. *The City of Lancaster approved a variance to the current zoning to allow this development to proceed*

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2003
PRIMROSE HOUSTON APARTMENTS

PUBLIC HEARING

Rosa Parks-Millbrook Elementary School
630 Millbrook
Lancaster, Texas

March 20, 2003
7:06 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

P R O C E E D I N G S

MS. MEYER: Again, my name is Robbye Meyer, and I'd like to proceed with the public hearing. Let the record show that it is now 7:06. It's Thursday, March 20, 2003, and we are at the Rosa Parks-Millbrook Elementary School located at 630 Millbrook, Lancaster, Texas.

I'm here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issuance of tax-exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issuance.

No decisions regarding this development will be made at this hearing. There are no board members present. The department's board will meet to consider the transaction on May 15 upon recommendation by the Finance Committee.

In addition to providing your comments at this hearing, you're also invited to provide public comment directly to the Finance Committee or to the board at the board meeting.

The department's staff will also accept written comments via facsimile at 512-475-0764, up until five o'clock on April 30.

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

The proceeds of the bond will belong to Primrose Houston I Housing LP or a related person or affiliate entity thereof to finance a portion of costs of acquiring, constructing, and equipping a multifamily rental housing community described as follows: 280-unit multifamily residential rental development to be constructed on approximately 22 acres of land located at the northwest corner of the intersection of Pleasant Run and Houston School Road in Dallas County, Texas.

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

I'd now like to open the floor up. State your name clearly for the record.

MR. JEFFERSON: Earskine Jefferson. You need my address?

MS. MEYER: Did you sign the form?

MR. JEFFERSON: No.

MS. MEYER: Okay. I'll get you to sign in once you're finished.

MR. JEFFERSON: Okay. 1548 Birkenhead Lane, Lancaster, Texas. I am strongly against the building of this project, whatever it is, in our city for the fact that it will affect the property value in a negative fashion, and we just do not want that here in our city.

The past projects I've seen has always been negative to the city, to the citizens, to the property values, so I do not want it, and I will be calling Senator West and Helen Giddings' office to voice my opposition against this project.

MS. MEYER: Okay. Thank you for your comments.

The next one I have is Patsy Brundage.

MS. BRUNDAGE: I just had hip surgery. I can't climb these stairs very well.

MS. MEYER: You can speak right there, ma'am.

MS. BRUNDAGE: I'm totally against this project because it runs all along my south fence line, and I feel like that it will affect my property value tremendously, plus the fact I want in writing something that says that there will be a rock, eight-off [phonetic] block, or some kind of fence between my property and these apartments.

I don't think our community needs any more apartments; I think what we need to do is build some decent homes for young beginning people so that they can have a home and a life.

Thank you.

MS. MEYER: Thank you.

Lisa Fulgence?

MS. FULGENCE: My name is Lisa Boykins Fulgence. I'm at 2612 Lochwood Drive in Lancaster, Texas. I am strongly, strongly against the development. It will definitely bring our property value down, be hard to sell my home, and I just got in it six months ago, so it just wouldn't be a very good idea for our city, neighborhood.

MS. MEYER: Thank you.

Dru Childre?

(No response.)

MS. MEYER: Clarence Black?

MS. BLACK: I'm next.

MS. MEYER: Okay. Johnetta?

MS. BLACK: Yes.

MS. MEYER: Does your husband want to speak? I'll come back to him.

MS. BLACK: My name is Johnetta Black. I live at 1415 Heather Ridge in the Glen Dover Estate development, and we have only been in our home for four months now, and I am in strong opposition to this development.

Like what he is saying, we are -- we lived in the apartments that were already in Lancaster for a long time, and we found it very hard to pay our rent. We were there six years; we finally got out, and it was no social services program or anything like that that helped us get out of there.

And to me, that's not a valid reason to build a multifamily dwelling, because we are stretched thin when we're living in an apartment; otherwise we wouldn't be there in the first place.

So I believe that this would not be good for, number one, my property values; I am a first-time homebuyer, and the reason why I moved out of the apartment is to be away from the apartment, and I don't want another apartment-unit dwelling in my community.

Thank you.

MS. MEYER: Thank you.

Dexter Payne.

MR. PAYNE; My name is Dexter Payne. My

address is 1544 Birkenhead Lane, Lancaster, Texas. I'm also against this planned development. I attend a lot of the city council meetings in Lancaster, and they talk about raising the bar.

I believe this plan or this project is not raising the bar; it's lowering the bar, if you would ask me.

If you would bring a project like this to our community and access those rents or leases at the mortgage value or the face value of this project, I believe it would help the citizens or Lancaster or the taxpayers of Lancaster better rather than offering tax incentives to this customer.

I am strongly against this, and I just -- I don't think it's good for Lancaster.

MS. MEYER: Thank you.

Kieli Payne?

(No response.)

MS. MEYER: Willie Brown?

MR. BROWN: Willie Brown, 2616 Lochwood. I'm against it. I just moved out here; it will be two months on Saturday. So I'm against it.

MS. MEYER: Thank you. Did you sign in, sir?

MR. BROWN: Yes, I did.

MS. MEYER: Wanda Wells?

MS. WELLS: I represent Helen Giddings.

MS. MEYER: Do you want to speak?

MS. WELLS: No, not [inaudible].

MS. MEYER: Freda Jefferson?

MS. JEFFERSON: My name is Freda Jefferson, and I live at 1548 Birkenhead Lane, Lancaster, Texas, and I strongly oppose this new development that you're talking about.

I just don't feel that that's something that our city needs. We moved here for the purposes of our home values staying up, and I think building projects in our neighborhood, especially on our main road, Pleasant Run, is not good for our city nor our community. So I strongly oppose it.

MS. MEYER: Thank you.

Vic Buchanon?

MR. BUCHANON: Vic Buchanan, 1243 Margaret Court, Lancaster, Texas. I look at this project, and in the form that it is presented I strongly oppose it. And I oppose it for a number of reasons.

As I look through this proposal, I look through and see building standards or building material that are dated back to 1999. This is 2003. You mean you can't update your building standards?

It would seem to me that a building that's going to come in this city, before they would propose anything, they would go through our building standards and see exactly what we accept and what we require and base their proposal upon those standards and not standards outdated four years ago and I don't know where they come from.

I'm also looking through this proposal and I see something in here where it talks about that the property would be monitored by the Dallas police. Well, this is Lancaster. Dallas police is not going to monitor Lancaster. You need to be talking about monitoring something with the Lancaster Police Department.

In this proposal I see nothing new. I see basically a -- actually less than what I would see in the apartment complex I moved out of in North Dallas when I moved to Lancaster to buy my home.

If we're going to spend tax dollars to assist the developer in building a development, it would seem to me that that developer would come in with a development plan that would raise the bar, as one of the earlier speakers had mentioned.

This does not raise the bar; this lowers the bar. You look through these apartment -- these design plans, there's not one layout that I see in here that has a fireplace. We have a number of apartment complexes that has a fireplace.

There's no carports in this design scheme. There's nothing like even a garage that I know there has been funded through tax credits apartment complexes with garages, with amenities like clubhouses and swimming pools and basketball courts and tennis courts.

And this shows a community center of 6000 square feet. We're talking about a 6000-square-feet community center, and we're talking about 280 units. Now, what happens if everybody decides to come to the community center at the same time? You know, 6000 square feet is not going to cut it.

You look through here; they talk about the green space. But I look at the green space, and -- you know, a play yard with equipment -- are we going to put any equipment in the play yard, or we just going to have a play yard?

A walking/jogging trail, a pool, a court -- I just see some dressed-up drawings and not really anything of substance to say that this complex would stand out from anything that we already have in the city.

I also take issue with where the entrance of this -- the main entrance of this complex is, because it's on Houston School Road. If you go down Houston School Road -- and Ms. Brundage can attest to this, because she lives on this same street -- cars are backed up from Pleasant Run all the way almost to Wintergreen, and that goes right across this front entrance.

Has the property owner considered deeding over some right-of-way so that the city will be able to expand, you know, Houston School Road? And has that been a consideration of his, or has that even been a thought of his?

And as I say, this, to me, is nothing new. We're talking about a project. I don't want to see a project in the city of Lancaster.

I do not have anything against affordable housing for moderate-income families, but let's give them something of substance and not this thrown-together little crackerbox and say, I'm going to make these poor folk happy, because I'm throwing them a bone, because that's what this projects looks like; that's what it smells like; that's what it sounds like, because it's not anything of substance.

Again, we look through our zoning ordinance, and when I look at the square footage of these apartments, I want to know what the livable square footage is. How much of this space is dead space? -- because if you're talking about 950 square feet for a two-bedroom, is that livable square feet, or are we talking about the closets and the storage space? It should be livable area, not closets, not storage area, not bathroom, but livable; I'm talking about dining room, living room, bedroom, you know, those kinds of things. That should be considered in the 950.

The same thing with 1100 square feet with three bedrooms. And as you know, the city does not have anything in its zoning that allows a four-bedroom apartment, and I'm sure that's why you're going before planning and development, and I'll be at that PNZ meeting, I promise you, to talk about that, because this is not a planned development; this is just a way to get around our current zoning, because you don't do in our current zoning what you want to do here, and you just figured out a convenient way to get around that zoning, as opposed to doing what our zoning actually requires you to do.

We can talk about all these things, about different programs: after-school programs that's going to be there and that's going to be offered. You and I both know you can't force folks to go to these programs. You can set them up, and I commend you for setting them up. I would like to know how successful they are in your other locations, because in your analysis, when you spoke, you mentioned that you were setting something up with Compass Bank for, you know, a matching dollar amount.

If you have this going on in your other complexes, why are you setting it up with Compass Bank for this one? Why isn't it already set up in your other developments? I'd like to know what the success rate of those programs are; what kind of participation rate you have and, yes, I would like a listing of where your other apartment complexes are. I would like to know how long they've been in business. I'd like to know what kind of tax dollars you got to fund those programs, and I would like a listing of your board of directors and their addresses and contact list, because I will definitely be making contact with them to let them know how I feel about this project, because I do not feel that this is a project that should come in the city of Lancaster.

If you want to bring this in the city of Lancaster, upgrade the amenities; make it something -- make it a jewel; make it something that you can be proud of being in the city of Lancaster. Let's not make it just another apartment complex, because we don't need another apartment complex, particularly when you're going to impact our tax dollars, our infrastructures, and impact our school district in terms of the amount of students that will be coming into this development, because, you know, when you look at schools, you're between two schools: this one here (indicating) and Rolling Hills, and both of these schools are almost on the verge of being overcrowded, so where are those additional students going to go?

Additional tax dollars -- are you willing to give up part of your land to dedicate to build a school on your land? If you want this so badly, are you willing to give our school district, you know, some acreage that they can build another elementary school that would take in some of these students? If you're not willing to do those things to come into our city, to make our city better, don't come into our city to try to make it worse than what it is.

MS. MEYER: Thank you.

Oscar Figaro?

MR. FIGARO: Well, I don't have much to say. I think Mr. Buchanan said it all. I'm strongly opposing it.

MS. MEYER: Okay.

Charles Nwaneri?

MR. NWANERI: Good evening. My name is Charles Nwaneri. I'm vice president of operations for Southwest Housing Development. And one of the reasons I really wanted to come out here and speak to you today is, as I speak here, I think back years ago when I used to live in an apartment. In fact, the very first apartment that I lived in was a typical -- fits the description of what has been said here tonight about a project.

In a project you think of so many things going on. You see people running down each other; you see people beating up each other; you see people stealing. You see people [inaudible].

But that is quite different from the model development that Southwest Housing is developing. And I encourage you to take time to look at the website for Southwest Housing, to see pictures of their development and what they're offering.

I also encourage, if you can, make a personal visit to some of the development that Southwest Housing has developed. Particularly I was impressed -- this is where my interest in Southwest Housing grew.

Their development on Melody Lane right across from Shady Brook -- I used to live in that area before they rehabilitated that apartment complex. I knew what it was like, and I knew what it was after they rehabilitated it, and I couldn't believe it.

When I went there after they had completed their renovations, it was like day and night. I couldn't believe that a typical developer would do such a marvelous job rehabilitating and renovating that complex.

And I was so impressed -- across from Melody Place we also have Melody Village, and they have had [inaudible] apartment developments here in Texas. And I encourage you, either visit the website, where you see people giving testimonies about the level of development and the level of pride that Southwest Housing takes in its development activities.

You will see in there Kay Bailey-Hutchison making a statement reflecting the quality of housing that Southwest Housing has developed. You will see some other state elected officials making statements in there. You will see private citizens like you and I making statements in there.

And as far as the services that they deliver, it is strongly above average. So I want you to see Southwest Housing from a typical development, a project, as we call it. We are not in the business of building projects. We are building affordable housing; we are building high-quality housing and yet it's affordable to people at low income. And that's my comment to you tonight.

Thank you.

MS. MEYER: Thank you.

Is there anybody else that would like to speak that I did not call?

(No response.)

MS. MEYER: I'd like to conclude the public hearing, and let the record show that it is now 7:29.

(Whereupon, at 7:29 p.m., the hearing was concluded.)

(Whereupon, the hearing was concluded.)

C E R T I F I C A T E

IN RE: Primrose Houston Apartments

LOCATION: Lancaster, Texas

DATE: March 20, 2003

I do hereby certify that the foregoing pages, numbers 1 through 20, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Debi Eaton before the Texas Department of Housing and Community Affairs.

03/27/03
(Transcriber) (Date)

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

# The Senate of The State of Texas

SENATE COMMITTEES:
CHAIRMAN
Subcommittee on Higher Education
VICE CHAIRMAN
Education
MEMBER
Finance
Health and Human Services
Jurisprudence

**Senator Royce West**
District 23

DISTRICT OFFICE:
5787 South Hampton Road
Suite 385
Dallas, Texas 75232
214/467-0123
Fax: 214/467-0050

CAPITOL OFFICE:
P.O. Box 12068
Austin, Texas 78711
512/463-0123
Fax: 512/463-0299
Dial 711 for Relay Calls

February 26, 2003

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

Dear Ms. Carrington:

I have been informed that Southwest Housing has received a proposed multi-family bond transaction to fund the construction of Primrose Houston School. This proposed development would be built on Houston School Road, within my senatorial district. This development will provide much needed affordable housing in my district and I support its construction.

Please contact Jennifer Wichmann in my office, at (214) 467-0123, if you have any questions regarding this issue. Thank you for your time.

Sincerely,

Royce West

Royce West
State Senator
District 23

RW/jw

cc: Texas Department of Housing and Community Affairs Board

# Low Income Housing Tax Credit Program
# Board Action Request
# May 15, 2003

## Action Item

Request, review and possible approval of two (2) four percent (4%) tax credit applications with TDHCA as the issuer.

## Recommendation

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

| Development No. | Name | Location | Issuer | Total Units | LI Units | Total Development |
|---|---|---|---|---|---|---|
| 02479 | Primrose Houston School Apartments | Lancaster | TDHCA | 280 | 280 | $25,302,320 |
| 02480 | Arbor Bend | Fort Worth | TDHCA | 2 | 2 | $13,348,942 |

# TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

## HOUSING FINANCE DIVISION - MULTIFAMILY

**REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE**

**2003 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS**

**Arbor Bend Villas**
**6150 Oakmont Trail**
**Fort Worth, Texas**
**Southwest Housing Development**
**152 Units**

**$8,175,000 (*) Tax Exempt – Series 2003**

## TABLE OF EXHIBITS



*(*) Preliminary - subject to change*



*507 Sabine, Suite #800*
*Austin, Texas 78701*
*(512) 475-2213/(512) 475-3362 [Fax]*
*Attn: Director of Multifamily Finance*

# FINANCE COMMITTEE AND BOARD APPROVAL MEMORANDUM

**May 15, 2002**

| | |
|---|---|
| **PROJECT:** | Arbor Bend Villas Apartments, Fort Worth, Tarrant County, Texas |
| **PROGRAM:** | Texas Department of Housing and Community Affairs<br>2003 Multifamily Housing Mortgage Revenue Bonds<br>(Reservation received 01/30/2003) |
| **ACTION REQUESTED:** | Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. |
| **PURPOSE:** | The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Arbor Bend Villas Housing, L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 152-unit multifamily residential rental project located at 6150 Oakmont Trail and Hulen Bend Road, Fort Worth, Texas (the "Project"). The Bonds will be tax-exempt by virtue of the Project's qualifying as a residential rental project. |
| **BOND AMOUNT:** | $8,175,000 Series 2003 tax exempt bonds (*)<br><br>(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Project and the amount for which Bond Counsel can deliver its Bond Opinion. |
| **ANTICIPATED CLOSING DATE:** | The Department received a volume cap allocation for the Bonds on January 30, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before May 30, 2003, the anticipated closing date is May 29, 2003. |
| **BORROWER:** | Arbor Bend Villas Housing, L.P., a Texas limited partnership, the general partner of which is Arbor Bend Villas Development, L.L.C., a Texas limited liability company, the manager of which is Brian Potashnik. |
| **COMPLIANCE HISTORY:** | A recent Compliance Report reveals that the principal of the general partner above has a total of 15 properties being monitored by the Department. Eight of these properties have received a compliance score of between 0-9. All of the scores are below the material non-compliance threshold score of 30. |

** Preliminary - Represents Maximum Amount*

**ISSUANCE TEAM & ADVISORS:**

Charter Municipal Mortgage Acceptance Company ("Bond Purchaser")
Wells Fargo Bank Texas, N.A., ("Trustee")
Vinson & Elkins L.L.P. ("Bond Counsel")
RBC Dain Rauscher Inc. ("Financial Advisor")
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

**BOND PURCHASER:**

The Bonds will be purchased by Charter Municipal Mortgage Acceptance Company. The purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

**PROJECT DESCRIPTION:**

***Site:*** The proposed affordable housing community is a 152-unit multifamily residential rental development to be constructed on approximately 8.5195 acres of land located at 6150 Oakmont Trail and Hulen Bend Road, Fort Worth, Texas. The proposed density is 17.84 dwelling units per acre. The site is well located near shopping centers, schools, major medical and emergency facilities, and accessible to major north/south and east/west thoroughfares.

***Buildings:*** The development will include a total of thirty-two (32) two and three-story, wood-framed apartment buildings containing approximately 162,800 net rentable square feet and having an average unit size of 1,071 square feet. The units will feature large bathrooms, walk-in closets, energy efficient appliances, and private balconies or patios with additional storage. Colors will be chosen from a palette compatible with the surrounding architecture and scenery.

| Units | Unit Type | Square Feet | Proposed Net Rent |
|---|---|---|---|
| 72 | 2-Bedrooms/2-Baths | 950 | $628.00 |
| 48 | 3-Bedrooms/2-Baths | 1,100 | $726.00 |
| 32 | 4-Bedrooms/2-Baths | 1,300 | $810.00 |
| 152 | | | |

***On-site Amenities:*** There will be a community building with laundry and maintenance facilities as well as picnic and playground equipment and open play areas interspersed throughout the site. The community building will be centrally located and will have office and leasing space as well as provide for community and educational meetings. The community building will contain the following spaces: manager and leasing offices, social service office, business center/community services room, great room/parlor with television and fireplace, residential kitchen, activity center, entry foyer, restrooms, telephone and vending area, laundry room, mechanical room, and maintenance shop.

**SET-ASIDE UNITS:**

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

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

**RENT CAPS:** For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%) of the area median income.

**TENANT SERVICES:** Tenant Services will be performed by Housing Services of Texas (HST). HST will employ an on-site social service administrator to coordinate and administer the programs at the Arbor Bend Apartments.

**DEPARTMENT ORIGINATION FEES:**

$1,000 Pre-Application Fee (Paid).
$10,000 Application Fee (Paid).
$40,875 Issuance Fee (.50% of the bond amount paid at closing).

**DEPARTMENT ANNUAL FEES:**

$8,175 Bond Administration (0.10% of first year bond amount)
$3,800 Compliance ($25/unit/year adjusted annually for CPI)

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

**ASSET OVERSIGHT FEE:** $3,800 to TDHCA or assigns ($25/unit/year adjusted annually for CPI)

**TAX CREDITS:** The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately $427,815 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $3,638,000 of equity for the transaction.

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

The Bonds will be privately placed with the Bond Purchaser, and will mature over a term of 40 years. During the construction and lease-up period, the Bonds will pay as to interest only. The Bonds will be secured by a first lien on the Project.

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

**BOND INTEREST RATES**: The interest rate on the Bonds during the construction phase will be 5.50% and the permanent phase will be 6.70%.

**CREDIT ENHANCEMENT:** The bonds will be unrated with no credit enhancement.

**FORM OF BONDS:** The Bonds will be issued in book entry (typewritten or lithographical) form and in denominations of $100,000 and any amount in excess of $100,000.

**MATURITY/SOURCES & METHODS OF REPAYMENT:** The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Account of the Construction Fund, earnings derived from amounts held on deposit in an investment agreement, if any, and other funds deposited to the Revenue Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

**TERMS OF THE MORTGAGE LOAN:** The Mortgage Loan is a non-recourse obligation of the Borrower (which means, subject to certain exceptions, the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Borrower's interest in the project to secure the payment of the Mortgage Loan.

**REDEMPTION OF BONDS PRIOR TO MATURITY:** The Bonds may be subject to redemption under any of the following circumstances:

***Mandatory Redemption:***

(a) (i) In whole or in part, to the extent excess funds remain on deposit in the Loan Account of the Construction Fund after the Project's Completion Date; and (ii) under certain circumstances, upon request by the Majority Owner to redeem Bonds from amounts on deposit in the Earn out Account of the Construction Fund; or

(b) in part, if the project has not achieved Stabilization within twenty-four (24) months after the earlier of (A) the date the Project achieves Completion or (B) the Completion Date; or

(c) in whole or in part, if there is damage to or destruction or condemnation of the Project, to the extent that Insurance Proceeds or a Condemnation Award in connection with the Project are deposited in the Revenue Fund and are not to be used to repair or restore the Project; or

(d) upon the determination of Taxability if the owner of a Bond presents his Bond or Bonds for redemption on any date selected by such owner specified in a written notice delivered to the Borrower and the Issuer at least thirty (30) days' prior to such date; or

(e) in whole on any interest payment date on or after May 1, 2020, if the Owners of all of the Bonds elect redemption and provide a 180 days' written notice to the Issuer, Trustee and Borrower; or

(f) In part, according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule of Redemptions.

***Optional Redemption:***

(a) The Bonds are subject to redemption, in whole, any time on or after May 1, 2020, from the proceeds of an optional prepayment of the Loan by the Borrower.

**FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:**

Under the Trust Indenture, the Trustee will serve as registrar and authenticating agent for the Bonds and as trustee of certain of the accounts created under the Trust Indenture (described below). The Trustee will also have responsibility for a number of loan administration and monitoring functions.

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

The Trust Indenture will create the following Funds and Accounts:

1. Construction Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Construction Fund which may consist of five (5) accounts as follows:

   (a) Loan Account – represents a portion of the proceeds of the sale of the Bonds that will be used to pay for Qualified

Project Costs;

(b) Insurance and Condemnation Proceeds Account - represents Condemnation Award and Insurance Proceeds allocated to restore the Project pursuant to the Loan Documents;

(c) Net Project Revenue Account – represents Project revenues less Project expenses from which the Trustee may make payments from for the purpose of paying Project Costs when properly authorized and approved;

(d) Capitalized Interest Account – represents a portion of the initial equity contribution of the Borrower which may be transferred to the Revenue Fund from this account in order to pay interest on the Bonds until the Completion Date of the Project;

(e) Costs of Issuance Account – represents a portion of the initial equity contribution of the Borrower from which the costs of issuance are disbursed;

(f) Earn out Account – represents a portion of the initial equity contribution of the Borrower, the disbursements from which are to be requested in writing by the Developer and approved by the Majority Owner of the Outstanding Bonds; and

(g) Equity Account – represents the balance of the initial equity contribution of the Borrower.

2. Replacement Reserve Fund – Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the Project.

3. Tax and Insurance Fund – The Borrower must deposit certain moneys in the Tax and Insurance Fund to be applied to the payment of real estate taxes and insurance premiums.

4. Revenue Fund – Revenues from the Project are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Trust Indenture: (1) to the payment of interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any, on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.

5. Rebate Fund – Fund into which certain investment earnings are

transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

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

**DEPARTMENT ADVISORS:**

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 17, 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee - Wells Fargo Bank Texas, N.A. (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.

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

4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

**ATTORNEY GENERAL REVIEW OF BONDS:**

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

RESOLUTION NO. 03-41

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (ARBOR BEND VILLAS APARTMENTS) SERIES 2003; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

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

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Arbor Bend Villas Apartments) Series 2003 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank Texas, N.A. (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

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

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

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

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Borrower and Charter Municipal Mortgage Acceptance Company, a Delaware business trust (the "Purchaser"), will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

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

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

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

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

## ARTICLE I

## ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be 5.50% per annum from the date of issuance of the Bonds through and including the date the Project achieves Completion (as defined in the Loan Agreement), and 6.70% per annum thereafter until paid on the maturity date or earlier redemption or acceleration thereof; (ii) the aggregate principal amount of the Bonds shall be $8,175,000; and (iii) the final maturity of the Bonds shall occur on May 1, 2043.

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

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

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

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

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

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B - Indenture
Exhibit C - Loan Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Assignments
Exhibit F - Purchase Agreement
Exhibit G - Asset Oversight Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary of the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

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

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

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

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

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

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

(a) Need for Housing Development.

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

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

(iii) that the Borrower is financially responsible,

(iv) that the financing of the Project is a public purpose and will provide a public benefit, and

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

(b) Findings with Respect to the Borrower.

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

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

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

(c) Public Purpose and Benefits.

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

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

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

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

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

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

## ARTICLE IV

## GENERAL PROVISIONS

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

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

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

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

PASSED AND APPROVED this _____ day of May, 2003.

By: ___________________________
Michael E. Jones, Chairman

Attest: ______________________________
Delores Groneck, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Arbor Bend Villas Housing, L.P., a Texas limited partnership

Project: The Project is a 152-unit multifamily facility to be known as Arbor Bend Villas Apartments and to be located at 6150 Oakmont Trail at Hulen Bend Road, in Fort Worth, Tarrant County, Texas. The Project will include a total of 32 two-story residential apartment buildings with a total of approximately 162,800 net rentable square feet and an average unit size of 1,071 square feet. The unit mix will consist of:

| | |
|---|---|
| 72 | two-bedroom/two-bath units |
| 48 | three-bedroom/two- bath units |
| 32 | four-bedroom/two-bath units |
| 152 | Total Units |

Unit sizes will range from approximately 950 square feet to approximately 1,300 square feet.

Common areas will include a swimming pool, a children's play area, and a community building with kitchen facilities, laundry facilities, vending area, parlor with television and fireplace and telephones.

LOW INCOME HOUSING TAX CREDIT PROGRAM

# 2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Arbor Bend Villas** TDHCA#: 02480

## DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Fort Worth | QCT: N | DDA: N | TTC: N |
| Development Owner: | Arbor Bend Villas Housing, L.P. | | | |
| General Partner(s): | Arbor Bend Villas Development, LLC, 100%, Contact: Brian Potashnik | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: TDHCA | | | |
| Development Type: | Family | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $427,815 Eligible Basis Amt: $427,025 Equity/Gap Amt.: $670,766

**Annual Tax Credit Allocation Recommendation: $427,025**

Total Tax Credit Allocation Over Ten Years: $ 4,270,250

## PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 152 LIHTC Units: 152 % of LIHTC Units: 100%

Gross Square Footage: 166,183

Average Square Footage/Unit: 1071

Number of Buildings: 10

Currently Occupied: N

**Development Cost**

Total Cost: $13,348,942 Total Cost/Net Rentable Sq. Ft.: $82.00

**Income and Expenses**

Effective Gross Income:[1] $1,217,944 Ttl. Expenses: $595,526 Net Operating Inc.: $622,418

Estimated 1st Year DCR: 1.07

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Southwest Housing Management |
| Attorney: | Shackelford, Melton & McKinley | Architect: | BGO Architects |
| Accountant: | Reznick, Fedder & Silverman | Engineer: | Bury & Partners |
| Market Analyst: | Butler Burgher | Lender: | Charter MAC |
| Contractor: | Affordable Housing Construction | Syndicator: | Related Capital Company |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| **Public Hearing:**<br># in Support: 16<br># in Opposition: 225<br># Undecided: 12<br>**Petition:**<br># in Opposition: 613<br>Letters/Emails:<br># in Opposition: 14 | Sen. Kim Brimer, District 10 - NC<br>Rep. Anna Mowery, District 97 - O<br>City Council Member Chuck Silcox: O<br>Mayor Kenneth L. Barr - NC<br>Reid Rector, Asst. City Manager, City of Fort Worth; Consistent with the local Consolidated Plan. |

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

## CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Receipt, review, and acceptance of a potential mandatory redemption of up to $325,000 and the additional potential deferral of developer or contractor fees in that amount under the provisions of the mandatory redemption clause in the lender's commitment.
3. Receipt, review, and acceptance of a revised syndication commitment reflecting the current project size and the credit allocation assumptions amount.

## DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable).

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

## DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).______________________________

Edwina P. Carrington, Executive Director ______ Date ______
Chairman of Executive Award and Review Advisory Committee

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

Chairperson Signature: ______________________ ______
Michael E. Jones, Chairman of the Board Date

# Arbor Bend Apartments

## Estimated Sources & Uses of Funds

| Sources of Funds | |
|---|---|
| Bond Proceeds, Series 2003 Bonds (Tax-Exempt) | $ 8,175,000 |
| LIHTC Equity | 3,638,000 |
| Interest Income | 33,118 |
| Soft Financing | - |
| Deferred Developer's Fee | 1,502,824 |
| **Total Sources** | $ 13,348,942 |

| Uses of Funds | |
|---|---|
| Deposit to Mortgage Loan Fund (Construction funds) | $ 10,593,918 |
| Capitalized Interest (Constr. Interest) | 639,013 |
| Developer's Overhead & Fee | 1,574,700 |
| Costs of Issuance | |
| Direct Bond Related | 173,000 |
| Bond Purchaser Costs | 129,250 |
| Other Transaction Costs | 102,561 |
| Real Estate Closing Costs | 136,500 |
| **Total Uses** | $ 13,348,942 |

## Estimated Costs of Issuance of the Bonds

| Direct Bond Related | |
|---|---|
| TDHCA Issuance Fee (.50% of Issuance) | $ 40,875 |
| TDHCA Application Fee | 11,000 |
| TDHCA Bond Compliance Fee ($25 per unit) | 7,600 |
| TDHCA Bond Counsel and Direct Expenses (Note 1) | 65,000 |
| TDHCA Financial Advisor and Direct Expenses | 25,000 |
| Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1) | 2,500 |
| Placement Agent | - |
| Trustee's Fees (Note 1) | 7,500 |
| Trustee's Counsel (Note 1) | 5,000 |
| Attorney General Transcript Fee ($1,250 per series, max. of 2 series) | 1,250 |
| Texas Bond Review Board Application Fee | 500 |
| Texas Bond Review Board Issuance Fee (.025% of Reservation) | 3,025 |
| TEFRA Hearing Publication Expenses | 3,750 |
| **Total Direct Bond Related** | $ 173,000 |

| Bond Purchase Costs | |
|---|---|
| Loan Origination Fee (Charter Mac @1%) | 81,750 |
| Due Diligence Cost (Charter Mac) | 12,500 |
| Bond Counsel & Expenses (Charter Mac) | 35,000 |
| **Total** | $ 129,250 |

**Other Transaction Costs**

| | |
|---|---|
| Construction Servicing (Charter Mac @ 1%) | 81,750 |
| Tax Credit Determination Fee (4% annual tax cr.) | 17,771 |
| Tax Credit Applicantion Fee ($20/u) | 3,040 |
| **Total** | $ 102,561 |

| **Real Estate Closing Costs** | |
|---|---|
| Title & Recording (Const.& Perm.) | 75,000 |
| Property Taxes | 26,500 |
| Borrower's Bond Counsel | 35,000 |
| **Total Real Estate Costs** | $ 136,500 |
| | |
| **Estimated Total Costs of Issuance** | $ 541,311 |

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

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

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

| | | | | | |
|---|---|---|---|---|---|
| **DATE:** | May 6, 2003 | **PROGRAM:** | Multifamily Bonds<br>4% LIHTC | **FILE NUMBER:** | 2003-077<br>02480 |

## DEVELOPMENT NAME

Arbor Bend Villas Apartments

## APPLICANT

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Arbor Bend Villas Housing, L.P. | **Type:** | For Profit | | |
| **Address:** | 5910 N. Central Expressway, Suite 1145 | **City:** | Dallas | **State:** | TX |
| **Zip:** | 75206 **Contact:** Brian Potashnik | **Phone:** | (214) 891-1402 | **Fax:** | (214) 987-4032 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Arbor Bend Villas Development, LLC | **(%):** | .01 | **Title:** | Managing General Partner |
| **Name:** | Related Capital Company | **(%):** | 99.99 | **Title:** | Initial Limited Partner |
| **Name:** | Brian Potashnik | **(%):** | N/A | **Title:** | Owner of GP & Developer |
| **Name:** | Southwest Housing Development Corporation | **(%):** | N/A | **Title:** | Developer |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 6150 Oakmont Trail | ☐ **QCT** | ☐ **DDA** | | |
| **City:** | Fort Worth | **County:** | Tarrant | **Zip:** | 76132 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| 1) $8,175,000 | 6.70% | 40 yrs | 40 yrs |
| 2) $427,815 | N/A | N/A | N/A |

**Other Requested Terms:**
1) Tax-exempt private activity mortgage revenue bonds
2) Annual ten-year allocation of low-income housing tax credits (revised information indicates a lower amount of $422,867 based upon a lower applicable percentage rate)

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

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $427,025 ANNUALLY FOR TEN YEARS, AND A BOND AMOUNT OF NOT MORE THAN $8,175,000 AT THE TERMS AND RATES REQUESTED, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of a potential mandatory redemption of up to $325,000 and the additional potential deferral of developer or contractor fees in that amount under the provisions of the mandatory redemption clause in the lender's commitment.
2. Receipt, review, and acceptance of a revised syndication commitment reflecting the current project size and the credit allocation assumptions amount.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

Arbor Bend Villas Apartments was submitted and underwritten in the 2001 4% LIHTC cycle (application #01464), with the Tarrant County Housing Finance Corporation as the bond issuer. The underwriting analysis recommended an allocation of $443,701 be approved, subject to the following conditions:

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. The potential deferral of the TDHCA compliance fees for the first two years of stabilized operation in order to achieve a minimum 1.10 DCR;
3. Receipt, review, and acceptance of a revised bond commitment reflecting the final amount of the bonds and the correct number of units;
4. Receipt, review, and acceptance of a letter of credit commitment for the full amount of the bonds;
5. Receipt, review, and acceptance of a revised syndication commitment reflecting the current project size and currently anticipated credit allocation;
6. Should the terms of the proposed debt be altered, the previous condition should be re-evaluated.

The project requested and was approved by the TDHCA Board for an allocation in the 2001 year cycle but did not utilize the allocation because the bond issuer declined to issue the bonds due to significant public opposition to the proposed development. The public opposition was centered on the issues of the development's potentially adverse impact on traffic and school overcrowding, as well as concerns regarding sufficiency of demand.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 152 | **# Rental Buildings** | 10 | **# Common Area Bldngs** | 1 | **# of Floors** | 3 | **Age:** | 0 yrs | **Vacant:** | N/A at / / |

**Net Rentable SF:** 162,800 **Av Un SF:** 1,071 **Common Area SF:** 3,383 **Gross Bldg SF:** 166,183

### STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 65% stucco/25% masonry veneer exterior wall covering with 10% wood trim, drywall interior wall surfaces, composite shingle roofing

### APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops

### ON-SITE AMENITIES

A 3,383 SF community building with management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play area are located at the center of the property. In addition perimeter fencing with a limited access gate is also planed for the site

**Uncovered Parking:** 304 spaces **Carports:** N/A spaces **Garages:** N/A spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Arbor Bend Villas Apartments is a relatively dense 17.8 units per acre new construction development located in southwest Fort Worth. The project is comprised of ten two- and three-story evenly distributed medium garden style walk-up residential buildings as follows:

- Six Building Type A with twelve 2-BR units and eight 3-BR units;
- Four two-story Building Type B with eight 4-BR units;

**Development Plan:** Based on the site plan the apartment buildings are distributed evenly and fairly densely throughout the site, with the community building located near the entrance to the site and the swimming pool located at the center of the site. The 3,383-square foot community building is planned to have the management offices, a fitness center, kitchen, restrooms, and laundry and maintenance facilities.

**Architectural Review:** The exterior elevations are attractive, with mixed stucco/masonry veneer/siding exterior finish and pitched roofs. The units are in two- and three-story walk-up structures with exterior stairways and interior breezeways. Each unit has a semi-private exterior entry that is shared with other units off an interior breezeway. All units are of average size for market rate and LIHTC units, and have covered patios or balconies, outdoor storage closets, and hookups for washers and dryers. Unit descriptions are as follows:

1. Entry to the 2-BR/2-BA unit is directly into the living area, with the designated dining area to the right and the galley kitchen adjoining the dining area. A hallway off the living area leads to the bedrooms and bathrooms, one of which is accessible from the living area. The patio is accessed from the living room. The master bedroom has a walk-in closet and the secondary bedroom has a conventional closet.
2. The 3-BR/2-BA unit is arranged similarly to the 2-BR unit, with a larger kitchen with island, an entry coat closet, and the third bedroom off the central hallway.
3. Entry into the 4-BR/2-BA unit is through an entry foyer into the dining area, and the galley kitchen is separated from the dining area by a breakfast bar. The living area adjoins the dining space, and again a central hallway off the living area provides access to all bedrooms and bathrooms. The master bedroom has a walk-in closet and the other three bedrooms feature conventional closets. Both bathrooms will have two vanities

**Supportive Services:** The Applicant has contracted with Housing Services of Texas, Inc. to provide the following supportive services to tenants: after school and adult education, health screenings and immunizations, family counseling and domestic crisis intervention, computer training, emergency assistance and relief, community outreach, vocational guidance, and social and recreational activities. These services will be provided at no cost to tenants. The Applicant has agreed to pay $1,500 per month for these support services.

**Schedule:** The Applicant anticipates construction to begin in May of 2003, to be completed in November of 2004, to be substantially leased-up in April of 2005, and to be placed in service in May of 2005.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Size:** | 8.52 | acres | 371,131 | square feet | **Zoning/ Permitted Uses:** | C, Medium Density Multifamily | |
| **Flood Zone Designation:** | Zone X | | | | **Status of Off-Sites:** | Partially Improved | |

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The site is an irregularly-shaped parcel located in the southwest area of Fort Worth, approximately five miles from the central business district. The site is situated on the west side of Oakmont Trail.

**Adjacent Land Uses:**

- **North:** Multifamily residential
- **South:** Single-family residential and a church
- **East:** Oakmont Trail with multifamily residential beyond
- **West:** Single-family residential

**Site Access:** Access to the property is from the southwest or northeast along Oakmont Trail. The project is to have one entry from Oakmont Trail. Access to Interstate Highway 20 is 1.5 miles northeast, which provides connections to all other major roads serving the Metroplex area.

**Public Transportation:** Public transportation to the area is provided by the Fort Worth bus system, with stops adjacent to the site.

**Shopping & Services:** The site is within one mile of grocery/pharmacies, a regional shopping centers, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on March 6, 2003 and found the location to be acceptable for the proposed development. The inspector noted that there are many retail and employment opportunities nearby.

### HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 19, 2002 was prepared by Butler Burgher and contained the following findings and recommendations:

**Findings:** "Based on existing conditions observed at the subject and adjacent property on the day of inspection, there was no evidence of recognized environmental conditions…" (p. 10)

**Recommendation:** "No further investigation/assessment is warranted at this time…" (p. 10)

## POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. Although this allows for prospective tenants to be qualified at the 60% of AMGI or less income level, as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI.

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

## MARKET HIGHLIGHTS

A market feasibility study dated January 6, 2003 was prepared by Butler Burgher, LLC and highlighted the following findings:

**Definition of Market/Submarket:** "The primary market area is defined as the five-mile radius around the subject property." (transmittal letter)

**Total Regional Market Demand for Rental Units:** "Presently, all real estate sectors are relatively weak compared to a year ago. The Dallas/Fort Worth markets have experienced slower job growth and a weaker economy than the robust pace from the last decade…However, the long-term economic outlook for the real estate market in the Dallas/Fort Worth metropolitan area remains positive." (p. 35)

**Total Local/Submarket Demand for Rental Units:** "Based on the expected demand at the comparable properties and the current waiting list for units, as provided by the Fort Worth and Tarrant County Housing Authorities, the Southwest Fort Worth submarket has sufficient demand for additional low-income units as planned at the subject property (100% of total units)." (p. 3)

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | **Market Analyst** | | **Underwriter** | |
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth | 180 | 2% | 178 | 2% |
| Resident Turnover | 7,698 | 98% | 7,820 | 98% |
| **TOTAL ANNUAL DEMAND** | **7,878** | **100%** | **7,998** | **100%** |

Ref: p. 73

**Capture Rate:** Calculated by the analyst to be 9.01%. (p. 73) The Underwriter calculated a slightly lower capture rate of 8.9% based on a slightly higher demand estimate of 7,998 units.

**Local Housing Authority Waiting List Information:** "The Tarrant County and Fort Worth Housing Authorities offer 1,402 low-rent units and 4,797 Section 8 units to qualified residents…New additions to the waiting list are being accepted; however, the waiting period is approximately 6 to 18 months due to the lack of available units." (p. 65)

**Market Rent Comparables:** The market analyst surveyed nine comparable apartment projects totaling 2,315 units in the market area. "The unit and project amenities will be similar to the existing units in the submarket and competitive to the direct competition in the adjoining submarkets." (p. 3)

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Market** | **Differential** |
| **2-Bedroom** | $628 | $628 | +/-$0 | $690 | -$62 |
| **3-Bedroom** | $726 | $726 | +/-$0 | $865 | -$139 |
| **4-Bedroom** | $810 | $810 | +/-$0 | $1,065 | -$255 |

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

**Submarket Vacancy Rates:** "Gross occupancy has fluctuated over the last two years from a low of 93.5% as of December 2001 to a high of 95.8% in June 2001. The current rate is 94.9%. The occupancy rate is slightly lower (0.5%) than one year ago. Occupancy is forecast by M/PF Research, Inc. to decrease 0.3% through 3rd quarter 2003, with only one apartment community projected to be completed in the next year." (p. 53)

**Absorption Projections:** "An absorption rate of 20 units/month is reasonable for the subject, as encumbered by LIHTC, resulting in just over an eight-month absorption period to obtain stabilized physical occupancy." (p. 75)

**Known Planned Development:** "Hulen Bend Seniors (237 LIHTC senior units) and Overton [Park] (216 LIHTC family units) are under construction on Old Granbury Road and Granbury Cutoff Road, and Overton Ridge Boulevard, respectively, within five miles of the subject. The Park at Sycamore School is a 216-unit LIHTC community that is planned at the SE corner of Cleburne Road and Sycamore School Road. Overton [Park] and Park at Sycamore are included in our capture rate analyses due to their location but the differing style of construction and the future completion date has excluded them from our rental study. Hulen Bend was excluded from the capture rate analysis since it targets a different clientele." (p. 74) The market analyst did not include Sycamore Point Apartments, a 168-unit, mixed-rate (128 LIHTC units) property under development across from Sycamore Center Villas Apartments.

**Effect on Existing Housing Stock:** "Due to sufficient demand, the new units should not negatively impact the existing affordable housing properties." (p. 3)

The Underwriter found the market study to provide sufficient information to make a funding recommendation.

## OPERATING PROFORMA ANALYSIS

**Income:** The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, which are significantly ($62-$255) lower than the average prevailing market rents in the submarket. The Applicant's secondary income estimate of $25/unit/month is significantly in excess of the TDHCA underwriting guideline of $5-$15/unit; the Underwriter examined the most recent historical operating information submitted for four of the Developer's other affordable properties in the Dallas-Fort Worth area and found the average secondary income to be $23.21/unit/month. The Underwriter utilized the higher TDHCA database Dallas-Fort Worth area average of $24.61, which results in the Applicant's secondary income estimate exceeding the Underwriter's by $711. The Applicant subsequently requested that they change their secondary income to $30/unit in order to support a higher net operating income, and provided new information suggesting that they may be able to secure future cable TV revenues to support this higher amount. However, the Underwriter believes this income is speculative in that it has not been proven through actual historical performance either by the Applicant's previous developments or by the average of developments in the TDHCA database for the Dallas-Fort Worth area. The Applicant's estimate of vacancy and collection losses, at 7%, is slightly lower than the TDHCA underwriting guideline of 7.5%; the net result is that the Applicant's effective gross income estimate is $7,244 higher than the Underwriter's.

**Expenses:** The Applicant's total expense estimate of $3,311 per unit is 15% lower than the Underwriter's adjusted TDHCA database-derived estimate of $3,918 per unit for comparably-sized projects in the Dallas-Fort Worth area. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($20.8K lower), payroll ($25.7K lower), utilities ($24.3K lower), and property tax ($33.8K lower). In addition, TDHCA trustee, administration, and asset oversight fees totaling $17.1K were moved "below the line" in order to reflect to the reader the absolute minimum bonds-only debt service. The Applicant requested that historical operating information on the Developer's four other Dallas-area properties be considered as justification for their estimates; the Underwriter examined this information and determined that the average per unit operating expense was in fact in excess of $4,300/unit.

**Conclusion:** Due to the difference in operating expense estimates the Applicant's estimated net operating income is inconsistent with the Underwriter's expectations, i.e., more than 5% above the database-derived estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. In the

Applicant's estimates there is sufficient net operating income to service the proposed first lien permanent mortgage (bonds-only) at a debt coverage ratio that is in excess of 1.10 as required by program guidelines. However, the Underwriter's estimated DCR of 0.96 reflects that debt service would need to be capped at $568,362 in order to preserve a minimum 1.10 DCR. Therefore, a reduction in the debt amount of up to $325K may be required at the conversion date.

## ACQUISITION VALUATION INFORMATION

### APPRAISED VALUE

| | | | |
|---|---|---|---|
| **Land Only:** | $850,000 | **Date of Valuation:** | 3/ 1/ 2003 |
| **Proposed Building(s): "as completed"** | $6,840,000 | **Date of Valuation:** | 3/ 1/ 2003 |
| **Appraiser:** Butler Burgher, LLC | **City:** Dallas | **Phone:** | (214) 739-0700 |

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land:** | $704,494 | **Assessment for the Year of:** | 2002 |
| **Building:** | N/A | **Valuation by:** | Tarrant County Appraisal District |
| **Total Assessed Value:** | $704,494 | **Tax Rate:** | |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Earnest money contract | | |
| **Contract Expiration Date:** | 2/ 28/ 2002 | **Anticipated Closing Date:** | 2/ 28/ 2002 |
| **Acquisition Cost:** | $900,000 | **Other Terms/Conditions:** | $1,000 earnest money |
| **Seller:** | Southwest Hampton Oaks II, LLC | **Related to Development Team Member:** | Yes |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Land Value:** The site cost of $900,000 ($2.43/SF or $105.6K/acre) must be justified based upon an original acquisition sales price of $850,000 plus taxes, interest and other holding costs totaling $43,400 since the acquisition is not arm's-length transaction. The actual acquisition price on the settlement statement was slightly lower than $850,000 and the higher current claimed acquisition price can not be substantiated. Subsequent to the original application and in coordination with the lender, the Applicant provided a revised sources and uses that reflected a reduced acquisition price to the original $850,000.

**Sitework Cost:** The Applicant's claimed sitework costs of $6,500 per unit are the maximum allowed under TDHCA underwriting guidelines for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $186K or 3% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's revised information reflect that general requirements, contractor's general and administrative fees, and contractor's profit are all within the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. The Applicant's revised developer fees are also within the 15% limit.

**Conclusion:** The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $11,699,315 is used to determine a credit allocation of $427,025 from this method. The resulting syndication proceeds will be used to compare to the request and the gap of need, using the Applicant's costs, to determine the recommended credit amount.

## FINANCING STRUCTURE

### INTERIM CONSTRUCTION or GAP FINANCING

| | | | |
|---|---|---|---|
| **Source:** | Charter Municipal Mortgage Acceptance Company | **Contact:** | Jim Spound |

**Principal Amount:** $8,175,000 **Interest Rate:** 5.50%

**Additional Information:** Rate on the bonds will be 5.5% until completion. 0.25% up front fee and 0.0625% servicing fee payable monthly.

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

**LONG TERM/PERMANENT FINANCING**

**Source:** Charter Municipal Mortgage Acceptance Company **Contact:** Jim Spound

**Principal Amount:** $8,1750,000 **Interest Rate:** 6.70%

**Additional Information:** Guaranty from Brian Potashnik and Southwest Housing Development Corporation

**Amortization:** 40 yrs **Term:** 40 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

**Annual Payment:** $637,145 original est. **Lien Priority:** 1st **Commitment Date** 5/ 5/ 2003

**LIHTC SYNDICATION**

**Source:** Related Capital Company **Contact:** Justin Ginsberg

**Address:** 625 Madison Avenue **City:** New York

**State:** New York **Zip:** 10022 **Phone:** (212) 521-6369 **Fax:** (212) 751-3550

**Net Proceeds:** $3,688,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

**Commitment** ☐ LOI ☒ Firm ☐ Conditional **Date:** 12/ 27/ 2002

**Additional Information:** Commitment letter reflects proceeds of $3,688,000 based on credits of $4,498,410

**APPLICANT EQUITY**

**Amount:** $1,502,824 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing from three sources: a conventional interim to permanent loan based on tax-exempt bond proceeds, syndicated LIHTC equity, and deferred developer's fees.

**Bonds and Conventional Interim to Permanent Loan:** The bonds are tax-exempt private activity mortgage revenue bonds to be issued by TDHCA and placed privately with GMAC Charter Mac Municipal Mortgage in the amount of $8,175,000. There was also previously provided a terms letter for interim to permanent financing through GMAC in the amount of $8,820,000 during both the interim period and at conversion to permanent, although the Applicant's original sources of funds indicates a loan size of $8,800,000. The terms of the current Charter Ma commitment letter indicated a term of 40 years at an initial interest rate during the construction period of 5.5% which will increase to 6.7% at conversion.

**LIHTC Syndication:** Related Capital Company has offered terms for syndication of the tax credits, however, the commitment letter provided reflected a larger 153-unit project and a slightly larger tax credit and syndication amount than is now anticipated. Receipt, review, and acceptance of a revised syndication commitment reflecting the current project size and currently anticipated credit allocation is a condition of this report. The commitment letter shows net proceeds are anticipated to be $3,688,000 based on a higher anticipated credit amount of $449,841 and a syndication factor of 82%. The funds would be disbursed in a five-phased pay-in schedule:

1. 20% upon admission to the partnership;
2. 10% upon completion of 50% of construction;
3. 30% upon completion of 75% of construction;
4. 20% upon completion of construction;
5. 20% upon the latest to occur of: closing of the permanent loan, receipt of IRS Form 8609, achievement of both 93% occupancy and a DCR of 1.15 for three consecutive months.

**Deferred Developer's Fees:** The Applicant's currently proposes to defer developer's fees of $1,502,824 amount to 95% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis and the underwriting applicable percentage rate of 3.65% for applications submitted in December of 2002 (rather than the Applicant's 3.63%), the LIHTC allocation would be $427,025. The Applicant had requested $427,815 (though recently indicated a much lower figure), so the allocation should not exceed the Underwriter's calculated amount annually for ten years, resulting in syndication proceeds of approximately $3,500,944. As discussed previously, the Underwriter's analysis reflects the anticipated mandatory redemption of up to $325K in bonds at conversion, which would create a total funding gap of $1,991,521. A total of $2,603,571 in eligible developer and related general contractor fees are available for deferral and the Underwriter's estimated deferral amounts to 75% of that total. The Underwriter has estimated that cumulative cash flow available for repayment of these fees within 15 years will total $2,015,568. Thus there is approximately $24K of potential cash flow remaining to characterize this transaction as feasible.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

Brian Potashnik, the managing member and owner of the General Partner, is also a principal of the Developer, General Contractor, and Property Manager. These are common relationships for LIHTC-funded developments. Mr. Potashnik is also the seller of the property but the revised information from the applicant claims only the original acquisition cost rather than the higher anticipated identity of interest transfer price. Therefore the identity of interest concern regarding the sales price has been sufficiently mitigated.

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

**Financial Highlights**:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Brian Potashnik, the owner of the General Partner and land seller and president of the Developer and General Contractor, submitted an unaudited financial statement as of September 8, 2002.

**Background & Experience**:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.

Brian Potashnik listed participation as president of the general partner on 15 previous affordable housing projects totaling 3,277 units since 1993.

## SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within 10 years.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

| | | | |
|---|---|---|---|
| **Credit Underwriting Supervisor:** | *Jim Anderson* | **Date:** | May 6, 2003 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | May 6, 2003 |

# MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

***Arbor Bend Apartments, Fort Worth, MFB #2003-077/4% LIHTC #02480***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| TC (50%) | 72 | 2 | 2 | 950 | $690 | $628 | $45,216 | $0.66 | $62.00 | $33.00 |
| TC (50%) | 48 | 3 | 2 | 1,100 | 796 | 726 | 34,848 | 0.66 | 70.00 | 36.00 |
| TC (50%) | 32 | 4 | 2 | 1,300 | 888 | 810 | 25,920 | 0.62 | 78.00 | 36.00 |
| TOTAL: | 152 | | AVERAGE: | 1,071 | $765 | $697 | $105,984 | $0.65 | $67.89 | $34.58 |

| **INCOME** | Total Net Rentable Sq Ft: | 162,800 | | TDHCA | APPLICANT | | USS Region | 3 |
|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $1,271,808 | $1,271,808 | | IREM Region | Dallas |
| Secondary Income | | Per Unit Per Month: | $24.61 | 44,889 | 45,600 | $25.00 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | $1,316,697 | $1,317,408 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (98,752) | (92,220) | -7.00% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | $1,217,944 | $1,225,188 | | | |

| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 4.13% | $331 | 0.31 | $50,279 | $29,500 | $0.18 | $194 | 2.41% |
| Management | | 4.00% | 321 | 0.30 | 48,718 | $49,008 | 0.30 | 322 | 4.00% |
| Payroll & Payroll Tax | | 11.08% | 888 | 0.83 | 134,976 | $109,250 | 0.67 | 719 | 8.92% |
| Repairs & Maintenance | | 5.75% | 461 | 0.43 | 70,067 | $71,872 | 0.44 | 473 | 5.87% |
| Utilities | | 4.24% | 340 | 0.32 | 51,643 | $27,360 | 0.17 | 180 | 2.23% |
| Water, Sewer, & Trash | | 3.53% | 283 | 0.26 | 43,008 | $53,200 | 0.33 | 350 | 4.34% |
| Property Insurance | | 2.67% | 214 | 0.20 | 32,560 | $32,560 | 0.20 | 214 | 2.66% |
| Property Tax | 3.25228 | 9.01% | 722 | 0.67 | 109,795 | $76,000 | 0.47 | 500 | 6.20% |
| Reserve for Replacements | | 2.50% | 200 | 0.19 | 30,400 | $30,400 | 0.19 | 200 | 2.48% |
| Other: spt svcs, compliance fees | | 1.98% | 158 | 0.15 | 24,080 | $24,080 | 0.15 | 158 | 1.97% |
| TOTAL EXPENSES | | 48.90% | $3,918 | $3.66 | $595,526 | $503,230 | $3.09 | $3,311 | 41.07% |
| NET OPERATING INC | | 51.10% | $4,095 | $3.82 | $622,418 | $721,958 | $4.43 | $4,750 | 58.93% |

| **DEBT SERVICE** | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 48.31% | $3,871 | $3.61 | $588,367 | $637,145 | $3.91 | $4,192 | 52.00% |
| Trustee Fee | 0.37% | $30 | $0.03 | $4,500 | 4,500 | $0.03 | $30 | 0.37% |
| TDHCA Admin. Fees | 0.67% | $54 | $0.05 | 8,175 | 8,800 | $0.05 | $58 | 0.72% |
| Asset Oversight Fees | 0.31% | $25 | $0.02 | 3,800 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 1.81% | $145 | $0.14 | $22,076 | $76,013 | $0.47 | $500 | 6.20% |
| INITIAL AGGREGATE DEBT COVERAGE RATIO | | | | 1.04 | 1.11 | | | |
| INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO | | | | 1.04 | | | | |
| RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO | | | | 1.10 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 6.21% | $5,592 | $5.22 | $850,000 | $850,000 | $5.22 | $5,592 | 6.37% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.21% | 6,500 | 6.07 | 988,000 | 988,000 | 6.07 | 6,500 | 7.40% |
| Direct Construction | | 50.17% | 45,203 | 42.20 | 6,870,841 | 6,685,250 | 41.06 | 43,982 | 50.08% |
| Contingency | 4.88% | 2.80% | 2,524 | 2.36 | 383,663 | 383,663 | 2.36 | 2,524 | 2.87% |
| General Req'ts | 5.86% | 3.36% | 3,029 | 2.83 | 460,395 | 460,395 | 2.83 | 3,029 | 3.45% |
| Contractor's G & A | 1.95% | 1.12% | 1,010 | 0.94 | 153,465 | 153,465 | 0.94 | 1,010 | 1.15% |
| Contractor's Profit | 5.86% | 3.36% | 3,029 | 2.83 | 460,395 | 460,395 | 2.83 | 3,029 | 3.45% |
| Indirect Construction | | 4.35% | 3,916 | 3.66 | 595,250 | 595,250 | 3.66 | 3,916 | 4.46% |
| Ineligible Costs | | 5.48% | 4,940 | 4.61 | 750,924 | 750,924 | 4.61 | 4,940 | 5.63% |
| Developer's G & A | 2.00% | 1.51% | 1,363 | 1.27 | 207,178 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 9.83% | 8,860 | 8.27 | 1,346,658 | 1,574,700 | 9.67 | 10,360 | 11.80% |
| Interim Financing | | 3.26% | 2,940 | 2.75 | 446,900 | 446,900 | 2.75 | 2,940 | 3.35% |
| Reserves | | 1.32% | 1,193 | 1.11 | 181,383 | | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $90,099 | $84.12 | $13,695,052 | $13,348,942 | $82.00 | $87,822 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *68.03%* | ***$61,294*** | ***$57.23*** | ***$9,316,759*** | ***$9,131,168*** | ***$56.09*** | ***$60,073*** | *68.40%* |

| **SOURCES OF FUNDS** | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| Tax-Exempt Bonds | 59.69% | $53,783 | $50.21 | $8,175,000 | $8,175,000 | $7,850,000 | Developer fee Avalable |
| Taxable Bonds/Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | 0 | $2,600,253 |
| LIHTC Syndication Proceeds | 26.56% | $23,934 | $22.35 | 3,638,000 | 3,638,000 | 3,507,421 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 10.97% | $9,887 | $9.23 | 1,502,824 | 1,502,824 | 1,991,521 | 77% |
| Additional (excess) Funds Required | 2.77% | $2,495 | $2.33 | 379,228 | 33,117 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $13,695,052 | $13,348,942 | $13,348,942 | $2,015,568 |

**Arbor Bend Apartments, Fort Worth, MFB #2003-077/4% LIHTC #02480**

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $41.33 | $6,728,689 |
| Adjustments | | | | |
| Exterior Wall Finish | 2.00% | | $0.83 | $134,574 |
| 9-Ft. Ceilings | 3.25% | | 1.34 | 218,682 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.92) | (149,480) |
| Floor Cover | | | 1.92 | 312,576 |
| Porches/Balconies | $29.24 | 30,246 | 5.43 | 884,393 |
| Plumbing | $615 | 336 | 1.27 | 206,640 |
| Built-In Appliances | $1,625 | 152 | 1.52 | 247,000 |
| Stairs | $1,625 | 44 | 0.44 | 71,500 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.47 | 239,316 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $59.01 | 3,383 | 1.23 | 199,633 |
| Other: Fireplace | $2,200 | 1 | 0.01 | 2,200 |
| SUBTOTAL | | | 55.87 | 9,095,723 |
| Current Cost Multiplier | 1.03 | | 1.68 | 272,872 |
| Local Multiplier | 0.90 | | (5.59) | (909,572) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $51.96 | $8,459,022 |
| Plans, specs, survy, bld prn | 3.90% | | ($2.03) | ($329,902) |
| Interim Construction Interes | 3.38% | | (1.75) | (285,492) |
| Contractor's OH & Profit | 11.50% | | (5.98) | (972,788) |
| NET DIRECT CONSTRUCTION COSTS | | | $42.20 | $6,870,841 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| Primary | $8,175,000 | Term | 480 |
| Int Rate | 6.70% | DCR | 1.06 |

| | | | |
|---|---|---|---|
| Secondary | | Term | |
| Int Rate | | Subtotal DCR | 1.04 |

| | | | |
|---|---|---|---|
| All-In | | Term | |
| Rate | | Aggregate DCR | 1.04 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $564,976 |
| Trustee Fee | 4,500 |
| TDHCA Admin. Fees Asset Oversight F | 11,975 |
| NET CASH FLOW | $40,967 |

| | | | |
|---|---|---|---|
| Primary | $7,850,000 | Term | 480 |
| Int Rate | 6.70% | DCR | 1.10 |

| | | | |
|---|---|---|---|
| Secondary | | Term | |
| Int Rate | | Subtotal DCR | 1.09 |

| | | | |
|---|---|---|---|
| All-In | | Term | |
| Rate | | Aggregate DCR | 1.07 |

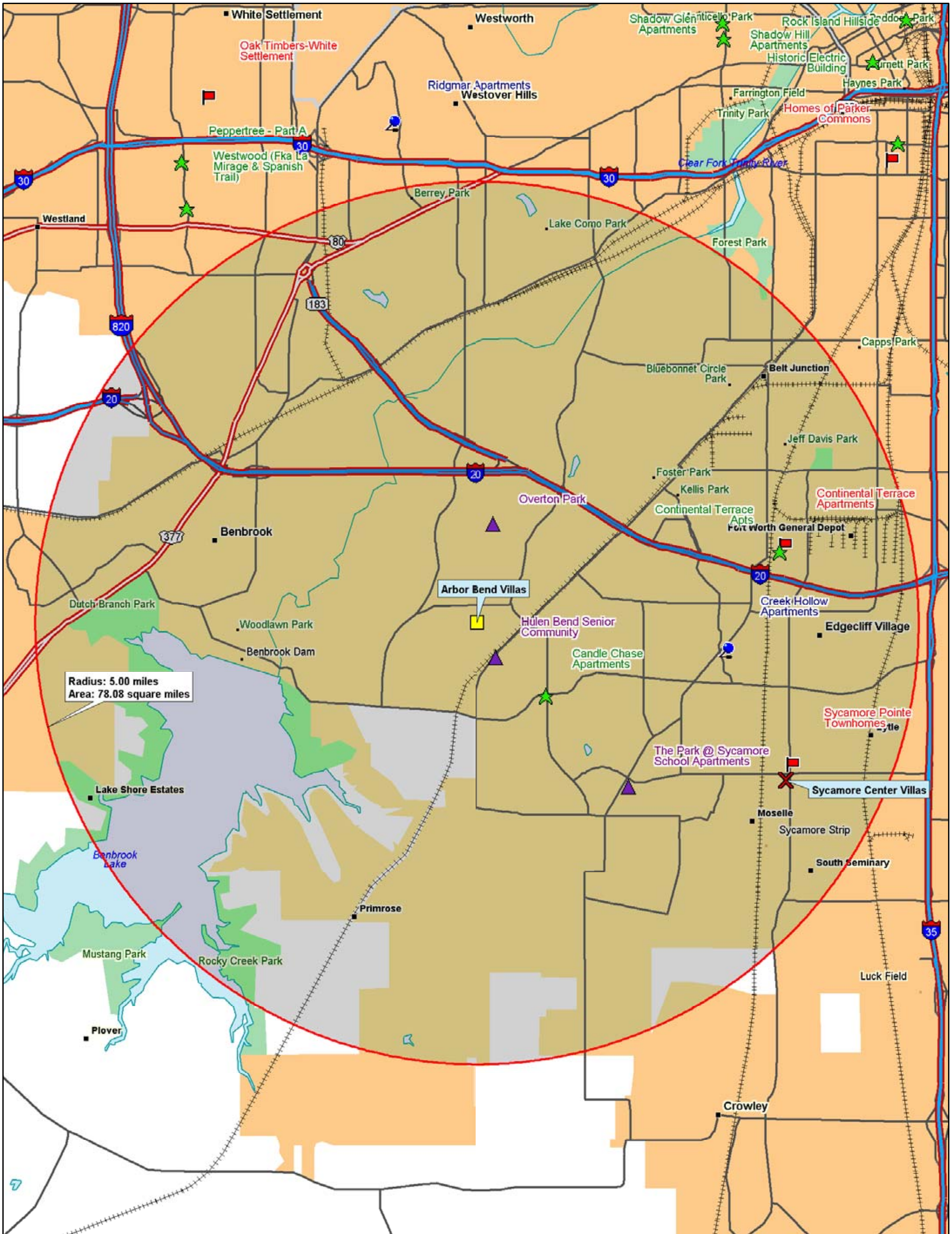
## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,271,808 | $1,309,962 | $1,349,261 | $1,389,739 | $1,431,431 | $1,659,421 | $1,923,724 | $2,230,123 | $2,997,099 |
| Secondary Income | 44,889 | 46,235 | 47,622 | 49,051 | 50,523 | 58,569 | 67,898 | 78,713 | 105,783 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 1,316,697 | 1,356,198 | 1,396,883 | 1,438,790 | 1,481,954 | 1,717,990 | 1,991,622 | 2,308,836 | 3,102,882 |
| Vacancy & Collection Loss | (98,752) | (101,715) | (104,766) | (107,909) | (111,147) | (128,849) | (149,372) | (173,163) | (232,716) |
| Employee or Other Non-Renta | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,217,944 | $1,254,483 | $1,292,117 | $1,330,881 | $1,370,807 | $1,589,141 | $1,842,250 | $2,135,673 | $2,870,166 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $50,279 | $52,291 | $54,382 | $56,557 | $58,820 | $71,563 | $87,068 | $105,931 | $156,804 |
| Management | 48,718 | 50,179 | 51,685 | 53,235 | 54,832 | 63,566 | 73,690 | 85,427 | 114,807 |
| Payroll & Payroll Tax | 134,976 | 140,375 | 145,990 | 151,830 | 157,903 | 192,113 | 233,735 | 284,374 | 420,943 |
| Repairs & Maintenance | 70,067 | 72,870 | 75,784 | 78,816 | 81,968 | 99,727 | 121,333 | 147,620 | 218,514 |
| Utilities | 51,643 | 53,709 | 55,857 | 58,092 | 60,415 | 73,504 | 89,429 | 108,804 | 161,057 |
| Water, Sewer & Trash | 43,008 | 44,728 | 46,517 | 48,378 | 50,313 | 61,214 | 74,476 | 90,611 | 134,127 |
| Insurance | 32,560 | 33,862 | 35,217 | 36,626 | 38,091 | 46,343 | 56,383 | 68,599 | 101,543 |
| Property Tax | 109,795 | 114,187 | 118,754 | 123,504 | 128,444 | 156,272 | 190,129 | 231,321 | 342,412 |
| Reserve for Replacements | 30,400 | 31,616 | 32,881 | 34,196 | 35,564 | 43,269 | 52,643 | 64,048 | 94,807 |
| Other | 24,080 | 25,043 | 26,045 | 27,087 | 28,170 | 34,273 | 41,699 | 50,733 | 75,097 |
| TOTAL EXPENSES | $595,526 | $618,860 | $643,113 | $668,320 | $694,521 | $841,844 | $1,020,585 | $1,237,470 | $1,820,111 |
| NET OPERATING INCOME | $622,418 | $635,623 | $649,005 | $662,560 | $676,286 | $747,297 | $821,665 | $898,203 | $1,050,054 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Mortgage | $564,976 | $564,976 | $564,976 | $564,976 | $564,976 | $564,976 | $564,976 | $564,976 | $564,976 |
| Trustee Fee | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| TDHCA Admin. Fees Asset O | 11,975 | 11,610 | 11,567 | 11,521 | 11,472 | 11,170 | 10,748 | 3,800 | 3,800 |
| NET CASH FLOW | $40,967 | $54,537 | $67,962 | $81,563 | $95,339 | $166,651 | $241,440 | $324,927 | $476,778 |
| AGGREGATE DCR | 1.07 | 1.09 | 1.12 | 1.14 | 1.16 | 1.29 | 1.42 | 1.57 | 1.83 |

## LIHTC Allocation Calculation - Arbor Bend Apartments, Fort Worth, MFB #2003-077/4% LIHTC #0

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $850,000 | $850,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $988,000 | $988,000 | $988,000 | $988,000 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $6,685,250 | $6,870,841 | $6,685,250 | $6,870,841 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $153,465 | $153,465 | $153,465 | $153,465 |
| Contractor profit | $460,395 | $460,395 | $460,395 | $460,395 |
| General requirements | $460,395 | $460,395 | $460,395 | $460,395 |
| **(5) Contingencies** | $383,663 | $383,663 | $383,663 | $383,663 |
| **(6) Eligible Indirect Fees** | $595,250 | $595,250 | $595,250 | $595,250 |
| **(7) Eligible Financing Fees** | $446,900 | $446,900 | $446,900 | $446,900 |
| **(8) All Ineligible Costs** | $750,924 | $750,924 | | |
| **(9) Developer Fees** | | | $1,525,998 | |
| Developer overhead | | $207,178 | | $207,178 |
| Developer fee | $1,574,700 | $1,346,658 | | $1,346,658 |
| **(10) Development Reserves** | | $181,383 | [illegible] | [illegible] |
| **TOTAL DEVELOPMENT COSTS** | $13,348,942 | $13,695,052 | $11,699,315 | $11,912,745 |

| Deduct from Basis: | | | |
|---|---|---|---|
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $11,699,315 | $11,912,745 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $11,699,315 | $11,912,745 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $11,699,315 | $11,912,745 |
| Applicable Percentage | | 3.65% | 3.65% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $427,025 | $434,815 |
| **Syndication Proceeds** | **0.8198** | **$3,500,944** | **$3,564,812** |
| **Total Credits (Eligible Basis Method)** | | **$427,025** | **$434,815** |
| **Syndication Proceeds** | | **$3,500,944** | **$3,564,812** |
| **Requested Credits** | | **$427,815** | |
| **Syndication Proceeds** | | **$3,507,421** | |
| **Gap of Syndication Proceeds Needed** | | **$5,498,942** | |
| **Credit Amount** | | **$670,729** | |





Zoom Level: 11-1 Datum: WGS84

Scale 1 : 93,750
1" = 1.48 mi

0 ½ 1 1½ 2 mi
0 1 2 3 4 km

TN
MN
5.6°E

# RENT CAP EXPLANATION
# Fort Worth / Arlington MSA

## AFFORDABILITY DEFINITION & COMMENTS

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

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

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

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

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

| ANNUALLY | | | | MONTHLY | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules** | | | | **Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)** | | | | **Utility Allowance by Unit Type** | **Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)** | | |
| # of Persons | At or Below 50% | At or Below 60% | At or Below 80% | Unit Type | At or Below 50% | At or Below 60% | At or Below 80% | (provided by the local PHA) | At or Below 50% | At or Below 60% | At or Below 80% |
| 1 | $ 21,450 | $ 25,740 | $ 34,350 | Efficiency | $ 536 | $ 643 | $ 858 | $ 43.00 | $ 493 | $ 600 | $ 815 |
| 2 | 24,500 | 29,400 | $ 39,250 | 1-Bedroom | 574 | 689 | 920 | 52.00 | 522 | 637 | 868 |
| **3** | **27,600** | **33,120** | **$ 44,150** | **2-Bedroom** | **690** | **828** | **1,103** | **62.00** | **628** | **766** | **1,041** |
| 4 | 30,650 | 36,780 | $ 49,050 | 3-Bedroom | 796 | 956 | 1,275 | 70.00 | 726 | 886 | 1,205 |
| 5 | 33,100 | 39,720 | $ 52,950 | | | | | | | | |
| 6 | 35,550 | 42,660 | $ 56,900 | 4-Bedroom | 888 | 1,066 | 1,422 | 78.00 | 810 | 988 | 1,344 |
| 7 | 38,000 | 45,600 | $ 60,800 | 5-Bedroom | 980 | 1,176 | 1,569 | | 902 | 1,098 | 1,491 |
| 8 | 40,450 | 48,540 | $ 64,750 | | | | | | | | |
| **FIGURE 1** | | | | **FIGURE 2** | | | | **FIGURE 3** | **FIGURE 4** | | |

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

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

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

For example, a family of three in the 50% income bracket earning $27,600 could not pay more than $690 for rent and utilities under the affordable definition.

1) $27,600 divided by 12 = **$2,300** monthly income; then,

2) **$2,300** monthly income times 30% = **$690** maximum total housing expense.

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

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

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

## Arbor Bend Villas

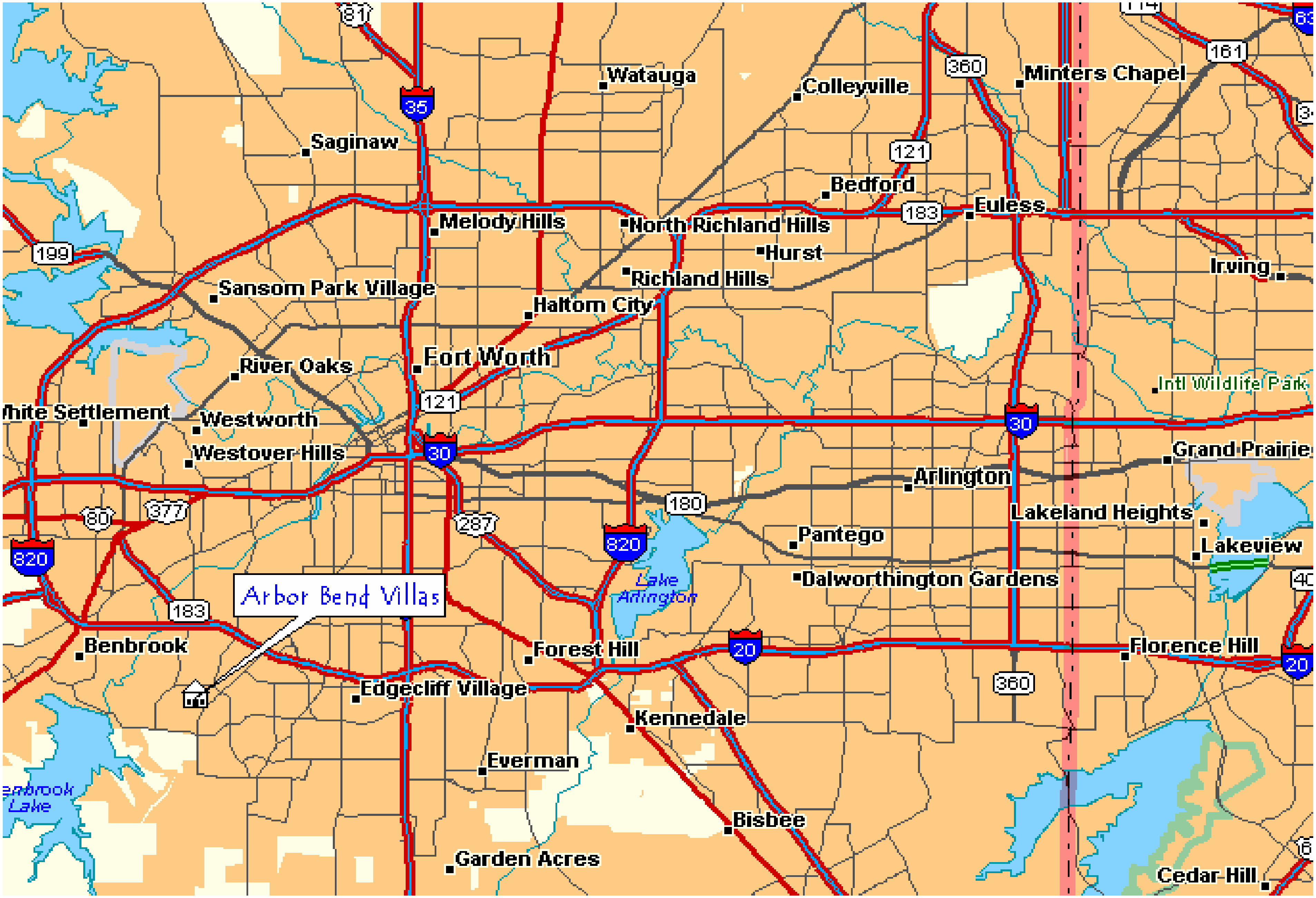
# RESULTS & ANALYSIS:

**Tenants** in the 60% AMFI bracket will **save $66 to $256** per month (leaving 2.4% to 7.2% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **9.4% to 24.0%**.

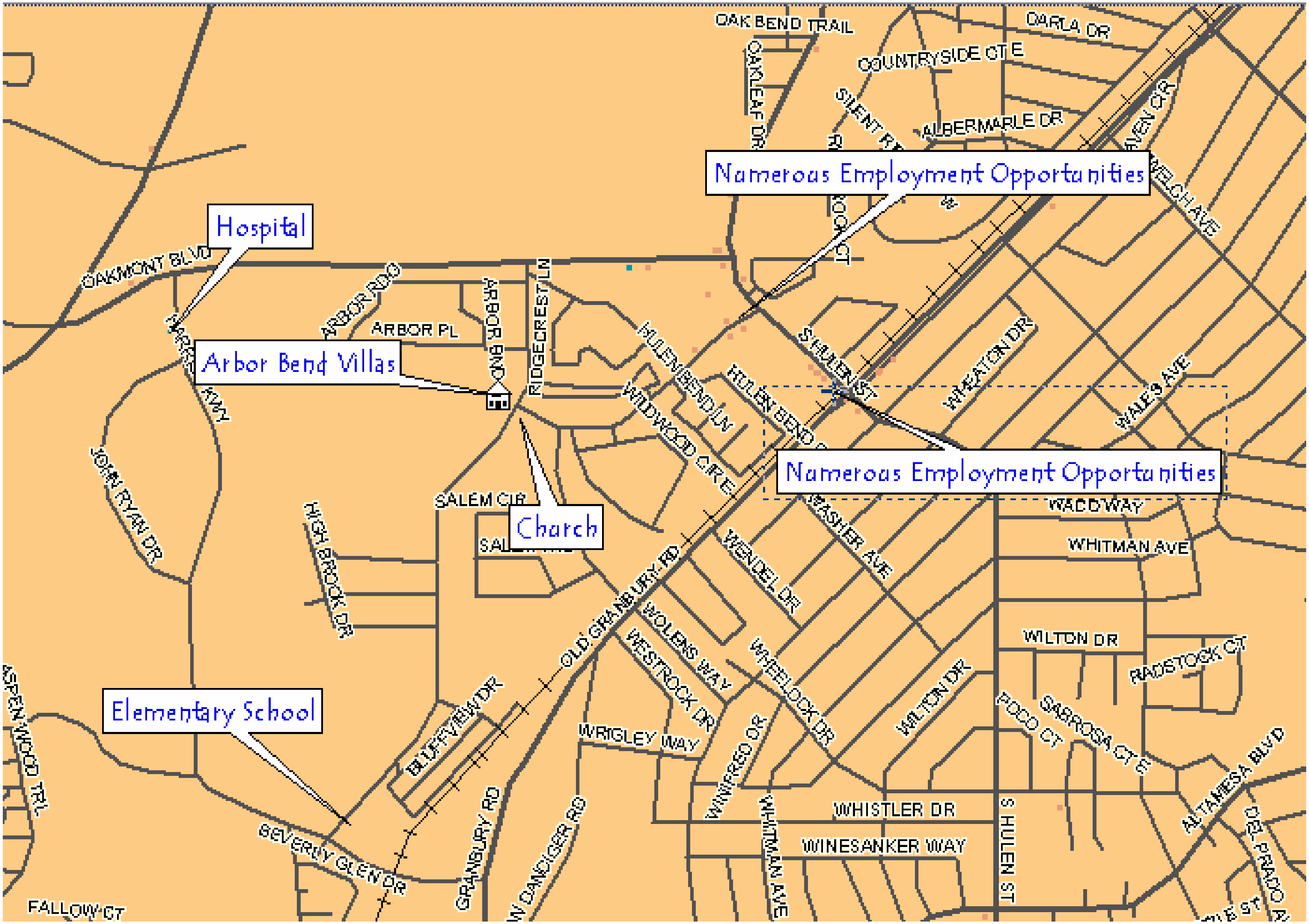
| PROJECT INFORMATION | | | | |
|---|---|---|---|---|
| | | **Unit Mix** | | |
| Unit Description | 2-Bedroom | 3-Bedroom | 4-Bedroom | |
| Square Footage | 950 | 1,100 | 1,300 | |
| Rents if Offered at Market Rates | $694 | $869 | $1,066 | |
| Rent per Square Foot | $0.73 | $0.79 | $0.82 | |

| SAVINGS ANALYSIS FOR 60% AMFI GROUPING | | | | |
|---|---|---|---|---|
| Rent Cap for 50% AMFI Set-Aside | $628 | $726 | $810 | |
| **Monthly Savings for Tenant** | **$66** | **$143** | **$256** | |
| Rent per Square Foot | $0.66 | $0.66 | $0.62 | |
| Maximum Monthly Income - 60% AMFI | $2,760 | $3,188 | $3,555 | |
| **Monthly Savings as % of Monthly Income** | **2.4%** | **4.5%** | **7.2%** | |
| **% DISCOUNT OFF MONTHLY RENT** | **9.4%** | **16.5%** | **24.0%** | |

**Appraisal provided by**: Butler Burgher, LLC, 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated March 6, 2003



Arbor Bend Villas
Watauga
Colleyville
Minters Chapel
Saginaw
Bedford
Euless
Melody Hills
North Richland Hills
Hurst
Irving
Sansom Park Village
Richland Hills
Haltom City
Fort Worth
River Oaks
Intl Wildlife Park
Westworth
Westover Hills
Grand Prairie
Arlington
Lakeland Heights
Pantego
Lakeview
Dalworthington Gardens
Lake Arlington
Benbrook
Forest Hill
Florence Hill
Edgecliff Village
Kennedale
Everman
Bisbee
Garden Acres
Cedar Hill
35
81
360
161
121
183
199
30
20
820
180
287
377


Numerous Employment Opportunities
Hospital
Arbor Bend Villas
Church
Numerous Employment Opportunities
Elementary School
OAK BEND TRAIL
CARLA DR
COUNTRYSIDE CT E
OAKLEAF DR
ALBERMARLE DR
OAKMONT BLVD
ARBOR RDG
ARBOR PL
ARBOR BND
RIDGECREST LN
HULEN BEND LN
WILDWOOD CIR E
HULEN BEND
S HULEN ST
WHEATON DR
WALES AVE
WELCH AVE
JOHN RYAN DR
HIGH BROOK DR
SALEM CIR
OLD GRANBURY RD
WENDEL DR
WASHER AVE
WACO WAY
WHITMAN AVE
WILTON DR
RADSTOCK CT
WOLENS WAY
WESTROCK DR
WHEELOCK DR
WILTON DR
POCO CT
SARROSA CT E
BLUFFVIEW DR
WRIGLEY WAY
WINIFRED DR
ALTAMESA BLVD
WHISTLER DR
WINESANKER WAY
S HULEN ST
WHITMAN AVE
GRANBURY RD
ASPEN WOOD TRL
BEVERLY GLEN DR
FALLOW CT

# Developer Evaluation

Project ID # **02480** Name: **Arbor Bend Villas** City: **Dallas**

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

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

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

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

### Portfolio Management and Compliance

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

Total # of Projects monitored: 8 Projects grouped by score 0-9 8 10-19 0 20-29 0

Total # monitored with a score less than 30: 8 # not yet monitored or pending review: 7

**Program Monitoring/Draws**

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

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

**Asset Management**

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

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

Reviewed by Sara Carr Newsom Date day, April 24, 2003

### Multifamily Finance Production

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

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

Reviewed by Robbye Meyer Date 2 /7 /2003

### Single Family Finance Production

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

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

Reviewed by ____________ Date ____________

### Community Affairs

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

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

Reviewed by Dyna Lang Date 4 /30/2003

### Office of Colonia Initiatives

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

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

Reviewed by ____________ Date ____________

### Real Estate Analysis (Cost Certification and Workout)

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

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

Reviewed by ____________ Date ____________

### Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

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

Reviewed by Stephanie Stuntz Date 4 /30/2003

**Executive Director:** Edwina Carrington **Executed:** Monday, May 05, 2003

# Status Summary

**Project ID#** 02480

**Name:** Arbor Bend Villas

**City** Dallas

- [ ] LIHTC 9
- [x] LIHTC 4
- [ ] HOM
- [ ] HT
- [x] Bond
- [ ] SEC
- [ ] ESGP
- [ ] Other

| Developer | Role | Disbarr |
|---|---|---|
| Arbor Bend Villas Housing, L.P. | Owner/Applicant Name | ☐ |
| Arbor Bend Villas Development, L.L.C. | General Partner | ☐ |
| Brian Potashnik | Managing Member of G.P | ☐ |

**Projects/Contracts Monitored by the Department**

| Program | Project ID | Project Name | Score |
|---|---|---|---|
| LIHTC | 70028/94032 | Estrada Apartments | 0 |
| LIHTC | 70037/94038 | Melody Place Apartments | 02 |
| LIHTC | 70039/95049 | Melody Village Apartments | 05 |
| LIHTC | 96014 | Courtyards @ Kirnwood | 01 |
| LIHTC | 96015 | The Birchwood Apartments | 04 |
| LIHTC | 98002 | The Village @ Johnson Creek | 03 |
| LIHTC | 98032 | Villas @ Redmond | 03 |
| LIHTC | 00003 | The Villas @ Greenville | 0 |
| LIHTC/BO | 00014T/MF031 | The Oaks @ Hampton | N/A |
| LIHTC/BO | 00029T/MF034 | Parks At Westmoreland | N/A |
| LIHTC | 01406 | Hillside Apartments | N/A |
| LIHTC/BO | 01408/MF040 | Rosemont @ Pecan Creek | N/A |
| LIHTC/BO | 01409/MF039 | Primrose @ Sequoia (Bluffview) | N/A |

# Status Summary

| | | | |
|---|---|---|---|
| LIHTC | 01424 | Arbors @ Creekside | N/A |
| LIHTC/BO | 01435/MF048 | Oak Hollow Apartments | N/A |

**Out of State Response Received:** Yes

**Non-Compliance Reported** No

**Completed By:** Sara Carr Newsom **Date:** 4/20/2003

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

**Public Comment Summary**

Arbor Bend Villas

**Public Hearing**

| | |
|---|---|
| *Total Number Attended* | 253 |
| *Total Number Opposed* | 225 |
| *Total Number Supported* | 16 |
| *Total Number Undecided* | 12 |
| *Total Number that Spoke* | 33 |

**Petition**

| | |
|---|---|
| *Total Number Signed* | 613 |

**Letters Received**

| | |
|---|---|
| *Opposition* | 2 |
| *City Council Member Chuck Silcox* | |
| *Representative Anna Mowery* | |
| *Support* | 0 |

**Email Received**

| | |
|---|---|
| *Opposition* | 14 |
| *General Public* | |
| *Support* | 0 |

**Community Outreach Efforts**

*Summary of events by the deveolper*

**Summary of Opposition**

1. *Area already saturated with apartments*
2. *The development will increase traffic congestion*
3. *The development will overcrowd the schools*
4. *The development will increase the cost burden for the ISD*
5. *The development will increase criminal activity*
6. *The development will decrease property values*

Arbor Bend Villas

**Response to Summary of Opposition**

1. *Staff has reviewed the market study and appraisal and the proposed development meets the Department's guidelines*
2. *Staff agrees that the development will increase traffic; however the City of FortWorth approved the land for Mulitfamily zoning in 1990 and has issued building permits for the development. These issues are addressed in the zoning and building permit process.*
3. *The Department has received a school impact study from Dr. Bernard Weinstein and Dr. Terry Clower which states "the impact to the Crowley ISD from the net student population added by these 153 living units is not material". It is the responsibility of the School System to plan and forecast future enrollment of students and to provide adequate accomodations based upon the development trends in the area. Voters recently passed a $180 million school bond package for the Crowley ISD.*
4. *Recent studies do not conclude an increase in criminal activity with Bond and Tax Credit properties.*
5. *Recent studies do not conclude that there is a loss in property values as a result of affordable housing in the neighborhood.*

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2003
ARBOR BEND VILLAS

PUBLIC HEARING

Oakmont Elementary School
6651 Oakmont Trail
Fort Worth, Texas

March 6, 2003
6:15 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

ROBERT ONION, Manager, Multifamily Finance

I N D E X

P R O C E E D I N G S

MR. ONION: Welcome and thank you for participating in our public meeting. My name is Robert Onion. I'm manager of Multifamily Production for the Texas Department of Housing and Community Affairs.

I'd like to go over quickly just how we're going to conduct this meeting. I'm going to give you about a five minute overview of our program. Then, there's going to be a presentation by the developer-applicant, to indicate the type of development that they're proposing.

And then, we're going to go straight into public comment. Those people that have indicated that they would like to speak -- we'll strictly go from the list. We'll go from the list and we'll call your name. And then, come up to the podium. Due to the amount of people in the audience, we'd like to limit your time to two minutes. However, if certain people would like to yield their time to other speakers, they certainly can do that.

Quickly, I wanted to go over the Private Activity Bond Program with you, and what TDHCA's role is with that. TDHCA is acting as a conduit issuer to facilitate the participation of private developers, private lenders, and private investors, to create affordable housing for the State of Texas.

The Private Activity Bond Program -- and this is something that I think might not be clear to all the participants here -- is not a federal, or state, government program. It's not subsidized by the state. It is a federal program for private sector financing of affordable housing. This is not Section 8 or HUD sponsored housing.

Where this money comes from is each state -- the federal government allows each state to have a certain amount of tax exempt authority, based upon per capita of people in the state. For the state of Texas, the total amount of tax exempt bond authority for the state is 1,633,491,976. It's broken down into six different categories.

Multifamily housing is one. It represents 23 percent. Single family housing -- which is for first time home buyer program, which allows the interest rate on those loans to be below market, and there's also down payment assistance, state voted issues, qualified small issues, student loan bonds, and other issues.

The tax exempt bonds on a private placement is purchased by the bond purchaser. The interest rate that they charge on the bonds is less than market due to the tax exempt nature of the bonds. That means that the interest that they receive on those bonds -- they do not have to pay income tax on that interest. It does not mean that the property is not paying property taxes -- separate and apart, separate issue.

In addition to the bonds that are purchased, there are also 4 percent credits that a limited partnership is formed. And from that limited partnership, an equity provider injects equity into the property, a separate investor. And that, plus the bonds, is what's used to build the apartment complex. Again, I've said that full property taxes are being paid on this particular transaction.

The way it is determined which project development gets a reservation is through a lottery process that is conducted by the Texas Bond Review Board. It is strictly a lottery process, where there is a bingo-ball cage. And there's bingo balls in there. And based upon the list of applicants there, a number is given to each one of the applicants.

Starting in January, those reservations are handed out to people that are in priority one and the lowest lottery number. They have 120 days in which to complete the transaction and close the bonds. If, for any reason, they do not close it within the 120 days, then it goes down further to the applicant that's on the waiting list.

Again, as the issuer, we do not choose this particular application. It is done through a lottery process.

This particular reservation, Arbor Bend Villas, received a reservation on January 30. The 120 days will expire May 30, 2003.

The property will by located at 6150 Oakmont Trail. There will be seven three-story residential buildings with one non-residential building. It will be 152 units. There will be 72 two-bedroom, two-bath, with 950 square feet; 48 three-bedroom, two-bath, with 1,100 square feet; and 32 four-bedroom, two-bath, with 1,300 square feet.

100 percent of the units will serve families at 60 percent of area median income. The area median income for a family of four in Fort Worth is 60,300. What that means is a family of four could not earn more than a combined income of 36,780 to qualify to live in this development. A two-bedroom maximum rent currently would run $628; a three-bedroom maximum rent, $726; and a four-bedroom, 810.

I just wanted to quickly go over the leasing criteria. Applicants must meet employment, and income, and rental history guidelines. And applicants must pass a criminal background check. And occupancy is limited to a maximum of two persons per bedroom.

Now, I would like to turn it over to the developer-applicant.

MR. JONES: Good evening. My name is Mark Jones. I'm Vice President of Community Development with Southwest Housing. We are very, very excited about being here tonight, very excited about coming into this neighborhood. We're going to take about five minutes to show what we're going to build here.

This is a clubhouse, typical of what we build, Southwest Housing. Arbor Bend Villas description is 8.5 acres of land accessed off of Oakmont Trail and Hulen Bend. Again, we're going to build 152 apartment homes, garden-style design, with community center; two, and three, four bedroom apartment homes; lease rate range from 625 to 810.

This is the actual design of what's going to be at that location. This is the design of the three-story that's going to be at that location. This is the clubhouse. This is going to be the layout of the design that's going to be on the site.

This property is going to have some very unique amenities -- tiled entry, nine foot ceilings, two-tone style paint, full-size washer and dryer connection. Luxury kitchen features French doors and spacious closets. The community amenities are going to be limited access gates with security cameras, a computer lab, playground, courtesy patrol, sparkling swimming pool, 24-hour emergency maintenance, and professionally landscaped grounds.

This is one of the marquees that's set out in front of one of our developments. This is a typical clubhouse, another version of our clubhouse. These are photos of different sites of what we've developed. That's a playground for the children. All these -- that's one of those sparkling swimming pools we talked about. This is one of the inside of the clubhouse. Again, another shot of the clubhouse; one of the actual units -- we have countertops. That's one of our residents.

We understand that there were some concerns last year. We have resolved some of those concerns. The traffic impact study that we found said that this development would put only a minimum amount of stress on the streets. The endangered species wasn't an issue, we found. The overcrowding of the schools, we found that -- in our study -- would only put about 75 kids into the crowded school system. There's no evidence of the home value impact. And in terms of crime, we screen all of our applicants. So crime shouldn't be an issue either.

We have a very unique situation here. We are the developer. We own the construction company. And we are the management company. We were established in 1992. We are the largest developer of affordable housing in Texas -- over 6,200 units in Texas. We build high quality apartment homes at an affordable price. Construction and management are through our affiliate companies. We have local and state, federal, agencies relationships. And we have a long term ownership. In ten years, eleven years, we've never sold a property.

In our construction expertise, we found to be one of the best. We use the same engineers, the same designs as some of the conventional developers. We have an experienced and highly skilled team. We use quality product, standard policies and procedures, and we partner with local contractors.

These are some of our qualification requirements. You have to be employed at least 30 hours a week to live on one of our sites. Income must be 2.5 times the rental amount, one year rental history with no prior evictions. We do do credit checks; criminal background history with no felonies, drug convictions, or weapons charges. All of our applicants must be on the lease or screened.

We have limited access gates with entry code, video cameras, courtesy patrol, registered and insured automobiles. Two parking permits are issued per unit. That is a safety mechanism for people who don't live on our sites. We have a mandatory crime watch on each of our sites. We have a mandatory nine o'clock curfew for all the kids under the age of 14. Loitering or vehicle repair parking is prohibited.

This is a snapshot over all of our 6,200 units, of who actually lives on our sites. 72 percent of our residents are retired. 16 percent of them work in the medical field. 15 percent work in retail. 12 percent work in financial institutions. About 11 percent work in education, small business owners, government, hospitality, real estate. We even have about 3 percent that actually work in security or law enforcement.

These are some of the employers where our residents are employed. You've got Kelly Services, City of Dallas, DART. You have Foley's, Dillard's, just to name a few.

Our management team is one of the best out there. We train them. We team highly trained service-oriented professionals. We have an internal compliance with the IRS that does random audits. They're our accountability partner. We specialize training programs on a regular basis. And each of our maintenance team are certified.

We also bring a great deal of economics to a neighborhood. We're not just taking. We're bringing. The local vendors are increased, suppliers, and consultants, UI's. It takes over 150,000 manhours to build a development. Up to ten permanent positions will be created for this community. Residents utilize local services and businesses and will increase the local tax base.

This, on last year's, was our contribution on the tax. We were taxpayers, with property tax paid over 1.3 million.

We have a non-profit component on each of our sites that offers these services. We have community service coordinator, community news, community activities, after-school and summer children's program, an adult training program, financial seminars, health education screenings, computer access, and local social services providers actually accessed on our sites. These are just some of the amenities that we have on our sites. And these are free to our residents.

We have an after-school program. These are some of the kids on the activities. We have activities, scheduled activities, for our kids on each of our sites.

We have a smart savings program. We're not just anti-homeownership. We have established a program that will allow residents to save toward homeownership. It's a matching program. The money can be used for two things, higher education or toward homeownership. After we've sent our residents through homeownership programs, credit counseling, that kind of thing, they have an opportunity -- dollar for dollar -- it's two for one, as a matter of fact -- toward homeownership.

That's the end of our presentation. We appreciate you for listening. And we are here to listen to your comments. Thank you.

MS. MEYER: My name is Robbye Meyer. And I'm also with the Texas Department of Housing and Community Affairs. And I'll be conducting the hearing. I'll kind of give you some guidelines of how we're going to handle the meeting tonight.

If you want to speak, I need to make sure you sign one of the sign-in sheets at either door. If you want to speak -- if you don't want to speak, it doesn't matter whether you sign in or not. It does give you a chance to state whether you support the development or you oppose it. So if you haven't signed in, and you want to, I would encourage you to do so.

If you are going to speak, I need you to speak at the podium. There is a transcription microphone there. And it is being transcribed by a court reporter. So I need you to speak at the podium so that we can have all the public comments on record.

Whenever you speak, if you will state your name clearly for the record so that she can know who actually spoke.

You'll be allowed two minutes to speak. And I would request that since it is a large crowd that if a point has already been made, if you can not make that point a whole bunch of times. And if you will, address your comments to us, as the official, and not to the audience.

The purpose of the hearing is to allow you to participate and give your public comment. I'm not here to antagonize anybody, or cause a debate, or major discussion. I'm just here to collect the public comments and take them back to my board, who will then render a decision for the development. I would ask you to be respectful of each speaker and allow them their full two minutes, or however long if they have time yielded to them.

For the -- besides just this hearing, we are taking additional public comment in written form. If you would like to send that to the department. If you got one of the information packets, my information is at the back of that packet. And you can E-mail that to me. Or my fax numbers are on there. You can call me. If you are going to provide public comment, you do need to do it in writing, though.

The deadline for the public comment is March 28 at 5:00. So if you will make a note of that date. It's very important. In order for it to get to my board, I've got to have it by that date, because I have to prepare the board packages.

The TDHCA board is scheduled to meet on April 10. And all the public comment will be posted to our website. And on that information packet, it also has my website address. If you didn't get an information packet, I've got some cards up here that has my information on it as well, if you want to get one of those.

I'm going to now start the meeting. As far as -- whenever I go through and call out the names, everybody that has listed, Yes, you do want to speak -- if you're going to yield your time to somebody else, just let me know whenever I call off your name. For those who are accepting yielded time, I would ask if we hold you to the end so that we'll make sure you get enough time that you want, in order to do what you need to do. So that's how, you know, I'll be conducting the meeting.

At this time, I'd like to let the record show that it is 6:41. And I'd like to proceed with the public hearing. It is Thursday, March 6. And we are at the Oakmont Elementary School located at 6651 Oakmont Trail in Fort Worth, Texas.

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

No decisions regarding the development will be made at this hearing. There are no department board members present. The department's board will meet to consider the transaction on April 10, 2003, upon recommendation of the Finance Committee.

In addition to providing your comments at this hearing, the public is also invited to provide public comment directly to the Finance Committee, or at the board at their board meeting on the 10th. The department staff will also accept written comments, via facsimile, at 512-475-0764 -- which is on the information sheet that you have -- by 5:00 on March 28, 2003.

The bonds will be issued as tax-exempt, multifamily revenue bonds in the aggregate principal amount not to exceed $12,100,000 and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to Arbor Bend Villa Housing, L.P., or related person or affiliated entity thereof, to finance a portion of the cost of acquiring, constructing, and equipping a multifamily rental housing community described as follows: 152 units to be constructed on approximate 8.5 acres of land, located at 6150 Oakmont Trail at Hulen Bend Road, Fort Worth, Tarrant County, Texas. The proposed multifamily rental housing community will be initially owned and operated by the borrower, or related person or affiliate thereof.

I will now open the floor for public comment.

VOICE: Excuse me. Could you speak a little louder?

It's difficult to hear.

MS. MEYER: Okay. The first person is Brinton Payne.

MR. PAYNE: Hi, my name is Brinton Payne. And I work for State Senator Ken Brimer. And I have a written statement that he asked me to read here tonight.

VOICE: Speak up.

MR. PAYNE: "Dear Friends,

"Due to the demand of the current legislative session in Austin, I cannot be with you in person. Please accept my apologies for not being able to attend personally to such an important meeting.

"I would like to express my concerns about the proposed project that has brought us together tonight. This is not a matter of commercial return, but of quality education and neighborhood voice. As I understand this situation, there will be a negative impact on Oakmont and other schools in this area, if the development being proposed is built.

"We will not compromise children's education in this district. Large classroom size is already affecting many of the schools in this area, and it need not affect another.

"In regards to a neighborhood voice, I have stated from the beginning that decisions such as the one before us tonight should be strongly dependent upon those living in the area. The people of my district have a voice and it is one that should be heard. I cannot support any project here tonight that is so strongly opposed.

"Let me be clear, I am not opposed to affordable or low income housing at all. The issue before us is a question of both the strains on education in this area and allowing the people in the area to decide for themselves whether or not a development for this area is supported at this time.

"Thank you again for understanding my absence. Please contact my staff or me with any other concerns.

"State Senator Ken Brimer."

(Applause.)

MS. MEYER: The first person is Ben Brownley [phonetic].

MR. BROWNLEY: I yield my time to Eric Fox.

MS. MEYER: Okay. The next one is Mike Sherritt [phonetic].

MR. SHERRITT: I yield my time.

MS. MEYER: To who?

MR. SHERRITT: I yield my time to Eric Fox.

MS. MEYER: Okay. Matt Poston.

MR. POSTON: (No response.)

MS. MEYER: Okay. Marcella Gorberson [phonetic].

MS. GORBERSON: I yield my time to Eric Fox.

MS. MEYER: Okay. Last name Hussein.

MR. HUSSEIN: I yield my time also.

MS. MEYER: To Mr. Fox?

MR. HUSSEIN: Yes.

MS. MEYER: Okay. Carroll Marks -- Mark.

MR. MARK: Mark. I yield my time to Mr. Fox as well.

MS. MEYER: Okay. Boone McCloud.

MR. McCLOUD: I yield my time to Eric Fox.

MS. MEYER: Okay. Rose Flores.

MS. FLORES: I yield my time to Eric Fox.

MS. MEYER: Gary Clinton.

MR. CLINTON: I yield my time to Eric Fox.

MS. MEYER: Jeff Spicer.

MR. SPICER: I yield my time to Mark Jones.

MS. MEYER: Victoria Spicer.

MS. SPICER: I yield my time to Mark Jones.

MS. MEYER: Okay. Since you're going to be speaking, let me get you at the end. Okay?

MR. JONES: Okay.

MS. MEYER: Carolyn Wang.

MS. WANG: I yield my time to Eric Fox.

MS. MEYER: Katherine Boydston.

(No response.)

MS. MEYER: Katherine Boydston?

(No response.)

MS. MEYER: Anthony Fernandes.

MR. FERNANDES: I yield my time to Eric Fox.

MS. MEYER: Kay Lynn Dubinski.

MS. DUBINSKI: I yield my time to Eric Fox.
MS. MEYER: Margie Versky [phonetic].
MS. VERSKY: Versky. I yield my time to Mr. Fox, please.
MS. MEYER: Okay. Maureen Belizzy [phonetic].
MS. BELIZZY: I yield to Mr. Fox, too.
MS. MEYER: I hope he has a lot to say.
(Laughter.)
MS. MEYER: Jolie Shaqua [phonetic].
MS. SHAQUA: Oh. I yield my time to Robert Stauffer also.
MS. MEYER: Mr. Fox?
MS. SHAQUA: No.
MS. MEYER: No, who?
MS. SHAQUA: Robert Stauffer.
MS. MEYER: Staller?
MS. SHAQUA: Stauffer.
MS. MEYER: Stauffer. Okay. Don Earl Vermillia [phonetic].
MR. VERMILLIA: I'd like to yield my time -- not yield my time. But I'd like to wait for Mr. Fox. It seems like he's all the action.
MS. MEYER: Are you yielding?
MR. VERMILLIA: I'd like to go after Mr. Fox. I'd like

to hear what he has to say.

MS. MEYER: Okay. Janice Sharette [phonetic].

MS. SHARETTE: I yield my time to Mr. Fox.

MS. MEYER: Carol Manus.

(No response.)

MS. MEYER: Jeff Neal.

MR. NEAL: I yield my time.

MS. MEYER: To Mr. Fox?

MR. NEAL: (No response.)

MS. MEYER: Sandy Martin.

MS. MARTIN: Hi, my name is Sandy Martin and I live at 6725 Day Drive.

VOICES: Louder. We can't hear.

MS. MARTIN: Hi, my name is Sandy Martin and I live at Day Drive. And I wanted to read some highlights from the Fort Worth Star-Telegram. It was on page 1 of the business section, on Wednesday, October 9, 2002.

The article title was "Rental Glut: More Apartment Complexes Offer Concessions as Occupancy Rates Decline."

Some of the highlights included: "The north Texas apartment market went from bad to worse in the third quarter, in what would typically be the market's peak leasing season. Occupancy has dipped to 91.2 percent, 2.6 points below September 2001's mark. And rent rates declined almost 2 percent, according to a report by the

Carrollton-based apartment market analysis, by MPF Research."

Rick Ellis of the Property Management Services quoted these particular statements. And I'm going to read them now. "At least 60 percent of the properties in the metroplex are offering some sort of concessions right now, said Rick Ellis, president of Irving Apartment Consultants, Ellis Property Management Services. Even if all construction were to stop, it would probably take all of 2003 and part of 2004 to get the market to a healthy equilibrium. Developers are more cautious. Some are putting plans on hold. Some lenders are being more conservative in their due diligence and lending ratios."

So my point here is this. If developers who have to go through the normal banking channels to get a loan are cautious, and putting plans on hold, why isn't the State of Texas concerned about this as well?

And I think with over 7,000 apartments in this immediate area, that we should place a moratorium on apartments in the Hulen Bend and City View areas. I'm basically saying, Enough is enough. Thank you.

(Applause.)

MS. MEYER: Okay. John Schwartz.

MR. SCHWARTZ: I yield my time to Mr. Fox.

MS. MEYER: Okay. James Brothers.

MR. BROTHERS: Yes. Hi, my name is James Brothers and I live at 6800 Briarwood. And I think that some of our biggest concerns are -- my boy, he doesn't go to Oakmont right now.

VOICE: Louder.

MR. BROTHERS: My boy doesn't go to Oakmont right now. But in the future, you know, we're concerned that he would have to be bused to another area.

And the other point is that, you know, there's so many apartments right now in this neighborhood. You know, we just have apartments everywhere, all around us. And I just think that, you know, it's just getting to be too much.

And the crime rate -- who's going to -- if there are problems with you all's apartment's, who's going to address our issues, you know, with them? Or how will you all handle that?

And there's a few other things here. Let me try to -- I think just as a homeowner, that some of us are just, you know, I think it's a little bit of being nervous of being up here. But, you know, I work hard. I'm in construction. And I've worked hard to get to this neighborhood. And I just feel like, you know, you're bringing in a -- you know, it's a bad idea for the neighborhood.

And the other thing is, you know, there's a lot of homes that they're putting up for sale right now. And there's just a lot of issues that we have that we're hoping that you all will be able to address to us. And that's all. Thank you.

MS. MEYER: Okay.

(Applause.)

MS. MEYER: Connie Elliot.

MS. ELLIOT: I yield my time to Mr. Fox.

MS. MEYER: Robert Stauffer.

MR. STAUFFER: If I get too loud, let me know. I do not have kids in school here. So my concern is not directed necessarily to the school. But I see kids all over. And I know of the concerns in the neighborhood for the kids and the overcrowding.

My main concern is looking at two things. One is traffic congestion. That's my primary concern.

And the other is the number of kids that the builder said would attend the school. Let me make two notes here. He said there'd be 48 three-bedroom deals there and 72 two-bedrooms. If you assume one kid per two-bedroom apartment, two kids per three-bedroom, and additional two kids for four-bedroom, we're over 200 kids.

(Applause.)

MR. STAUFFER: So the number 75 concerns me.

The second thing I want to address is the traffic congestion in this neighborhood, not only the 300 additional permits that will be for this unit, but the construction alone. If you look at 150,000 manhours to build this thing, you're talking roughly 100 people over a ten month period. We're talking about trucks. We're talking about pickups. We're talking about people coming and going, during a period when the main access to this school is right through here -- which means that we have additional problems with kids walking here.

We have additional problems for me getting out, which is already tough, because there's only one way out of here.

So, you know, 100 vehicles a month more during construction. Vehicles of all sizes, shapes -- concrete people come in at 7:00 in the morning. And I've seen them block traffic. It would be impossible to get in and out.

In addition to that, the 300 additional vehicles makes it impossible for people to come and go in an orderly fashion without having problems of safety for the kids. Thank you.

(Applause.)

MS. MEYER: Beverly Washington.

MS. WASHINGTON: My name is Beverly Washington and I live at 6747 Canyon Crest Drive. And I've been here a long time, just about the start of the community. So I'm coming at this in a different way.

I'm a former teacher for the military. I am concerned about overcrowding of schools. But I look at this from two venues. First is that maybe they could make these homes instead of apartments. Also, maybe they could build another school, closer in someplace, to alleviate the crowding. It's already crowded.

Also, I want to say that I stand here not to keep anyone out. And I will tell you my story. Everyone needs a chance in life. I needed it. My husband needed it. And my children needed it. And they are all very successful people now, viable citizens who give back to the community. And our salaries are beyond the salaries on the podium here, the high salary.

I would dare not say that I stand here, at some point, that I kept someone from having a decent living. I think about the war we're in right now. And these very children may be the ones to protect the country. My son won't go. But my husband has been twice. And I stand to say that the fact that someone gave my husband a chance, I am able to stand here today and say that we live a life that I thought we would never live.

And many times you come out of the slums -- I didn't come from the slums, but I know many people that came from the slums -- but the slums was not in them. And they learned to live. They are good neighbors, good people, religious people.

I'm a Christian so I have to talk the way I live. And I don't know how many feel. I imagine many in here would say that we are Christian. But I just want you to know that I do understand, but I just want a second voice, because my heart goes out to the people that are trying to find decent living.

That's all I have to say. And I hope I sort of made it well-rounded and gave everyone something to think about. Thank you.

(Applause.)

MS. MEYER: Steve Gariepy.

MR. GARIEPY: My name is Steve Gariepy and I live at

7155 Axis Court. I'm a parent of an Oakmont student. So I'd like to focus on Oakmont Elementary and the Crowley Independent School District.

Currently, this school, as of today, has 721 children enrolled. The school was designed to handle 650. The school currently has three portable trailers, used for six classrooms, located to the east of the school. And with the opening of the new school, Dallas Park, it has done little to remove current congestion, let alone future congestion from the density of the surrounding apartments.

The relief has lowered enrollment down to 721, but more children than it was ever designed to accommodate. In fact, the cafeteria, where we are standing now, has two additional classrooms behind that screen to handle Reading 101 and Math 101, because there's not enough rooms to handle what we need to do here.

There just isn't enough room, even with a brand new elementary school opening, with a record $180 million bond package being passed by the voters. Therefore, Arbor Bend projects, and others like it in the area, will only start the enrollment to skyrocket back to the enrollment two years ago of 1,250 or more. The foundation pads are still in place to put seven portable trailers back out on the east side of the building.

Dallas Park is brand new and already has trailers. The voters in Crowley just approved a record bond package. Our school taxes will go up to cover the cost of these bonds. We can't handle this kind of density.

Factor that in with the fact that the Fort Worth Veranda at City View will contain 314 units, approved to be constructed by Huggins Company, and will put even further strain on this school. No child in the state of Texas deserves to be educated in a trailer.

Two other comments regarding what was said earlier. Mr. Jones made a comment that a study had been done over traffic. It's my understanding that they conducted their own study. I'd like to know how in the world that can be a fair study.

And I understand also, according to the presentation that children do not have to be on the lease. I've never been any part of an apartment anywhere, where all residents, including children, had to be listed on a lease. So I'd like to know those two questions in addition to my comments. Thank you very much for your time.

(Applause.)

MS. MEYER: Elizabeth Allbright.

MS. ALLBRIGHT: Good evening. My name is Elizabeth Allbright and I reside in the Oakmont Meadows division here in Fort Worth. Mr. Potashnik's goal is to win over a quarter of a billion dollars in bond money, which is administered by the federal and state government. Isn't a quarter of a billion dollars for one person a bit much? I hope that women and minority-owned developers have the same access to funding as Mr. Potashnik does.

Here is his own press release entitled, "Developer Threads the NIMBY Needle to Gain Community Acceptance.

"Convinced that he can sell the idea of affordable housing to Dallas area citizens and politicians, developer Brian Potashnik, president of Southwest Housing Development, is in the midst of a $281 million crusade to build hundreds of new low-cost units on 15 sites. Typically, that would mean 15 discrete, pitched battles with neighbors and elected officials. But Mr. Potashnik's success seems to be snowballing. And with each new project, he can point to a growing reputation for engaging the community and responding to its concerns."

The press release goes on to say, and I quote, "not that Mr. Potashnik has won over every neighborhood. Earlier this year, city and school officials in suburban McKinney objected to a proposed family development, ultimately convincing state housing officials that the city already had enough affordable apartments, and that other areas needed them more. Without the support from state housing officials, Southwest did not have the funding to build and the project was dropped.

"Mr. Potashnik has also had to mollify opponents in Oak Cliff, who did not want apartments for families because of claims it would increase density, lead to school overcrowding, and reduce property values. He converted the project to a luxury senior community and donated 110 acres as a nature preserve.

"Affordable units were lost in the process, but Mr. Potashnik is not discouraged. He says, he knows that his formula will succeed in other neighborhoods, and that those units can be replaced. Mr. Potashnik says he has a good day when his work pleases residents in the apartments as well as in surrounding homes."

This press release is nothing more than hubris. We will not be mollified to a person who owes his very existence to the taxpayers and bond providers of this state. A quarter of a billion dollars to one company, one person, is too much public money.

An oversight investigation should be called to audit the entire system. People --

MS. MEYER: Your time is up.

MS. ALLBRIGHT: Will someone yield?

VOICE: You may use some of my time.

MS. ALLBRIGHT: Thank you, sir.

MS. MEYER: Okay.

MS. ALLBRIGHT: People should not be granted tenure at the affordable housing trough. Let's not confuse what Southwest Housing Development Corporation really is. Southwest Housing Development Corporation has no obligation to be accurate whatsoever. They are a profit-making entity. The crusade is to make money. It is truly a buyer beware situation. Enough is enough. Thank you.

(Applause.)

MS. MEYER: James Warner.

MR. WARNER: Good evening. My name is James Warner. I live at 6958 Mesa.

I would like to describe the offer that Mr. Potashnik submitted to our neighborhood last year. We call this the "go along to get along" offer. If we agree to go along and not oppose the project, then they would offer the following incentives.

Number one, become a Hulen Bend Homeowners Association member and contribute not less than $50,000, which would be $5,000 annually for a minimum period of ten years. These funds are for use in a neighborhood for crime watch, beautification, or support of the schools, at the direction of the homeowner's board. This is non-binding and unenforceable if the property were ever sold.

Number two, written assurances of full payment of school taxes throughout the life of the project, regardless of ownership. We will own it for at least 15 years and will pay full taxes. That includes school, city, and county. But some of the neighbors are concerned about the dynamics of the other ownership. So we would agree to written assurance of the school taxes. Again, ownership for this length of time is a state law. They must pay their legal taxes. This is a hollow promise.

Number three, we will finance the Oakmont Elementary computer lab with a one-time contribution of $10,000. Oakmont already has a computer lab. A simple call to the Oakmont Elementary

School principal would have cleared up this oversight on their part.

We refuse their offerings. Some neighborhoods you just can't buy. Enough is enough. Thank you.

(Applause.)

MS. MEYER: Susan Mair.

MS. MAIR: Good evening. My name is Susan Mair. I live 6723 Bluff View Drive.

During our first and only meeting with Southwest Housing Development Corporation, in late April, they said the measurement for children in the school system is about 1.2 to 1.5 children per unit. So 152 units times 1.2 or 1.5 equals 182 to 228 additional children at all levels of the Crowley ISD.

However, Mr. Potashnik changed his multiplier in subsequent meetings. Somehow, the new Southwest Housing Development Corporation map suggests only a net increase of less than 40 children at all levels of the Crowley ISD. I guess they assume that folks who would move from the Arbors, Cypress Springs, and/or Salem Creek, or other apartment complexes, will not be replaced with people who have children.

We asked the Southwest Housing Development Corporation if they talked to Oakmont Elementary, or anyone in the Crowley ISD, prior to the proposed acquisition and design. They answered that they do not check with schools to see if they are at or over capacity. They did, however, falsify themselves to our superintendent and he threw them out of his office.

Again, this project will have an adverse effect on our elementary school and the entire Crowley Independent School District. And we need to vote this project down. Again, no child in the state of Texas deserves to be educated in a trailer.

Mr. Potashnik said his company doesn't check with schools to see if they are at or over capacity. Why should he care? He isn't in the business of building new schools, just filling the ones that are already overcrowded. Enough is enough.

(Applause.)

MS. MEYER: Cheryl Schoening.

MS. SCHOENING: My name is Cheryl Schoening. I live at 5752 Audobon Trail. I would like to read to you a short article from the Houston Chronicle dated October 21, 2002. It's titled "Democrats to Keep Businessmen in Ad."

"State Democratic party officials decided Friday to keep a Dallas businessman in an ad endorsing Ron Kirk for U.S. Senate, despite the man's acknowledgement of financial problems a decade ago. Thursday evening, Brian Potashnik told the Houston Chronicle that rather than embarrass Kirk, a Democrat he has known for several years, he wanted out of the commercial development paid for by the Texas Democratic Party. He asked the party to remove him from the ad after the Chronicle confronted him with earlier business problems.

"State Democratic Chairwoman Molly Beth Malcolm said, Friday, that Potashnik would remain in the commercial because of the good work he has done supplying affordable housing in Texas. 'We talked with Brian and we want to keep him in these ads,' Malcolm said.

"Potashnik sent the Chronicle an E-mail Friday saying, 'I have no intention of taking myself out of the ad.'

"Malcolm displayed a letter that Republican U.S. Senator Kay Bailey Hutchinson wrote Potashnik in 1998, praising him for developing the Courtyards at Fernwood, an affordable senior citizen housing project in De Soto, immediately south of Dallas."

The article goes on to say, "In the commercial called Common Sense, Potashnik is one of several Dallas area people who endorses Kirk and praises the job he did as mayor of that city. Specifically, Potashnik lauds Kirk for attracting new business to Dallas. Potashnik is one of those businessmen who moved to the city.

"Potashnik landed in Dallas during the early 1990s, after a series of financial problems in California, including six state and federal tax liens totalling $140,300 between 1991 and 1995. Records indicate that Potashnik settled the liens.

"In 1989, the Los Angeles Community Redevelopment Agency sued Potashnik and another businessman to recover a $250,000 loan they received for a downtown nightclub called The Stock Exchange. Potashnik said the project became troubled when the Redevelopment Agency reneged on its commitment to lend him 1.5 million to renovate the historic Pacific Stock Exchange building, which housed the nightclub.

"At the time, the Redevelopment Agency was harshly criticized by the Legal Aid Foundation of Los Angeles, downtown homeless advocacy groups, and at least two members of the city council for alleging public money to finance nightclubs instead of using the money to house and feed poor people, according to a 19 --"

MS. MEYER: Ma'am, your time is up.

VOICE: Take two minutes from me, please.

MS. MEYER: Okay.

MS. SCHOENING: "-- according to a 1989 story in the Los Angeles Times.

"Thursday, Potashnik said the lawsuit was settled. Hours earlier, Potashnik had denied, in two separate telephone conversations initiated by the Chronicle, that he had lived in California. He later called to admit that he had. After apologizing for the misleading comment, Potashnik said that he would ask that he be removed from the Kirk commercial being aired in Houston and in Texas." End of article.

What guarantees do we have that this won't happen again? We question anyone whose judgment doesn't allow them to tell the truth on a simple yes or no question. Have you ever lived in California? Maybe when you reach the level of being a big businessman, and owning a large corporation, you can sometimes get so busy, you forget important things like paying taxes and what state you live in. Enough is enough.

(Applause.)

MS. MEYER: Patricia Roland.

MS. ROLAND: My name is Patricia L. Roland. And I live at 6736 Bluff View Drive. I'd like to address some of the legal maneuverings that we have experienced here.

VOICE: Louder.

MS. ROLAND: I would like to address some of the legal maneuverings that we have experienced here. Legal maneuverings are common ploys that large corporations use to intimidate those who oppose them. These large corporations have legal staffs on retainers. And the threat to the average person of having to hire an attorney, the cost and the stress to them, are calculated to make the average person "roll over and play dead." In other words, to stop the opposition is what the corporation wants to do.

This also works with the government. I think our legal advisors for the city of Fort Worth have advised our elected officials to prudently distance themselves from this at this time. And there's every reason to suspect this, as within hours of the Tarrant County Housing Corporation unanimously denying the Southwest Housing Development the bonds to build Arbor Bend, a federal lawsuit was filed against the Tarrant County Housing Corporation, Attorney Dan Settle, and the staff.

This lawsuit is still open. And it is the first time in the history of the Housing Corporation that it has even been sued. This is especially ironic, in that they are sued for doing their job, deciding whether or not bond money should be awarded for a particular project.

It is inconceivable to me that Tarrant County citizens should suffer the consequences of a lawsuit because they oppose what Southwest Housing Development Board wants to do to our community, increase the density of housing in an area already overcrowded, with an infrastructure that cannot tolerate more density.

We are already 100 percent over capacity on Bryant-Irvin Road. If we would have to evacuate this area because of any terrorism, we would all sit in our cars and die.

Members of the Tarrant County Housing Corporation would have like to have spoken tonight. The staff would like to have spoken tonight. However, the financial cost to the Tarrant County taxpayers, with the accompanying legal fees, makes their legal counsel --

MS. MEYER: Ms. Roland, your time is up.

VOICE: I yield my time.

MS. MEYER: Okay.

MS. ROLAND: -- makes their legal counsel caution them that while a lawsuit is pending, they should not speak to the issue. The Southwest Housing Development Board knows all the angles. They do this for a living. They know filing lawsuits against the opposition bars the most knowledgeable from speaking out against them.

Don't confuse the Tarrant County Housing Corporation lack of testimony here as a sign of complacency or a lack of interest in this issue. Look at it for what it is. Removing the voice of opposition from our duly elected officials, who have unanimously supported the denial of this bond.

Also be aware that if you thwart the effort of the Southwest Housing Development to obtain financing for this project, by denying the issuance of bonds, you may also face a lawsuit. It stifled the opposition in Tarrant County government. Do you, at the state level, want to be next? Thank you.

(Applause.)

MS. MEYER: Delores Weiland.

MS. WEILAND: My name is Delores Weiland and I live at 6612 Hybrid Drive. The Southwest Housing Development Board has come here tonight to attempt to steamroll and to intimidate our neighborhood, by having our signs taken down. It didn't. It made us happy. You won. We won.

What Southwest Housing Development Corporation is proposing is a shotgun marriage. Marry me or else the next guy will be meaner and uglier. What we have found out is Southwest Housing Development can't back out of his deal. The property deal is done.

They paid an ultimate of $84,000 for the land.

VOICE: 840,000.

MS. WEILAND: $840,000 for the land. Thank you. They own the land. They bought it from California Teachers' Pension Retirement Fund. How ironic? If California Teachers had any clue what was going on, and what was going to happen in the future of education for the children, they might not be in the business of sending real estate, and selling it, to companies who don't really give a rat's behind about the capacity of the local school system.

However, here is the interesting part. It is not the norm to purchase property before you get the bonds. But he did. This is highly unusual to proceed in this business manner, unless you have such confidence that you are going to win, and place the reputation that you have on it and your company. The whole ordeal wasn't forecasted by the Southwest Housing Development Corporation. Now, they have enough of us.

They need the cash flow. They need a return on the money that they have invested on optimistic construction forecasting. Basically, they bet the money. And they are standing before us with their pants down around their financial ankles. They are --

MS. MEYER: Ms. Weiland, your time is up.

VOICE: I yield my time to Ms. Weiland.

MS. MEYER: Okay.

MS. WEILAND: They are embarrassed. They must get this project off the debt side of the ledger.

May 22, press release, 2002 -- Southwest Affordable Housing has received from Related Capital, $29 million in finance. New York City Related Capital company, the second largest owner of multifamily properties in the nation, had provided Southwest Affordable Housing with $29 million debt, in equity, so that they could continue complexes in Texas -- making one of the nations most formidable partnerships in bringing affordable housing to the average American family.

Together, Related Capital and Southwest Development have collaborated on over $200 million in such developments. I wonder if this earnest energy to have this money, from whatever fund is available to them, for tax-free, is a domino effect.

My husband and I once lived and waited outside for a government domino effect when Hal Hays ran out on his contract, because he also was very conceited, very energetic in knowing that his was the best, yet he couldn't develop his land and his property without the domino effect affecting all of the people that worked for him as subcontractors. And once you stop paying one subcontractor, the domino falls and falls and falls. And pretty soon, you're relieved. And you don't have any money to finish.

I ask you, What's going to happen for a half of a project if you let this man start this and you don't investigate to see if this is a domino effect? I'm not saying that it is. I'm saying, Please, don't let the same thing happen that happened to Hal Hays. Thank you.

(Applause.)

MS. MEYER: Joel Selig.

MR. SELIG: My name is Joel Selig. I live at 6729 Audobon Trail. According to the U.S. Census for the past twelve months, ending April 1, 2001, Tarrant County is among the 25 largest in the country. Six Texas counties were among the top 25 in the U.S. in sheer growth during that year. And now, two more made it up to the top 20 -- Harris, Callum, Tarrant, Denton, Williamson, and Dallas -- each adding more than 25,000 people during that year.

According to the U.S. Census, a one square mile area from the site of the location, contains 51,000 people. If this project is approved, it charts a course for Hulen Bend area to get on a roller coaster ride with no speed brake, to become the Wood Haven of Southwest Fort Worth. Wood Haven is an apartment complex in Northeast Tarrant County. Within one mile of Wood Haven complex, there are 8,000 units. The zoning for the area will allow for 40,000 additional units.

We need to examine down zoning. Our State Representative Anna Morrow attempted, in Austin, last legislative session, to establish a fund for down zoning. Representative Morrow introduced the bill. It was passed the Senate by unanimous vote, but died in the House. We are hopeful her bill will pass in

Austin this year. And we can change the zoning in our area and compensate the property owners.

Our zoning commission has made a mistake. It should have been addressed and it wasn't. It should be addressed now by down zoning. Enough is enough.

(Applause.)

MS. MEYER: Pat Escobar.

MR. ESCOBAR: Good evening, ladies and gentlemen. My name is Pat Escobar and I live at 6754 Fall Meadow.

Mr. Potashnik has come over here tonight and brought with him a cadre of lawyers, consultants, and other individuals from his Dallas team. He represents a large and powerful corporation. The Southwest Housing Development Corporation owns over 5,000 apartment units. He has dreams and aspirations of being richer and more powerful than he already is.

He is a man of wealth and privilege. He lives in a multi-million dollar home in Highland Park. He doesn't need to worry about 8,000 apartments close to his home. Highland Park wouldn't allow it.

You see, Highland Park is the king of "not in my backyard." The phrase, "Do as I say, not as I do," comes to mind. Mr. Potashnik doesn't live close to any apartments in Highland Park. He would have to drive several miles to find affordable housing in his neighborhood.

(Applause.)

MR. ESCOBAR: He's a very powerful man, who is used to getting his way. He is a man who is not prone to tell the truth immediately. He sent a spy to see our school superintendent, denied it, then when he was confronted with the facts, admitted he sent the person who refused to identify himself.

When confronted about a simple question of whether or not he has ever lived in California or not, he denied it. However, when a reporter confronted him with tax document facts, regarding the liens placed on him, he admitted he lived in California.

Mr. Potashnik has a pattern of denial. Then, when confronted with the facts, he fesses up to the truth. This might be the way they do business in Dallas. This might be the way they do business in California. But let me tell you. This is not the way we do business in Fort Worth.

His first entry into Fort Worth is with this project. We can only hope that it will be his last. Enough is enough. Thank you.

(Applause.)

MS. MEYER: David Schoening.

MR. SCHOENING: Good evening. My name is David Schoening. I live at 6752 Audobon Trail.

Earlier this evening we heard about some of the "offers" that were made by Mr. Potashnik, such as the $50,000 for the homeowners association and the $10,000 computer lab. Some people might consider that a lot of money or a good faith effort.

However, you should remember it is a small amount of money compared to how much Mr. Potashnik and his family give to politicians. In the last two years, Mr. Potashnik and his family have given over $45,000 in political contributions. Since those contributions aren't tax deductible, you can assume that it's roughly $90,000 post-tax.

Mr. Potashnik gives more in a two year election cycle than most of us earn in a year. Let me read a few of these to you. October 6, 2000, he gave $1,000 to State Senator David Cain of Dallas; September 20, 2001, $5,000 to State Senator Royce West of Dallas; November 16, 2001, $10,000 to the Democratic National Committee; November 13, 2001, $1,000 to Kirk Watson for Attorney General; December 30, 2001, $1,000 to Ron Kirk for U.S. Senate -- Mr. Kirk had a great month, got another donation of $1,000 that month -- August 9, 2002, $5,000 to Kirk Watson for Attorney General; September 6, 2002, $1,000 to Ron Chapman for Congress; September 18, 2002, $500 to Kirk Watson for Attorney General; September 18, again, $5,000 for Kirk Watson for Attorney General; October 21, 2002, $1,000 for Teresa Daniel for Texas Legislature; finally, October 25, 2002, $5,000, Texas U.S. Senate -- that's Ron Kirk.

It would appear that Mr. Potashnik recruits family members as well to give to elected officials. The following are his family members who have contributed to Texas politicians. Mr. Potashnik's wife, on September 6, 2002, gave $500 to Ron Chapman for Congress.

Mr. Potashnik's brother is very generous as well, giving, on December 30, 2001, $1,000 to Ron Kirk for U.S. Senate and again on the same day, another $1,000. On September 1, 2002, $5,000 was donated to State Senator Gonzalo Barrientos of Austin.

And finally, I'd like to add that Mr. Potashnik's mother is also very generous. She lives in Palm Desert, California, and donated on March 20, 2002, $1,000 to Ron Kirk for U.S. Senate.

So you can see that Mr. Potashnik is highly active in politics. And he should be feared. He knows many, many people in high places. And we would assume he's using every ounce of his family's political capital to make this project become a reality so that his company can continue to profit and to continue to give to politicians.

I would like to add --

MS. MEYER: Your time is up, sir.

MR. SCHOENING: Can I just finish my last sentence? That's all I need.

I'd just like to add that I hope that this board and its advisors will spend much more time evaluating both the impact on the traffic and the schools than Mr. Jones did tonight. That was a woefully inadequate presentation, I thought.

And I certainly hope that our quality of life, and our schools, or the fate of them is not controlled by the fate of a bingo ball. So I'd urge us to -- a little more effort. Thank you. Enough is enough.

(Applause.)

MS. MEYER: Bill Ware.

MR. WARE: Good afternoon. My name is Bill Ware and I live at 6750 Falls Meadow Drive.

Before I make my comments, I want to tell you a little bit about me. I was born and raised on the inner-city south side of Chicago, Illinois. I was educated at Tuskegee, Alabama. I am a veteran of two tours of Vietnam. And I am now a 65 year old, proud retiree, a proud retired U.S. Army Colonel. I think that I have lived the American dream.

(Applause.)

MR. WARE: And I think that I've seen the both sides of the problem we have today.

That said, let me say what this is not about. It is not about who has what, or who can afford to pay rent for what. There are good neighbors who care about their community in places like Comal and Mira Vista. Likewise, there are folks who don't care at all about their neighborhoods in Comal and Mira Vista.

Ignorance and apathy know no socio or economic boundaries. Our neighbors believe all people have a dream to live in a safe community. Our neighbors believe all people want to someday fulfill the dream and own their own home. Our neighbors believe all people want to work hard, play by the rules, and leave Fort Worth in a better condition than when they found her. We are a compassionate neighborhood and welcome all people from all walks who want to have a better life.

Folks, the real issue here is the proliferation of apartment complexes in this area. In the surrounding five mile area, if you take in all levels of income, we already have 46 apartment complexes, comprising over 11,300 units. We have high-range apartments at complexes like Heights of City View and low-price apartments at complexes like Ridge Crest.

Considering all this, and being basically in the military most of my adult life, it's hard for me to understand what's going on. And I ask myself a question. Why would a serious business entity want to build apartments in an area that is already saturated with apartments?

(Applause.)

MR. WARE: I hope -- and it goes back to a little bit of my rearing, and try to muster up an answer -- but I hope that we're not an unfortunate community, unfortunate in a way that our community may be witnessing what some would call high stakes greed at the public trough. Thank you.

(Applause.)

MS. MEYER: Travis Reynolds.

(No response.)

MS. MEYER: Travis Reynolds?

(No response.)

MS. MEYER: Carrie Reynolds.

(No response.)

VOICE: If they had asked to defer their time, and they're not here, can we still defer their time if they're not here?

MS. MEYER: Well, if they're not here, I mean, no.

VOICE: I thought -- they just had to leave.

MS. MEYER: Ruth Rodriguez.

MS. RODRIGUEZ: I yield to Eric Fox.

MS. MEYER: Sylvia DeLeon.

MS. DELEON: Hello, my name is Sylvia DeLeon and I live in the Oakmont Meadows addition in Fort Worth. I'm confused about how local and state government works. I thought it was the elected --

VOICE: No.

MS. DELEON: Can you hear me?

VOICE: Put the microphone down.

MS. DELEON: Okay. Can you hear me now?

(No response.)

MS. DELEON: I'll start over. I'm confused about how the local and state government works. I thought it was the elected officials who decide how funds are spent and distributed, on the local and state levels. Now, as far as we know, not one of our elected officials, from our locally elected community -- not one -- has signed off on this project. But it keeps coming up over and over again.

The developer here appears to have more rights than we do. He understands they system that favors him. He has a working relationship with the individuals that handle the day to day operations of the housing programs. We are the community, but he has the home field advantage here.

I'd like to know. How many times has a local government entity denied funding for a local project, only to be overridden by the Texas Department of Housing and Community Affairs? I'm willing to bet that this is extremely rare.

The developer winning the lottery after local officials denied the bond is truly breathtaking.

(Applause.)

MS. DELEON: We understand that you representatives of the Texas Department of Housing and Community Affairs are here to listen to the local residents and take our concerns into consideration. All of our elected officials agree that this is a bad idea. The local neighborhood knows that -- local neighborhoods know that the density problem is a real problem. The increased burden to the elementary school is a real problem. We hope that these concerns have a very real impact on the outcome of your decision.

We also understand that old adage, "You can't fight city hall." In this case, city hall -- and everyone else in Tarrant County who we voted for -- thinks this project doesn't need to go forward. It appears that the developer is the only one who thinks that this is such a great idea for our community.

If this project moves forward with every elected official in opposition, then why do we have local elections at all? Let's just let the developers run the system and cancel the elections coming up in May. Apparently, they don't matter to the people in Austin. Enough is enough.

(Applause.)

MS. MEYER: Jim Pearson.

MR. PEARSON: My name is Jim Pearson. And I guess I'll be in a minority here tonight, but I'm going to speak on behalf of Southwest Housing. I am a local -- I don't live in Oakmont, but I live in Tarrant County. I'm a Tarrant County contractor. I've worked for these people for a long time. I'm one of the guys that helps build these projects. They are a good quality contractor. They build a good quality product. They do care about the community. And it will produce jobs for this area.

I don't have any kids in Oakmont. I don't know anything about the crowding. But I will speak to the fact that these are good people. And they will carry through on the things that they've said.

Thank you.

(Applause.)

MS. MEYER: John Gutierrez Meyer.

VOICE: Even though I just signed it, I believe in calling roll.

MS. MEYER: Okay. Cindy Beardon.

MS. BEARDON: I yield my time to [inaudible].

MS. MEYER: Okay. Shaw Werner [phonetic].

VOICE: [inaudible].

MS. MEYER: Carney Ganoman [phonetic].

(Pause.)

MS. MEYER: Okay. I'll go for that.

VOICE: I yield my time to Eric Fox.

MS. MEYER: Okay. Thomas Love.

MR. LOVE: I yield my time to Eric Fox.

MS. MEYER: Rodney Clayton.

MR. CLAYTON: I yield my time to somebody.

MS. MEYER: Who would that be?

MR. CLAYTON: [inaudible]

MS. MEYER: Okay. Lamar Allen.

VOICE: I yield my time to Eric Fox.

MS. MEYER: Dana Quisenberry.

MS. QUISENBERRY: I yield my time to Eric Fox.

MS. MEYER: Cody Quisenberry.

MR. QUISENBERRY: I yield my time however.
MS. MEYER: To Mr. Fox?
MR. QUISENBERRY: Yes.
MS. MEYER: Wes Joe.
MR. JOE: I yield to Mr. Fox.
MS. MEYER: Charlotte McKinnon.
(No response.)
MS. MEYER: Charlotte McKinnon?
(No response.)
MS. MEYER: Kay Peters.
(No response.)
MS. MEYER: Kay Peters?
(No response.)
MS. MEYER: De De Wicks.
MS. WICKS: Good evening. My name is De De Wicks and I live at 6724 Canyon Crest Drive.

I would like to offer the following chronology of events. This, obviously, began on the evening of April 18, when Fort Worth City Councilman Chuck Silcox announced that somebody and something was going in just down the street from Oakmont Elementary School. In late April, 2002, after we made inquiries, a housing meeting was held between the Hulen Bend Homeowners Association and Southwest Housing Development Corporation.

Mr. Brian Potashnik, president of Southwest Housing

Development Corporation, told us that this was a done deal. And he wanted to work with us. The entire neighborhood was shocked that it was unaware and not informed of any public hearing on this issue.

When Mr. Potashnik began to worry about the future of his affordable housing project, he came to the table with incentives. He offered us $5,000 a year for ten years and a computer lab for the school, even though one already existed. He was attempting to persuade us, through monetary offers, that he was a good corporate citizen.

On May 6, 2002, the Tarrant County Housing Finance Corporation held the first hearing on Fort Worth regarding Arbor Bend Villas. A record number of residents turned out at a hearing that saw the presiding committee, chaired by Tarrant County Judge Tom Vandergriff, and led by Precinct 1 Commissioner Dionne Bagsby, tabled the decision indefinitely due to the concerns of local neighborhoods.

On May 28, 2002, the application expired. We thought we were done -- done with Potashnik and done with further increased density of apartments in our already overcrowded schools and neighborhoods. However, we have found out, this was not the case. Enough is enough.

(Applause.)

MS. MEYER: Bill Harrington.

MR. HARRINGTON: I yield to Mr. Fox.

MS. MEYER: Laurie Morgan.

MS. MORGAN: I yield to Mr. Chuck Silcox.

MS. MEYER: Beatrice Miller.

MS. MILLER: I yield to Irma Brothers.

MS. MEYER: Walter Gates.

MR. GATES: I yield to Mr. Fox.

MS. BROTHERS: Good evening. I'm Irma Brothers.

MS. MEYER: Oh, okay.

MS. BROTHERS: And I come to you -- I live at 6800 --

MS. MEYER: Well, she's just yielding time to you. If you could wait until we get to the end of everybody else wanting to speak, that would be appreciated. Okay?

MS. BROTHERS: Sorry.

MS. MEYER: Thank you. William Roland.

MR. ROLAND: I yield my time to Eric Fox.

MS. MEYER: Joseph Weiland.

MR. WEILAND: I am Joseph Weiland. So that you know that this is a joint operation, I am a retired Marine Corps colonel, and I join our Army friend --

(Applause.)

MR. WEILAND: -- in opposing this project. The petition that you will receive tonight states there are two major roads that serve this area. Those roads are at capacity. I am going to give you a brief description here of how those roads apply.

Hulen Bend, on our east by about one to two blocks, and

Bryant-Irvin Road on our west by eight blocks -- there is no way out of this area to the south, including all of the density of these apartment houses. You have to go up to Oakmont Boulevard, and then go either east or west to Bryant-Irvin or to Hulen Bend apartments.

Now, this statement, stating that the roads are at capacity, is actually an understatement. The draft of the environmental impact statement where the proposed Southwest Tollway that was published late last month states the number of cars on Bryant-Irvin each day is in excess of 86,000. The number on Hulen Bend is in excess of 54,000. The volume of traffic is double the design capacity of these roads.

If it gets built, the tollway is not scheduled to be completed before 2006. However, the current government budget problems may force further postponement of this project.

I would use the analogy of a glass full of water. Current and new construction of any type will cause large spills on the floor. The proposed apartment complex and the two apartment complexes now being constructed within one mile of this site will add at least 984 additional cars to these roads. That is not a minimal impact.

If you have heard of the over -- you have heard of the overcrowding of this particular elementary school. A mixture of walking elementary school students and impatient drivers -- whether they are parents, people on their way to work, residents on their way to the store, or people cutting through the neighborhood -- it is an accident waiting to happen to a small child.

MS. MEYER: Mr. Weiland, your time is up.

VOICE: I yield my time.

MS. MEYER: I don't know who you are. Who are you?

VOICE: [inaudible], first name Paul.

MS. MEYER: Okay.

MR. WEILAND: We're asking you to accept your personal and state responsibility to keep our neighborhood safe, by helping us to control the factors that lead to this congestion. Enough is enough.

(Applause.)

MS. MEYER: Benova [phonetic] Anderson.

MS. ANDERSON: I yield my time to Eric Fox.

MS. MEYER: Okay. Lindy Anderson.

MR. ANDERSON: I yield my time to Eric Fox.

MS. MEYER: Okay. Kit Walker.

MR. WALKER: Good evening. My name is Kit Walker. I live at 6933 Canyon Springs Road, here in Hulen Bend Estates.

I would like to submit, for the record, the names of 620 residents who live in and around the area in question tonight. These 620 signatures represent homeowners as well as people living in the surrounding apartment complexes.

(Applause.)

MR. WALKER: If I could take just a moment to read the language from the petition.

It says, "We, the undersigned, residents of the City of Fort Worth do herewith petition the Texas Department of Housing and Community Affairs to not issue tax exempt bonds and low income housing credits to the Southwest Housing Development Corporation for the purpose of building an apartment complex at 6150 Oakmont Trail, Fort Worth, Texas.

"This site is in a suburb area that is already saturated with apartment complexes. The project is in the center of an area with a radius of 1.5 miles, which already has 24 other apartment complexes, with 7,354 rental units. At least one of these complexes was financed with tax exempt bonds. There are six contiguous complexes with 1,641 rental units adjoining the property.

"The two major roadways into this area are at capacity. The traffic improvements now being discussed, if approved and funded, will not be available for several years.

"The public schools, once again, are operating over the designated capacity, and will be adversely effected by the increased student population from this project.

"The overwhelming support against this project needs to be transmitted to the members of the board, and they need to hear our voices loud and clear -- 7,354 apartment units already. Enough is enough."

(Applause.)

MS. MEYER: Karen Vermaive Fox. I probably butchered your name. I'm sorry.

MS. FOX: My name is Karen Vermaive Fox and I live at 6721 Branch Creek Drive.

I have in my hand a copy of the January NIMBY report, published by the National Low Income Housing Coalition, in Washington, D.C. The report has an article entitled, "Affordable Multifamily Housing Moves Forward Despite Oppositions." The article says the following:

"Facing unremitting hostility from neighbors and Tarrant County elected officials, Southwest Housing Development scored a win in early December, when state officials gave the company preliminary approval to build a 152-unit apartment complex for low-income tenants in the City View neighborhood of Fort Worth.

"The agency plans a public hearing on this matter in March, but its Director of Multifamily Bond Finance" -- I believe that's you, Mr. Onion -- "has said that the neighborhood concerns aren't strong enough to block this approval.

" 'People think that with low-income properties that you are going to have an increase in crime, that there will overcrowding in schools, and that the neighborhood will deteriorate,' said Robert Onion. 'Our board has heard these arguments over the years. The trouble is everybody makes that claim without supporting documents.'

"

The article goes on to say that the project is proceeding despite strong opposition from county elected officials. It appears that you have already made your conclusion. Your mind is clearly made up.

The article was written in December. It seems your decision was already made prior to the reservation date set by Southwest Housing Development Board on January 2003. So why are we here today? Given that you are quoted as saying the neighborhood concerns aren't strong enough to block approval, without even hearing from us, what chance to do we have?

Are we merely going through a federally mandated motion? We understand the system, much to our chagrin. We know the board has no power to reverse any decision made by you and Ms. Meyer. We know the two of you control the outcome and the board merely agrees with your recommendation.

We sincerely hope that you are misquoted in this report, that your minds are not made up right now, and were not made up prior to coming. And we hope that the political process actually works. We hope that you are listening to us tonight.

(Applause.)

MS. MEYER: Charles Martin.

MR. MARTIN: I yield my time to Dr. Poynter.

MS. MEYER: Karen Shirrells [phonetic].

(No response.)

MS. MEYER: Karen Shirrells?

(No response.)

MS. MEYER: Sidney Poynter.

DR. POYNTER: My name is Sid Poynter. I am Superintendent of Schools of Crowley Independent School District. I've been here for 44 years. So I think I know the community. I think I know the school district -- 40 years of it as the superintendent.

Back on December 1, I was amazed to hear that the state was considering making available to the Southwest Housing Development Company, $12.1 million in funds, funds that have been denied by the local county.

I believe it's been stated tonight that this is a lottery funds. I may stand corrected -- and you can correct me if I'm wrong -- but I don't believe there was a lottery this year. I believe that every single person that made an application received approval, and funds were left over. Is that correct, sir?

MR. ONION: No, sir.

MS. MEYER: No, that's incorrect.

DR. POYNTER: There was a lottery?

MS. MEYER: Yes, it was held on October 31.

DR. POYNTER: And more individuals than the five that were approved were in the lottery?

MR. ONION: Yes, sir.

MS. MEYER: Are you talking about that received reservations in January? Is that what you're talking about?

DR. POYNTER: Yes.

MS. MEYER: Yes. There were over 200 applications that were issued into the lottery.

DR. POYNTER: Then I stand corrected. Evidently, Senator Brimer's office was not given correct information.

Mr. Jones stated that this would be a crime-free area. This time last year, I lived in the Arbor Apartments, right next door to this vacant land. On more than one occasion, I received notice on my door knob that there had been some serious assaults in the area, cautioning the residents to not go outside after dark without two or three people. I'm interested in how they're going to make it crime free.

The amount of the rent that the units that's stated here -- I lived in a two bedroom apartment in Arbors Apartment and only paid $540. I believe this rental unit is talking about $600 and some odd.

The unit that I moved out of at Arbors Apartments was vacant for over three months. I think it has been brought to your attention more than once tonight about the number of apartments in the area. And there's a tremendous amount of vacancies in these apartments. I would think that there should be a need for something like this in order for it to be approved.

I would like to share with the Texas Department of Affairs board my dealings with the Southwest Housing Development Company. Last year, it became evident to me that Southwest Housing Development Company was trying to develop a paper trail that gave the impression that they were working with the Crowley Independent School District, and had our support.

Let me just briefly share with you what took place in my office. A gentleman showed up in my office on May 6, 2002, at approximately 9:15 a.m., unannounced and without an appointment. And he requested to meet with me. I did offer to speak with him for a few minutes concerning some questions he had about land development.

He expressed to me that he was representing a developer who had several parcels of land, and that they were interested in finding out what plans were for the future of our school district. Before going into any discussion, I asked him if he would identify the developer that he was representing, and the parcels of land that they were considering developing.

He informed me that his people had requested not to be identified. And he could not tell me what parcels of land they were considering.

MS. MEYER: Mr. Poynter, your time is up.

VOICE: I yield my time to Dr. Poynter.

MS. MEYER: Who are you?

VOICE: [inaudible]

MS. MEYER: Okay.

DR. POYNTER: He then stated that he had been sent to play chess with me about the future. He appeared to be embarrassed about the position that I had placed him in. I immediately told him that our conversation was over, that I do not play games, and that I resented him taking my time and his time. I asked him to share that with the people that sent him to my office.

I later found out that he was representing Southwest Housing Development Company. His name was Mr. Brent Ludele.

I told him I had always worked with developers -- and I will continue to work with developers -- who are above board, and willing to come in and lay all their cards on the table so that there are no hidden agendas. I'm always happy to cooperate with developers, and work with them, in planning to meet the educational needs of boys and girls within our school district boundaries.

It was stated tonight that this would have no effect on the school district. They furnished a study to the county in which they first stated that there were only going to be 40 children impacted in the school district. However, in their study, they stated the actual impact on public schools may be as few as 50 to 75 new kids, equally distributed among elementary, junior high, and senior high facilities.

As I stated then, I would be most interested in the process that they used to predict the equal distribution of grade levels of students moving into the apartment complex. It has been our experience that such an accurate prediction is impossible. And I know of no survey instrument that gives you one capable of doing that.

Our current experience with apartments do not support the study findings. I present to you tonight, given the factual information -- and there's more to come -- that has been presented to the board today, I would respectfully request that the Texas Department of Housing and Community Affairs board remember their mission statement, "to help Texans achieve and improve the quality of life through the development of better communities" -- better communities.

I think the community is well represented tonight here. And they are asking you to support them. I respectfully request that you deny the Southwest Housing Development Company the funds that they are requesting.

(Applause.)

MS. MEYER: Jim Brown.

MR. BROWN: I yield to Councilman Chuck Silcox.

MS. MEYER: Winston Grant.

MR. GRANT: My name is Winston Grant. I live at 6904 Vista Woods Drive East. I grew up in this part of Fort Worth, about six miles from here. I watched them build Hulen and rode by it as a child. This part of Fort Worth is very important to me.

My son, John, goes to school here, second grade. He had to go to half-day kindergarten, because that's all the school could do because of the overcrowding. My younger son, Paul, that will start kindergarten next year, hopefully will go to all day kindergarten. They're doing construction in front of the school right now, hopefully to do that. The school has been severely overcrowded for a long time.

If you just look at the map here, I mean, it's just obvious -- I mean, with 7,000 apartments, I mean why? Is there any other school district, or any other elementary school, in the City of Fort Worth that has that many apartments feeding to it?

There've been people that lived in the community here -- I mean, the local neighborhood around here -- that when the had a contract on their house, when the people who were going to buy the house found out that they could not even attend the school because of the overcrowding -- that they were going to have to go to another school -- the contract fell through.

This is effecting our neighborhood. It's not just an issue of this particular project. The leaders of Fort Worth have let us down, ever letting this get this far out of control to start with. There should never have been that many apartments built in one area, period.

(Applause.)

MR. GRANT: It should not have happened. I mean, you know, I would like -- this is not y'all's argument toward the City of Fort Worth's argument -- I'd like for a ban of any future developments. I mean, even since the meeting a year ago on all of this, there are more units going in.

So, I mean, enough is enough at the school. And it needs to go somewhere else. Fort Worth is a big city. Tarrant County is a big city. The state of Texas is a big state. There's plenty of opportunities for projects like this.

I think it's been quite obvious at this meeting that we don't need any more affordable housing in this area. There's affordable housing here. There's vacant apartments already. We don't need it in this area. I think that's just some smoke that they're telling you.

After watching the presentation, I mean, I felt like I was watching an episode of The Simpsons, where they're trying to sell us a monorail. I mean, the picture of the complex -- I mean, you couldn't even see them. I don't think that even if it was a private residence, it probably wouldn't meet the deed restrictions as far as being brick.

I mean, to portray this apartment complex as being an asset to this community is a real stretch. And I think it's obvious from all the numbers that Southwest Housing has given you -- as far as the number of students, the number of social workers they're going to have working here. I mean, it sounded like half the units were going to be filled with social workers because they're such a great thing for the community. I think everything about it has to be suspect.

(Applause.)

MR. GRANT: And before you fund -- but I don't think it's our job to prove we don't need it. I think it's the job of the state, if they're going to subsidize this, to investigate it and make sure what they're saying is true, because I think it's quite obvious to any thinking adult here that we have been told a lot of things, just in this meeting tonight, that aren't true.

The number of students, that's not going to be true. We know it. It's not going to be 60 students, or whatever. So I think it's a requirement of the state to investigate this thing thoroughly before they fund any of this. Thank you.

(Applause.)

MS. MEYER: Laurie Walker.

(No response.)

MS. MEYER: Monty Trimble.

MR. TRIMBLE: I yield my time to Mr. Fox.

MS. MEYER: Michael Hill.

MR. HILL: My name is Michael Hill. I live at 6612 Canyon Crest.

And it just sounds so simple. What you've heard tonight is that the statements from Southwest Housing are misleading, that there will be traffic congestion. There will be overcrowding in the schools. And with the dense population, there will be crime.

The neighborhood is opposed to any apartment complex going there for these reasons. If you look back, and if you were to ask for those people to raise their hand who approve of this, you would see that only Southwest Housing and this man right here would raise their hand. I would like that to be written into the record, that the group at large oppose this project. The petitions that you were given -- over 600 oppose. And so, the public opposes.

The public opposes public funds. And we request that these funds not be given. And we will hold the public officials accountable. Thank you.

(Applause.)

MS. MEYER: Shawn Rosenbaum.

MR. ROSENBAUM: I yield to Mr. Fox.

MS. MEYER: Ray Boydston.

(No response.)

MS. MEYER: Ray Boydston?

(No response.)

MS. MEYER: Marian Ollie.

(No response.)

MS. MEYER: Mohammed Hassan [phonetic].

(No response.)

MS. MEYER: Mohammed Hassan?

(No response.)

MS. MEYER: Alexander Espinosa.

(No response.)

MS. MEYER: I'm going to mess up your first name, but last name is Patel.

(No response.)

MS. MEYER: Brenda Matow [phonetic].

MR. MATOW: I yield my time to Eric Fox.

MS. MEYER: Carrie Clinton.

MS. CLINTON: I yield my time to Eric Fox.

MS. MEYER: Mr. Fox.

MR. FOX: Yes.

MS. MEYER: David Perkins.

(No response.)

MS. MEYER: Charlene Fink.

MS. FINK: I yield my time to Eric Fox.

MS. MEYER: Sharon Trachy [phonetic].

MS. TRACHY:: I yield my time to Eric Fox.

MS. MEYER: Brenda Silcox.

VOICE: She's left the room. She'll be back after a while.

MS. MEYER: Okay. Sandy Browe [phonetic].

MS. BROWE: I yield my time to Chuck Silcox.

MS. MEYER: Michael Leeper.

MR. LEEPER: Yes?

MS. MEYER: Do you want to speak?

MR. LEEPER: Sure. My name is Michael Leeper, 7124 Axis Court, just right down here on Coral Ridge.

Honestly, ladies and gentlemen, I came here just to show my support -- I mean, that I'm against this. But I'm kind of disturbed in the fact that I've heard some of the research. And I apologize; I didn't do as much research as some of you, the rest of you, have.

But ma'am over there, you had stated that -- I think Ms. Washington did -- that they said that there weren't enough concerned of us. And also, something to the extent of the monetary value that somebody else is going to make.

Well, I'll tell you what, ladies and gentlemen, there are some other people that are in Service here. I'm currently a Service member. I am due a child here, my first child, real soon.

(Applause.)

MR. LEEPER: And for somebody to say that my concerns are less -- I don't know most of you. But, you know what, I will go and give my life -- and I could be deployed here real soon -- for you. And if somebody else is going to make money, I will lose money. Most of the Service men -- I have some of my troops right now that are already deployed. And they're losing money to provide for your kids, and my future kid.

(Applause.)

MR. LEEPER: And if we're going to push our kids out, I think that's a shame. And I'm sorry. Thank you.

(Applause.)

MS. MEYER: Craig Kimberlin.

MR. KIMBERLIN: You'll have to forgive me.

VOICE: Louder.

MR. KIMBERLIN: We just moved into a house that we just bought two weeks ago, right down the street here on Woodward Trail. Had I known that this was going to happen, that there were any signs up, I would not have bought a house in this subdivision.

(Applause.)

MR. KIMBERLIN: To say the least, in my estimation -- and I basically determined fair market value of that house -- if I had known now, I would have not paid as much for that house; therefore, the property value is already down.

Had I had the time that I would have known about this, I could have added additional names to any petition. And you can add my name and my wife's name to each petition that you have in front of you as opposed. Thank you.

(Applause.)

MS. MEYER: Ginny Kimberlin.

VOICE: She's got more names for you right there.

MS. KIMBERLIN: Hello, my name is Ginny Kimberlin. And I ditto everything my husband just said. We are very upset. We just found out about the meeting. I thought we were coming to a homeowners meeting tonight. I didn't know that this was the kind of meeting that we were coming to.

So, I found out this afternoon. And we just moved here from Louisiana. I grew up in Wedgwood. We left the school -- I have a second grader and a kindergartner. We left a school where my son was one of 22 students.

I am a teacher myself and I have a child in private school, because he can't be one of 22 kids. I also have a kindergartner here who is one of 20 right now. So had I known that I might have to pay a second private school tuition for my daughter, we would not have moved here in this subdivision.

We heard wonderful things about this school. The realtor did not tell us that there was a possibility of more apartments going in and bigger schools. So we do have a real problem with this. Had we been told, we would not have bought the house. We are very dissatisfied.

And as a teacher, I do not think that it's fair that I might have to pay another private school tuition. So right now, I pay $18,000 a year for one child. And I don't know what Trinity Valley and the other school tuitions are around here, but I don't make that kind of money to pay two private school tuitions. And we wouldn't have moved here, to Fort Worth, Texas, had I known this information.

So I hope that you all would consider, if you were in the same shoes we are, trying to raise our children, and do the best that we can, as educated parents. My husband has two college degrees; I have one. And this just isn't right. Our children don't need to be one of 22 and 24. I just left Louisiana because my children were one of 22 and 24. Thank you.

(Applause.)

MS. MEYER: Peter Elliot.

MR. ELLIOT: I yield my time to Eric Fox.

MS. MEYER: Okay. I have a Stockard, Mr. or Ms. -- I don't know who it is -- that has time yielded to them.

MS. STOCKARD: Oh, that's -- oh, anyway, you all are doing a wonderful job. I couldn't improve. I give my time to someone else who is superlative.

MS. MEYER: Okay.

MS. STOCKARD: [inaudible]

MS. MEYER: I also have time yielded to a Brothers, Ms. Brothers.

MS. BROTHERS: Good evening. I'm Irma Brothers and I live at 1600 Briarwood Drive. I come to you not only as a mother of two wonderful children, but as a principal in a Fort Worth school. And I am speaking about the overcrowding situation. I know what overcrowding is, and I know what it does to the children.

My child was enrolled at this school.

(Pause.)

MS. BROTHERS: I would really appreciate the attention.

My child was enrolled in this school. And I would take time out to come and see how he was doing. I sat here during lunch hours, when the children were rushed in here, got their food, sat down for maybe ten minutes, and had to rush out to get the next classes in. It was almost inhumane. That is just not fair to our children.

The playground is overcrowded. I stood there and watched as children tried to find a place to play, in fear that someone was going to get hurt.

Due to the overcrowding and the traffic situation, sitting in this circle for 30 minutes at a time trying to get out, was just enough for me. I enrolled my two children in my school. And unfortunately, I'm having to pay $499 a month for them to be with me.

I did not want them in a situation where they were in a portable building, forced to go in and out from that portable building to go in and out from that portable building to the main building just to use the restroom or just to get their meal. That's not fair. We wouldn't like it as adults in our situation. Why should we have our children be put through that situation?

I understand also that if I choose to return to Oakmont, that my children who live just across the street, will be required to take a bus -- and we're talking about a five year old and an eight year old -- to another elementary school, further away from their home. That's not why I bought the home in this neighborhood.

I bought the home in this neighborhood and we worked very hard. We educate children. And I will go to any school in any neighborhood. I love children. I just want my rights as a parent and I want my children's rights to be recognized. I want my children to have the right to their memories in a neighborhood school, like I did. Stop the overcrowding, please. Let's put our children first. Enough is enough. Thank you.

(Applause.)

MS. MEYER: Mr. Jones.

MR. JONES: I'm yielding my time to Eric Fox, too.

MS. MEYER: Okay. Councilman Silcox, would you like to speak?

MR. SILCOX: I'm not going to yield mine.

Unfortunately, we don't have many elected officials who were able to be here. But I am.

I am the Fort Worth city council member that represents this area that also includes 6150 Oakmont Trail, where Southwest Housing is wanting to locate Arbor Bend Villa complex. This site first came to my attention in late --

VOICE: Time out.

MR. SILCOX: -- in late 2001, early 2002, when Mr. Ramon Guajardo, with Public Housing Authority, contacted me about two properties in this general area. The Housing Authority was looking at it to build replacement housing for those about to be displaced from Ripley Arnold Housing Authority Complex in downtown Fort Worth.

The Housing Authority had already acquired a site about one mile away, at 5501 Overton Ridge Boulevard, which is site number 10 on this map over here. And they said they were also looking at 6150 Oakmont Trail, for a second complex. After discussion with Mr. Guardo, I was able to show him that there were already too many apartments in this general area. And this would just continue to overwhelm this neighborhood.

He went back to the Housing Authority board and they agreed that there were already too many apartments. And they dropped plans to use this site.

Then, in about early April 2002, Mr. Brian Potashnik with Southwest Housing appeared before the City Council Committee that I chaired, asking for a letter of support to build the Arbor Bend Villas. The citizens in this area have been very concerned about having another apartment complex in their neighborhood.

So I withdrew the item from the committee's agenda, and stated that I would not put it back on the agenda until I had a chance to discuss it at a meeting with the neighborhood. He was not pleased. But there is already over 7,000 apartments in this general area.

I felt the neighborhood should be involved. I attended a Hulen Bend Estates Neighborhood Association meeting on April 18, 2002 and told them about the desire of Southwest Housing to build this apartment complex at that site. There were a large number of citizens at that meeting. They all said, emphatically, no, there are too many apartments.

I then had a meeting on April 29, 2002 with Mr. Potashnik. In attendance was Brian Potashnik, State Rep. Anna Mowry, Ms. Cindy Beardon from the Hulen Bend area, Ms. Jerome Walker, the Director of the Fort Worth Housing Department, which is not part of the Housing Authority, Assistant City Manager Joe Pantiagua [phonetic], Assistant City Attorney Hugh Davis, Brenda Aguimillion [phonetic], and myself.

Both State Representative Anna Mowry and I told Mr. Potashnik that we did not support this project, and the area was already overcrowded with apartments. His reaction was he was going to build there, not really caring what the neighborhood wanted. And that's a nice way to clean his words up.

At that time, Southwest Housing was seeking funding through the Tarrant County Housing Finance Corporation, which is the members of the Tarrant County Commissioner's Court, to fund the construction of Arbor Bend Villas. On Monday, May 6, 2002, a hearing officer for the Tarrant County Housing Finance held a public hearing to gather information.

On Tuesday, May 7, 2002, the Tarrant County Housing held a public meeting and received the information from the hearing officer and the public. There were about 300 plus at each of those two meetings to protest before the Tarrant County Housing Finance Corp.

The Tarrant County Housing Finance Corp. tabled a decision, looking for more input from Southwest Housing, which included such studies as traffic impact on the area neighborhood and impact on the school because of more children. That information was not presented to the satisfaction of Tarrant County Housing Finance Corporation by May 28, 2002. Therefore, Southwest Housing's application expired.

Among many concerns, I have a strong concern about one more apartment complex in this area. Why?

As of today, March 6, there are 7,746 apartments within 1.5 miles. On this map, with the center of the bullseye there, is a half mile, and one mile, and 1.5 miles out. Inside that one half mile, 7,746 apartments -- that's the highest density of apartments in the city of Fort Worth, and possibly in Tarrant County in the metroplex. The two closest areas, in the far east and far west, are about 4,900 apartments each.

But even more disturbing than the figure of 7,746 is the vacancy rate. There are 1,296 vacant units within this 1.5 miles. There's absolutely no reason to add any more complexes in an area that already has nearly ten times more than this complex would have in toto. There are 2,464 with 671 vacant just within one half a mile of that property.

These are all listed on this map, in the upper left hand corner. And they are attached to a report I gave you earlier tonight. The occupancy rate in this area at this time is 83.3 percent. An official with the Apartment Association of Tarrant County has stated that 96 is the preferred rate and that an occupancy rate below 90 percent, even in tough economic conditions, puts the management staff at that complex in jeopardy of losing their jobs. We're now at 83.3.

There's just not good reason to build another apartment complex in this area of southwest Fort Worth, period. The only reason to build this is so that Mr. Potashnik, who is a businessman, can make money at the expense of the taxpayer and the citizens of this area. There are many other areas around town that need this and can absorb these new apartments. But this area does not need, and cannot absorb.

This land would be a lot better off if we could get it donated as a neighborhood park or if --

(Applause.)

MR. SILCOX: -- or if the Potashnik group would consider building single family homes. I appreciate the time that you have allowed.

(Applause.)

MR. SILCOX: But let me also read that -- since I have a little time left, I believe -- that I also have a copy here from State Representative Anna Mowry, who has faxed me today, addressed to Edwina Carrington, Executive Director of Texas Department of Housing and Community Affairs.

"Dear Ms. Carrington,

"As you know, the proposal to build the Arbor Bend Villas apartments was addressed and rejected last year by my constituents and local officials. The lack of community support for this project has not changed and my constituents are still opposed to building the project.

"For this reason, I cannot and will not support the approval of the Texas Department of Housing and Community Affairs of this section."

And that's very -- it also, as has been mentioned earlier, that the Tarrant County Housing Finance Corp., at their time of tabling this, asked for studies, which I have not seen and I'm not sure who has seen.

It is strongly recommended that the developer submit studies prepared by a qualified independent market analysis, or real estate consultant for the following issues: traffic flow, environmental review, school enrollment impact, and market analysis; submit a market analysis for this subsection of Fort Worth which details a demand for additional affordable housing. The analysis should discuss the availability and capacity to area community services.

With 1,296 vacant apartments in this area, within a mile and a half of this proposed site, it is absolutely ridiculous to think about building anything else. Thank you very much.

(Applause.)

MS. MEYER: I missed three people earlier so I'll back up for just a second. Vince Floogie [phonetic].

(No response.)

MS. MEYER: Drew Childry [phonetic].

(No response.)

MS. MEYER: And Charles Nowany [phonetic].

(No response.)

DR. POYNTER: May I have a couple of their minutes?

VOICE: I yield as much time as he is going to need.

(Applause.)

DR. POYNTER: If I'm just about to commit a foul, so will you, too.

MS. MEYER: Please state your name again.

DR. POYNTER: Sid Porter, Superintendent of Schools, Crowley Independent School District. I want to make sure that I understand what I was told a few minutes ago. Are you telling me that there were 200 people put into a lottery type of selection, and this Southwest project was one of the 200 that was drawn out of that selection?

MS. MEYER: Well, it's put into a lottery. And each of them -- I mean, it's a bingo ball, a hopper. And what they do is they go down a list, and they'll call out a name of a development, and then they'll roll the hopper, and a ball will pop out, and then it's assigned that number. And that's -- the order that it's placed in is the lottery. That's the way that the government --

DR. POYNTER: Okay. In other words, they had -- there were 200 people in it?

MS. MEYER: 200 developers, yes.

DR. POYNTER: 200 applications?

MS. MEYER: Correct.

DR. POYNTER: And they were one of the five that was selected --

MS. MEYER: Well --

DR. POYNTER: -- that had the lowest numbers?

MS. MEYER: Well --

DR. POYNTER: And so they won?

MS. MEYER: It's not a matter of winning. They're put in order of the lottery. Okay?

DR. POYNTER: First, second, third, fourth, fifth?

MS. MEYER: Correct.

DR. POYNTER: They were the fifth?

MS. MEYER: Yes, however --

DR. POYNTER: They were the fifth one drawn?

MS. MEYER: The fifth lowest for the Department of Housing.

DR. POYNTER: Number?

MS. MEYER: Oh, no, I think they were actually number seven on our list. We received six reservations in January. That's correct.

DR. POYNTER: I'm still not understanding it.

MS. MEYER: Okay. They --

VOICE: Explain it to us. Tell is how it works.

MS. MEYER: Do you want to explain it to them?

MR. ONION: (No response.)

VOICE: First explain that they got -- that they got number one in the county. I don't play pool or politics. But that's funny.

MS. MEYER: Okay. What happens is that each issuer -- and the Texas Department of Housing happens to be an issuer, along with other local issuers, Tarrant County being one of those -- all of those issuers submit --

VOICE: Define that.

MS. MEYER: An issuer? Well, it is an entity that helps facilitate the actual dispersing of the bonds. And the Bond Review Board is the department that actually oversees the lottery and the Private Activity Bond Program. Okay. Multifamily only happens to be a portion of that. Okay. All of these issuers submit applications for that lottery.

DR. POYNTER: How many multiple family developers submitted to you?

MS. MEYER: Individual developers, I don't know. There were over 200 applications. I don't remember how many applications.

MR. ONION: I think we had about 114 applications.

MS. MEYER: Well, for the Texas Department of Housing, we actually entered 109 applications. That was just for our department. But out of all the issuers that were in the lottery, there were over 200. I don't know the exact number. There were over 200. Okay.

And what they do is exactly what I told you. All the developments are on a piece of paper. And they call out, in a public forum, the name of that development. And they roll the hopper and a little ball pops out. And they assign that number to that particular development.

Then, once all the balls have been dispensed out of the hopper, they go back and they put them in priority order and lowest lot number order. Okay. And there's three different priorities. One is priority one, which in this development is 50 percent of the area -- grants are capped at 50 percent of the area median income. In priority two, they're capped at 60 percent of the area median income. And then, in priority three, it's mixed income. So you may have part market rate and then part restricted rents. Okay.

You always start on priority one first. And they were in the top six, as far as our department is concerned. The other issuers have all their -- there's 13 different regions in the state of Texas. So it's not all in one. Each issuer is in a different region.

DR. POYNTER: I guess this is really quite confusing to me. I called Senator Brimer's office and asked him to investigate into this, and to find out how this selection came about, how many was in this selection. And his office reported back to me that there were only five applicants. All five of them received funding. And there were monies left over.

MS. MEYER: Okay.

DR. POYNTER: Now, who's not telling me the truth on this?

I also wanted to know who was present when this drawing was done. And by whom? And that's when they found out and reported back to me that there was no need for anyone to be present, because there was no need for a drawing, because there were only five applicants and all of them had been approved.

Now, is Senator Brimer's office not reporting the truth to me?

MR. ONION: I don't think it's a question of reporting the truth or not. I think it may be a misunderstanding.

Listen to me. Let me give you some background on it. The department receives 25 percent of the allocation for multifamily. As it's stated in here, the total amount is 373 million. We received 93 million. We had over 114 applications. We submitted 104, with 1.5 billion in requests chasing the $93 million.

When they did the lottery, which is done by a separate state organization called the Bond Review Board, in public, and at their hearing, the numbers were selected and given to those developments. And then based upon their priority, and the lowest lottery number, they received a reservation up to the $93 million.

There were not just five applications. There were the 104 that we had. Those other applications did not receive a good score, or was not a priority one. If, for some reason, this project does not close within 120 days, then that amount reserved -- whether it's 12.1 million -- will then drop to the people on the waiting list that have the next best lowest score.

So I don't know what was told to you. But I can tell you, what you just stated is not correct.

DR. POYNTER: Okay. The statement that you just now made. Does that mean that this is a done deal and we've been wasting our time?

MR. ONION: No, sir. Each application is given 120 days to close. We go through a process. The public hearing is one part of it. The other is when we receive market studies, appraisals, and other third-party reports. And the department itself will take a look at this transaction and underwrite it.

In addition to that, we have a lender who will be purchasing the bonds, who will do their own separate due diligence, order their own appraisals. And we have an equity provider. As I stated, that is another third party that will do their due diligence.

And if you feel like there is not a market for apartments, and that's determined by the lender or the equity investor, then you don't have anything to worry about. This transaction won't go forward. They will not issue commitments.

It's exactly like a conventional loan, that they would go to the bank, ask for the loan. They would do their due diligence, third-party reports. And if it's passed, if the lender is willing to take that risk, then they would move forward and issue the commitment. And that's what's happening here.

DR. POYNTER: Okay. Then it's my understanding, then, that the comment about the 7,000 and some odd apartments in this area, and the fact that there's over 1,000 of them vacant, and all of that will get to these appropriate committees. And they will hear that?

MR. ONION: Certainly, the transcript will be provided to our board. However, we look at an independent study, just like lenders and equity investors do when they're lending money, to verify that. If that is the case -- and you're saying it is -- then there would be a concern on the part of the lender and the equity provider that they could either pay the bonds back, or that the proper equity and return would be available to the partnership.

DR. POYNTER: Well, let me just ask this question.

MR. ONION: Okay.

DR. POYNTER: Has the information that's been furnished to you so far tonight been adequate enough to, in your opinion, to state that we are saturated with apartments and there is an above normal vacancies within the community?

MR. ONION: I currently have a report that is dated from last year. We have asked for an updated report. We have not evaluated these reports at this time. We expect to receive them, probably next week. In addition to our staff reviewing these, we also have a separate underwriting division that will review these and make a recommendation to our board.

DR. POYNTER: Who is that report from?

MR. ONION: It is from Butler and Vernon.

DR. POYNTER: And who do they represent?

MR. ONION: They are an independent market analyst and appraisal firm here in Dallas.

DR. POYNTER: And who requested that report? Who requested that and submitted it to you?

MR. ONION: Brian Potashnik did.

(A chorus of boos.)

DR. POYNTER: That's not very independent to me. I would just like to go on the record, as the Superintendent of Schools of Crowley Independent School District, that this project will definitely affect the school district in an adverse way.

MR. ONION: Thank you.

(Applause.)

MS. MEYER: Mr. Fox.

MR. FOX: Okay.

MS. MEYER: State your name, please.

MR. FOX: You bet. My name is Eric Fox. I live at 6721 Branch Creek Drive. And what has just happened, as you've seen another good-spirited corporate citizenship, is we thought that projector was ours. We came to find out it was Mr. Potashnik's. So he disconnected me. But, fortunately for me, I had a projector in my trunk. So --

(Applause.)

MR. FOX: -- the show gets to go on. So, if you can bear with me for just a minute and see if I can power up. There we go.

VOICE: While we're waiting, why don't you folks up there take a good look at those red dots?

MR. FOX: Actually, I'm going to -- as Vince Scully used to say -- Vince Scully was a broadcaster for the Los Angeles Dodgers his entire life. And he always has a key phrase, and the phrase is -- whenever he opens every radio show is, Let me paint a picture for the mind's eye. What I'm about to do is go around those dots and tell you about rent, and tell you about who owns them and tell you about where they are. So that's where we're going to kick off, assuming this thing ever fires up.

The other thing I wanted to -- I do actually want to thank Mr. Jones. I'm sorry he's not here. I think you always find out, whenever you're in a debate, that if you find yourself in a hole, that the first thing you need to do is quit digging. So I guess that's why he yielded his two minutes back to me. So I'm very appreciative of that.

The one thing -- and if I could for just a minute, if we could just walk through kind of a parliamentary procedure, if we will, for the board, so there are questions coming at you all. As we understand this, on April 10, the board will decide. But that's not really not the end either, is it? -- because you have the three panels; you have the Bond Review Board. And that consists of three folks, the governor, lieutenant governor, and the speaker of the house. Is that correct?

And then they meet sometime, obviously, before May 30. And then they would decide -- and we all know that the governor, lieutenant governor, and the speaker, they're kind of down there, you know, saving the budget, education, and providing transportation. So they won't be there. They'll have designees. But is that a factual statement?

So everyone in this room knows -- just as we had thought downtown when we were done, and we had won, if we win or lose on April 10, we're not done yet. Is that still correct, we have one more place to go?

MS. MEYER: If the Texas Department of Housing and Community Affairs board approves the transaction, then it will go to the Bond Review Board for a vote. I will correct you. It is the governor, lieutenant governor, and the comptroller as voting members of that board. And the speaker of the house sits on that board, but does not vote.

MR. FOX: We don't have a techie, do we? Here comes a techie.

Also, if I could -- if I could address -- Mr. Potashnik had a contractor step up. And, ironically enough, it's the contractor that builds his apartment complexes for him. So I'm also reminded of the phrase that "you are where you sit," that you'll speak up in support of things that you believe in, because you work for him. And that's nice.

We actually have a contractor. Unfortunately for us, though, our contractor is not allowed to speak. Our contractor was named in a federal lawsuit that Mr. Potashnik filed shortly after the hearing in our favor downtown. And basically, what that did, is that didn't allow him to speak.

If he were to speak, along with the County Commissioners that we have, Judge Vandergriff, Dionne Bagsby, they would stand up and tell you that it was unanimous approval. And then we would also have our associated general contractor stand up and give you facts and figures that would be truly eye-watering from a contractor's standpoint of just what we're dealing with.

So I guess if he really wanted to be a good corporate citizen, what he could do, is just drop those lawsuits and move on. And I'm sure he'll drop the lawsuits once the last board reviews, the decision. And depending on which way it goes, that will probably decide which way he's going to go with the lawsuits.

The other thing that I would mention to you is Crowley Independent School District is an exemplary school district. The superintendent has done a wonderful job. He's retiring in a couple of months. And we, in this entire community, owe him a debt of gratitude for his lifelong service that we have had.

(Applause.)

MR. FOX: We moved to Crowley Independent School District. And we knew it had high taxes. And high taxes usually mean that you're going to have a decent quality school and good quality public education.

You have three choices in Tarrant County really, if you look at quality of schools. You're going to have Colleyville. And we all know Colleyville, northeast Tarrant County, they are a phenomenal community. And by the way, they do not allow apartments in their community, not one.

The other one is Crowley Independent School District. And the third is El Reno [phonetic] Independent School District, which kind of borders Tarrant and Parker County. So those are really the three. So when we moved here -- and I'm born and raised in Fort Worth, and moved back to my home town, which I'm so proud of -- that this was one of the factors that went into it. So everyone is concerned about education. And people are willing to pay the school taxes in order to get the good quality public education that we all deserve.

I would also like to point out to you that you might think this group is experienced at this, the yielding time to me. This is our second go around. We have learned how this system works, unfortunately. If we were to go up to our fine representative, Congressman Joe Barton, who represents this area, and we were to ask him how a bill becomes a law, he hands us a big blue book. This is how our laws are made. It walks you through the entire process.

There is not one shred of information on how this becomes a law. It is difficult. It is cumbersome. It is time consuming. If you have lawyers that do it, if you have developers that work in it day in and day out, it is absolutely a snap and a breeze. It is difficult to understand how the public process works. We thought we were done in Tarrant County. We understand that it went to Austin. Now, we understand that we've got one more review board after that.

The other thing I would like to tell you is that if Mr. Potashnik were here tonight, he sometimes has a phrase for me that I am not too fond of and I do not appreciate. And he has called it to me twice in public. And he has also referred to some of my neighbors as this as well. He has, in fact, called us bigots and racists, in a public sector.

And I want to use the context he uses it in, because I want it on public record in case he comes down on April 10 and does this again. First of all, you need to understand that the county commissioner that offered the denial of this to go forward is an African American female. She represents this county. She offered it for denial and it won universal approval.

During the course of my presentation, what I said was -- even as you exit, I would advise everyone as you go out to look on the left hand side and you're going to see a couple of things. First of all, you're going to see a for sale sign. That for sale sign has been up, is still up, and the property is not for sale.

In addition to that, you're going to see a Southwest Housing Development sign that says, Hey, these buildings are coming.

And isn't this great?

Then, the third one, you're actually going to see the public hearing notice of this. And the Department should be complimented. This is exactly what should have been done when we found out on day one. This is exactly what should have been done that there was a hearing down in Houston, voting on this bond package initially. And we didn't know anything about it. And they said, Look in the Fort Worth Star Telegram; and look in the back; and pull out your magnifying glass; and best of luck; and let us know.

What we said in our testimony is that we said it should be just like a restaurant getting a liquor license from the Texas Association of Beverage Control. What they do, you go into a restaurant -- a big red sign they put up. And it says, If you believe this restaurant has not acted appropriately in serving alcohol, or you think it's served to minors, or you think it doesn't do a good job, you have a comment period.

It's just like the white sign down the street. But they should have done that earlier. And they didn't. And so the analogy that now Mr. Potashnik uses is we would rather have a liquor store on that property than to have a housing development project. That is absolutely incorrect. It is absolutely taken out of context. And it is absolutely an affront to what we had stated downtown. And I don't want him to come back and say, Oh, they want a red sign. And they would rather have a liquor store there, just to show you how bad they don't want this development to go forward and have me come into their neighborhood.

Mr. Potashnik has created such an interest in this community now that State Representative Anna Mowry has introduced a bill. It's House Bill 398. And it's going to affect the approval process for certain housing projects proposed by public housing authorities forever. They might as well rename the bill the Brian Potashnik Open Hearing Bill.

What this bill does is it allows the public to fully be aware and able to participate in basic decisions associated with work on those affordable housing projects. The new requirement will be added so future communities will not be blind sided by developers.

The bill would require housing authority commissioners to hold a public hearing before acquiring existing multifamily rental housing for use as a housing project. And it would require the governing body of various applicable political subdivisions to send a representative to the meeting.

If the representative's authority does not hold a public hearing, the political subdivisions will be restricted from issuing a permit, certificate, and/or authorization for the occupancy or operation of any part of the existing housing project.

The cost of Housing Authority of holding a public hearing and submitting a report on the meeting to applicable governing bodies would be insignificant. And that's from the Cost

Accounting Board down in Austin. This bill has no net cost. No significant physical implication to units of local government is anticipated. This bill would help ensure what future developers will need to be transparent in this business practices, and do more than place a public notice in a public paper that is seldom read and often misunderstood.

If I could ask another question while we're here. We're talking about the lottery. And Dr. Poynter got up and talked about it. I know it was five. And I know there were 200 in it. And I know that he drew lottery ball number -- or it worked out to be number six. And then he moved up. The question that I have, too -- one out of 200. Could you all tell me how many were last year during this same period of time, and in a ROM, rough order of magnitude, plus or minus 20? Do you all know how many last year, a couple of hundred probably?

MR. ONION: About 180.

MR. FOX: Yes. And how did Mr. Potashnik do in the lottery last year?

MR. ONION: He submitted multiple applications and received reservations.

MR. FOX: But I'm told -- yes, okay, received multiple applications. But did he win the lottery?

MR. ONION: It's not a question of winning the lottery.

MR. FOX: But he moved down as what?

MR. ONION: He received reservations.

MR. FOX: So he has, in effect, gotten a good ping pong ball, or a moderate ping pong ball moved up to a good ping pong ball, two years in a row?

MR. ONION: (No response.)

MR. FOX: Mathematically, that's astounding, really, if you go and do the numbers.

What I want to do now, if I could is talk about these 46 apartment complexes, the 11,379 apartment units. And I'm going to walk you through this. But first, I'm going to ask Ms. Meyer, could you give me a clock time, roughly? Are we going to go straight up to nine? Is that --

MS. MEYER: We have until 9:00, yes.

MR. FOX: Okay. Thank you very much. I appreciate that.

If I could, I'm just going to start out -- actually, I go -- we talk about a five mile radius. Let's not confuse this. That's five miles driving. If you get in your car, you go to Mapquest.com, and you drive, it goes about five miles. What you're talking about, though, is the radius, just as Councilman Silcox talked about.

So really what we're talking about is not a five-mile radius, we're talking about a two mile. This is 1.5. Two miles throws us right over 820, just a little bit over 820 and brings us down. So what I'm going to do is go out and come in. And I'm going to walk you through this now. I was as bipartisan as I possibly could. I snapped photos of everything I saw. I went to Mapquest. I pulled up everything. We're got high end, more affordable, less affordable. So I'm going to walk you through.

The Canyons, first of all, they're having a great sale right now. They're having six to nine months -- if you sign for six to nine months, then you get two months free.

Church Hill Park -- they've got move-in specials. They've actually got a one cent move-in special. That's kind of nice.

The Lodge at River Park, that's actually a high end down on River Park Drive. That's a very nice property.

Next one -- that's River Park Apartments. That's right next to it.

Next one -- that's River Park Place Apartments. And, again, actually, we're starting to hit the zone here, of where the apartment community would have two bedroom maximum rent 628.

Next one, River Stone -- they're having a two-bedroom special right now, $299 for the first month. Then they do go up to $775 after that. But they have specials going on, because they, obviously, are trying to fill these 1,100 vacancies.

Next one, please. This is Bellaire Square. Bellaire Square is just right across the street from Country Day, back behind the gas station there. It's very nice.

Next one, please. They're having, obviously, great specials to move in. Their rent is about $505, by the way, $505 for a two bedroom. And Mr. Potashnik's in at 628. And there's no housing assistance. There's no affordable bond package there.

Next slide, please. Copperas Crossing -- this is nice. Not only is there a Copperas Crossing Phase I, there's a Copperas Crossing Phase II. So they're a pretty big outfit, just outside of 820. Actually, they're about right there, is where they are.

Next one, please. Country Bend -- Country Bend, is right now, is having a $100 sale off any two bedroom. And two bedrooms are going for between $550 and $600. That's about right there, coming back down Aurora Lane.

Next one, please. They have free rent -- free rent for the first month -- Greenwood Creek. Greenwood Creek currently does not have any signs out front, but they do have $250 move-in specials. And their rent ranges from $565 to $755. Again, it's well within the range that Mr. Potashnik is looking at 628. In fact, their three bedrooms are cheaper than 726, which is what he has, with assistance.

Next one, please. Highland Park Apartments -- don't know much about them. They didn't have anything hanging out. So we just moved on. Oh, yes, you get a free YMCA membership if you sign up. And I believe we could all use that.

River Glen Apartments -- the one bedroom, which doesn't pertain to this, but a one bedroom is 199 the first month. But their top end is 605. Their low end is 460 for multi-bedrooms.

Next one, please. This is pucker up, we'll kiss off this month's rent. Free rent -- this is all in the same building. River Glen -- free rent, one more, zero move in, you all come, we need folks. Please help me save my management job.

Stonehenge -- Stonehenge, everybody might forget about. It's right across the street from Country Day. It's a wonderful facility. It kind of looks like a German Tudor kind of thing. It's kind of nice. I just didn't even know it was back there, quite honestly, because it's Bonnell's -- it's back behind Bonnell's. So that would put it -- oh, that puts it right in there, somewhere, I think.

Okay. Next one, please. Now, Avery Point, we all drive by this one. This is Bryant-Irvin Road, better known as the dragstrip, if you drive it as 2:00 in the morning. But if you're out there during Saturday and Sunday, it's called the Hulen Mall mess. That's basically what it is. So Avery Point, City View, a little more pricey -- they go 705 to 1,230.

Then the next one, Cameron Creek. Cameron Creek goes 589 to 1,080. Now, wait just a second. Don't go to the next one, because also I have on here -- because I have them by radius here -- is this is important.

We have Candle Chase Apartments located at 6822 South

Hulen, Fort Worth, Texas 76132. Let me just tell you why that is important. It is important because it is a tax credit housing complex in Fort Worth that is 2.21 driving miles from where we are standing right now.

Next one, please. Cameron Creek's got great leasing opportunities.

Next one, please. Coventry at City View -- this is my corporate housing. We lived there for about nine months, about nine months too long with two small children. But my wife loved them dearly and they are still surviving.

So next one, please. Free rent -- their rent goes from 715 to 1,295.

Next one, please. The Fountains -- you might not know where The Fountains are. If you go to Wedgwood and you go just to Wedgwood Middle School now -- Wedgwood Middle School by itself -- if you go just east of there, not to old Granbury Road, inside of 820, lo and behold, here's some more that I didn't even know were back there. So they're called The Fountains. As you can see, one, two, three bedrooms, great specials, free covered parking. The Fountains go from 505 to 650 a month. Your ticket to affordable living, move-in specials.

Next one, please. That's -- catty-corner from them, on Fountain Square, right there on Hilburn Drive East.

Next one. Hunter's Ridge Apartments -- exceptional service, exceptional by design -- how could you go wrong with that? They're offering move-in specials -- get ready for this -- six weeks free. Rent is 510 to 720. This is directly behind Rosa Tia's place right there on River Ranch Boulevard.

Next one, please. Marina Club -- Marina Club goes 425 to 790. They are very nice apartments as well. It's on Overton Ridge.

Next one, please. Let's see, Montevista. This is in this corridor right here, on Bryant-Irvin Road. They go from 695 to 1,195. I also want to state for the record that Marina Club goes 425 to 790, well within the range of Mr. Potashnik's properties. Montevista, rise to the top, 199 total move in, for the first month.

Next one, please. Oh, free rent -- one bedroom, two bedrooms, three bedrooms, you name it, we've got it. You all come. We've got them all.

This one -- this one is extremely important to the board. It is extremely important to the City of Fort Worth. And it is extremely important to us. This is Overton Park. Overton Park is over on 5700 Overton Ridge. It is an affordable housing project. It is money used with the Fort Worth Housing Authority to relocate the Ripley Arnold residents that came from Radio Shack, that were downtown, and they had to relocate. Some went to Stonehenge. Some are coming out to Overton Park.

We welcome them. They won. The race is over. They're here. We're open arms. Bring them on in, because guess where they're going to go to school? Right here. That's great. Everybody has to help out. It is fantastic for the City of Fort Worth to keep Radio Shack as corporate headquarters. It is absolutely great. They're out there. They're ready to go. They already have four families there. They've already got security. We're off and running. That's enough, to go with Candle Ridge.

Now, right next door, let's not forget, Remington Hill. Remington Hill is right here. Remington Hill is at 5701 Overton Ridge, built by tax exempt bond housing. It feeds into Oakmont Elementary. It's another affordable housing project -- three, now, that we count, two that feed in, directly in, to Oakmont and to Crowley Independent School District.

Next one, please. River Ranch -- River Ranch goes 545 to 730.

Next one -- Trinity Palace Apartments.

Next one -- Villas on the Bluff -- back over to Bryant-Irvin Road.

Next one. Enclave -- this is back over on Overton Ridge. They go from 470 to -- this is a good one -- 1,045. This is a top end property, very nice. It's located right next door to Overton Plaza. It's a very nice facility.

Next one. The Heights of City View -- 845 to 1,410, $250 off first month's rent.

Next one. Back over to Hildring Drive, a $200 move-in special, and rents go from 395 to 525 for a three bedroom. That's wonderful in comparison to what Mr. Potashnik wants to build.

Hunter's Green -- 469 to 639, right there on Overton Ridge.

Next one, please -- $99 move in special, free rent.

Now to Southern Oaks. Southern Oaks, we drive by every day. It's on South Hulen. Coming right down here, it's the first one we see on the right hand side as you're coming down to the turn in. South Oaks -- second month rent is $199. Southern Oaks is 500 to 695 -- washer dryer connections, fireplaces, covered parking. Mr. Potashnik would love this if he owned it. But it's a wonderful property.

Next one. Move-in specials -- the Verandas at City View, 314 units I believe. They are high end. They are going to be purchased. It doesn't matter. They're still going to come with kids, I bet. And those kids are going to want to go to school. And guess where they're going to want to go -- Oakmont Elementary. And this is great. And they're in. And they're up. And they're building. And there they go, and they're already leasing.

Next one, please. Hulen Oaks -- right down the street again -- $440 to $650 for their rent for two and three bedrooms.

Next one, please. Come in, ask about our two bedroom specials -- you bet -- 650, which is actually $22 more, but they're work out a deal for you.

Chesapeake, $455 -- $50 off for a month for twelve months on their rent.

Next one. Copperfield -- Copperfield Apartments, 460 to 680, six weeks free, first six weeks. That's on South Hulen.

Next one. Go back to Chesapeake, please, if you could. There's a good one here. Back one more. Yes, see where it says, Save, right here. I took this picture. And it says, Save money. You all come. Look right here. Look at that. That's nice. That's an extra.

(Applause.)

MR. FOX: Next one, please. Copperfield Apartments, we talked about. Cypress Springs, now we're swinging in. I've got three minutes. Here we go. Cypress Springs, 495 to 535, four to six weeks free, one month, first, free.

The Township at Hulen Bend, 480 to 690, one half to one month free. We love our residents. Move-in specials. Wait a minute. Back up one. Thank you. Move-in specials, right there. We love our residents. You bet. We love them, too, because they were here before we got here.

Next one. Toffee Creek -- Toffee Creek, $430 to $705 for two to three bedrooms, first month free, up to one month free.

Salem Park -- now, we're getting close -- Salem Park, 6250 Granbury Cutoff, $509 to $609. They have -- click -- move-in specials. Let's go. Now, we also know they're taking the paint off of those, too. They're refurbishing them. They're upgrading them. And they're going to be done, probably, by summer. And they look good.

Next one. This is huge. This is so key to this debate. This is a wonderful thing. We've got a Hulen Bend Seniors Community Center that's coming in, a new affordable retirement construction. It's going to have 180 units. They've already started construction. It's right there at the northwest corner of Granbury Road and Granbury Cutoff for Fort Worth.

In Fort Worth, they're going to put affordable housing for seniors. The average age is going to be 77 years old. They're going to have folks coming in and out. They're going to be putting pressure on the system as well, even though they are retired. I'm sure they have families. And they're going to want to come see them. And so, now I count four projects that have some kind of assisted affordable revenue that help them out. And that's great. As our community, we are willing to share and give. And we've given, and given, and given. And we don't need to give anymore. We're done.

Ridgecrest at Hulen Bend -- I've got two left and we'll take it home -- 435 to 720. It's got covered parking. One more. Best move-in special, right there -- well, it was 199. Now, it's 99 total move in. They're doing great.

And then the last one, it's the one that's going to be the north of the property in question -- Arbors, 500 to 745. Let me say these two again.

Ridgecrest, directly across the street, $435 to $720 for two and three bedrooms -- I don't know if they have four bedrooms. They weren't listed.

Arbors on Oakmont, the one that's going to be exactly to the north, $500 to $745 a month. They have no affordable housing bonds, no grants, no nothing. They're giving $20 off each month if you sign up now.

We haven't had a chance to digest all of the studies. We haven't seen them. They're going to come out a week prior to the bond hearing on the 10th. We've been advised that we need to get an attorney. We've been advised that we need to go to Austin.

We're going to have to try to figure out what a density concentration report is. We're going to have to sit down and start to wrap our arms around key phrases like inclusive capture rate, and conservative market area. I don't know what that is. I don't know what they both are. For all I know, I could have it and die from it. I'm not sure. But I can tell you, in one month, we're going to be in Austin. We're going to be prepared. We're going to know what's going on. We're going to do our best as citizen legislators.

(Applause.)

MR. FOX: We're going to take it as long as we have to take it. We're going to get legal counsel, if we have to. We're going to use every legal means necessary at our disposal, to delay this, to get everybody to wrap their arms around it, to look at it, to make sure they have all the information in front of them from independent assessments. And don't for a minute, for the City of Fort Worth to think that we're not going to have affordable housing, because if this one goes away, we know the lottery balls will go down.

Next, for a good chance of being funded, are Center Square Villas, West Point I and II Apartments, and Sycamore Creek Part I and Part II that would move up. They're between $12 and $15 million. They have a good chance, if this one slides. Fort Worth will continue to have affordable housing. Fort Worth has affordable housing. Fort Worth will continue to be the leader in the state of Texas.

I appreciate you all's time and letting me go over three minutes. Thank you all.

(Applause.)

MS. MEYER: Hang on just a second.

(Pause.)

MS. MEYER: This hearing is closed at 9:09 p.m.

(Whereupon, at 9:09 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: Public Hearing on Arbor Bend Villas

LOCATION: Fort Worth, Texas

DATE: March 6, 2003

I do hereby certify that the foregoing pages, numbers 1 through 109, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Barbara Wall before the Texas Department of Housing and Community Affairs.

03/20/03
(Transcriber) (Date)

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

**CHUCK SILCOX**
SENIOR COUNCIL MEMBER
CITY COUNCIL DISTRICT 3

COMMITTEES:
CAPITAL IMPROVEMENTS & INFRASTRUCTURE - CHAIR
PUBLIC SAFETY COMMITTEE
REGIONAL TRANSPORTATION COUNCIL (RTC)

March 6, 2003

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

Re: Arbor Bend Villas Apartment Complex

Dear Ms. Carrington,

I am the Fort Worth City Council Member that represents the area that includes 6150 Oakmont Trail, where Southwest Housing Development (SWHD) is wanting to locate the Arbor Bend Villas complex.

This site first came to my attention, in late 2001 or early 2002, when Mr. Ramon Guajardo, with the Fort Worth Housing Authority (FWHA), contacted me about two properties in the general area that the FWHA was looking at to build replacement housing for those about to be displaced from the Riley Arnold Housing Authority Complex in downtown Fort Worth. The FWHA had already acquired a site about one mile away, at 5501 Overton Ridge Blvd.(which is shown as #10 on the attached map), and said that they were also looking at 6150 Oakmont Trail site for a second complex.

After a discussion with Mr. Guajardo, I was able to show him that there were already too many apartments in this general area and that this would just continue to overwhelm this neighborhood. He went back to the FWHA board, and they agreed, that there were already too many apartments in this area, and dropped plans to use this site.

Then in about early April, 2002, Mr. Brain Potashnik, with SWHD, appeared before the City Council committee that I chaired, asking for a letter of support to build the Arbor Bend Villas. I had no knowledge of his project, but more importantly, I did know that the citizens in this area were very concerned about having another apartment complex in their neighborhood. I withdrew the item from the committee's agenda and stated that I would not put it back on the agenda until I had a chance to discuss it at a meeting with the neighborhood. He was not pleased, but there were already over 7,000 apartments in the area, and I felt the neighborhood should be involved. I attended a Hulen Bend Estates Neighborhood Association meeting on April 18, 2002, and told them about the desire of SWHD to build this apartment complex at the stated site. There were a large number of neighbors there at they all said no. There are already too many apartments!

I then had a meeting on April 29, 2002, with Mr. Postashnik. In attendance were Mr. Potashnik; State Rep. Anna Mowery; Ms. Cindy Bearden, a representative from Hulen Bend Estates; Mr. Jerome Walker, the Director of the Fort Worth Housing Department (not part of the FWHA); Assistant City Manager

Joe Paniagua, Assistant City Atty. Hugh Davis; Brandon Aghamalian; and myself. Both State Rep. Mowery and I, told Mr. Potashnik that we did not support this project and that the area was already overcrowded with apartments. His reaction was he was going to build there, not caring what the neighborhood wanted.

At that time, SWHD was seeking funding though the Tarrant County Housing Finance Corporation (TCHFC), which is the members of the Tarrant County Commissioners Court, to fund the construction of Arbor Bend Villas. On Monday, May 6, 2002, a hearing officer for the TCHFC held a public hearing to gather information. On Tuesday, May 7, the TCHFC held a public meeting, and received the information from the hearing officer and the public. There were about 300 at each of those meetings, to protest before the TCHFC. The TCHFC tabled their decision for more input from SWHD, to include such studies as traffic impact on the area/neighborhood and impact on the school because of more children. That information was not presented to the satisfaction of the TCHFC by May 28, 2002, when SWHD application expired.

Among many concerns, I have a strong concern about one more apartment complex in this area. Why?

As of today, March 6, 2003, there are **7,746 apartments** within **1.5 miles** (1-1/2) of 6150 Oakmont Trail. That is the highest density of apartments in the city of Fort Worth. The two closest areas are in the far east and far west at about 4,900 in each area.

Even more disturbing than the figure of 7,746, is the vacancy rate. There are <u>**1,296** vacant units in this 1.5 mile distance</u>. There are 2,464 units, with 671 vacant, within one-half (½) mile! These are all listed on the map and on an attached page to this report. The occupancy rate in this area, at this time is 83.3%. An official with the Apartment Association of Tarrant County, has stated that 96% is the preferred rate, and "an occupancy rate below 90% (even in tough economic conditions), puts the management staff in jeopardy of losing their jobs".

There is just not a good reason to build another apartment complex in this area of southwest Fort Worth. Period. The only reason to build this is so Mr. Potashnik can make money at the expense of the taxpayer and the citizens of this area. There are many other areas around town that need this and can absorb these new apartments, but this are area does not need and can not absorb.

Thank you for allowing input to this process.

Sincerely,

Chuck Silcox

CHUCK SILCOX
Senior Council Member
Fort Worth City Council

Attachments:
A. Listing of all apartment complexes and units within 1.5 miles
B. Copy of a not-in-favor letter from State Rep. Anna Mowery
C. Map of area showing 7,746 apartments within 1.5 miles of 6150 Oakmont Trail

| Map ID | Complex Name | Address | Units | Vacant Units | % Occupancy |
|---|---|---|---|---|---|
| **Apartments within 1st .5 mile** | | | | | |
| 1 | Verandahs of City View | 7301 Oakmont Verandah Circle | 314 | 314 | 0 (New) |
| 2 | Chesapeake Apts. | 6047 Hulen St., South | 272 | 11 | 96 |
| 3 | Ridgecrest@Hulen Bend | 6055 Ridgecrest Trail | 300 | 15 | 95 |
| 4 | The Arbors on Oakmont | 6000 Oakmont Trail | 256 | 13 | 95 |
| 5 | Cypress Spring Apts. | 6500 Hulen Bend BLVD | 325 | 33 | 90 |
| 6 | Township Apts. | 6401 Hulen Bend Apts. | 256 | 23 | 91 |
| 7 | Coffee Creek Apts. | 6351 Hulen Bend Dr. | 336 | 13 | 96 |
| 8 | Salem Park Apts. | 6250 Granbury Cut-Off Rd. | 168 | 12 | 93 |
| 9 | Evergreen at Hulen | 6500 Granbury Cut Off | 237 | 237 | 0 (New) |
| | | **Sub Total** | **2464** | **671** | **72.8** |
| **Apartments within 2nd .5 mile** | | | | | |
| 10 | Overton Park | 5501 Overton Ridge Blvd | 216 | 199 | 36 (New) |
| 11 | Marina Club Apts. | 5301 Overton Ridge BLVD | 387 | 62 | 84 |
| 12 | TheEnclave@CityView | 5401 Overton Ridge BLVD | 416 | 13 | 97 |
| 13 | Remington Hill Apts. | 5701 Overton Ridge BLVD | 440 | 22 | 95 |
| 14 | Southern Oaks | 5500 Hulen St., South | 248 | 10 | 96 |
| 15 | Hulen Oaks Apts. | 5700 Hulen St., South | 328 | 23 | 93 |
| 16 | The Copperfield Apts. | 6501 Hulen St., South | 323 | 22 | 93 |
| 17 | The Waterford @ FW | 6799 Granbury Rd | 154 | 31 | 80 |
| 18 | Cameron Creek Apts. | 5209 Bryant Irvin Rd | 446 | 71 | 84 |
| 19 | Broadway@Cityview | 5301 Bryant Irvin Rd. | 214 | 7 | 97+ |
| 20 | Montevista Apts | 5350 Bryant Irvin Rd | 350 | 25 | 93 |
| 21 | Heights @ City View | 5270 Bryant Irvin Rd. | 344 | 34 | 90 |
| | | **Sub Total** | **3866** | **519** | **86.6** |
| **Apartments within 3rd .5 mile** | | | | | |
| 22 | River Ranch Apts. | 5100 River Valley Blvd | 272 | 8 | 97 |
| 23 | Hunter Ridge Apts. | 4850River Ranch Blvd | 248 | 20 | 92 |
| 24 | Hunter's Green Apts. | 5101 Overton Ridge Blvd | 248 | 10 | 96 |
| 25 | Coventry@CityView | 5200 Bryant Irvin Rd. | 360 | 36 | 90 |
| 26 | Avery Pointe @City View | 5230 Bryant Irvin Rd | 288 | 32 | 89 |
| | | **Sub Total** | **1416** | **106** | **92.5** |
| | | **Total Units Within 1.5 miles** | **7746** | **1296** | **83.3** |

# State of Texas
# House of Representatives

ANNA MOWERY
DISTRICT 97
6421 CAMP BOWIE BLVD
SUITE 310
FORT WORTH, TEXAS 76116
817-732-1372

P.O. BOX 2910
AUSTIN, TEXAS 78768-2910
512-463-0608

March 5, 2003

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

RE: Arbor Bend Villas Apartments.

Dear Ms. Carrington:

As you know, the proposal to build the Arbor Bend Villas Apartments was addressed and rejected last year by my constituents and local officials. The lack of community support for this project has not changed and my constituents are still opposed to building the project. For this reason, I can not and will not support the approval by the Texas Department of Housing and Community Affairs of this project.

Sincerely,

Anna Mowery

State Representative Anna Mowery

David M. and Rachel E. Wells
6709 Day Drive
Fort Worth, Texas 76132

Ms. Meyer:

We are strongly opposed to the development of Arbor Bend Villas, and any support provided by the Texas Department of Housing and Community Affairs. The proposed development, at 6150 Oakmont Trail in Fort Worth, Texas, is a poor financial investment for the state, other possible lenders, and anyone who invests in the Private Activity Bonds administered by the Texas Bond Review Board .

According to the Fort Worth City Council, the area for the proposed development has the highest density of apartments in Fort Worth, and possibly Tarrant county. As of March 06, 2003, there were 7746 units available within a 1.5 mile radius of 6150 Oakmont Trail. As of the same date, there were 1296 vacant units in the above mentioned complexes. That is only an 83.3-percent occupancy rate, which is considered terrible in the apartment industry. There are currently two more apartment communities being constructed at this time, both of which are significantly larger than the proposed Arbor Bend Villas project. This can only cause the occupancy rates to drop. One of these new complexes does include Section 8, affordable housing.

There are 46 apartment communities within a 5 mile radius of the proposed site. These communities include over 11,000 units. Either my wife, or I, have lived in three of these communities over the last five years. Two of the three, and many other communities in the area, have LOWER RENTAL RATES for equivalent housing than the proposed "affordable" housing by Southwest Housing, Inc. It is quite possible that these two communities, alone, could absorb the currently planned 152-families that Arbor Bend Villas is planning for, with room to spare.

Oakmont Elementary, the school that many of the proposed community's children would have to attend, is designed to hold 650 students. It currently has 721 enrolled (03/06/03). This school is overcrowded and cannot handle an additional large influx of students. Currently, kindergarten children are only allowed to attend half-day school.
Texas school children will never be able to excel if we do not properly educate them from the earliest ages. Half-day school is unacceptable, the newly proposed community will only

aggravate the problem. Our state is currently in another baby-boom. A couple of years from now, the overcrowding of this school will be worse, even without the addition of another apartment complex. According to County Commissioner, Glenn Whitley, in a story dated 05/29/02 (www.wfaa.com/jdouglas/stories/wfaa020528_jml_cityview.1dc12fe.html),
"I think the area is already saturated. Having sat on the school board, those (existing) apartments, as a general rule, are a tremendous cost burden on a school district." More apartments in the area will increase the cost burden on the local schools, again decreasing the quality of our children's education.

Another point of contention, is the claim by Southwest Housing that there will only be a negligible impact on the local schools (75 additional children). This IS NOT a realistic number. If this claim is true, then less than half of the 152 apartments would have a child living in it. That's assuming there is only one child in a unit, which is most likely not true considering the current population breakdown in the existing apartment communities in the area (see Characteristics of the Population, Texas House District 10, compiled October 8, 2002).

As for leasing criteria, applicants must pass a criminal background check. (Criminal background check includes felonies, drug convictions, or weapons charges). If I understood this criteria correctly, dependants and/or underage children are not listed on the lease, so this "screening" will not apply to them. In addition to this, there is nothing in place to screen for misdemeanors (such as breaking and entering, vandalism, etc.) This presents a possible introduction of higher criminal activity in the area and surrounding neighborhoods.

Pertaining to traffic, the amount of traffic congestion Southwest Housing claims will be necessary for construction of this property is not realistic. The location of the property will cause serious traffic flow problems in an already congested area. If the 150,000 man-hrs estimate is realistic (it seems small, remember, developers always bid low), then that equates to roughly 10 months of construction time that large trucks, which are usually being paid by the load and therefore driving faster than they should be and presenting a safety hazard, will be blocking the only Northern entrance to the neighborhoods on Oakmont Trail. In addition to this, the site is located within 3 blocks of an elementary school where many children walk to school from the surrounding neighborhoods every day. This presents a pretty serious public safety problem.

Road access to this proposed development site is only available by Bryant Irvin and Hulen, which are already "beyond capacity" according to the city of Fort Worth (see Southwest Highway 121 toll-road studies from late 2002). Adding additional apartments to this area will only add to the already serious road capacity problems.

The market survey, and school and traffic impact surveys were all submitted to your department by Southwest Housing, Mr. Brian Potashnik, or one of his affiliates. This seems to be a conflict of interest and would not be acceptable in the commercial business world.

According to the National Low Income Housing Coalition, The NIMBY Report, January 2003 edition (www.nlihc.org/nimby/012003.htm), the TDHCA director for multifamily bond finance, said "neighborhood concerns aren't strong enough to block approval." This was stated in or before January, according to the article, even though they would not have heard "neighborhood concerns" until March 2003 at a public hearing! How could this assertion have be legitimately made at that time? According to Mr. Robert Onion, in the same article, referring to the claim that low income properties increase crime, overcrowd the schools, and generally cause the neighborhood to deteriorate, "everybody makes that claim without supporting documents." My question is this. Where is the documentation, provided by the state, that the above claims ARE NOT TRUE. The burden of proof should not be on the people already living in the area, but on the developer and those providing funding for the project. The conduct of Mr. Onion at the public hearing in March 2003, where he was intentionally misleading in his statements to the gathering and the Crowley School District Superintendent, should not be allowed. His statements also bring into question whether The Texas Ethics Commission should be asked to perform one of its statutory duties, that is administering and enforcing CHAPTER 572 of the Government Code (Personal Financial Disclosure, Standards of Conduct, and Conflict of Interest Pertaining to State Officers and Employees) as well as possibly contacting the Texas Attorney General's Office.

Tarrant County Housing Corporation voted to deny funds for this project last year. This project is not supported by local or state elected officials, including Fort Worth City Councilman

Chuck Silcox, County Commissioner Glenn Whitley, Texas State Representative Anna Mowery, Texas State Senator Kim Brimer, and many others.  Having family that works in Austin on the Texas CHIP program (Children's Health Insurance Program), I know that there are many other places where the state can invest its time and money than a new apartment community in an already saturated area, where investors will most likely lose money.  If the development of this property must go through, there is still a potential need for more senior communities in the area, and they will not further stress the local schools.

I have attached copies of this letter in Microsoft Word and plain-text formats as well for your convenience.  Thank you for your time and understanding.

Sincerely,
David Wells

Dear Ms. Meyer,

I attended the meeting your office held on March 6, 2003 at Oakmont Elementary school.  I did not speak at the meeting but wanted you and your committee to understand how strongly I feel that the proposed Arbor Bend Villas should not be built on the proposed site.

I became involved in this struggle when the developer had requested county money to build this apartment complex.  Initially my only concern was that of over-crowding in the elementary school, and while this is still my primary concern other issues brought to my attention, such as traffic congestion,  have solidified my resolve to oppose the development.  The school has started construction to expand the number of classrooms and I feel this is a positive step.  However it is anticipated that the school will still be overcrowded after the construction is completed.

During Mr. Fox's slide show,  I counted seven apartment complexes within 2 miles of the proposed project that offered rental rates below which the proposed project would offer on the same size unit.  I also learned that the apartment complexes within the same area are at 83.3% occupancy, this in an industry were 90% occupancy is cause for concern.  It seems to me that state resources should be put to better use than to subsidize a project that benefits only the developer.  We as a community simply do not need another apartment complex.  Enough is enough.  We as a community have three low income housing projects all of which feed into our school district, enough is enough.  This developer has receive state money for developments in other states and paid his taxes only after the state went to court and had a lien filed.  That is an expense our state does not need, enough is enough.

The developer has stated that he will build the project whether or not he receives the state bond money. I do not think he will, it is simply not a smart business move. If it is not smart for him why would it be smart for the State of Texas?

I appreciate your time and consideration in this matter.

Cindy Bearden
6700 Trail Cliff Way
Fort Worth, Texas 76132
817 346-7299

Hi Robbye,
Hope all is well with you.
I didn't get the opportunity to attend the March 6 meeting in Fort Worth regarding the building of Arbor Bend Villa. I urge you to reject the approval of any funds requested for the project. Our neighborhood is drowning in apartments already. The local elementary school is overcrowded. The traffic is horrible. The neighborhood is united in their opposition to the project. It seems that the only person who thinks that more apartments are a good idea for our neighborhood is the builder from Dallas. Please reject approval of any funds for this project.
Best regards,
Patrick and Lisa Hall 6743 Canyon Crest Drive Fort Worth, TX 76132

I am vehmently opposed to this project moving foward IF it will add more children to Oakmont Elemtary School. Such overcrowding in a school is only detrimental to the quality of teaching. Since this is an elementary school, the children receive a base for future education here. Brian Potashnik is only in it for the money. I beg you to please check his other projects within the U.S.
Thank you,
Sandi Breaux

Dear Sir:

I am a resident of Hulen Bend in Fort Worth. I have been trying to stop Arbor Bend Villas from building more apartments near us for a long time.

As you already know, we are overcrowded with apartments in our vicinity. More are being built daily along Oakmont Blvd and Bryant Irvin. Our classrooms are overcrowded, the traffic is getting worse in our neighborhood and the noise keeps increasing.

More apartments is the last thing we need and I hope you will vote against the Arbor Bend Villas project.

Sincerely,
Tricia Alexander

Mr. Meyer,

I would like to write to express our views on the possible use of public funds for a project in Fort Worth, Arbor Bend Villas. This project will add additional students to already crowded area schools, would increase traffic next to these schools and next to numerous single family dwellings and would add nothing to the community in the way of affordable housing as several nearby apartment complexes offer housing at equal or lesser rental rates than Arbor Bend has proposed to charge. I hope that you will exercise any power that you have to prevent this project from receiving public funds. Thank you for your time.

Sam & Julie Hume
Fort Worth, TX

Dear Robbye,

I am writing in regards to the Arbor Bend Apts. If this goes through it is going to be an absolute nightmare. Crowley ISD is already over crowded, especially Oakmont Elementary. Dr. Sidney Poynter of the CISD testified of the detrimental affects to the school system at the March 6 meeting. I honestly don't know where in the world they would put all of the children!

This project is insane! The man got some cheap land, and is looking for $$$ and figures he has nothing to lose. He doesn't care about the schools and neighborhoods because he doesn't live here! There are already too many apt. complexes in the area. A HUGE apt. complex is already being built off of Oakmont Drive. (Not to be confused with Oakmont Trail where the Arbors would be built). The new apts. on Oakmont Drive are right by our neighborhood. I can see them from my house! I'm worried about where they're going to put all of the children from that complex!

I don't know the answer as far as what should be built on the land (maybe a park or some other kind of community facility that opens & closes at certain times)?, but another apt. complex would be insane! Anyone with any common sense can look at our area and tell you how over crowded it already is with apt. complexes and that another one would be a nightmare! There are FIVE APT. COMPLEXES next to our neighborhood already! THREE ARE ON OAKMONT TRAIL ALL RIGHT NEXT TO EACH OTHER where they want to build the Arbors! How much more "proof" does anyone need? Not to mention the new, very large complex being built not even a mile away on Oakmont Drive!

I am a single parent and moved to this area about 2 1/2 years ago. Please don't take away the safety of our neighborhood, reduce the value of my home and over crowd our schools even more. Some families have houses worth over $250,000! I'm sure some of them have already hired lawyers and I don't blame them.

SW Housing can build complexes on other land. Yes, it might be more expensive for them, but I'm sure they would make money! I cannot believe a representative from SW Housing stated at the March 6 meeting that the schools would not be over crowded, crime would not increase and that traffic congestion would not be a problem! How in the world would you know or care unless you lived here? Brian Potashnik didn't even come to the meeting on March 6! Gee, I wonder why. Anyone who feels confident in what they're doing, and feels it's the right thing to do doesn't hide.

Thank you for your time.

J. Meador

I would like to register my vote **AGAINST** the **Arbor Bend Villas complex.** As you have heard from the community in the recent past, the area around where these new apartments are being considered to be built, already has a glut of existing apartments in the price range of that expected to be leased by **Arbor Bend Villas.** There are more vacant apartments (current occupancy is in the mid 80% range which is well below the 90%+ range that apartment owners consider to be good level of occupancy) than what has been proposed to be built by the **Arbor Bend Villas** developer.

Since the last time this project was brought to the county for financing, for which it was denied, the traffic in southwest section of Fort Worth has only increased. Although the school district just opened a new elementary school to help alleviate severe overcrowding at the neighborhood school, there still exists a greater number of students than class room space. Thereby requiring the use of temporary structures. Also since that time three new apartment complexes are under construction. Two of these apartments are subsidized and all three are zoned for the neighborhood school.

When considering the information provided during the recent public meeting held at the neighborhood school as well as the recap I have provided you, it makes no financial sense and will only worsen an already bad situation as far as traffic and school over crowding if you approval funding for this proposed project.

Sincerely,

Daniel Tirsun
6945 Mesa Dr
Ft Worth TX 76132

Dear Mr. Meyer,

I would like to mention a topic that seems to have been left out of the March 6 Oakmont meeting.

Has the impact study considered adequate utilities to go around? Any study would also have to include all the buildings that are presently being constructed such as the Ripley Arnold relocation on Oakmont and the Seinor Citizens housing on Grandbury Cutoff.

TXU Gas reported a possible shortage in Fort Worth during the ice storm days we had. There is too much building going on to assess the effect on the Fort Worth water supply and water pressure. I guess only TXU knows if there is enough electric power to go around.

As may have been mentioned, there should be a moritorium on building to properly assess the adequacy of utilities. Just because we had an ample supply of water last year does not mean there will continue to be enough to go around in the years to come. There are too many people going into too small an area.

Mr. Potashnik didn't do his homework when he planned to locate his Arbor Bend Villas here. He admitted at previous meetings (when the Tarrant County loan was being considered) that he was unaware of the Ripley Arnold relocation on Oakmont.

With the congestion of the schools and the load on utilities, his parcel of land is more suited for single family homes. Give Councilman Chuck Silcox a chance to change the zoning in this area before this bond is granted. When the zoning was implemented, no one imagined such a population density in one small area.

Also left out of the meeting was the fact that Oakmont school was at that time scheduled and is right now being enlarged. I don't think this enlargment will fully account for the number of students that will be attending when the Ripley Arnold relocation is fully occupied. Time is needed to build another school. By the way, Dallas Park school just opened at the beginning of this school year and Oakmont still needed portables.

Please put the bond grant to Arbor Bend Villas on hold.

Charles Sanzone

Robbye-

I was unable to attend the March 6th meeting concerning the development of an apartment complex on Oakmont Trail in my community. I want to add my comments to the concern that the stress of added residents in this area will lead to. This area is saturated with apartment complexes, there cannot be justification for added residences of this type. Our roads are under maximum strain, our water & sewage systems are under load, our environment is starting to suffer from overuse of the resources in this area. We really cannot take the strain of more people residing in this square mile area. Currently, the population mix is well balanced and representative across the board, but if crime and pollution, crowding and road conditions cause a deterioration of quality of life in this area, we will experience residents relocating to areas that are better balanced in population. Therefore, this area will decline. It is a shame to see such a promising school and community area decline because of the issue of apartment complexes that have been proven to be unnecessary for our area (studies have shown there are vacancies for all sizes and rates available in this area that this new complex plans to offer).

A group of citizens are more than willing to work with the owner and investors of this property to develop an alternate use for this property. I hope when you are considering this proposal before you, you will study a map of the 1-3 square mile radius of this property to note the number of apartments in this area. Please be aware that low income housing is available in several of the complexes. We believe the demographics of the school and this area will reveal an equal representation of all socioeconomic levels.

We ask you to please be well informed in your decision making process, please visit our community to see why we are so eager to preserve it's current quality level, but also observe the pollution, poor road conditions etc that we as a community strive to keep well controlled.  Apartment dwellers often do not have the physical commitment to community upkeep, and when the numbers become so unbalanced (renters Vs homeowners) the decline will be obvious and homeowners will not want to invest time and energy into an exhausting community upkeep.  There are no winners in overcrowding.

Thank you,

Janet Barber
6713 Fall Meadow-Hulen Bend
Fort Worth, TX
76132

We are writing in opposition to the Arbor Bend Villa Project at 6150 Oakmont Trail in Ft. Worth. As area homeowners we are concerned with further overcrowding of roads and schools. All families in our neighborhood are adversely effected by grid-locked streets and children being educated in temporary trailers. WIth 25 apartment complexes in a 1.5 mile radius of the proposed development there is no need to waste the bonds on yet another apartment complex! By now you know concerns of the neighborhood. We sincerely hope that you will consider all of the facts and agree that this project should NOT move forward.
Thank you for your consideration.
Sincerely,
Dana and Cody Quisenberry

**I am a home owner at 6425 Greenbriar Ln., located about two blocks from the proposed development. I STRONGLY OPPOSE THIS DEVELOPMENT for the following reasons:**

**1) The area surrounding the proposed site already has one of the highest concentrations of apartments in the city of Ft. Worth. Two apartment complexes are immediately adjacent to the proposed site.**

**2) The existing apartment units in this area have similiar apartment rent schedules as that proposed by Arbor Bend, yet they have a vacancy rate of approximately 17%. They are currently offering financial incentatives in order to fill existing vacancies.**

**3)The Oakmont Elementary school is located about 3 blocks from the proposed site, and it is currently operating well in excess of its design limit. It is over crowded in the main building and they are using several temporary building to handle the pupil load. Adding additional children in this and in other schools in the Crowley ISD will tax this system even further.**

**4) The streets in this area are already inadaquate to handle the existing traffic. There are but two streets to handle traffic to and from this area. Hulen Street is filled with retail shopping establishments that are along the street as it flows into the Hulen Street Mall. This is a huge complex, located adjacent to Interstate 20. On the opposite side of Interstate 20 are another string of commercial enterprises. Hulen street feeds these establishments and is also a major entry to Interstate 20.**
**The other street is Bryant Irving Rd., which feeds City View. This is another huge shoping area that has everything from Sams Warehouse and Lowes to Comp USA and Best Buy. It is located adjacent to Interstate 20 and the traffic feeding to that area is bumper to bumper at many times of the day. Additional businesses are being added along Bryant Irving, which will add more strain to a street already overstressed.**

**For these reasons, I STRONGLY OPPOSE the building of additional apartments in this area. The addition of 152 apartments in this area are not needed since there are existing apartments with vacant units available at comparable prices to satisfy existing needs.**

**Please remember the purpose and mission of TDHCA, that is "To help Texans achieve an Improved Quality of Life ..." . The funding of the Arbor Bend Villias will have the OPPOSITE EFFECT. Please stop this project.**

**Thank you**

**Charles**

Ms. Meyer:

My husband and I live in the Quail Ridge addition and were both in attendance at last night's public hearing at Oakmont School.

Sufficient evidence was presented to warrant a second and even third look at this proposal. I'm sure you are in agreement that a strong case was made for the overcrowding in the school and there is no debate about traffic congestion, which is already a problem in the area.

It was really eye-opening for me to learn that even if a city council, elected officials and the citizens in the area oppose a development, there are ways around the system if you have enough money.

Please, please do all that is within your power to stop this development. We truly don't want or need another apartment complex in this area.

Thank you for your time.

Carol Culpepper
7105 Whitetail Trail
Fort Worth, TX 76132

-----Original Message-----
**From:** Cindy Bearden [mailto:CBearden@matrixbancorp.com]
**Sent:** Wednesday, December 04, 2002 12:19 PM
**To:** 'info@tdhca.state.tx.us'
**Subject:** Proposed housing development

I am a homeowner in the Hulen Bend Estates in Fort Worth near the proposed low-income housing development.
An article in today's Fort Worth Star Telegram reports that the Texas Dept. of Housing and Community Affairs has given preliminary approval to Southwest Housing Development to build on the 8.5 acres in my neighborhood.
Don't you have to hold a public hearing, isn't this state bond money? How do you give preliminary approval without following the established rules?

The article suggest that the neighborhood concerns are that of increase crime and deterioration of the neighborhood.
That is not true our true concern is that of overcrowding in the Oakmont Elementary School. this school was built to
facilitate 600 students, current 721 students attend school. With the guidelines for those that would live in the proposed
housing state a family of four with a minimum income of $..... what does the TDHCA suppose makes up that family of four?
I bet in general that means two children. This proposed housing development would add additional children to an already
overcrowded school and place additional strand on school district resources. Overcrowding does lower the quality of
education, it has been proven.

There are currently 17 apartment complexes that feed into this elementary school along with at least three subdivisions.
Enough is enough. We need to build a least one more elementary school before we should even consider an additional
multi-family housing.

Just to be clear, I am NOT against low-income housing in my neighborhood, I am against low-income multi-family housing.
I think a program that offered an incentive for the same family of four with the same income level as proposed, to move in and eventually own the house they live in would be a much better value for the family, community, the school district,
and the taxing authorities.

We also have concerns with Mr. Potashnik and Southwest Housing. Apparently he has pulled the same scam on state agencies in other state, California and Colorado to name two, promises the world and does not deliver and in a least one case owes back taxes.
He operates under various names corporate shells and sub-corp that make it difficult to track. The man cannot and should not be trusted and the State of Texas should not become his next victim.

Please take my comments in mind when making your final decision. I will see you at the public hearing.

Cindy Bearden
6700 Trail Cliff Way
Fort Worth, Texas 76132

## PETITION AGAINST TAX FREE BONDS & LOW INCOME HOUSING TAX CREDITS

**We the undersigned, residents of the City of Fort Worth, do herewith petition the Texas Department of Housing and Community Affairs to not issue Tax Exempt Bonds and Low Income Housing Tax Credits to the Southwest Housing, Inc for the purpose of building an apartment complex at 6150 Oakmont Trail, Fort Worth Texas. This site is in a suburb area that is already saturated with apartment complexes. The project is the center of an area with a radius of 1½ miles, which already contains 24 other apartment complexes with 7,354 rental units. At least one of these complexes was financed with tax-exempt bonds. There are six contiguous complexes with 1,641 rental units adjoining this property. The two major roadways into this area are at capacity. The traffic improvements now being discussed, if approved and funded, will not be available for several years. The public schools are operating over their designed capacity and will be adversely affected by the increased student population from this project.**

| | DATE | NAME (printed) | SIGNATURE | ADDRESS | BIRTHDAY |
|---|---|---|---|---|---|
| 1. | 2/7/03 | Delores M. Weiland | Delores M. Weiland | 6612 High Brook Drive | 6-8-33 |
| 2 | 2/7/03 | Joseph K. Weiland | Joseph K. Weiland | 6612 High Brook Drive | 12-22-29 |
| 3. | 2/7/03 | George T. Smith | George T. Smith | 6608 High Brook Drive | 3-14-20 |
| 4. | 2/7/03 | Clinton B. Admire | Clinton B. Admire | 6600 High Brook Dr. | 12-24-81 |
| 5. | 2/7/03 | Natalie Hoffman | Natalie Hoffman | " " | 12-6-14-80 |
| 6. | 2-7-03 | HENRYK WOZNICZKA | [illegible] | 6516 High Brook Dr | 5-4-62 |
| 7. | 2/7/03 | JACQUE ADELSON | J. Adelson | 6512 High Brook | 8/4/37 |
| 8. | 2/7/03 | Sarah Fryman | Sarah Hudson Fryman | 6508 High Brook Drive | 6-6-33 |
| 9. | 2/7/03 | KEN HUBBARD | [illegible] | 6504 High Brook DRIVE | 8-21-55 |
| 10 | 2/7/03 | Mary Tolson | Mary Tolson | 6416 High Brook Dr | 7-19-61 |
| 11 | 2/7/03 | Thomas Tolson | Tom T Tolson | 6416 High Brook Dr | 2-26-57 |
| 12 | 2/7/03 | Pamela C Barksdale | Pamela C Barksdale | 6505 High Brook Dr | 5-22-[illegible] |
| 13 | 2/7/03 | William Barksdale | William Barksdale | 6505 High Brook Dr | 1/9/65 |
| 14 | 2/7/03 | Jamey Miller | Jamey Miller | 6420 High Brook Dr | 12/3/63 |
| 15 | 2/8/03 | Mary Lopes | Mary Lopes | 6412 High Brook Dr | 10-7-62 |
| 16 | 2/8/03 | MICHAEL CAWOOD | Michael D. Cawood | 6400 HIGH BROOK DR. | 5-7-61 |
| 17 | 2/8/03 | Susan Cawood | Susan Cawood | 6400 High Brook Dr. | 9-11-62 |
| 18 | 2/8/03 | DEBORAH LEE | DEBORAH LEE | 7001 TAMARON TRL | 5-13-5[illegible] |
| 19 | 2/8/03 | Allen J. Haydel | [illegible] | 6616 High Brook Dr. | 9-13-63 |
| 20 | 2/8/03 | Leah L. Haydel | Leah Haydel | 6616 High Brook Dr. | 6-10-65 |

AFFIDAVIT OF CIRCULATOR: I called each signer's attention to the above statement and witnessed the affixing of the correct date of signing and of each signature. I believe that each signature is that of the person whose name it purports to be and that the corresponding information for each signer is correct.

Delores M. Weiland (Signature of circulator)

2/8/03 (Date)

**Arbor Bend Villas - Summary of Community Outreach Efforts**

**Starting in November 2001**

All required notification sent to elected officials in accordance with Program requirements

All required public notices posted in appropriate publications

Follow-up phone calls to elected officials including Mayor Barr and Councilman Chuck Silcox requesting meetings to discuss development plans

Brian Potashnik meets with Mayor Barr and Assistant City Manager. Mayor commits to helping expedite permitting process to insure meeting bond closing deadlines

Various meetings with HFC bond counsel and Community Development employee assigned to process transaction

**Starting in late April, early May 2002**

Brian Potashnik meets at Ft. Worth City Hall with Councilman Silcox, State Representative Mowrey, neighborhood representatives, assistant City Attorney, and Housing Department Director. At this meeting, Silcox tell Brain that he does not have a problem with conventional apartments, rather, with putting low income people in an area with $200K+ homes. He informs Brian that he has "the rope, the tar and the feathers for him" if he builds the project at the proposed location. Assistant City Attorney assures Brian that this is not the position of the City of Fort Worth.

Brian and Cheryl Potashnik, along with representatives from architectural firm BGO, attend a neighborhood meeting at a private home in Hulen Bend Estates. Approximately fifty people are in attendance.

Brian and Cheryl Potashnik meet with Commissioner Bagsby

SWH continues efforts to outreach to neighborhood. SWH offers tours of its properties as well as other gestures in effort to be "good neighbor." This includes offer to join Neighborhood Association and pay $5000/yr for 10 yrs, finance a computer lab at the school, make design modifications, etc.

TCHFC holds TEFRA hearing. Councilman Silcox denies receiving any notification of the project and accuses SWH of trying to "stealth" into the neighborhood. He is confronted by a local reporter who shows him proof of notification. Silcox grabs proof and takes off with it. Reporter tries to retrieve documentation and Silcox swears at him.

SWH continues to outreach to the neighborhood

Brian Potashnik meets again with Commissioner Bagsby.

TCHFC holds vote and tables matter. Commissioner Bagsby requests additional studies from SWH to address concerns raised by neighborhood. Commissioner Bagsby represents to Cheryl Potashnik that she will call an emergency meeting to reconsider matter if studies are completed timely.

Councilman Silcox holds a neighborhood meeting and does not tell SWH. SWH is monitoring neighborhood association website and finds out about the meeting. Brian Potashnik attends. David Burrell from TDHCA is in attendance as well. Silcox admits that he was notified about the development.

SWH submits requested studies to TCHFC for review and requests emergency meeting of TCHFC to reconsider matter. Also submit letter from Assistant City Manager stating that many of the concerns raised were addressed in building permit process and that there are no outstanding issues. Studies also show no material impact to community.

Correspondence back and forth between Superintendent of Crowley ISD and SWH due to Superintendent's disagreement with school impact study and opposition to the project

SWH attempts to arrange meeting with neighborhood representatives. Meeting is scheduled but neighborhood cancels and refuses to meet

After exhaustive legal maneuvering, TCHFC reconvenes and again refuses to vote; bonds expire

SWH files TRO to compel TCHFC to issue bonds prior to expiration. TCHFC sues SWH in state court in attempt to preempt federal case. TRO denied. Complaint amended. TCHFC files motion to dismiss federal fair housing complaint. Judge denies motion. TCHFC attempts to exercise indemnity agreement and force SWH to pay its legal fees. Judge denies TCHFC's counterclaim for recovery under the indemnity agreement.

TCHFC accepts and then cancels, with no notice or hearing, SWH bond reservation for Parks at Riverplace

SWH amends complaint to include retaliation with respect to Parks at Riverplace cancellation

**Late Summer 2002**

Eric Fox, head of neighborhood opposition, travels to Austin and testifies against project that SWH has pending in front of Austin HFC. Austin HFC unanimously approves deal, and asks Fox if he has ever heard the term NIMBY

**Starting in October 2002**

SWH resubmits in 2002 bond lottery. All proper notices delivered and posted.

After 2002 bond lottery, Councilman Silcox is quoted in Star Telegram as saying **"Having low income housing in a middle class neighborhood is very unsettling to a lot of people. I'm a firm believer that you get what you earn. I don't believe that low income people should be mixed in with middle and high income people just to satisfy the social engineers."** (see attached article) These comments are reprinted in national NIMBY report. This is an affirmation of comments made at initial meeting with Brian (see chronology from Neighborhood Association website)

SWH sends a letter and email to neighborhood association after receiving bond cap in '02 lottery (see attached). SWH receives a brief reply (see attached). SWH responds again asking for a meeting, however, no response is received. (December –January 2002)

Prior to TEFRA hearing, neighborhood posts signs advertising Public Hearing to STOP Government Funding of Arbor Bend Apartments (see attached).

TEFRA hearing is held. SWH does a presentation which attempts to address concerns raised at prior year hearings and meetings.

Various meetings and tour with Neighborhood Housing Services (NHS), a Fort Worth based CHDO. Strong support for Arbor Bend is given by Board of Directors due to significant need for quality affordable housing in Fort Worth.

NHS attempts to arrange a meeting with the new CISD Superintendent. Former Superintendent has retired. NHS is still awaiting a response.

**Cheryl Potashnik**

**From:** Cheryl Potashnik

**Sent:** Friday, January 10, 2003 12:36 PM

**To:** 'Krisandbrian@sbcglobal.net'

**Subject:** Arbor Bend Villas

Dear Mr. and Mrs. Trice,

Thank you for your response to our letter and your suggestions. We certainly appreciate your insight into the issues that are of concern to the neighborhood. I was wondering if you would be willing to meet with us and some representatives from the neighborhood sometime in the next few weeks. We would appreciate the opportunity to open the lines of communication prior to the start of the public hearing process. Please let me know a time that is convenient for you and we will be available. Thank you very much for your time.

Sincerely,

Brian & Cheryl Potashnik

**Meryal Buchleiter**

**From:** Brian and Kristen Trice [krisandbrian@sbcglobal.net]

**Sent:** Thursday, December 12, 2002 8:35 PM

**To:** Brian Potashnik

**Subject:** Re: Arbor Bend Villas

Brian thank you for your email and FedEx letter. I am aware of your concerns for this neighborhood. From all that I have read and all the concerns that have been voiced it seems that there are several major concerns that have to be overcome to convince the surrounding neighborhoods that your project won't be an eye sore and a future crime problem. I personally feel that these two issues are on the top of the complaint list. Do you have any suggestions for ensuring security and safety that your complex might be able to offer to the surrounding neighborhoods. (Something for example that makes this part of town undesirable for crime and that would be a deterrent) Safety for the children and stay at home moms seems to me to be a major concern. By overcoming the security issues your odds of support might be increased or changed. Especially if you come up with something that would blow away peoples expectations. These are my opinions and not of the communities.

Sincerely,
Brian Trice

> ---- Original Message -----
> **From:** Brian Potashnik
> **To:** krisandbrian@sbcglobal.net
> **Sent:** Tuesday, December 10, 2002 3:43 PM
> **Subject:** Arbor Bend Villas
>
> December 10, 2002
>
> Dear Neighbor,
>
> As you know, an affiliate of Southwest Housing purchased the vacant land on Oakmont Road earlier this year. On a recent visit to your website I saw that you are already aware of the application that we have made to the Texas Department of Housing and Community Affairs ("TDHCA") for a tax-exempt bond allocation and subsequent tax credit allocation to develop 153 units of affordable rental housing for families with children and other qualified occupants on this site.
>
> I am hopeful that in the coming months, we can engage in a productive dialogue with the Hulen Bend area residents and elected officials that will facilitate a positive relationship between us. As property owners, we all have a vested interest in this community, and we want to work with you and be a good neighbor.
>
> That being said, it is important for the neighborhood to understand that this site is zoned for apartments, and we have a valid building permit that allows us to initiate construction at our discretion. Apartments will be built on this site. The City of Fort Worth has conducted traffic impact and other analyses as part of the building permit process and is satisfied with all outcomes. I am more than willing to take into consideration design input and other suggestions from the neighborhood. However, productive discussions can only happen if the neighborhood is willing to give Southwest Housing a chance. If everyone has already closed their minds to the fact that affordable housing can be an asset to the neighborhood rather than a detriment, we will not get very far.
>
> I would like to suggest a positive beginning to this relationship with a meeting between the Hulen Bend Estates homeowners' association Board of Directors and myself prior to initiating a community-wide meeting. If you would contact me with a date and time that is convenient for you, I will make myself available. I would also like to invite you on a tour of some of our other communities, in an effort to dispel some of the mischaracterizations of affordable housing. I will look forward to hearing from you. I am available either by phone or email. My phone number is (214) 891-1402 extension 2111, and my email address is bpotashnik@southwesthousing.com.
>
> Sincerely,

Our Local Channels | News | Business | Sports | Entertainment | Living | C

| Help | Contact Us | Site Index | Archives | Place an Ad | Newspape

Our Site Tools

Weather

Dallas/Fort-Worth +42 +32

Local Events

Yellow Pages

Discussion Boards

Maps & Directions



Star-Telegram.com

» Fort Worth
» Arlington
» Northeast Tarrant
» Dallas
» Texas
» National
» International
» Business
» Opinions
» Cheers & Jeers
» Letters to the Editor
» Columnists
» Special Reports

Knight Ridder Washington Bureau

Making sense of Washington and the world.

» Washington Bureau

more

Search

go

» Search the Archives

Back to Home > News >

Thursday, Dec 05, 2002

Shoppin

Find a J
an Apar
a Home

S

» New!
onlin



PHOTOS

» more p

# Local

Posted on Wed, Dec. 04, 2002

Star-Telegram

## State might issue bonds for low-income housing

By Kevin Lyons
Star-Telegram Staff Writer

**FORT WORTH -** Despite being rebuffed by Tarrant County officials, developers of a proposed affordable housing complex in southwest Fort Worth are on the verge of receiving state support.

Officials with the Texas Department of Housing and Community Affairs, a state-sponsored housing finance authority, say they will likely issue $12.1 million in bonds to Southwest Housing Development so that it can build a 152-unit apartment complex for low-income tenants in the Hulen Bend Estates area.

The Tarrant County Housing Finance Committee did not vote to issue bonds last spring because residents voiced concerns about overcrowded schools, traffic and increased population. Neighborhood leaders said those concerns remain and at least one City Council member questioned whether low-income residents should live next to a well-manicured neighborhood where most home values range from $200,000 and $250,000.

TDHCA has planned a public hearing on the matter in March, but Tuesday an official said that the neighborhood concerns aren't strong enough to block approval.

"People think that with low-income properties that you are going to have an increase in crime, that there will be overcrowding in the schools, and that the neighborhood will deteriorate," said Robert Onion, director of multifamily bond finance for the TDHCA. "Our board has heard those arguments over the years. ... Trouble is, everybody makes that claim without supporting documents."

Southwest Housing Development President Brian Potashnik, is confident that the proposal to build on 8.5 acres at 6150 Oakmont

Trail will receive final approval.

Potashnik bought the land for $1.5 million. It has been zoned for multifamily housing since the early 1990s.

"We are building what the land use dictates a builder can build," Potashnik said. "We'd like to reach out to the neighborhood to inform them that this is not public housing. It won't lower their home values."

To qualify, a family of four would have to earn a minimum annual salary of $25,740 and no more than $48,540. A family of four renting a two-bedroom apartment would pay about $650 monthly. Tenants would have to be employed unless they are disabled. People with criminal records and evictions would be disqualified.

"We'd just like a lot more information on what is going on," said Julie Rosenblatt, a Hulen Bend Estates resident. "We'd just like someone to be totally straight with us, because right now, it is too early to say what needs to be done. We just need more information."

City Councilman Chuck Silcox, who represents the neighborhood, protested the proposed Arbor Bend Villas last spring, and plans to help organize another protest at the TDHCA hearing in March.

"Having low-income housing in a middle-class neighborhood is very unsettling to a lot of people," Silcox said. "I'm a firm believer that you get what you earn. I don't believe that low-income people should be mixed in with middle- and high-income people just to satisfy the social engineers."

Arbor Bend Villas would bring the number of apartment units in the area to about 7,750, Silcox said.

"That's way too many," said Eric Fox, a spokesman for the Hulen Bend Estates neighborhood association, which represents about 372 homeowners.

There are also concerns that another complex would over-saturate the neighborhood school, Oakmont Elementary School, which is already at capacity with 721 students, said Crowley school district Superintendent Sidney Poynter.

"Its just very disappointing to hear that the state would approve such a project when the local county level has already denied," said Poynter, who testified at a public hearing last spring that additional children from the development would be a burden. "We are already going to have to add portable buildings to Oakmont just to handle the regular growth."

*ONLINE: Texas Department of Housing and Community Affairs,* their families) to live in housing of their choice. It also represents sensible social policy to allow adult children with disabilities to live with their parents rather than in institutional settings.

The court found that making an exception for Scott Canady would not endanger the Association's status. The court's opinion reiterates that the "older persons" provision only shields a community from a claim of discrimination by families with children under 18: "Neither the federal nor the state [Fair Housing] Act exempts housing for older persons from the provisions prohibiting discrimination against disabled persons." Allowing Scott to live with his parents, the court said, is required as a reasonable accommodation under the fair housing laws. The court entered judgment in favor of the Canadys, and required the association to pay their attorney's fees.

The case is known as Canady v. Prescott Canyon Estates Homeowners' Association, 2002 WL 31856751 (Ariz. App. 12/20/02), and is available on-line at http://www.cofad1.state.az.us/opinionfiles/cv/cv020138.pdf.

For more information: Julianne H. Carter, Arizona Center for Disability Law. Telephone: (602) 274-6287. E-mail: jcarter@acdl.com

---

TEXAS

## Affordable Multi-Family Housing Moves Forward Despite Opposition

(The November 2002 NIMBY Report featured a short article on the community acceptance approach of Brian Potashnik and Southwest Housing Development. Their insistence on high-quality affordable properties with amenities and services to support residents has led to success at a previously contested site).

Facing unremitting hostility from neighbors and Tarrant County elected officials, Southwest Housing Development scored a win in early December when state officials gave the company preliminary approval to build a 152-unit apartment complex for low income tenants in the Cityview neighborhood of Fort Worth. The approval by the Texas Department of Housing and Community Affairs (TDHCA) includes issuance of $12.1 million in bonds to support the project. The agency plans a public hearing on the matter in March, but its director for multifamily bond finance has said that the neighborhood concerns aren't strong enough to block approval.

"People think that with low income properties that you are going to have an increase in crime, that there will be overcrowding in the schools, and that the neighborhood will deteriorate," said Robert Onion. "Our board has heard those arguments over the years. Trouble is, everybody makes that claim without supporting documents."

The project is proceeding despite strong opposition from county elected officials. During the spring of 2002, the county housing finance committee withheld approval for bonds because of neighborhood concerns about overcrowded schools, traffic and increased population. City Councilman Chuck Silcox, who represents the neighborhood, protested another affordable housing community last year, and says he plans to help organize another protest at the TDHCA hearing in March. He told the Fort Worth Star-Telegram that "[h] aving low-income housing in a middle-class neighborhood is very unsettling to a lot of people....I'm a firm believer that you get what you earn. I don't believe that low-income people should be mixed in with middle- and high-income people just to satisfy the social engineers."

Southwest President Brian Potashnik says he does not understand the controversy about the site, which has been zoned for multifamily housing for more than a decade: "We are building what the land use dictates a builder can build. It won't lower their home values."

For more information: Brian Potashnik, Southwest Housing Development. Telephone: 214/891-1402.

116

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
JUN 18 2002
3:30
CLERK, U.S. DISTRICT COURT
By ______ Deputy

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

| | | |
|---|---|---|
| ARBOR BEND VILLAS HOUSING, L.P. | § | |
| | § | |
| VS. | § | CIVIL ACTION 4:02-CV-478-Y |
| | § | |
| TARRANT COUNTY HOUSING FINANCE CORPORATION, ET AL. | § | |
| | § | |

ORDER DENYING MOTION TO DISMISS

Pending before the Court is defendant Tarrant County Housing Finance Corporation's Motion to Dismiss [doc. # 6-1], filed May 30, 2002. Having carefully considered the motion and the response, the Court concludes that it should be DENIED.

"A motion to dismiss for failure to state a claim is viewed with disfavor and is rarely granted." *Kaiser Aluminum & Chem. Sales v. Avondale Shipyards, Inc.*, 677 F.2d 1045, 1050 (5th Cir. 1982), cert. denied, 459 U.S. 1105 (1983) (quoting Wright & Miller, *Federal Practice and Procedure* § 1357 (1969)). The court must accept as true all well pleaded, non-conclusory allegations in the complaint, and must liberally construe the complaint in favor of the plaintiffs. *Kaiser Aluminum*, 677 F.2d at 1050. A court should not dismiss a complaint for failure to state a claim unless it appears beyond doubt from the face of the plaintiff's pleadings that he can prove no set of facts in support of his claim that would entitle him to relief. *Hishon v. King & Spalding*, 467 U.S. 69, 73 (1984); *Garrett v. Commonwealth Mortgage Corp.*, 938 F.2d 592, 594 ($5^{th}$ Cir. 1991); *Kaiser Aluminum*,

13

USDC

677 F.2d at 1050.

In this case, Plaintiff's complaint alleges that the defendants violated the Fair Housing Act, 42 U.S.C. § 3601 et seq., by failing to approve the issuance of bonds that would have funded the development of low-income housing. After carefully reviewing the pleadings and the arguments in the documents filed, the Court is not convinced that Plaintiff could prove no set of facts that would entitle it to relief against the defendants.

Therefore, it is ORDERED that the defendant's Motion to Dismiss [doc. # 6-1] is DENIED.

SIGNED June 18, 2002.

Terry R. Means
TERRY R. MEANS
UNITED STATES DISTRICT JUDGE

TRM/knv

HB

Have you got your HB shirt yet?

New!
About Hulen Bend
Register for HB Updates
Special Message
Hulen Bend Directory
HB Sport Court I

Community
SW Parkway Update
Schedule Of Events
FW Neighborhood Database
Association Info
Business Listings
Neighborhood Photos
Neighborhood Links
Newsletters
Approved Contractors
Bad Contractor Comments
Crime Update
Mail Soliciting

People
Bulletin Board
HB Question/Answer
Homes For Sale
Garage Sales

Government
Political Directory

Schools
Crowley ISD
Oakmont Elementary
Crowley Middle
North Crowley High

Important Numbers
Building / Land Developer
Emergency
Utilities
Hospitals
Schools
Home Service Outages
Officers Assigned to HB

HB Homeowner Web Pages
Our Web Page

Sports
News on Your Sports Teams -

## Fort Worth, Texas Wed, 22-May-2002 13:22:

South West Higway 121 Mee

**Local News**

redistricting plan tentatively approved Tuesday b
City Council.
By ANNA M. TINSLEY, Star-Telegram Staff Writer,
05/22/2002 03:01 AM CDT)

Talks push May deadline on Stonegate
FORT WORTH - Working against the clock, five m
of the Hulen Neighborhood Coordination Commit
behind closed doors for more than two hours Tue
with a group of Fort Worth Housing Authority
representatives.
By BECHETTA JACKSON, Star-Telegram Staff Wr
05/22/2002 03:01 AM CDT)

Attorney jailed in bond case
FORT WORTH - Attorney Lisa Ryan was sentence
months in jail Tuesday, the culmination of a two-
legal fight with a judge who maintains that Ryan
as an unlicensed bail bond agent.
By MAX B. BAKER, Star-Telegram Staff Writer, 05
03:01 AM CDT)

**Weather Forecas**

Wednesday morning - Ma

| | |
|---|---|
| Wednesday | Fair, high 81, 0% c precipitation. |
| Wednesday night | Low 66, 0% chanc precipitation. |
| Thursday | Partly cloudy, hig chance of precipit |
| Thursday night | Low 67. |
| Friday | High 83. |

**HB Home Owner Associati**

Excel Management Bill H

| Position | Name |
|---|---|
| Pres. | Dave Boyd |
| V. P. | Brian Trice |
| Sec. Tres. | Dan Smith |

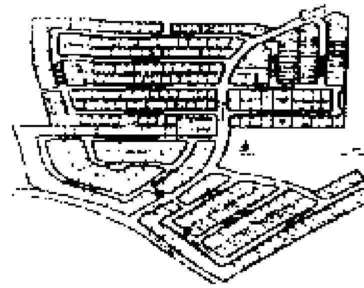
## • From the Board of Directors •

ARBOR BEND APARTMENTS UPDATE FOR 5/21/2002 - Several of our residents about the "sold" sign the overlays the existing real estate sign on this property. At o previous meetings, Southwest Housing Inc. was asked why the real estate sign hac removed since, apparently, the property belonged to SWH. Mr. Polashnik, Presider company said he would place a "sold" sign for plain view. " What were waiting for n May 31, 2002 to come and go. To our knowledge, SWH had until this date to achei confidence from the County Commissioner's Court, as required by Texas Housing guidelines. " This seems an appropriate time to thank everyone who involved thems community-wide protest. Hulen Bend Estates HOA, Oakmont Meadows residents, F HOA, Quail Ridge Estates HOA, Quail Ridge II residents and Vista Ridge residents important roles. Thank you for the spirit of togetherness! Sincerely, Dave Boyd

ISPlan

**Amenities Center**

**Map of Hulen Bend**



ARBOR BEND APARTMENTS UPDATE FOR 5/15/2002 - Councilman Chuck Silco community meeting at Oakmont Elementary tonight. More than 400 area residents i comments by several people, including the developer Brian Potashnik, President of Housing, Crowley ISD Superintendent Sidney Poynter, Tarrant County Precinct Adr Brooks, a representative from the Texas Housing and Community Affairs Departme president of Hulen Bend Estates HOA Jack Baxley, and other residents of the comr Mr. Silcox as discussion leader and a posted aerial map, he spent the first hour revi issues, naming key players and explaining where we are and what's ahead. After th questions were taken from the crowd attending. Residents were concerned about w officials) knew what, when? Why weren't homeowners and school officials kept in th information? Can zoning be changed? If not, do we have any recourse at this late d Southwest Housing succeed with their substantial investment in placing apartments property? If they lose this particular funding, will they acquire other funding? Mr. Po reveal that he would be submitting his report to the bond adviser Dan Settle for revi of days. Mr. Settle will determine if Mr. Potashnik's report is sufficiently worthy of an hearing. Whether it will be scheduled by month's end is not known by anybody at th Currently, the proposal to grant the funding Southwest Housing has applied for has with no date set. More later...DB

Message - Dionne Bagsby to Potashnik, Subject: Arbor Bend Villas Multi-family Ho Development

ARBOR BEND APARTMENTS FOR 5/12/2002 - Chuck Silcox has scheduled an im with the community for Wednesday, May 15th at 7:00 pm, at Oakmont Elementary residents of Hulen Bend Estates, Oakmont Meadows, Park Palisades, Quail Ridge Ridge II, as well as other surrounding communities are invited. Chuck has invited a of the Texas Housing and Community Affairs Department in Austin, Superintendent of Crowley ISD and Tarrant County Commissioner - Precinct 1 Dionne Bagsby to m presentations. Large ariel maps will be on display to give all of us a better understa density of apartments and current zoning allocations across a 3 mile radius. We hig as many people as possible from all area communities to be present. Questions cal 817-263-6447 or email.

ARBOR BEND APARTMENTS UPDATE FOR 5/10/2002 - Precinct 1 Administrator Commissioner Bagsby's office, informed me of the probability that Southwest Housi attempt to submit impact studies as requested in the Court hearing on May 7th. The before them is the validity of such information presented and the likelihood of gettin hearing from the Commissioner's Court before May 31, 2002. Rest assured that if a meeting is scheduled, it will be open to the public. DB

ARBOR BEND APARTMENTS UPDATE FOR 5/09/2002 - Chuck Silcox called me concerning the following: Commissioner Bagsby postponed construction pending th by the developers, a report, assessing the projects affect on schools, traffic and the order for the developer to qualify for the approved tax credits, they have only until M submit this report at a regular council session. It's unlikely that time will permit a bo the developer may try get one approved anyway. Also, Chuck Silcox has acquired a of this area, signifying zoning particulars, that he wants us to have as arsenal for th project. More on this later...DB

ARBOR BEND APARTMENTS UPDATE FOR 5/07/2002 - Today, led by Commissio Bagsby, the Court unaminously voted to "table" a decision on the development of th 6150 Oakmont Trail. This essentially prevents Southwest Housing, Inc. from meetin deadlines set by the Federal Housing Authority. The activism of residents from Hule Oakmont Meadows and Park Palisades and other communities have won the attent of Fort Worth, Crowley as well as the County Commissioners. Well done and thank too numerous to mention everyone by name! It was, truly, a community effort...We well deserved thank you for accepting our request to formally represent our commu him at (817) 361-7967. Let's continue the spirit of viligence of our neighborhoods a areas. More later...DB

ARBOR BEND APARTMENTS UPDATE 5/06/2002 - An estimate of 300+ residents Bend Estates, Oakmont Meadows, Park Palisades and other neighboring communi overwhelmed the Commissioner's Court today with their orderly presence at a publ regarding the apartment complex. More than a dozen speakers, including Eric Fox, Hulen Bend Estates, spoke convincingly in oposition to the project. Also, 650 signe presented to the Court opposing subsidized apartment construction. Councilman Cl State Rep. Anna Mowery, Commissioner Dionne Bagsby and Crowley ISD Superint Pointer were the prominent speakers in opposition to a new subsidized apartment c Oakmont Trail. The meeting adjorned just before 5pm with most of those present fe Tuesday's Commissioner's Court vote on this project will be for postponement for u This possible action would give the above homeowner's groups additional time to re respond to future development on this site, as well as on several other "multi-family the surrounding vicinity of Hulen Bend Estates. Thanks to everyone who were able

today's meeting. It was a wonderful exercise and education in participatory governm
See the Star-Telegram article.

SOUTHWEST HOUSING OFFERS "INCENTIVES" TO HOMEOWNERS ASSOCIA
OPPOSE THEIR APARTMENT PROJECT ON 5/06/2002 - By e-mail, Bill Fisher, Pr
development company offered the following incentives: $50,000 ($5,000 per year fc
the discretion of the Board of Directors, to be used for crime watch, beautification o
support. Written guarantee that full school taxes would be paid regardless of owner
15 years. $10,000 toward an Oakmont Elementary computer lab. Participation in th
On Patrol (COP) Program. In addition, the company is open to change structural pr
from building height to set backs, as well as making landscape adjustments and pr
maintenance standards. Finally, the company feels that it's impact on the Crowley I.
minimal, with less than 40 children filtering throughout the entire school system. DB

CONVERSATION WITH STATE REP. ANNA MOWERY 5/03/2002 - It's very import
who speak at the hearing or distribute flyers or carry signs on Monday stick to the fc
points of contention with regard to subsidize apartment development: current apartr
overcrowding of schools and loss of tax revenue. DB

ARBOR BEND UPDATE FOR 5/02/2002 - Today, more than fifty area homeowners
the Schoening's residence to hear an address by Bill Fisher, President, Southwest I
After more than 2 hours of presentation and discussion, most attending obtained a
understanding of the proposed development. The focus, now, is on the Monday, 2p
the Tarrant County Admin. Bldg., 5th floor main conference room. DB

LOW INCOME HOUSING UPDATE FOR 5/01/2002 - Today, David Boyd, our curre
President, met with Tarrant County Commissioner (Precinct 1) Dionne Bagsby, her
MaryBeth Ashley and Roy Brooks, Precinct Administrator. This was a factfinding mi
part at the recommendation of one of our well-informed attorney residents. The mee
cordial. Roy Brooks showed me inital documents filed by Southwest Housing sever
which detailed project particulars. After informing Commissioner Bagsby of tomorro
between the area homeowners and the developers, she asked that her associates
meeting as well. She, also, welcomes all of us to attend the hearing slated for Monc
Tarrant County Admin. Bldg.

ALERT - The developer Southwest Housing Inc. have been invited to Hulen Bend E
presentation on the project from their angle. You're invited to attend this important r
Cheryl Schoening's home at 6752 Audubon Trail at 9:00 am, Thursday morning, Ma
to have a housing official attend as well.

LOW INCOME HOUSING UPDATE FOR 4/30/2002 - Today, our fellow resident Er
Martin Government Lobbyist, agreed to be our spokesperson at the upcoming Com
Court hearing on Monday, May 6th, at the Tarrant County Admin. Bldg., 100 E Wea
Ste 503A, downtown Fort Worth. WE PLEAD FOR YOUR ATTENDENCE AT THIS
Flyers will be circulated throughout your community, along with Petition-signature g
Sunday. Also, call County Commissioner Dionne Bagsby's office to protest at 817-3

NOTES FROM FACT FINDING MEETING ON 4/28/2002 -
Attendees:

- Chuck Silcox,
- Anna Mallory, State Rep.
- Hugh Davis, Ass. City Attorney,
- Jerome Walker, Dir. of Housing,
- Joe Paniagua, Ass. City Manager,
- Brandon Aghamalian, Manager of Gov. Relations,
- Brian Potashnik, SW Housing,
- and Cindy Bearden, resident of Hulen Bend Estates.

Southwest Housing proposes to build and manage "Arbor Bend" a low income, mul
apartment complex at 6150 Oakmont Trail. They're planning to use tax-free bond m
the State of Texas to finance the project.
Criteria, as explained by Mr. Potashnik are:

- Tenant must be employed or disabled,
- Children in the complex must have a 95% school attendance record;
- no felony convictions;
- no evictions;
- at the time of certification, income levels must not exceed up to $51,000 for family of four, up to $25,000 one person income.

The apartment complex would be comprised of 2 and 3 bedroom units:

The apartment complex would be comprised of 2 and 3 bedroom units,

- 2 bedroom approx. 950 s/f would rent for $625-$660 net of utilities,
- 3 bedrrom would rent for $100 more or about $750 per month.

Rents would be 50% of median rental rates of the area. Southwest Housing intends ownership and cash flow. This could change if they decide to partner with the Comr and Development Org. (CHADO). If they do partner with a CHADO, the property wo subject to taxes.

Why this site? Investment value and potential for longer term growth and zoned mu Financing would come in the form of a tax-free bond issue of $15,000,000 which is at below market rates. In addition to "cheap money" they would receive a $4,000,0( which they can sell to investors. The term used for this type of financing is called "g

There will be a bond review meeting held on May 6th at 2:00pm in the Commission 503A of the Tarrant County Admin. Bldg., 100 E. Weatherford Avenue, downtown F need to have lots of people at this meeting. There will also be a community meetinc Representative Anna Mallory in the near future...date and place to be announced. F submitted, Cindy Bearden, Hulen Bend Estates resident.

---

LOW INCOME HOUSING UPDATE FOR 4/29/2002 - Today, our FW City Councilm held a factfinding meeting with:

- the developer,
- our State Rep. Anne Mowrey,
- Assist. City Manager Joe Paniagua,
- FW Housing's Jerome Walker,
- Hugh Davis, FW Manager of Government Relations and
- a Hulen Bend Estates resident Cindy Bearden.

Now, Cindy Bearden will submit a written report of the meeting and the contents of shared with everyone. In brief, Anne Mowrey stated her objection to any additional construction. Chuck Silcox stated his objection to mixing divergent income levels to together. The manager of government relations and Chuck Silcox suggested other appropriate sites be considered and that exceptions be solicated so that the develo lose funding. As I said, this is just a snapshot of the meeting. More details later...Re Commissioner's Court hearing set for May 6th at 2:00pm, held at 100 E Weatherfor This will be our BEST time and BEST place to make an impact on this project.

Sincerely, DB

# FORT WORTH

RECEIVED
MAY 23 2002

May 20, 2002

Mr. Brian Potashnik
President
Southwest Housing Development
5910 North Central Expressway, Suite 1145
Dallas, TX 75206

Re: City of Fort Worth Building Permit Review – Arbor Bend Villas

Dear Mr. Potashnik:

I am writing to confirm the status of the City's process in reviewing the application for building permits for Arbor Bend Villas. Our process in approving building permit applications involves studying the proposed development and its impacts on transportation/traffic, safety, zoning/land use, the environment, and City codes and regulations. The City of Fort Worth requires that all multi-family building plans undergo a review process by all City departments called the Unified Residential Site Plan. This review process for Arbor Bend Villas is complete and received approval by the departments.

The building permit review process for Arbor Bend Villas is complete, and Friday, May 17, the building permit was released. In addition, the City's Housing Department has issued a verification that the proposed development is consistent with the City's 2001 Consolidated Action Plan.

Should you have any questions or require additional information about the City's review process regarding the Arbor Bend Villas development, please do not hesitate to contact me at the City of Fort Worth at (817) 871-6266.

Sincerely,

Reid Rector

Reid Rector
Assistant City Manager

**CITY MANAGER'S OFFICE**
THE CITY OF FORT WORTH ★ 1000 THROCKMORTON STREET ★ FORT WORTH, TEXAS 76102
(817) 871-6111 ★ FAX (817) 871-6134


HULEN BEND ESTATE
PUBLIC HEARING
TO STOP
GOVERNMENT FUNDING
OF ARBOR BEND APTS
OAKMONT ELEMENTARY SCHOOL
THURSDAY MARCH 6
6PM - 9PM

SWH

SOUTHWEST
HOUSING
DEVELOPMENT

May 16, 2002

*Via Fax to (817) 297-5805*

Dr. Sidney Poynter, Superintendent
Crowley Independent School District
P.O. Box 688
Crowley, Texas 76036

Re: Request for Meeting and Renewed Pledge of C.I.S.D. Support by Southwest Housing Development

Dear Dr. Poynter:

As a follow-up to our representative, Brent Yeldell's, visit with you of May 6, 2002, and having delivered Southwest Housing Development's ("SWH") School Impact study to your office, I write now both to reiterate prior offers of District support, and to request a meeting to explore how SWH's Arbor Bend Villas development might be of further benefit to the Crowley Independent School District.

Although in public and private meetings, SWH previously has offered (in the attached May 4th letter to the Hulen Bend Home Owners Association) to provide the C.I.S.D. in general, and the serving schools, including Oakmont Elementary, in particular, with specific monetary and programmatic support, I wanted to re-urge you to consider SWH's written and oral offers to:

1. **enter into an agreement to pay fully all assessed school taxes on the development throughout the life of the development, regardless of ownership;**

2. **additionally, agree to contribute not less than $50,000.00, over ten years, to the Hulen Bend Home Owners Association, for support of worthy neighborhood projects, including school needs and initiatives; and**

3. **additionally, agree to contribute $10,000.00 to the C.I.S.D. toward financing the upkeep and/or upgrading of the Oakmont Elementary School Computer Laboratory and/or provide for its upkeep or related computer lab support, which has been identified to SWH as a particularly burdened program.**

5910 North Central Expressway • Suite 1145 • Dallas, TX 75206
Phone (214) 891-1402 • Fax (214) 987-3507
www.southwesthousing.com

We are pleased to report that the previously submitted, attached Study, *The Economic and Fiscal Benefits to the City of Fort Worth and The Crowley ISD from Development of Arbor Bend Villas*, prepared for SWH by Drs. Weinstein and Clower of the University of North Texas (May, 2002) concludes that the 153 courtyard-designed residences will be occupied by families with working parents, whose children, by and large, already attend Crowley public schools:

> So, the actual impact on the public schools may be as few as 50 to 75 new kids equally distributed among elementary, junior high, and senior high facilities

Study, at p.6

Importantly, the Study explains that the opening of Dallas Park Elementary, due to open this Fall, reduces Oakmont Elementary by 500 students, thereby:

> **eliminating overcrowding concerns**. What's more, property taxes generated by the Arbor Bend facility **will help cover the costs of educating resident school-age children . . .**

Study, at p.7. (emphasis supplied)

We know you share our desire to ensure that all families and their children are affordably housed and educated. In this spirit, as good neighbors, SWH looks forward to working with the TCHFC and the District, in complying with State law and the Federal Fair Housing Act.

Please call me directly (214/891-1402 ext. 2111) to schedule a meeting any time at your convenience or with any questions or concerns. We trust this Study resolves any expressed doubts.

Sincerely yours,

**SOUTHWEST HOUSING DEVELOPMENT**

By ______________________
Brian Potashnik

cc: Hon. Dionne Bagsby
Dan Settle, Esq.
Robert Dransfield, Esq.

SIDNEY H. POYNTER
*Superintendent*

DANIEL C. ALLIE
*Assistant Superintendent, Finance*

EDUCATION TODAY FOR
TOMORROW'S JOURNEY
CROWLEY INDEPENDENT SCHOOL DISTRICT
POST OFFICE BOX 688 CROWLEY, TEXAS 76036-0688 (817) 297-5800 FAX (817) 297-5805

LEE ANN PYRATT
*Assistant Superintendent, Secondary Education*

JANET WYNNE
*Assistant Superintendent, Elementary Education*

May 20, 2002

Dionne Bagsby
Commissioner, Precinct 1
Tarrant County
Southwest Sub-Courthouse
6551 Granbury Road
Fort Worth, Texas 76133

**RE: Arbor Bend Villas Multi-family Housing Development**

Dear Ms. Bagsby,

It has become evident to me that Southwest Housing Development Co., Inc. is trying to develop a paper trail that gives an impression that they are working with the Crowley Independent School District; has met with the Crowley Independent School District; and has the support of the Crowley Independent School District for their project.

Let me briefly share that Mr. Brent Yelldell showed up at my office on May 6, 2002 at approximately 9:15 a.m. unannounced without an appointment and requested to meet with me. I did offer to speak with him for a few minutes concerning some questions he had about a land development. He expressed to me that he was representing a developer who had several parcels of land and that they were interested in finding out what our plans were for the future growth of our school district.

Before going in to any discussion, I asked him if he would identify the Developer that he was representing and the parcels of land they were considering developing. He informed me that his people had requested not to be identified, and he could not tell me what parcels of land they were considering. He then stated that he had been sent to play chess with me about the future. He appeared to be embarrassed about the position that I had placed him in.

I immediately told him that our conversation was over, that I did not play games and that I resented him taking my time and his time. I asked him to share that with the people that sent him to my office. I told him I have always worked with developers and will continue to work with developers who are above board and willing to come in and lay all their cards on the table so that there are no hidden agendas. I am always happy to cooperate with developers and work with them in planning to meet the educational needs of boys and girls within our school district boundaries.

As you can see, I am not very happy with the misrepresentation and the game that evidently the Southwest Housing Development Company is still trying to play. I strongly do not agree with their study that they have presented.

I find interesting the change in numbers that have been shared with us by the Southwest Housing Development group. They originally stated there would be approximately 40 children impacting the school district. Now they are stating from their study may be as few as 50 to 75. Note the way the sentence is structured. "So, the actual impact on the public schools may be as few as 50 to 75 new kids equally distributed among elementary, junior high, and senior high facilities." I would be most interested in the process that they used to predict the equal distribution of grade levels of students moving into the apartment complex. It is been our experience that such an accurate prediction is impossible.

Our current experience with apartments does not support the study's findings. A current example would be a low-income housing development, Sycamore Pointe Town Homes, on Sycamore School Road and Crowley Road that is presently under construction and will be completed in November. There are 168 units of 2, 3, and 4 bedroom apartments. Currently there are eighteen families that have moved in. According to the manager, there are thirteen elementary students and four high school students from those eighteen families. This does not include under school age children yet coming from those families. As you can surmise, with 150 units yet to be leased, we will far surpass the 50 to 75 students suggested by the study.

The wording of the conclusion in their letter stating that the Arbor Bend Villas will likely add 50 to 75 new students is a very interesting statement. This is not a factual statement. Using the figures that we have received from the low-income housing on Crowley Road certainly makes their projection study questionable.

The enrollments reflected in the study are also not accurate. The actual enrollment at the present time at Oakmont is 1,068 and the projected enrollment for next year is 678. Both Oakmont Elementary and Dallas Park Elementary will be pushing their limits. We are projecting to leave three portable buildings at the Oakmont Elementary site with the possibility that we may have to add additional portable buildings with the natural growth.

In closing, because of the underhandedness approach that this company has taken with the Crowley Independent School District administrative offices certainly leads me to suspect any documents or information that they are presenting to us and the public.

I respectfully request that you share this information with the Housing Finance Corporation and I would like to go on record as **not supporting** the Arbor Bend Villas Multi-family Housing Development.

Sincerely,

Sidney H. Poynter

Sidney H. Poynter, Ed. D.
Superintendent

SOUTHWEST
HOUSING
DEVELOPMENT

Dr. Sidney H. Poynter
CISD
PO Box 688
Crowley, TX 76038

May 22, 2002
Via Fax and e-mail

Dear Dr. Poynter:

In follow to your letter of May 20, 2002, we apologize for any mis-impression given by our anonymous request for information on the district by Mr. Yelldell. We have found many districts not to be forthcoming with information when apartments are considered the basis for the planned development. I assume the information you conveyed to Mr. Yelldell is nonetheless accurate. There is no misunderstanding of your opposition, both for yourself as well as on behalf of the school district, to this project. We have not fashioned any record intended to suggest otherwise. Your comments in opposition due to the number of children forecast to reside in our property are on the public record.

Two highly respected experts did the study provided to you. These two experts, with national credentials, used appropriate professional methodology in their work. If you feel you have better information, you were requested by the commissioners to share that with everyone. The clear conclusion of Dr.Weinstein and Dr. Clower is that our little 153 unit project has no material adverse impact on the district of nearly 10,000 students with a student teacher ratio of 13:1, one of the best in the State. What I believe the commissioners are asking for is not your support for the project. Your support is not required to develop housing for our protected class of families with children. What the commissioners asked is simply two things:

Does the district possess the resources to educate and serve our resident population? If not, specifically why not?

The publicly available information on CISD seems clear to everyone who has reviewed it. You have more than adequate capacity and resources to serve our project as mandated by State law. If you refute this contention, we need to know why you disagree. Family status is not a lawful basis for excluding housing of any kind. If your contention is, the elementary school will be over crowded <u>after</u> a reduction in population of some 400 students, what is the difference between the projects that filled the school to that capacity versus ours? Did the district oppose those housing projects?? Evidence of this opposition is requested to make the record clear.

We are Tarrant County property owners and taxpayers, paying nearly $100,000 annually in school taxes for our senior housing project. The resident population at the Village at Johnson Creek do not place one child in any of the local schools. Our residents at Arbor Bend are equally entitled to the education offered by the CISD. We carry our fair share and pay all required taxes to cover our lawful share of education burdens as dictated by the local taxing authority. CISD has collected property taxes from the prior owner of this property for over ten years based upon the MF zoned land use. Did you inform them at anytime that their land use could not be served by your district? The owner reports no such communication from CISD.

In summary, we ask you to respond as requested by the commissioners to the districts position on the availability of resources to accommodate and serve our resident population. You attention to this matter is appreciated. Your reply by close of business on May 23, 2002, is appreciated.

Sincerely,

James R. (Bill) Fisher
Vice President

## Action Items

Recommendation Approving the Issuance of Residential Mortgage Revenue Bonds, Series 2003A and Series 2003B (Program 59A)

## Required Action

The Board approve the attached resolution authorizing the issuance of Residential Mortgage Revenue Bonds, Series 2003A and Series 2003B (Program 59A)

## Background

The structure of TDHCA's Residential Mortgage Revenue Bonds, Series 2003A and Series 2003B (Program 59A) is nearly complete. The Series 2003A and Series 2003B bonds will create lendable mortgage funds of approximately $72,000,000 upon closing in July 2003. This bond transaction will refund the $74,655,000 Convertible Option Bond warehouse facility issued in December 2002.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**BOARD OF DIRECTORS MEETING**
**MAY 15, 2003**

## RECOMMENDATION APPROVING THE ISSUANCE OF RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2003A AND SERIES 2003B (PROGRAM 59A)

The structure of TDHCA's Residential Mortgage Revenue Bonds, Series 2003A and Series 2003B (Program 59A) is nearly complete. The Series 2003A and Series 2003B bonds will create lendable mortgage funds of approximately $72,000,000 upon closing in July 2003. This bond transaction will refund the $74,655,000 Convertible Option Bond warehouse facility issued in December 2002. TDHCA's total volume cap for calendar year 2003 equals approximately $161 million and will be used later in the year.

Interest rates are at 40-year historical lows. To take advantage of these historical lows and create a marketable and competitive mortgage product for first-time homebuyers, Staff recommends issuing a portion of the transaction, approximately $40 million, in the form of *variable rate auction bonds*. To reduce interest rate exposure associated with variable interest rates that change according to market conditions, Staff recommends implementing a hedge referred to as an *interest rate swap*. An interest rate swap is a contractual agreement whereby two parties, called counterparties, agree to exchange periodic interest payments. Through an interest rate swap agreement, TDHCA will pay a highly credit-rated counterparty a fixed interest rate. The highly credit-rated counterparty accordingly will pay TDHCA a variable interest rate similar to the variable interest rate due on the variable rate auction bonds. An interest rate swap is a derivative security.

The new mortgages will be assisted and unassisted low rate mortgages with interest rates of approximately 5.90% and 5.30% respectively. Without issuing variable rate bonds, TDHCA would attain mortgage rates of approximately 6.30% for assisted mortgages and 5.60% for unassisted mortgages. The mortgages will be securitized. TDHCA will incorporate premium bonds into the bond structure for purposes of providing downpayment assistance. The mortgages will be marketed to very low, low and moderate income residents of Texas. If authorized, the bonds will be sold in June and the bond closing will occur approximately six weeks subsequent to the bond pricing.

**RECOMMENDATION**

The Board approve the attached resolution authorizing the issuance of Residential Mortgage Revenue Bonds, Series 2003A and Series 2003B (Program 59A).

Resolution No. 03-39

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2003A AND RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2003B; AUTHORIZING THE APPROVAL OF THE FORM AND SUBSTANCE OF THE RESPECTIVE SERIES SUPPLEMENTS, THE PROGRAM SUPPLEMENT, THE PROGRAM GUIDELINES, THE SERVICING AGREEMENT, THE FUNDING AGREEMENT, THE DEPOSITORY AGREEMENT, THE BOND PURCHASE AGREEMENT, THE AUCTION AGREEMENT, THE BROKER-DEALER AGREEMENT, THE SWAP AGREEMENT, THE CONTINUING DISCLOSURE AGREEMENT, AND THE PRELIMINARY AND FINAL OFFICIAL STATEMENT FOR THE BONDS; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE RESIDENTIAL MORTGAGE REVENUE BOND PROGRAM; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the “Department”) has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code (the “Act”), as amended from time to time, for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department (the “Governing Board”) from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to acquire, and to enter into advance commitments to acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the “State”); (b) to issue its bonds, for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Act further authorizes the Department to issue its revenue bonds for the purpose of refunding any bonds theretofore issued by the Department or the Texas Housing Agency, its predecessor (the “Agency”), under such terms, conditions and details as shall be determined by the Governing Board; and

WHEREAS, the Agency or the Department, as its successor, has, pursuant to and in accordance with the provisions of the Act, issued, sold and delivered or authorized the issuance, sale and delivery of prior series of its Residential Mortgage Revenue Bonds pursuant to the Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1987 (as amended by supplemental indentures numbered First through Twenty-Sixth and any amendments thereto, collectively, the “RMRB Indenture”) between the Department, as successor to the Agency, and Bank One, National Association, as successor trustee (the “Trustee”), to implement the various phases of the Agency’s (now the Department’s) Residential Mortgage Revenue Bond Program; and

WHEREAS, the Governing Board has determined to authorize the issuance of the Department’s Residential Mortgage Revenue Refunding Bonds, to be known as (i) its Residential Mortgage Revenue

Refunding Bonds, Series 2003A (the "Series 2003A Bonds"); and (ii) its Residential Mortgage Revenue Refunding Bonds, Series 2003B (the "Series 2003B Bonds") (collectively, the "Series 2003 Bonds") pursuant to the RMRB Indenture for the purpose of refunding its Residential Mortgage Revenue Bonds, Series 2002B (the "Refunded Bonds") thereby providing funds to make and acquire qualifying mortgage loans (including participations therein through the purchase of mortgage-backed securities ("Mortgage Certificates") issued and guaranteed by Fannie Mae ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") or Government National Mortgage Association ("Ginnie Mae")) (referred to herein as "Mortgage Loans"), to fund capitalized interest and to pay costs of issuance of the Series 2003 Bonds; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Twenty-Seventh Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Twenty-Seventh Series Supplement") in substantially the form attached hereto relating to the Series 2003A Bonds, and the Twenty-Eighth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Twenty-Eighth Series Supplement") in substantially the form attached hereto relating to the Series 2003B Bonds; and

WHEREAS, the Twenty-Seventh Series Supplement and the Twenty-Eighth Series Supplement are hereinafter collectively referred to as the "Supplemental Indentures"; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the First Amendment to the Program Supplement (the "Program Supplement") between the Department and certain mortgage lenders (the "Mortgage Lenders") participating in the Department's home loan purchase program designated as Bond Program No. 59A (the "Program") and the Program Guidelines (the "Program Guidelines") in substantially the form attached hereto, setting forth the terms and conditions upon which Mortgage Loans will be purchased by the Department and the terms of such Mortgage Loans; and

WHEREAS, under the Program Guidelines, 100% of the funds available under the Program will be available to Mortgage Lenders participating in a controlled, first-come, first-served reservation system, with approximately 50% of such funds reserved for use in thirteen geographic regions for up to three months and allocated to each region pro rata based on the region's population, 20% of such funds reserved for Mortgage Loans that include down payment and closing cost assistance (to qualified eligible borrowers having a family income not exceeding 80% of applicable median family income) in certain targeted areas during the first twelve months after the date proceeds of the Bonds are made available for such purpose, and 30% of such funds expected to finance Mortgage Loans that include down payment and closing cost assistance to qualified eligible borrowers having a family income not exceeding 60% of applicable median family income (the last two types of Mortgage Loans referred to herein as the "Assisted Mortgage Loans"); and

WHEREAS, the Governing Board has further determined that the Department should enter into a Bond Purchase Agreement relating to the sale of the Series 2003 Bonds (the "Bond Purchase Agreement") with Bear, Stearns & Co. Inc., as representative of the group of underwriters listed on Exhibit A to this Resolution (the "Underwriters"), and/or Fannie Mae setting forth certain terms and conditions upon which the Underwriters and/or Fannie Mae will purchase the Series 2003 Bonds from the Department and the Department will sell the Series 2003 Bonds to the Underwriters and/or Fannie Mae; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a First Amendment to Program Administration and Servicing Agreement (the "Servicing Agreement") in substantially the form attached hereto setting forth the terms under which Countrywide Home Loans, Inc., as master servicer (the "Servicer"), will review, acquire, package and service the Mortgage Loans and sell the Mortgage Certificates to the Department; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Funding Agreement (the "Funding Agreement") in substantially the form attached hereto setting forth the terms under which the Servicer will advance funds to the Department to be used to pay a portion of the costs of issuance of the Series 2003 Bonds; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of an Auction Agreement (the "Auction Agreement") in substantially the form attached hereto setting forth the terms under which Deutsche Bank Trust Company Americas (the "Auction Agent") will conduct auctions with respect to setting the interest rate on the Series 2003B Bonds in accordance with the Auction Procedures attached to the Twenty-Eighth Series Supplement; and

WHEREAS, the Governing Board desires to authorize the execution of the Broker-Dealer Agreement (the "Broker-Dealer Agreement") in substantially the form attached hereto among the Department, the Auction Agent and Bear, Stearns & Co. Inc. (the "Broker-Dealer"); and

WHEREAS, the Governing Board desires to authorize the execution and delivery of an ISDA Master Agreement, Schedule and one or more Confirmations (collectively, the "Swap Agreement") with Bear Stearns Financial Products Inc. or other qualified interest rate swap provider (the "Swap Counterparty") in substantially the form attached hereto setting forth the terms under which the Department will enter into one or more interest rate swaps for the purpose of hedging the interest rate on the Series 2003B Bonds; and

WHEREAS, the Governing Board desires to grant a subordinate lien on the Trust Estate (as defined in the RMRB Indenture) to the Swap Counterparty; and

WHEREAS, the Governing Board has been presented with a draft of a preliminary official statement to be used in the public offering of the Series 2003 Bonds (the "Preliminary Official Statement") and the Governing Board of the Department desires to approve such Preliminary Official Statement in substantially the form attached hereto; and

WHEREAS, the Governing Board has determined to authorize the execution and delivery of the Sixth Supplement to Amended and Restated Depository Agreement (the "Depository Agreement") in substantially the form attached hereto relating to the Series 2003 Bonds by and among the Department, the Trustee and the Texas Treasury Safekeeping Trust Company to provide for the holding, administering and investing of certain moneys and securities relating to the Series 2003 Bonds; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") in substantially the form attached hereto between the Department and the Trustee; and

WHEREAS, the Governing Board has determined to authorize the investment of the proceeds of the Series 2003 Bonds and any other amounts held under the RMRB Indenture with respect to the Series 2003 Bonds in one or more guaranteed investment contracts (the "GICs") or such other investments as the authorized representatives named herein may approve; and

WHEREAS, the Governing Board desires to provide for the sale of all or a portion of the Series 2003A Bonds at a premium in order to make funds available for down payment and closing cost assistance associated with Assisted Mortgage Loans; and

WHEREAS, the Governing Board desires to approve the use of an amount not to exceed $500,000 of Department funds to pay a portion of the costs of issuance of the Series 2003 Bonds or capitalized interest; and

WHEREAS, the Governing Board desires to approve the use of Department funds necessary for the purpose of funding certain reserves in an amount not to exceed the amount required by the Swap Counterparty; and

WHEREAS, pursuant to Section 2306.142(l) of the Texas Government Code, as amended, the Governing Board hereby finds that (i) the Series 2003 Bonds are structured in a manner that serves the credit needs of borrowers in underserved economic and geographic submarkets in the State of Texas; (ii) such borrowers have access to Expanded Approval Mortgage Loan funds, which were made available by the Department prior to September 1, 2002; and (iii) the Department will continue to make additional funds and programs available for borrowers in underserved economic and geographic submarkets in future bond issues in Fiscal Year 2003 and subsequent Fiscal Years; and

WHEREAS, the Governing Board desires to approve the forms of the Supplemental Indentures, the Bond Purchase Agreement, the Preliminary Official Statement, the Depository Agreement, the Program Supplement, the Servicing Agreement, the Funding Agreement, the Auction Agreement, the Broker-Dealer Agreement, the Swap Agreement, the Continuing Disclosure Agreement and the Program Guidelines, in order to find the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined to implement the Program in accordance with such documents by authorizing the issuance of the Series 2003 Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the Program; NOW, THEREFORE,

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

## ARTICLE I
## ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Series 2003 Bonds. That the issuance of the Series 2003 Bonds is hereby authorized, all under and in accordance with the RMRB Indenture, and that, upon execution and delivery of the Supplemental Indentures, the authorized representatives named herein are each hereby authorized to execute, attest and affix the Department's seal to the Series 2003 Bonds and to deliver the Series 2003 Bonds to the Attorney General of Texas for approval, the Comptroller of Public Accounts of the State of Texas (the "Comptroller") for registration and the Trustee for authentication, and thereafter to deliver the Series 2003 Bonds to or upon the order of the Underwriters and/or Fannie Mae pursuant to the Bond Purchase Agreement.

Section 1.2--Authority to Approve Form of Documents, Determine Interest Rates, Principal Amounts, Maturities and Prices. That the Chairman of the Governing Board or the Executive Director of the Department (i) are hereby authorized and empowered to determine which series of the Series 2003 Bonds shall be issued on a taxable or a tax-exempt basis and to determine which series of the Series 2003 Bonds will be issued as new money bonds, refunding bonds, or governmental purpose bonds (or any combination thereof), (ii) are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, as amended, to fix and determine the interest rates, principal amounts and maturities of, and the prices at which the Department will sell to the Underwriters and/or Fannie Mae, the Series 2003A Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director of the Department of the Twenty-Seventh Series Supplement, the Depository Agreement, the Bond Purchase Agreement and the Official Statement; and (iii) are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, as amended, to fix and determine the interest rates (as determined in accordance with the procedures set forth in the Twenty-Eighth Series Supplement), principal amounts and maturities of, and the prices at which the Department will sell to the Underwriters and/or Fannie Mae, the Series 2003B Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director of the Department of the Twenty-Eighth Series Supplement, the Depository Agreement, the Pricing Certificate substantially in the form of Exhibit E attached hereto and the Official Statement; provided, however, that: (a) the net effective interest rate on the Series 2003A Bonds shall not exceed 6.00% per annum and the net effective interest rate on the Series 2003B Bonds shall not initially exceed 6.00% per annum; (b) the aggregate principal amount of the Series 2003 Bonds shall not exceed $75,000,000 for the Series 2003A Bonds, and $60,000,000 for the Series 2003B Bonds, provided that the foregoing individual amounts for the Series 2003A Bonds and the Series 2003B Bonds are subject to change such that the total aggregate amount of the Series 2003 Bonds may not exceed $85,000,000; (c) the final maturity of the Series 2003 Bonds shall occur not later than July 1, 2038 for the Series 2003A Bonds and July 1, 2038 for the Series 2003B Bonds; (d) the price at which the Series 2003 Bonds are sold to the Underwriters and/or Fannie Mae shall not exceed 108% of the principal amount thereof for the Series 2003A Bonds and 108% of the principal amount thereof for the Series 2003B Bonds; and (e) the Underwriters' fee shall not exceed the amount approved by the Texas Bond Review Board.

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

Section 1.4--Approval, Execution and Delivery of the Bond Purchase Agreement. That the sale of the Series 2003 Bonds to the Underwriters and/or Fannie Mae pursuant to the Bond Purchase Agreement is hereby approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Underwriters and/or Fannie Mae.

Section 1.5--Preliminary Official Statement and Official Statement. That the Preliminary Official Statement relating to the Series 2003 Bonds, in substantially the form presented to the Governing Board, is hereby approved; that prior to the execution of the Bond Purchase Agreement, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, are hereby authorized and directed to finalize the Preliminary Official Statement for distribution by the Underwriters to prospective purchasers of the Series 2003 Bonds, with such changes therein as the authorized representatives of the Department named in this Resolution may approve in order to permit such an authorized representative, for and on behalf of the Governing Board, to deem the Preliminary Official Statement final as of its date, except for such omissions as are permitted by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), such approval to be conclusively evidenced by the distribution of the Preliminary Official Statement; and that within seven business days after the execution of the Bond Purchase Agreement, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, shall cause the final Official Statement, in substantially the form of the Preliminary Official Statement, with such changes as such an authorized representative may approve, such approval to be conclusively evidenced by such authorized representative's execution thereof, to be provided to the Underwriters in compliance with Rule 15c2-12.

Section 1.6--Approval of Program Guidelines. That the form and substance of the Program Guidelines are hereby authorized and approved.

Section 1.7--Approval of Program Supplement. That the form and substance of the Program Supplement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Program Supplement and to deliver the Program Supplement to the Mortgage Lenders.

Section 1.8--Approval of Servicing Agreement. That the form and substance of the Servicing Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Servicing Agreement and to deliver the Servicing Agreement to the Trustee and the Servicer.

Section 1.9--Approval of Funding Agreement. That the form and substance of the Funding Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Funding Agreement and to deliver the Funding Agreement to the Servicer and the Trustee.

Section 1.10--Approval of Auction Agreement. That the form and substance of the Auction Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Auction Agreement and to deliver the Auction Agreement to the Auction Agent and the Trustee.

Section 1.11--Approval of Broker-Dealer Agreement. That the form and substance of the Broker-Dealer Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Broker-Dealer Agreement and to deliver the Broker-Dealer Agreement to the Auction Agent and the Broker Dealer.

Section 1.12--Approval of Swap Agreement. That the form and substance of the Swap Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Swap Agreement and to deliver the Swap Agreement to the Swap Counterparty.

Section 1.13--Approval of Subordinate Lien. That the Department hereby authorizes a subordinate lien on the Trust Estate to the Swap Counterparty.

Section 1.14--Approval of Depository Agreement. That the form and substance of the Depository Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Depository Agreement and to deliver the Depository Agreement to the Trustee and the Texas Treasury Safekeeping Trust Company.

Section 1.15--Approval of Continuing Disclosure Agreement. That the form and substance of the Continuing Disclosure Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Continuing Disclosure Agreement and to deliver the Continuing Disclosure Agreement to the Trustee.

Section 1.16--Approval of Investment in GICs. That the investment of funds held under the RMRB Indenture in connection with the Series 2003 Bonds in GICs is hereby approved and that the Executive Director or the Director of Bond Finance of the Department is hereby authorized to complete arrangements for the investment in GICs or such other investments as the authorized representatives named herein may approve.

Section 1.17--Approval of GIC Broker. That the Executive Director or the Director of Bond Finance and the Chairman of the Governing Board are hereby authorized to select a GIC Broker, if any.

Section 1.18--Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such other agreements, advance commitment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the RMRB Indenture, the Supplemental Indentures, the Bond Purchase Agreement, the Funding Agreement, the Auction Agreement, the Broker-Dealer Agreement, the Swap Agreement, the Depository Agreement, and the Continuing Disclosure Agreement.

Section 1.19--Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this

Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.20--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

| | | |
|---|---|---|
| Exhibit B | - | Twenty-Seventh Series Supplement |
| Exhibit C | - | Twenty-Eighth Series Supplement |
| Exhibit D | - | Bond Purchase Agreement |
| Exhibit E | - | Pricing Certificate |
| Exhibit F | - | Preliminary Official Statement |
| Exhibit G | - | Program Guidelines |
| Exhibit H | - | Program Supplement |
| Exhibit I | - | Servicing Agreement |
| Exhibit J | - | Funding Agreement |
| Exhibit K | - | Auction Agreement |
| Exhibit L | - | Broker-Dealer Agreement |
| Exhibit M | - | Swap Agreement |
| Exhibit N | - | Depository Agreement |
| Exhibit O | - | Continuing Disclosure Agreement |

Section 1.21--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chairman of the Governing Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department and the Secretary of the Governing Board.

Section 1.22--Department Contribution. That the contribution of Department funds in an amount not to exceed $500,000 to pay certain costs of issuance of the Series 2003 Bonds or capitalized interest is hereby authorized.

Section 1.23--Swap Reserves. That the use of Department funds necessary for the purpose of funding certain reserves in an amount not to exceed the amount required by the Swap Counterparty is hereby authorized.

Section 1.24--Certification Pursuant to Section 2306.142(i). That the Governing Board hereby certifies that the Series 2003 Bonds are structured in a manner that serves the credit needs of borrowers in underserved economic and geographic submarkets in the State of Texas.

## ARTICLE II

## APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval of Submission to the Attorney General of Texas. That the Governing Board of the Department hereby authorizes the Department's Bond Counsel to submit to the Attorney General of Texas, for his approval, a transcript of the legal proceedings relating to the issuance, sale and delivery of the Series 2003 Bonds.

Section 2.2--Engagement of Other Professionals. That the Executive Director or the Director of Bond Finance is authorized to engage an accounting firm to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreement and the requirements of the purchasers of the Series 2003 Bonds and Bond Counsel to the Department.

Section 2.3--Certification of the Minutes and Records. That the Secretary and any Assistant Secretary of the Governing Board of the Department are hereby authorized to certify and authenticate minutes and other records on behalf of the Department for the Program, the issuance of the Series 2003 Bonds and all other Department activities.

Section 2.4--Approval of Requests for Rating from Rating Agencies. That the Executive Director, the Director of Bond Finance and the Department's consultants are authorized to seek ratings from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies.

Section 2.5--Ratifying Other Actions. That all other actions taken or to be taken by the Executive Director and the Department's staff in connection with the Program and the issuance of the Series 2003 Bonds are hereby ratified and confirmed.

Section 2.6--Authority to Invest Funds. That the Executive Director or the Director of Bond Finance is hereby authorized to undertake all appropriate actions required under the RMRB Indenture and the Depository Agreement, to provide for investment and reinvestment of all funds held under the RMRB Indenture.

Section 2.7--Eligibility for Refunding Under Commercial Paper Program. That the Series 2003 Bonds and any other bonds issued by the Department under the RMRB Indenture or the Single Family Mortgage Revenue Bond Trust Indenture qualify as "Refunded Bonds" for purposes of the Department's Amended and Restated Commercial Paper Resolution adopted on June 10, 1996, as amended from time to time.

## ARTICLE III

## CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Determination of Interest Rate. That the Governing Board of the Department hereby declares that the Department shall fix and determine the interest rates on the Mortgage Loans for the Program at the time and in accordance with the procedures set forth in the RMRB Indenture and the Program Guidelines and that such rates shall be established at levels such that the Mortgage Loans for the Program will produce, together with other available funds, the amounts required to pay for the Department's costs of operation with respect to the Program and debt service on the Series 2003A Bonds and the Series 2003B Bonds, and enable the Department to meet its covenants with and responsibilities to the holders of the bonds issued under the RMRB Indenture without adversely affecting the exclusion from gross income for federal income tax purposes of interest on any of such bonds.

## ARTICLE IV

## GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Series 2003 Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate pledged under the RMRB Indenture to secure payment of the bonds issued under the RMRB Indenture and payment of the Department's costs and expenses for the Program thereunder and under the RMRB Indenture and under no circumstances shall the Series 2003 Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Series 2003 Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State.

Section 4.3--Purposes of Resolution. That the Governing Board of the Department has expressly determined and hereby confirms that the issuance of the Series 2003 Bonds and the implementation of the Program contemplated by this Resolution accomplish a valid public purpose of the Department by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby (a) helping to eliminate a shortage of such housing in rural and urban areas which contributes to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of the State; (b) increasing the supply of residential housing for persons and families displaced by public actions and natural disasters; and (c) assisting private enterprise in providing sufficient quantities for the construction or rehabilitation of such housing.

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

Section 4.5--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

PASSED AND APPROVED this 15th day of May, 2003.

____________________________________
Chairman, Governing Board

ATTEST:

____________________________________
Secretary

(SEAL)

EXHIBIT A

List of Underwriters

Senior Manager

Bear, Stearns & Co. Inc.

Co-Senior Manager

U.S. Bancorp Piper Jaffray Inc.
Citigroup Global Markets Inc.

Co-Managers

George K. Baum & Company
Siebert Brandford Shank & Co., LLC
UBS PaineWebber Inc.

Action Item

Reduction of the Mortgage Interest Rate for Residential Mortgage Revenue Bonds, Series 2000B, Series 2000C, Series 2000D, and Series 2000E (Program 56)

## **Required Action**

The Board approve the attached resolution authorizing a reduction in the mortgage interest rate for Program 56

## **Background**

Staff recommends a reduction of the mortgage interest rate for TDHCA's Residential Mortgage Revenue Bonds, Series 2000B/C/D/E (Program 56). A balance of approximately $22,240,476 remains in the mortgage acquisition account. TDHCA released Program 56 funds on November 15, 2000. The original amount of lendable proceeds equaled $124,915,000. Program 56's mortgage loan origination period will terminate on December 1, 2003. Shortly thereafter, TDHCA must redeem bonds from whatever funds remain of the above $22 million balance.

Texas Department of Housing and Community Affairs
**BOARD OF DIRECTOR'S MEETING**

**May 15, 2003**

**REDUCTION OF THE MORTGAGE INTEREST RATE FOR RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2000B, SERIES 2000C, SERIES 2000D, AND SERIES 2000E (PROGRAM 56)**

Staff recommends a reduction of the mortgage interest rate for TDHCA's Residential Mortgage Revenue Bonds, Series 2000B/C/D/E (Program 56). A balance of approximately $22,240,476 remains in the mortgage acquisition account. TDHCA released Program 56 funds on November 15, 2000. The original amount of lendable proceeds equaled $124,915,000. Program 56's mortgage loan origination period will terminate on December 1, 2003. Shortly thereafter, TDHCA must redeem bonds from whatever funds remain of the above $22 million balance.

No downpayment assistance was funded by the bonds. Rather, Program 56 has relied upon TDHCA's internally funded Down Payment Assistance Program (DPAP). The interest rate on the loans is 6.60%. The decrease in market mortgage rates and the lack of a consistent source of DPAP adversely impacted Program 56 originations.

Staff believes that with a reduction in the mortgage interest rate for Program 56 and the use of additional downpayment assistance, all funds will be converted into mortgage loans.

**<u>RECOMMENDATION</u>**

The Board approve the attached resolution authorizing a reduction in the mortgage interest rate for Program 56.

# Resolution No. 03-38

RESOLUTION APPROVING THE FIRST AMENDMENT TO SIXTEENTH SUPPLEMENTAL RESIDENTIAL MORTGAGE REVENUE BOND TRUST INDENTURE; AUTHORIZING AND APPROVING A REDUCTION IN THE INTEREST RATE ON MORTGAGE LOANS MADE AVAILABLE THROUGH BOND PROGRAM NO. 56; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Department has issued its Residential Mortgage Revenue Bonds, Series 2000B in the aggregate principal amount of $82,975,000 (the "Series 2000B Bonds"), its Residential Mortgage Revenue Refunding Bonds, Series 2000C in the aggregate principal amount of $13,675,000 (the "Series 2000C Bonds"), its Residential Mortgage Revenue Refunding Bonds, Series 2000D in the aggregate principal amount of $18,265,000 (the "Series 2000D Bonds") and its Residential Mortgage Revenue Bonds, Taxable Series 2000E (the "Series 2000E Bonds" and together with the Series 2000B Bonds, the Series 2000C Bonds and the Series 2000D Bonds, collectively, the "Series 2000 Bonds") pursuant to a Residential Mortgage Revenue Bond Trust Indenture dated November 1, 1987 between the Department, as successor to the Texas Housing Agency, and Bank One, National Association, as successor trustee (the "Trustee"), as supplemented by the Sixteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture with respect to the Series 2000B Bonds (the "Sixteenth Series Supplement"), the Seventeenth Supplemental Residential Mortgage Revenue Bond Trust Indenture with respect to the Series 2000C Bonds, the Eighteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture with respect to the Series 2000D Bonds, and the Nineteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture with respect to the Series 2000E Bonds, each dated as of October 1, 2000 and each between the Department and the Trustee, for the purpose, among others, of providing funds to implement the Department's Residential Mortgage Revenue Bond Program designated as Bond Program No. 56 (the "Program"); and

WHEREAS, the Department desires to approve and authorize (i) the amendment of the Sixteenth Series Supplement in order to effect a reduction in the interest rate borne by Mortgage Loans under the Program and (ii) the use of an amount not to exceed $1,500,000 of Department funds to achieve the reduction of such interest rate, (iii) all actions to be taken with respect thereto, and (iv) the execution and delivery of all documents and instruments in connection therewith; and

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

## ARTICLE I

## AUTHORIZATION OF AMENDMENT; APPROVAL OF DOCUMENTS

Section 1.1—Authorization of First Amendment to Sixteenth Series Supplement. The Board hereby authorizes the execution and delivery by the authorized representatives of the Department named in this Resolution of the First Amendment to Sixteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture in substantially the form attached hereto as Exhibit "A" between the Department and the Trustee, to effect a reduction in the interest rate borne by Mortgage Loans under the Program.

Section 1.2-Department Contribution. The contribution of Department funds in an amount not exceed $1,500,000 to achieve the reduction of the interest rate borne by Mortgage Loans under the Program is hereby authorized.

Section 1.3--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.4--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

## ARTICLE II

## GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the reduction of the interest rate borne by Mortgage Loans under the Program will accomplish a valid public purpose of the Department by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby (a) helping to eliminate a shortage of such housing in rural and urban areas which contributes to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of the State; (b) increasing the supply of residential housing for persons and families displaced by public actions and natural disasters; and (c) assisting private enterprise in providing in sufficient quantities the construction or rehabilitation of such housing.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 15th day of May, 2003.

____________________________________

Michael E. Jones, Chairman

ATTEST:

____________________________________

Delores Groneck, Secretary

(SEAL)

FIRST AMENDMENT

TO

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

SIXTEENTH SUPPLEMENTAL RESIDENTIAL MORTGAGE

REVENUE BOND TRUST INDENTURE

DATED AS OF OCTOBER 1, 2000

BETWEEN

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AND

BANK ONE, NATIONAL ASSOCIATION

AS TRUSTEE

Dated _____ __, 2003

TABLE OF CONTENTS

FIRST AMENDMENT
TO
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SIXTEENTH SUPPLEMENTAL RESIDENTIAL MORTGAGE REVENUE BOND
TRUST INDENTURE
DATED AS OF OCTOBER 1, 2000

THIS FIRST AMENDMENT TO TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS SIXTEENTH SUPPLEMENTAL RESIDENTIAL MORTGAGE REVENUE BOND TRUST INDENTURE, dated _____ __, 2003 (this "Amendment"), is made by and between the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, as successor to the Texas Housing Agency (the "Agency") (together with any successor to its rights, duties and obligations hereunder, the "Agency" or the "Department"), a body politic and corporate and a public and official governmental agency of the State of Texas duly created, organized and existing under the laws of the State of Texas, and BANK ONE, NATIONAL ASSOCIATION, as Trustee (as successor trustee to MTrust Corp, and together with any successor trustee hereunder, the "Trustee"), a national banking association.

WHEREAS, the Department (or its predecessor the Agency) and the Trustee have heretofore executed and delivered that certain Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1987, as supplemented and amended (the "Indenture"); and

WHEREAS, the Department has issued its Residential Mortgage Revenue Bonds, Series 2000B in the aggregate principal amount of $82,975,000 (the "Series 2000B Bonds"), its Residential Mortgage Revenue Refunding Bonds, Series 2000C in the aggregate principal amount of $13,675,000 (the "Series 2000C Bonds"), its Residential Mortgage Revenue Refunding Bonds, Series 2000D in the aggregate principal amount of $18,265,000 (the "Series 2000D Bonds") and its Residential Mortgage Revenue Bonds, Taxable Series 2000E (the "Series 2000E Bonds" and together with the Series 2000B Bonds, the Series 2000C Bonds and the Series 2000D Bonds, collectively, the "Series 2000 Bonds") pursuant to the Indenture, as supplemented by the Sixteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Sixteenth Series Supplement") dated as of October 1, 2000, with respect to the Series 2000B Bonds, the Seventeenth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Seventeenth Series Supplement") dated as of October 1, 2000, with respect to the Series 2000C Bonds, the Eighteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Eighteenth Series Supplement") dated as of October 1, 2000, with respect to the Series 2000D Bonds, and the Nineteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Nineteenth Series Supplement") dated as of October 1, 2000, with respect to the Series 2000E Bonds, each between the Department and the Trustee, for the purpose, among others, of providing funds to implement the Department's Residential Mortgage Revenue Bond Program designated as Bond Program No. 56 (the "Program"); and

WHEREAS, the Department and the Trustee now desire to amend the Sixteenth Series Supplement for the purpose of adding to the covenants and agreements of the Department set forth therein certain other covenants and agreements to be observed by the Department that are not contrary to or inconsistent with the Indenture or the Sixteenth Series Supplement, as permitted by Section 1002(6) of the Indenture and for the further purpose of effecting a reduction in the interest rate borne by the mortgage loans originated under the Program; and

WHEREAS, the execution and delivery of this Amendment has been duly and validly authorized in all respects by resolution of the Governing Board of the Department; and

WHEREAS, the Trustee is a party to this Amendment in order to acknowledge its acceptance of the terms and provisions hereof;

NOW THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained and other good and valuable consideration, the sufficiency of which are acknowledged hereby, the Department and the Trustee do covenant and agree hereby, for the equal and proportionate benefit of the respective holders from time to time of the Series 2000 Bonds, as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 1.1. Supplemental Indenture. This Amendment is supplemental to, and is adopted in accordance with, Article X of the Indenture.

Section 1.2. Definitions. All capitalized terms used in this Amendment shall have the respective meanings set forth in the preamble hereof or, if not defined in the preamble hereof, shall have the respective meanings set forth in subsection 2 of Section 1.2 of the Sixteenth Series Supplement.

Section 1.3. Authority for Amendment. This Amendment is adopted pursuant to the provisions of the Act, the Indenture and the Sixteenth Series Supplement.

ARTICLE II

AMENDMENTS TO SIXTEENTH SERIES SUPPLEMENT

Section 2.1. Amendments to Definitions. (a) The following definition contained in subsection 2 of Section 1.2 of the Sixteenth Series Supplement is hereby amended in its entirety to read as follows:

> "Pass-Through Rate" shall mean ____% with respect to 2000 Mortgage Certificates for Mortgage Certificates purchased by the Trustee on or after _____ __, 2003.

(b) The following definition is hereby added to subsection 2 of Section 1.2 of the Sixteenth Series Supplement:

> "2000 B/C/D/E Buydown Fund" shall mean the 2000 B/C/D/E Buydown Fund established pursuant to Section 2.9 hereof.

Section 2.2. Amendment Relating to Creation of 2000 B/C/D/E Buydown Fund. Subsection 1 of Section 2.9 of the Sixteenth Series Supplement is hereby amended by adding the following two sentences at the end of such subsection:

> There is also hereby established for the Series 2000 Bonds an additional Fund designated as the 2000 B/C/D/E Buydown Fund, which shall be credited with amounts received from the Department. As soon as practicable after the earlier of receipt of certification from the Department that amounts on deposit in the 2000 B/C/D/E Buydown Fund will not be used to purchase 2000 Mortgage Certificates or the end of the Certificate Purchase Period, the Trustee shall transfer all amounts remaining on deposit in the 2000 B/C/D/E Buydown Fund to the Department and the 2000 B/C/D/E Buydown Fund shall be closed.

Section 2.3. Amendment Relating to 2000 Mortgage Certificate Acquisition. Subsection 2 of Section 2.14 of the Sixteenth Series Supplement is hereby amended in its entirety to read as follows:

> 2. On each applicable Certificate Purchase Date, the Trustee shall (i) purchase GNMA Certificates and Fannie Mae Certificates through the Servicer at the GNMA Certificate Purchase Price and the Fannie Mae Certificate Purchase Price, respectively, from amounts available in the 2000 B/C/D/E Mortgage Loan Account and the 2000 B/C/D/E Buydown Fund in accordance with this subsection 2, provided that no 2000 Mortgage Certificate shall be purchased by the Trustee after expiration of the applicable Certificate Purchase Period, as such may be extended, and (ii) transfer an amount equal to .475% of the outstanding principal amount of the Mortgage Loans forming the pool represented by the Mortgage Certificates purchased on such Certificate Purchase Date from the 2000 B/C/D/E Mortgage Loan Account to the 2000 B/C/D/E Revenue Account. Upon receipt of Certificate Accrued Interest the Trustee shall pay such

Certificate Accrued Interest to the Servicer in accordance with Section 6.01 of the Servicing Agreement. The percentages of each source of funds for acquisition of 2000 Mortgage Certificates are as follows:

| Source | Percentage |
|---|---|
| 2000 B/C/C/E Mortgage Loan Account | ______% |
| 2000 B/C/D/E Buydown Fund | ______% |

ARTICLE III

MISCELLANEOUS

Section 3.1. Ratification and Reaffirmation. The Department and the Trustee hereby ratify and reaffirm all the terms and conditions of the Sixteenth Series Supplement, as specifically amended and supplemented by this Amendment, and each hereby acknowledges that the Sixteenth Series Supplement remains in full force and effect, as so amended and supplemented.

Section 3.2. Counsel's Opinion. The Department and the Trustee hereby represent that they have received a Counsel's Opinion to the effect that this Amendment has been duly and lawfully adopted in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, and is valid and binding upon the Department.

Section 3.3. Effective Date. This Amendment shall be effective from and after the date hereof.

Section 3.4. Execution in Counterpart. This Amendment may be executed simultaneously in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

*(SIGNATURE PAGE FOLLOWS)*

IN WITNESS WHEREOF, the Department and the Trustee have caused this Amendment to be executed by their duly authorized representatives, all as of the date first hereinabove written.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By:________________________________________
Chairman

Attest:

By:________________________________________
Secretary

(SEAL)

BANK ONE, NATIONAL ASSOCIATION,
as Trustee

By:________________________________________
Authorized Officer

## Action Item

Development of a Mortgage Credit Certificate Program for First Time Homebuyers

### Required Action

The Board approve further development of a mortgage credit certificate program for first time homebuyers

## Background

Staff is examining the feasibility of TDHCA using a portion of its state volume cap to issue Mortgage Credit Certificates (“MCCs”). By issuing MCCs the homebuyer/taxpayer would be entitled to a personal credit against their tax liability for a portion of the interest paid on their home mortgage. TDHCA will target all or a portion of MCCs to borrowers in underserved economic and geographic submarkets in the State of Texas, including first time homebuyers with credit scores in the “A-” and/or “B” range.

**Texas Department of Housing and Community Affairs**
**BOARD OF DIRECTOR'S MEETING**

**May 15, 2003**

## DEVELOPMENT OF A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR FIRST TIME HOMEBUYERS

Staff is examining the feasibility of TDHCA using a portion of its state volume cap to issue Mortgage Credit Certificates ("MCCs"). By issuing MCCs the homebuyer/taxpayer would be entitled to a personal credit against their tax liability for a portion of the interest paid on their home mortgage. TDHCA will target all or a portion of MCCs to borrowers in underserved economic and geographic submarkets in the State of Texas, including first time homebuyers with credit scores in the "A-" and/or "B" range.

TDHCA will require that lenders participating in this program must subscribe to best lending practices proscribed by the government sponsored enterprises and must attest that borrowers received the best mortgage rate attainable based on the borrower credit.

Staff has conducted preliminary discussions with TDHCA's Bond Counsel and Financial Advisor. Staff recommends further action including issuing the appropriate request for proposals to develop and market a MCC program.

## RECOMMENDATION

The Board approve further development of a mortgage credit certificate program for first time homebuyers.

# Low Income Housing Tax Credit Program
# Board Action Request
# May 15, 2003

## Action Item

Request, review and possible approval of three (3) four percent (4%) tax credit applications with other issuers for tax exempt bond transactions.

## Recommendation

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

| Development No. | Name | Location | Issuer | Total Units | LI Units | Total Developmen |
|---|---|---|---|---|---|---|
| 02484 | Sycamore Center Villas Apartments | Fort Worth | Tarrant County HFC | 280 | 280 | $23,206,77 |
| 03402* | Kimberly Pointe Apartments | Houston | Harris County HFC | 228 | 226 | $17,545,96 |
| 03403 | Shadow Ridge | Houston | Harris County HFC | 260 | 260 | $17,733,12 |

LOW INCOME HOUSING TAX CREDIT PROGRAM

# 2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Sycamore Center Villas Apartments** TDHCA#: 02484

## DEVELOPMENT AND OWNER INFORMATION

Development Location: Fort Worth QCT: N DDA: N TTC: N
Development Owner: Sycamore Center Villas, L.P.
General Partner(s): Sycamore General, Inc., 100%, Contact: Glenn Lynch
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Tarrant County HFC
Development Type: Family

**Annual Tax Credit Allocation Calculation**
Applicant Request: $754,372 Eligible Basis Amt: $753,222 Equity/Gap Amt.: $983,242
**Annual Tax Credit Allocation Recommendation: $753,222**
Total Tax Credit Allocation Over Ten Years: $ 7,532,220

## PROPERTY INFORMATION

**Unit and Building Information**
Total Units: 280 LIHTC Units: 280 % of LIHTC Units: 100%
Gross Square Footage: 321,409 Net Rentable Square Footage: 314,688
Average Square Footage/Unit: 1,124
Number of Buildings: 12
Currently Occupied: N

**Development Cost**
Total Cost: $23,206,777 Total Cost/Net Rentable Sq. Ft.: $73.75

**Income and Expenses**
Effective Gross Income:[1] $2,174,280 Ttl. Expenses: $1,038,933 Net Operating Inc.: $1,135,347
Estimated 1st Year DCR: 1.14

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Innovation Management Services, Inc. |
| Attorney: | Shackelford, Melton, and McKinley | Architect: | Humphries and Partners Architects, L.P. |
| Accountant: | Novogradac & Company, LLP | Engineer: | The Lissiak Company |
| Market Analyst: | Integra Realty Resources | Lender: | Red Capital Mortgage |
| Contractor: | Glenn Lynch Companies, Inc. | Syndicator: | Paramount Financial Group, Inc. |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Kim Brimer, District 10 - NC<br>Rep. Bill Zedler, District 96 - NC<br>Mayor Kenneth Barr - NC<br>Reid Rector, Asst. City Manager, City of Fort Worth; Consistent with the local Consolidated Plan. |

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

## CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable).

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

## DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date
Chairman of Executive Award and Review Advisory Committee

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

Chairperson Signature: 
Michael E. Jones, Chairman of the Board Date

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS

**DATE:** May 1, 2003 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 02484

## DEVELOPMENT NAME

Sycamore Center Villas Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Sycamore Center Villas, L.P. | | | **Type:** | For Profit | | |
| **Address:** | 1675 Fort Worth Highway | | | **City:** | Weatherford | **State:** | Texas |
| **Zip:** | 76086 | **Contact:** | Glenn Lynch | **Phone:** | (817) 341-1378 | **Fax:** | (817) 341-1391 |

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Glenn Lynch | **(%):** | 100 | **Title:** | Managing General Partner and Developer |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | SW corner of Crowly Rd. and Sycamore School Road | | ☐ **QCT** | | ☐ **DDA** |
| **City:** | Fort Worth | **County:** | Tarrant | **Zip:** | 76134 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $754,372 | N/A | N/A | N/A |

**Other Requested Terms:** Annual ten-year allocation of low-income housing tax credits

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

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $753,222 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 280 | **# Rental Buildings** | 12 | **# Common Area Bldngs** | 1 | **# of Floors** | 3 | **Age:** | 0 yrs | **Vacant:** | N/A | at __/ __/ ____ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Rentable SF:** | 314,688 | **Av Un SF:** | 1,124 | **Common Area SF:** | 6,721 | **Gross Bldg SF:** | 321,409 |

### STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 70% brick veneer/20% Hardiplank siding/10% stucco exterior wall covering, drywall interior wall surfaces, composite shingle roofing

### APPLIANCES AND INTERIOR FEATURES

Carpeting & ceramic tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, tile counter tops, individual water heaters

### ON-SITE AMENITIES

A 6,496-SF community building with activity room, management offices, laundry facilities, kitchen, restrooms, swimming pool & an equipped children's play area will be located at the entrance of the property. The plans also call for sports courts. There will also be a 225-SF laundry building toward the middle of the site.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Uncovered Parking:** | 336 | spaces | **Carports:** | 200 | spaces | **Garages:** | 40 | spaces |

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Sycamore Center Villas Apartments is a relatively dense (14.6 units per acre) new construction development located in south Fort Worth. The development is comprised of 12 evenly distributed garden style walk-up residential buildings as follows:

- Eleven) Building Type A with eight two-bedroom/ two-bath units and 16 three-bedroom/two-bath units; and
- One Building Type B with 16 three-bedroom/two-bath units (two stories);

**Architectural Review:** The exterior elevations are functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry off a breezeway that is shared with three other units. The units are in three-story walk-up structures with mixed brick/masonry, Hardiboard and stucco exterior finish and pitched roofs. The site plan indicates that there will be 206 carports, however, the application indicates that there will be 200 carports and this total was verified with the Applicant. This discrepancy will not materially affect the development costs.

**Supportive Services:** The Applicant has contracted with Beacon Endeavors, Inc. to provide supportive services. The contract requires the Applicant to pay $50 per unit per year, or $14,000 per year.

**Schedule:** The Applicant anticipates construction to begin in June of 2003, to be completed in June of 2004, to be placed in service in April of 2004, and to be substantially leased-up in April of 2005.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | | |
|---|---|---|---|---|---|---|
| **Size:** | 19.232 | acres | 837,746 | square feet | **Zoning/ Permitted Uses:** | Zoned D- allows for multi-family |
| **Flood Zone Designation:** | Zone X | | | **Status of Off-Sites:** | Partially improved | |

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The site is an irregularly-shaped parcel located in the southern area of Fort Worth, approximately nine miles from the central business district. The site is situated on the southwest corner of Sycamore School Road and Crowley Road.

**Adjacent Land Uses:** According to the Phase I, Sycamore Pointe Townhomes are located to the west, raw land to the south, single family to the east and raw land and a former Chevron gas station to the north.

**Site Access:** The property is at the southwest corner of Sycamore School Road and Crowley Road. The development is to have two main entries, one each from Sycamore School and Crowley Roads. Access to Interstate Highway 35W is 1.5 miles east.

**Public Transportation:** Public transportation to the area is provided by the "T", Fort Worth's bus system which runs along Sycamore School Road in front of the property.

**Shopping & Services:** The site is within 1.5 miles of major grocery/pharmacies, and 4.2 miles from Hulen Mall. Huguley Memorial Medical Center is located approximately 3.8 miles away, and schools are located a short distance from the site.

**Site Inspection Findings:** The site was inspected by a TDHCA staff member on March 14, 2003 and was rated as acceptable for the proposed development.

## HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was prepared by Dominion Environmental, Inc. on March 10, 2003 and contained the following findings and recommendations: no adverse environmental concerns were identified, and based on the analysis no further investigations are required.

## POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

**MAXIMUM ELIGIBLE INCOMES**

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

## MARKET HIGHLIGHTS

A market feasibility study dated March 21, 2003 was prepared by Integra Realty Resources and highlighted the following findings:

**Definition of Market/Submarket:** The primary market area (PMA) is concluded to be the area within a rather expansive eight-mile radius of the proposed site. (p. 18)

**Population:** The estimated 2002 population of the primary market area was 359,819 and is expected to increase by 7.6% to approximately 387,067 by 2007. This exceeds the normal primary market population guideline of 250,000 by a considerable margin. Within the primary market area there were estimated to be 141,254 households in 2007.

**Total Local/Submarket Demand for Rental Units:** The market analyst projected an annual demand of 106 units from household growth and 2,025 units from turnover. The Underwriter determined a demand of 5,081 units. The reason for the major difference is that the analyst determined their residential turnover from "step up/step down" demand, resulting in the PMA income-qualified renter population of 25,966, and a turnover rate of 50%. The Underwriter used an income-qualified renter population of 7,078 and used the Fort Worth garden apartment average turnover rate of 70.3%. (p. 50)

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| Type of Demand | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth | 106 | 5% | 105 | 2% |
| Resident Turnover | 2,025 | 95% | 4,976 | 98% |
| **TOTAL ANNUAL DEMAND** | **2,131** | **100%** | **5,081** | **100%** |

Ref: p. 50

**Inclusive Capture Rate:** The market analyst calculated a concentration capture rate of 23.3%, based on a demand of 2,131 units and an unstabilized supply of 496 units. (p. 51) The Underwriter calculated a concentration capture rate of 22.87% based upon a revised supply of unstabilized comparable affordable units of 1,102 divided by a revised demand of 5,081. Had the market analyst considered all of the pending and unstabilized developments within the primary market area he would have concluded a capture rate of 54.53% based upon his estimate of market demand. While this would significantly exceed the Department's 25% limit, the Underwriter's recalculation of demand based upon the information in the market study provides an acceptable capture rate conclusion.

**Market Rent Comparables:** The market analyst surveyed five comparable apartment projects totaling 1,702 units in the market area. (p. 56)

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| Unit Type (% AMI) | Proposed | Program Max | Differential | Market | Differential |
| 2-Bedroom (50%) | $602 | $602 | $0 | $795 | -$193 |
| 3-Bedroom (50%) | $695 | $695 | $0 | $1,035 | -$340 |

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

**Submarket Vacancy Rates:** According to M/PF Research, Inc. the site is bordered by both the Southwest Fort Worth region (occupancy of 93% in April 2002) and the South Fort Worth region (occupancy of 89.0% in April 2002). (p. 37) Current occupancy trends for LIHTC properties in the PMA are averaging 94%. (p. 44)

**Absorption Projections:** Sycamore Pointe opened in May 2002 and reached stabilization in nine months, averaging 20 units per month. Three properties opened in 1999: Avery Pointe (17 units per month), Montevista (18 units) and Reserve at Oak Hill (20 units). The average absorption was 19 units per month. The analyst predicts the same absorption rate for the subject property. The analyst also mentioned that the average annual absorption for the PMA was 554 units per year. (p. 46)

**Known Planned Development:** The analyst indicated that Overton Park, a 216-unit development located 4.5 miles northwest of the site and funded in 2001 under the 9% LIHTC program, is under construction. However, the analyst did not mention that Arbor Bend Villas, a 152-unit development, is also currently being proposed for 4% LIHTC funding and is also located 4.5 miles northwest of the site and within the market area. The analyst mentioned this property in the market study provided to Red Capital Group but failed to mention it in the report that went to TDHCA. (p. 50) The market analyst also failed to consider in the capture rate calculation a 2001 4% LIHTC program development known as Cobb Park located approximately six miles northeast of the site. Nor did the market analyst consider in the capture rate Sycamore Point, a 168 total unit/ 126 tax credit unit, development funded in 2000 and located immediately to the west of the site or The Parks at Sycamore School, a 216-unit development approved by the Board in December and located less than one mile from the subject site..

The Underwriter found the market study to provide sufficient information to make a funding decision.

## OPERATING PROFORMA ANALYSIS

**Income:** The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. The Applicant is anticipating $33.80 per unit monthly in secondary income because they anticipate charging a monthly fee for 40 garages and 200 carports. The Underwriter is estimating $25 per unit monthly based on historical data provided by the Applicant for an LIHTC property built by the same Principal located in Weatherford. Additional garage and carport revenue is speculative at best and may not ultimately be allowed if either the cost of construction of the garages and carports is included in eligible basis or if an adequate free parking alternative is not provided. Given that all of the units are restricted family units the latter requirement may be difficult to substantiate. Therefore, the Underwriter discounted the additional anticipated secondary income from garages and carports despite the Applicant's exclusion of this construction cost from eligible basis. Both the Underwriter and the Applicant included a vacancy and collection loss of 7.5%. As a result, the Applicant is 1% higher in estimated income than the Underwriter.

**Expenses:** The Applicant's estimate of total operating expense is 2% less than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. However, the Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (24K lower), payroll ($23K lower), utilities (27K lower), and taxes ($61K higher) than the Underwriter's estimate. The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

**Conclusion:** Despite the differences in secondary income and line item expenses, the Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses and net operating income are within 5% of the Underwriter's estimates. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30.

## ACQUISITION VALUATION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 42.248 acres** | $844,960 | **Assessment for the Year of:** | 2002 |
| **Building:** | N/A | **Valuation by:** | Tarrant County Appraisal District |
| **Total Assessed Value:** | $844,960 | **Tax Rate:** | 3.25228 |

The Applicant is purchasing 19.232 out of 42.248 acres. On a straight-line proration, the assessed value would be $384,640.

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Unimproved property contract | | |
| **Contract Expiration Date:** | 8/ 31/ 2003 | **Anticipated Closing Date:** | 8/ 31/ 2003 |
| **Acquisition Cost:** | $1,000,000 | **Other Terms/Conditions:** | |
| **Seller:** | Maximize the Moment, Inc. | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Land Value:** The site cost of $1,000,000 ($1.19/SF or $51,996/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of $6,681 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** As mentioned above, the Applicant did not include the cost for garages or carports in their direct construction analysis. As a result, the Underwriter reduced direct costs for garages and carports and moved that amount to ineligible costs. Despite this, the Applicant's direct costs are more than 5% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.

**Interim Financing Fees:** The Applicant included as eligible half of the $70,000 tax counsel fee as eligible when only the portion attributable to the construction period can be justified as eligible. The Underwriter further prorated these fees over the life of the bonds by including as eligible only $3,500 of the total fees.

**Ineligible Costs:** The Applicant's ineligible costs were increased due to the difference in tax counsel fees discussed above.

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

**Conclusion:** While the Applicant's direct cost estimate is more than 5% lower than the Underwriter's estimate, the Applicant's total development cost estimate is under 5% lower than the Underwriter's verifiable estimate and is, therefore, generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to recalculate eligible basis and determine the LIHTC allocation. As a result, a revised eligible basis of $20,636,216 is used to determine a credit allocation of $753,222 from this method.

## FINANCING STRUCTURE

### LONG TERM/PERMANENT FINANCING

**Source:** Red Capital Mortgage **Contact:** Tracy Peters

**Principal Amount:** $15,145,000 **Interest Rate:** 5.45%, underwritten at 5.95%

**Additional Information:** The same developer indicated they just closed on a similar property at an interest rate of 5.95% through Red Capital

**Amortization:** 40 yrs **Term:** 40 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

**Annual Payment:** $993,631 **Lien Priority:** FIRST **Commitment Date** 4/ 24/ 2003

### LIHTC SYNDICATION

**Source:** Paramount Financial Group, Inc. **Contact:** Dale E. Cook

**Address:** 150 East Main Street, Suite 301 **City:** Fredericksburg

**State:** Texas **Zip:** 78624 **Phone:** (740) 587-4150 **Fax:** (740) 587-4626

**Net Proceeds:** $6,162,732 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

**Commitment** ☐ None ☐ Firm ☒ Conditional **Date:** 3/ 27/ 2003

**Additional Information:**

### APPLICANT EQUITY

**Amount:** $1,899,045 **Source:** Deferred developer fee

### FINANCING STRUCTURE ANALYSIS

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. The Applicant originally provided a commitment for private activity bonds issued by the Tarrant County Housing Financing Corporation and privately placed in service by Red Capital with an interest rate of 5.75%, underwritten 50 basis points higher. However, a new letter of interest was provided by Red Capital indicating an interest rate of 5.45%, being underwritten at 50 basis points higher. This is the interest rate the Developer claimed was the final rate for a similar property that was just funded through Red Capital in April 2003.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $1,899,045 amount to 90% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted calculation of eligible basis, the LIHTC allocation should not exceed $753,222 annually for ten years, resulting in syndication proceeds of approximately $6,175,802. The letter of interest from Red Capital indicates a loan amount of $15,145,000 with an interest rate of 5.45% for 40 years, although it is being underwritten at 50 basis points higher. This results in a 1.14 DCR. The lower rate would still result in an acceptable 1.22 DCR. At the current loan amount, the Applicant would need to defer $1,885,975 which would be 90% of their developer fee. The total deferred developer fee appears to be repayable through cash flow within ten years.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager and supportive services provider are all related entities. These are common relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Glenn Lynch Companies, the Developer, submitted an unaudited financial statement as of December 31, 2002 indicating assets totaling $38,091,263, with $482,272 in cash, $758,439 in receivables, $35,819,794 in construction in progress, and $1,030,758 in investments, land, equipment, and miscellaneous. Liabilities totaled $37,888,686 resulting in a net worth of $202,577.
- Glenn W. Lynch submitted an unaudited financial statement as of January 31, 2003 and is anticipated to be the guarantor of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Glenn W. Lynch has completed seven LIHTC housing developments totaling 1,206 units since 1997.

## SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Mark Fugina* | **Date:** | May 1, 2003 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | May 1, 2003 |

# MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

***Sycamore Center Villas Apartments, Fort Worth, 4% LIHTC # 02484***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Trash Only |
|---|---|---|---|---|---|---|---|---|---|---|
| TC50% | 88 | 2 | 2 | 972 | $690 | $602 | $52,976 | $0.62 | $88.00 | $10.00 |
| TC50% | 144 | 3 | 2 | 1,158 | 796 | $695 | 100,080 | 0.60 | 101.00 | 10.00 |
| TC50% | 48 | 3 | 2 | 1,300 | 796 | $695 | 33,360 | 0.53 | 101.00 | 10.00 |
| TOTAL: | 280 | | AVERAGE: | 1,124 | $763 | $666 | $186,416 | $0.59 | $96.91 | $10.00 |

| | | | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | Total Net Rentable Sq Ft: | 314,688 | | | TDHCA | APPLICANT | | USS Region | 3 |
| POTENTIAL GROSS RENT | | | | | $2,236,992 | $2,236,992 | | IREM Region | Fort Worth |
| Secondary Income | | | Per Unit Per Month: | $25.00 | 84,000 | 113,580 | $33.80 | Per Unit Per Month | |
| Other Support Income: (describe) | | | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | | $2,320,992 | $2,350,572 | | | |
| Vacancy & Collection Loss | | | % of Potential Gross Income: | -7.50% | (174,074) | (176,292) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | | $2,146,918 | $2,174,280 | | | |
| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | | 3.69% | $283 | 0.25 | $79,278 | $55,500 | $0.18 | $198 | 2.55% |
| Management | | 4.00% | 307 | 0.27 | 85,877 | $87,293 | 0.28 | 312 | 4.01% |
| Payroll & Payroll Tax | | 11.65% | 893 | 0.79 | 250,040 | $227,000 | 0.72 | 811 | 10.44% |
| Repairs & Maintenance | | 5.60% | 429 | 0.38 | 120,141 | $108,088 | 0.34 | 386 | 4.97% |
| Utilities | | 3.31% | 254 | 0.23 | 70,992 | $43,740 | 0.14 | 156 | 2.01% |
| Water, Sewer, & Trash | | 2.13% | 163 | 0.15 | 45,644 | $41,500 | 0.13 | 148 | 1.91% |
| Property Insurance | | 2.78% | 214 | 0.19 | 59,791 | $66,084 | 0.21 | 236 | 3.04% |
| Property Tax | 3.25228 | 12.72% | 976 | 0.87 | 273,192 | $334,128 | 1.06 | 1,193 | 15.37% |
| Reserve for Replacements | | 2.61% | 200 | 0.18 | 56,000 | $56,000 | 0.18 | 200 | 2.58% |
| Other Expenses: Compliance, Sup | | 0.91% | 70 | 0.06 | 19,600 | $19,600 | 0.06 | 70 | 0.90% |
| TOTAL EXPENSES | | 49.40% | $3,788 | $3.37 | $1,060,554 | $1,038,933 | $3.30 | $3,710 | 47.78% |
| NET OPERATING INC | | 50.60% | $3,880 | $3.45 | $1,086,363 | $1,135,347 | $3.61 | $4,055 | 52.22% |
| **DEBT SERVICE** | | | | | | | | | |
| Red Capital Mortgage | | 46.28% | $3,549 | $3.16 | $993,631 | $993,631 | $3.16 | $3,549 | 45.70% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 4.32% | $331 | $0.29 | $92,732 | $141,716 | $0.45 | $506 | 6.52% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.09 | 1.14 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.14 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 4.13% | $3,571 | $3.18 | $1,000,000 | $1,000,000 | $3.18 | $3,571 | 4.31% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | | 0.00 | 0 | 0.00% |
| Sitework | | 7.73% | 6,681 | 5.94 | 1,870,800 | 1,870,800 | 5.94 | 6,681 | 8.06% |
| Direct Construction | | 54.08% | 46,730 | 41.58 | 13,084,267 | 12,070,817 | 38.36 | 43,110 | 52.01% |
| Contingency | 4.60% | 2.84% | 2,457 | 2.19 | 687,900 | 687,900 | 2.19 | 2,457 | 2.96% |
| General Req'ts | 5.59% | 3.46% | 2,987 | 2.66 | 836,497 | 836,497 | 2.66 | 2,987 | 3.60% |
| Contractor's G & A | 1.86% | 1.15% | 996 | 0.89 | 278,832 | 278,832 | 0.89 | 996 | 1.20% |
| Contractor's Profit | 5.59% | 3.46% | 2,987 | 2.66 | 836,497 | 836,497 | 2.66 | 2,987 | 3.60% |
| Indirect Construction | | 2.72% | 2,346 | 2.09 | 656,950 | 656,950 | 2.09 | 2,346 | 2.83% |
| Ineligible Costs | | 5.09% | 4,397 | 3.91 | 1,231,208 | 1,295,561 | 4.12 | 4,627 | 5.58% |
| Developer's G & A | 3.07% | 2.48% | 2,143 | 1.91 | 600,000 | 600,000 | 1.91 | 2,143 | 2.59% |
| Developer's Profit | 7.67% | 6.20% | 5,357 | 4.77 | 1,500,000 | 1,500,000 | 4.77 | 5,357 | 6.46% |
| Interim Financing | | 5.36% | 4,635 | 4.12 | 1,297,923 | 1,297,923 | 4.12 | 4,635 | 5.59% |
| Reserves | | 1.30% | 1,122 | 1.00 | 314,190 | 275,000 | 0.87 | 982 | 1.18% |
| TOTAL COST | | 100.00% | $86,411 | $76.89 | $24,195,064 | $23,206,777 | $73.75 | $82,881 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *72.72%* | ***$62,839*** | ***$55.91*** | ***$17,594,793*** | ***$16,581,343*** | ***$52.69*** | ***$59,219*** | *71.45%* |

**SOURCES OF FUNDS**

| | % | PER UNIT | PER SQ FT | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| Red Capital Mortgage | 59.47% | $51,393 | $45.73 | $14,390,000 | $14,390,000 | $14,390,000 | Developer fee Avalable |
| Red Capital Mortgage | 3.12% | $2,696 | $2.40 | 755,000 | 755,000 | 755,000 | $2,100,000 |
| LIHTC Syndication Proceeds | 25.47% | $22,010 | $19.58 | 6,162,732 | 6,162,732 | 6,175,802 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 7.85% | $6,782 | $6.03 | 1,899,045 | 1,899,045 | 1,885,975 | 90% |
| Additional (excess) Funds Required | 4.08% | $3,530 | $3.14 | 988,287 | 0 | 0 | Dev Fee Repayable in 15 yrs |
| TOTAL SOURCES | | | | $24,195,064 | $23,206,777 | $23,206,777 | $4,725,209.16 |

***Sycamore Center Villas Apartments, Fort Worth, 4% LIHTC # 02484***

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $40.77 | $12,828,526 |
| Adjustments | | | | |
| Exterior Wall Finish | 5.60% | | $2.28 | $718,397 |
| Nine Foot Ceilings | 3.00% | | 1.22 | 384,856 |
| Carports | $7.83 | 30,000 | 0.75 | 234,900 |
| Subfloor | | | (0.72) | (227,025) |
| Floor Cover | | | 1.92 | 604,201 |
| Porches/Balconies | $21.98 | 24,080 | 1.68 | 529,336 |
| Plumbing | $615 | 840 | 1.64 | 516,600 |
| Built-In Appliances | $1,625 | 280 | 1.45 | 455,000 |
| Fireplaces | $1,242 | 280 | 1.10 | 347,667 |
| Stairs | $1,400 | 92 | 0.41 | 128,800 |
| Heating/Cooling | | | 1.47 | 462,591 |
| Garages | $12.01 | 10,560 | 0.40 | 126,826 |
| Comm &/or Aux Bldgs | $54.60 | 6,496 | 1.13 | 354,672 |
| Laundry | $50.85 | 225 | 0.04 | 11,442 |
| SUBTOTAL | | | 55.54 | 17,476,789 |
| Current Cost Multiplier | 1.03 | | 1.67 | 524,304 |
| Local Multiplier | 0.90 | | (5.55) | (1,747,679) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $51.65 | $16,253,414 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.01) | ($633,883) |
| Interim Construction Interes | 3.38% | | (1.74) | (548,553) |
| Contractor's OH & Profit | 11.50% | | (5.94) | (1,869,143) |
| NET DIRECT CONSTRUCTION COSTS | | | $41.95 | $13,201,835 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $15,145,000 | Term | 480 |
| Int Rate | 5.95% | DCR | 1.09 |

| | | | |
|---|---|---|---|
| **Secondary** | | Term | |
| Int Rate | | Subtotal DCR | 1.09 |

| | | | |
|---|---|---|---|
| **Additional** | | Term | |
| Int Rate | | Aggregate DCR | 1.09 |

## RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC

| | |
|---|---|
| Primary Debt Service | $993,631 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $141,716 |

| | | | |
|---|---|---|---|
| **Primary** | $15,145,000 | Term | 480 |
| Int Rate | 5.95% | DCR | 1.14 |

| | | | |
|---|---|---|---|
| **Secondary** | | Term | 0 |
| Int Rate | | Subtotal DCR | 1.14 |

| | | | |
|---|---|---|---|
| **Additional** | | Term | 0 |
| Int Rate | | Aggregate DCR | 1.14 |

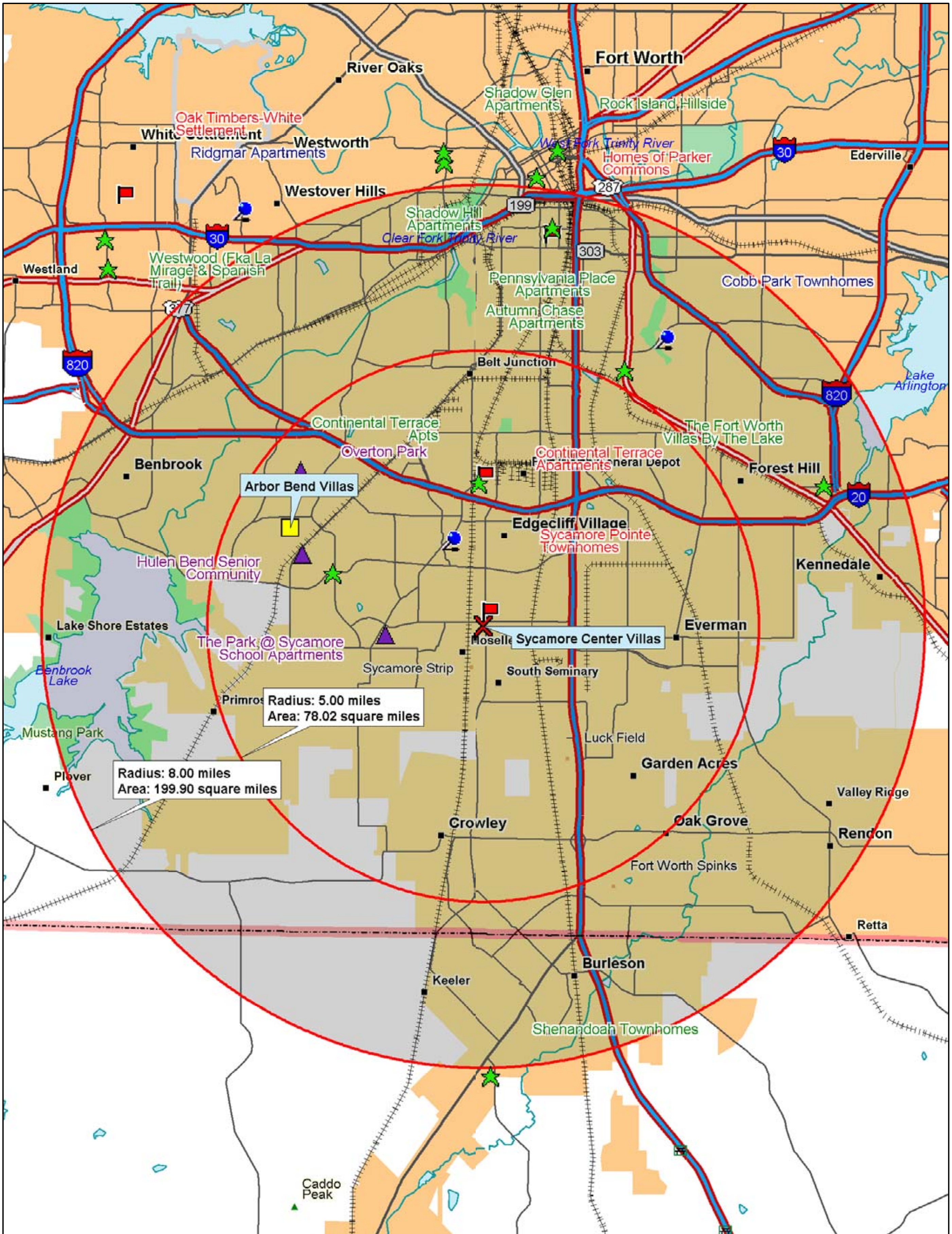
## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $2,236,992 | $2,304,102 | $2,373,225 | $2,444,422 | $2,517,754 | $2,918,767 | $3,383,651 | $3,922,579 | $5,271,618 |
| Secondary Income | 113,580 | 116,987 | 120,497 | 124,112 | 127,835 | 148,196 | 171,800 | 199,163 | 267,659 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 2,350,572 | 2,421,089 | 2,493,722 | 2,568,533 | 2,645,589 | 3,066,963 | 3,555,451 | 4,121,742 | 5,539,277 |
| Vacancy & Collection Loss | (176,292) | (181,582) | (187,029) | (192,640) | (198,419) | (230,022) | (266,659) | (309,131) | (415,446) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $2,174,280 | $2,239,507 | $2,306,693 | $2,375,893 | $2,447,170 | $2,836,941 | $3,288,792 | $3,812,612 | $5,123,831 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $55,500 | $57,720 | $60,029 | $62,430 | $64,927 | $78,994 | $96,108 | $116,930 | $173,085 |
| Management | 87,293 | 89911.7528 | 92609.10537 | 95387.37853 | 98248.99988 | 113897.5184 | 132038.4402 | 153068.7405 | 205711.5876 |
| Payroll & Payroll Tax | 227,000 | 236,080 | 245,523 | 255,344 | 265,558 | 323,092 | 393,091 | 478,255 | 707,934 |
| Repairs & Maintenance | 108,088 | 112,412 | 116,908 | 121,584 | 126,448 | 153,843 | 187,173 | 227,725 | 337,089 |
| Utilities | 43,740 | 45,490 | 47,309 | 49,202 | 51,170 | 62,256 | 75,744 | 92,154 | 136,410 |
| Water, Sewer & Trash | 41,500 | 43,160 | 44,886 | 46,682 | 48,549 | 59,067 | 71,865 | 87,434 | 129,424 |
| Insurance | 66,084 | 68,727 | 71,476 | 74,336 | 77,309 | 94,058 | 114,436 | 139,229 | 206,093 |
| Property Tax | 334,128 | 347,493 | 361,392 | 375,848 | 390,882 | 475,568 | 578,601 | 703,956 | 1,042,027 |
| Reserve for Replacements | 56,000 | 58,240 | 60,570 | 62,992 | 65,512 | 79,705 | 96,974 | 117,984 | 174,644 |
| Other | 19,600 | 20,384 | 21,199 | 22,047 | 22,929 | 27,897 | 33,941 | 41,294 | 61,126 |
| TOTAL EXPENSES | $1,038,933 | $1,079,617 | $1,121,902 | $1,165,852 | $1,211,533 | $1,468,377 | $1,779,970 | $2,158,030 | $3,173,544 |
| NET OPERATING INCOME | $1,135,347 | $1,159,891 | $1,184,790 | $1,210,041 | $1,235,638 | $1,368,564 | $1,508,822 | $1,654,582 | $1,950,288 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $993,631 | $993,631 | $993,631 | $993,631 | $993,631 | $993,631 | $993,631 | $993,631 | $993,631 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $141,716 | $166,260 | $191,159 | $216,410 | $242,007 | $374,933 | $515,191 | $660,951 | $956,656 |
| DEBT COVERAGE RATIO | 1.14 | 1.17 | 1.19 | 1.22 | 1.24 | 1.38 | 1.52 | 1.67 | 1.96 |

## LIHTC Allocation Calculation - Sycamore Center Villas Apartments, Fort Worth, 4% LIHTC # 0248

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,000,000 | $1,000,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,870,800 | $1,870,800 | $1,870,800 | $1,870,800 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $12,070,817 | $13,084,267 | $12,070,817 | $13,084,267 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $278,832 | $278,832 | $278,832 | $278,832 |
| Contractor profit | $836,497 | $836,497 | $836,497 | $836,497 |
| General requirements | $836,497 | $836,497 | $836,497 | $836,497 |
| **(5) Contingencies** | $687,900 | $687,900 | $687,900 | $687,900 |
| **(6) Eligible Indirect Fees** | $656,950 | $656,950 | $656,950 | $656,950 |
| **(7) Eligible Financing Fees** | $1,297,923 | $1,297,923 | $1,297,923 | $1,297,923 |
| **(8) All Ineligible Costs** | $1,295,561 | $1,231,208 | | |
| **(9) Developer Fees** | | | | |
| Developer overhead | $600,000 | $600,000 | $600,000 | $600,000 |
| Developer fee | $1,500,000 | $1,500,000 | $1,500,000 | $1,500,000 |
| **(10) Development Reserves** | $275,000 | $314,190 | | |
| **TOTAL DEVELOPMENT COSTS** | $23,206,777 | $24,195,064 | $20,636,216 | $21,649,666 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $20,636,216 | $21,649,666 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $20,636,216 | $21,649,666 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $20,636,216 | $21,649,666 |
| Applicable Percentage | | 3.65% | 3.65% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $753,222 | $790,213 |
| **Syndication Proceeds** | **0.8199** | **$6,175,802** | **$6,479,097** |
| **Total Credits (Eligible Basis Method)** | | **$753,222** | **$790,213** |
| **Syndication Proceeds** | | **$6,175,802** | **$6,479,097** |
| **Requested Credits** | | **$754,372** | |
| **Syndication Proceeds** | | **$6,185,232** | |
| **Gap of Syndication Proceeds Needed** | | **$8,061,777** | |
| **Credit Amount** | | **$983,242** | |





Zoom Level: 10-4 Datum: WGS84

Scale 1 : 150 000

mi km

TN MN 5.6°E

# Developer Evaluation

Project ID # **02484** Name: **Sycamore Center Villas** City:

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

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

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

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

### Portfolio Management and Compliance

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

Total # of Projects monitored: 5 Projects grouped by score 0-9 5 10-19 0 20-29 0

Total # monitored with a score less than 30: 5 # not yet monitored or pending review: 2

**Program Monitoring/Draws**

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

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

**Asset Management**

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

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

Reviewed by Sara Carr Newsom Date ıday, April 29, 2003

### Multifamily Finance Production

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

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

Reviewed by Robbye Meyer Date 2 /7 /2003

### Single Family Finance Production

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

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

Reviewed by __________ Date __________

### Community Affairs

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

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

Reviewed by Dyna Lang Date 4 /30/2003

### Office of Colonia Initiatives

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

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

Reviewed by __________ Date __________

### Real Estate Analysis (Cost Certification and Workout)

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

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

Reviewed by __________ Date __________

### Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

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

Reviewed by stephanie stuntz Date 4 /30/2003

**Executive Director:** Edwina Carrington **Executed:** Monday, May 05, 2003

LOW INCOME HOUSING TAX CREDIT PROGRAM

# 2003 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Kimberly Pointe Apartments** TDHCA#: 03402

## DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: N DDA: N TTC: N
Development Owner: Vestcor Fund XX, Ltd.
General Partner(s): Kimberly Esperanza, LLC, 50% Contact: Paul Ramirez; Vestcor/GP XX, LLLP 50%, Contact: Stephen Frick
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
Development Type: Family

**Annual Tax Credit Allocation Calculation**
Applicant Request: $531,572 Eligible Basis Amt: $566,553 Equity/Gap Amt.: 749,69158
**Annual Tax Credit Allocation Recommendation: $531,572**
Total Tax Credit Allocation Over Ten Years: $ 5,315,720

## PROPERTY INFORMATION

**Unit and Building Information**
Total Units: 228* LIHTC Units: 226 % of LIHTC Units: 0.99122807017543857
Gross Square Footage: 249,662 Net Rentable Square Footage: 246,600
Average Square Footage/Unit: 1082
Number of Buildings: 9
Currently Occupied: N
**Development Cost**
Total Cost: $17,545,964 Total Cost/Net Rentable Sq. Ft.: $71.15
**Income and Expenses**
Effective Gross Income:[1] $1,652,955 Ttl. Expenses: $745,168 Net Operating Inc.: $907,787
Estimated 1st Year DCR: 1.10

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Alpha-Barnes Real Estate Services, Inc. |
| Attorney: | Stearns, Weaver, Miller, et al. | Architect: | PQH Architects, Inc. |
| Accountant: | KPMG, LLP | Engineer: | Texas Engineering and Mapping |
| Market Analyst: | Apartment Market Data | Lender: | GMAC Commercial Mortgage Affordable Housing Division |
| Contractor: | Vestcor Construction Services, Inc. | Syndicator: | Wachovia Securities |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. John Whitmire, District 15 - NC<br>Rep. Peggy Hamric, District 126 - NC<br>Judge Robert Eckels, County Judge, Harris County; Consistent with the local Consolidated Plan. |

* This development has 2 Employee Occupied Units.
1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

## CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable).

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

## DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date
Chairman of Executive Award and Review Advisory Committee

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

Chairperson Signature:
Michael E. Jones, Chairman of the Board Date

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

**DATE:** May 1, 2003 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 03402

## DEVELOPMENT NAME

Kimberly Pointe Apartments

## APPLICANT

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Vestcor Fund XX, Ltd. | **Type:** | For Profit | | |
| **Address:** | 3020 Hartley Road, Suite 300 | **City:** | Jacksonville | **State:** | FL |
| **Zip:** | 32257 **Contact:** Stephen Frick | **Phone:** | (904) 260-3030 | **Fax:** | (904) 260-9031 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Kimberly Esperanza, LLC | **(%):** | .01 | **Title:** | Managing General Partner |
| **Name:** | Vestcor/GP XX, LLLP | **(%):** | .01 | **Title:** | Special Limited Partner |
| **Name:** | Wachovia Securities | **(%):** | 99.98 | **Title:** | Initial Limited Partner |
| **Name:** | Houston Esperanza (nonprofit) | **(%):** | | **Title:** | Sole member of MGP |
| **Name:** | Vestcor Partners XX, LLC | **(%):** | | **Title:** | General partner of SLP |
| **Name:** | Vestcor, Inc. | **(%):** | | **Title:** | Manager of GP of SLP |
| **Name:** | Vestcor Development Corporation, Inc. | **(%):** | | **Title:** | Developer |
| **Name:** | John D. Rood | **(%):** | | **Title:** | 100% owner of GP of SLP & Developer |
| **Name:** | Jamie A. Rood | **(%):** | | **Title:** | Limited partner of SLP |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | Southwest corner of intersection of Airtex Road & Brundage Road | ☐ **QCT** | | ☐ **DDA** | |
| **City:** | Houston | **County:** | Harris | **Zip:** | 77090 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $531,572 | N/A | N/A | N/A |

**Other Requested Terms:** Annual ten-year allocation of low-income housing tax credits

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

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $531,572 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of an executed payment in lieu of taxes (PILOT) agreement evidencing a property tax abatement of at least 75% prior to closing;
2. Should the terms and rates of the proposed debt or syndication be altered, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 228 | **# Rental Buildings** | 9 | **# Common Area Bldgs** | 2 | **# of Floors** | 3 | **Age:** | 0 yrs | **Vacant:** | N/A | at | __/ | __/ | ____ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Rentable SF:** | 246,600 | **Av Un SF:** | 1,082 | **Common Area SF:** | 3,062 | **Gross Bldg SF:** | 249,662 |

### STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 100% stucco exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

### APPLIANCES AND INTERIOR FEATURES

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

### ON-SITE AMENITIES

3,067-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, & library; 2 mail kiosks, swimming pool, equipped children's play area, sports courts, perimeter fencingwith limited access gate(s)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Uncovered Parking:** | 404 | spaces | **Carports:** | 0 | spaces | **Garages:** | 0 | spaces |

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Kimberly Pointe Apartments is a proposed new construction development of 228 units of affordable housing located in far north Houston. The development is comprised of nine residential buildings as follows:

- Three Building Type 1 with eight one-bedroom/one-bath units, twelve two- bedroom/two-bath units, and eight three-bedroom/two-bath units; and
- Six Building Type 2 with twelve each of the two- and three-bedroom/two-bath units.

**Architectural Review:** The buildings and units are attractive and efficiently laid out. An unusual feature is individual storage closets placed within the interior breezeways.

**Supportive Services:** The Applicant submitted a draft agreement with Texas Inter-Faith Management Corporation, dba Good Neighbor, to provide supportive services to tenants. The services will be provided at no cost to tenants, and the Applicant has included an estimated annual expense of $16,800.

**Schedule:** The Applicant anticipates construction to begin in July of 2003, to be completed and placed in service in July of 2004, and to be substantially leased-up in February of 2005.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | | |
|---|---|---|---|---|---|---|
| **Size:** | 14.576 | acres | 634,931 | square feet | **Zoning/ Permitted Uses:** | No zoning in Houston |
| **Flood Zone Designation:** | Zone X | | | **Status of Off-Sites:** | Partially improved | |

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The site is a trapezoidally-shaped parcel located in the far north area of Houston, approximately 15 miles from the central business district. The site is situated on the southwest corner of the intersection of Airtex and Brundage Roads.

**Adjacent Land Uses:**

- **North:** Airtex Road with new multifamily residential beyond (Quail Chase Apartments, 248 60% AMI units, 4% LIHTC #99-14T)

- **South:** undeveloped land
- **East:** Brundage Road with undeveloped land beyond. A 240-unit, 60% AMI, 4% LIHTC development to be named Park at Kirkstall Apartments was approved by TDHCA in December 2002 and will be built on the southeast corner of Airtex and Brundage Roads.
- **West:** undeveloped land

**Site Access:** Access to the property is from the east or west along Airtex Road or the north or south from Brundage Road. The development is to have a single entry from Airtex Road. Access to Interstate Highway 45 is one-half mile east, which provides connections to all other major roads serving the Houston area.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The site is within three miles of a major grocery/pharmacy and a regional shopping center. A variety of other retail establishments and restaurants, schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:**

- A petroleum pipeline crosses the southern border of the tract. The environmental analyst stated that, "No environmental issues are visible in association with the pipeline at this time."
- The site lies approximately four miles west of George Bush Intercontinental Airport, under the approach and departure corridors of the east-west runways. The environmental analyst did not regard the airport noise issue as a significant hazard.

**Site Inspection Findings:** The site has been inspected by a TDHCA staff member, and the site was found to be acceptable for the proposed development.

## HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 29, 2001 and an update report thereto dated January 16, 2003 were prepared by Phase One Technologies, LLC and contained the following findings and recommendations:

**Findings:**

- "A potential fire hazard exists due to the deep accumulation of pine needles, the dense understory present on the tract, and the indications of a homeless encampment.
- The drainage is currently undergoing maintenance to remove the blockage."

**Recommendations:**

- "Continue current drainage maintenance.
- If there is any delay in development, the tract needs to be posted 'No Trespassing'. The Texas posting notification rules regarding trespass need to be followed."

The Underwriter regards that these findings and recommendations only apply to the site as undeveloped land, and would be rendered moot upon commencement of construction.

## POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI. 226 of the units will be reserved for low-income tenants, with the remaining two units to be occupied by employees.

**MAXIMUM ELIGIBLE INCOMES**

| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
|---|---|---|---|---|---|---|
| **60% of AMI** | $25,020 | $28,620 | $32,160 | $35,760 | $38,640 | $41,460 |

## MARKET HIGHLIGHTS

A market feasibility study dated January 29, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

**Definition of Market/Submarket:** "For this analysis we utilized a primary market area comprising a 98-square mile trade area in north Houston." (p. 31)

**Population:** The estimated 2002 population of the primary market area was 241,204 and is expected to increase by 9.7% to approximately 264,631 by 2007. Within the primary market area there were estimated to be 88,420 households in 2002.

**Total Local/Submarket Demand for Rental Units:** "The primary market area is projected to grow well into the year 2007. This growth will result in the additional need for housing, and based upon the tenure profile of the area, 42.5% of this housing will be in rental units. Additionally, due to the economic base of the population and the average income levels of the area, there will be a strong need for more affordable rental housing. " (p. 105)

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth | 84 | 1% | 136 | 3% |
| Resident Turnover | 6,856 | 98% | 4,717 | 97% |
| Other Sources: pent-up demand | 44 | 1% | 0 | 0% |
| **TOTAL ANNUAL DEMAND** | **6,984** | **100%** | **4,853** | **100%** |

Ref: p. 47

**Inclusive Capture Rate:** The analyst calculated an inclusive capture rate of 3.3% based upon an unstabilized comparable affordable supply of 228 units (the subject). (p. 47) The analyst did not include the Park at Kirkstall Apartments (4% LIHTC #02457, 240 60% AMI units, approved by TDHCA in December 2002) or North Vista Apartments (MFB #2002-011/4% LIHTC #02463, 252 60% AMI units, approved by TDHCA in February 2003). The Underwriter included these two developments as well as the 260-unit, 50% AMI Shadow Ridge Apartments which are concurrently being recommended to calculate an inclusive capture rate of 20.2% based upon a revised supply of 978 unstabilized comparable affordable units divided by a demand of 4,853 units.

**Local Housing Authority Waiting List Information:** No information provided, but the Applicant provided a letter dated April 11, 2003 from the Harris County Office of Housing and Economic Development stating that, "As of today, our waiting list for assisted or affordable housing totaled 750 persons."

**Market Rent Comparables:** The market analyst surveyed eight comparable apartment projects totaling 2,549 units in the market area. "Kimberly Pointe Apartments, in comparison to its proposed competition, is well positioned in regards to unit types, sizes, and rental rates. The 'base rent' (street asking rate) for each unit type is significantly lower than comparable market projects. Additionally, the subject property would be substantially newer than many of the competing projects and because it would be much more desirable to prospective renters, it would have a much greater perceived value in the eyes of prospective renters who would be comparing it with existing competitors." (p. 79)

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Market** | **Differential** |
| **1-Bedroom (50%)** | $504 | $504 | $0 | $716 | -$208 |
| **2-Bedroom (50%)** | $601 | $601 | $0 | $779 | -$178 |
| **3-Bedroom (50%)** | $690 | $690 | $0 | $889 | -$199 |

Ref: p. 91

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

**Submarket Vacancy Rates:** "The current occupancy of the market area is 93.3% as a result of ever-increasing demand. Demand for new rental units is considered to be stable." (p. 82)

**Absorption Projections:** "We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in an 18-month lease-up period]." (p. 79)

**Known Planned Development:** The analyst did not identify any planned affordable housing under development in the report, but in a subsequent conversation with the Underwriter noted that the 240-unit, 60% AMI Park at Kirkstall Apartments (4% LIHTC #02457) was approved by TDHCA in December 2002. This complex will be built directly across Brundage Road from the subject.

**Effect on Existing Housing Stock:** "The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout north Houston, and especially at quality affordable housing communities." (p. 80)

The Underwriter found the market study provided sufficient information to make a funding recommendation.

## OPERATING PROFORMA ANALYSIS

**Income:** The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are attainable according to the market analyst. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. The Applicant used a secondary income estimate of $30/unit/month which is twice the TDHCA underwriting maximum guideline, but provided sufficient additional substantiation in the form of actual income figures from another similar nearby property controlled by the Developer for their estimate. The Applicant's vacancy and collection rate is in line with TDHCA underwriting guidelines. As a result the Underwriter's effective gross income estimate is essentially identical to that of the Applicant.

**Expenses:** The Applicant's total expense estimate of $2,947 per unit is 9.8% lower than the Underwriter's estimate of $3,268 per unit for comparably-sized developments in the Houston area (with a 75% tax abatement, discussed below). The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to database averages, particularly general and administrative ($38K lower), payroll ($10K lower), and utilities ($29K lower). The Applicant is in the process of negotiating a payment in lieu of taxes (PILOT) agreement with the Harris County taxing authorities based on the CHDO status of the General Partner; the draft agreement submitted calls for annual payments of $86.7K during the construction period, followed by annual payments of 25% of the appraised value of the property. The Applicant's tax estimate is based on an estimated full per unit tax of $1,000; the Underwriter used 25% of the high Houston IREM database average. The development as structured is infeasible without this tax abatement; the Applicant concurs with this judgment and has stated that development will not proceed if the abatement is not granted. Therefore, receipt, review, and acceptance of an executed PILOT agreement evidencing a property tax abatement of at least 75% is a condition of this report.

**Conclusion:** The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due to the difference in estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.08 is less than the program minimum standard of 1.10. In order to reach the required minimum, the loan amount may need to be reduced by $250K to $11,400,000.

## ACQUISITION VALUATION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 14.5758 acres** | $571,430 | **Assessment for the Year of:** | 2002 |
| **Building:** | $N/A | **Valuation by:** | Harris County Appraisal District |
| **Total Assessed Value:** | $571,430 | **Tax Rate:** | 2.59107 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Earnest money contract | | |
| **Contract Expiration Date:** | 9/ 30/ 2003 | **Anticipated Closing Date:** | 7/ 10/ 2003 |
| **Acquisition Cost:** | $1,191,280.13 | **Other Terms/Conditions:** | $40,000 earnest money |
| **Seller:** | CP North Limited Partnership | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $1,191,280 ($1.88/SF or $81,763/acre) although over twice the tax assessed value of $571,430, is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of $5,092 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $545K or 5.8% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated. The Applicant did not include any reserves.

**Fees:** The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees, however, exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $69,829.

**Conclusion:** Despite the difference in direct construction costs the Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $15,564,644 is used to determine a credit allocation of $566,553 from this method. This is $34,981 more than requested due to the Applicant's use of a lower applicable percentage of 3.40% rather than the 3.64% underwriting rate used for applications received in January 2003. The Applicant has indicated that they do not wish to adjust the request based on the higher applicable percentage. The resulting syndication proceeds of the Applicant's request will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

## FINANCING STRUCTURE

### INTERIM CONSTRUCTION or GAP FINANCING

| | | | |
|---|---|---|---|
| **Source:** | Wachovia Bank, N.A. | **Contact:** | Rick Davis |
| **Principal Amount:** | $11,650,000 | **Interest Rate:** | 6.04% |
| **Additional Information:** | Interest-only payments on a credit facility supporting underlying bonds during construction | | |
| **Amortization:** | N/A yrs | **Term:** | 2 yrs |
| **Commitment:** | ☐ None ☐ Firm ☒ Conditional | | |

## LONG TERM/PERMANENT FINANCING

**Source:** GMAC Commercial Mortgage Affordable Housing Division **Contact:** Lloyd Griffin

**Principal Amount:** $11,650,000 **Interest Rate:** 6.04%

**Additional Information**: Permanent credit enhancement facility through Fannie Mae supporting underlying bonds in the same amount.

**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

**Annual Payment:** $841,770 **Lien Priority:** 1st **Commitment Date** 4/ / 2003

## LIHTC SYNDICATION

**Source:** Wachovia Securities **Contact:** Frederick Davis III

**Address:** 301 South College Street **City:** Charlotte

**State:** NC **Zip:** 28288 **Phone:** (704) 383-0280 **Fax:** (704) 383-9525

**Net Proceeds:** $4,358,019 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

**Commitment** ☐ None ☐ Firm ☒ Conditional **Date:** 3/ 19/ 2003

**Additional Information**: Latest (3/19/2003) commitment reflects proceeds of $4,103,000 based on credits of $5,002,840

## APPLICANT EQUITY

**Amount:** $1,537,945 **Source:** Deferred developer fee

## FINANCING STRUCTURE ANALYSIS

**Permanent Financing:** The latest permanent financing commitment dated 4/2003 is consistent with the terms reflected in the most recent sources and uses of funds statement, although the interest rate has not been locked and may differ somewhat from that underwritten. GMAC will sponsor and service Fannie Mae credit enhancement which will support $10,450,000 in Series 2003A Tax Exempt Bonds issued by Harris County and $1,200,000 in Series 2003B taxable bonds.

**LIHTC Syndication:** The latest LIHTC syndication commitment dated 3/19/2003 confirms the credit price of $0.82 but lists a proceeds amount of $4,103,000 based on credits of $5,002,840. As the credit adjuster rates are based on the same rate as the basic syndication rate, however, equity amounts should vary proportionately with credit amounts.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $1,537,945 amount to 73% of the total fees.

**Financing Conclusions:** The Applicant's total development costs are used to determine an eligible basis of $15,564,644 and a recommended annual tax credit allocation of $566,553, based on an applicable percentage rate of 3.64%. As discussed above, however, the Applicant's request of $531,572, based on an applicable percentage rate of 3.40%, will be used as the recommended allocation amount as it is less than the gap- or eligible basis-based amounts. The Underwriter was unable to substantiate the full anticipated debt amount and believes it is likely that a mandatory redemption of $250K is possible. Therefore, based on the Underwriter's analysis the Applicant's deferred developer's fee may be increased to $1,787,945, which represents approximately 85% of the eligible fee but which should be repayable from cash flow within 11 years.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

John D. Rood, the president and owner of the general partner of the Special Limited Partner, also owns the Developer and General Contractor. These are common relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statement.
- The nonprofit General Partner, Kimberly Esperanza, LLC, submitted an unaudited financial statement as of April 30, 2003 reporting total assets of $84K and consisting of $71K in cash and $13K in real property. No liabilities were reported.
- John D. Rood and Jamie A. Rood, owners of the Special Limited Partner, submitted personal financial statements as of November 30, 2003.

**Background & Experience:**

- The Applicant and Special Limited Partner are new entities formed for the purpose of developing the project.
- The General Partner, Houston Esperanza, has acted as general partner on one previous 280-unit LIHTC housing development since 2000.
- John D. Rood and Stephen Frick, principals of the Developer and general partner of the Special Limited Partner, listed participation in ten LIHTC housing developments totaling 3,026 units since 1995.

## SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed and accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Jim Anderson* | **Date:** | May 1, 2003 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | May 1, 2003 |

# MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

***Kimberly Pointe Apartments, Houston, 4% LIHTC #03402***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| TC (50%) | 24 | 1 | 1 | 714 | $558 | $504 | $12,096 | $0.71 | 54.00 | $40.62 |
| TC (50%) | 106 | 2 | 2 | 1,034 | 670 | $601 | 63,706 | 0.58 | 69.00 | 46.62 |
| EO | 2 | 2 | 2 | 1,034 | | $0 | 0 | 0.00 | 69.00 | 46.62 |
| TC (50%) | 96 | 3 | 2 | 1,227 | 775 | $690 | 66,240 | 0.56 | 85.00 | 51.62 |
| | | | | | | | | | | |
| | | | | | | | 32.86 | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| **TOTAL:** | 228 | | **AVERAGE:** | 1,082 | $697 | $623 | $142,075 | $0.58 | $74.16 | $48.09 |

| **INCOME** | Total Net Rentable Sq Ft: | 246,600 | | **TDHCA** | **APPLICANT** | | USS Region | 6 |
|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $1,704,898 | $1,704,504 | | IREM Region | Houston |
| Secondary Income | | Per Unit Per Month: | $30.00 | 82,080 | 82,080 | $30.00 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | $1,786,978 | $1,786,584 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (134,023) | (133,992) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | $1,652,955 | $1,652,592 | | | |
| **EXPENSES** | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | 4.83% | $350 | 0.32 | $79,907 | $42,120 | $0.17 | $185 | 2.55% |
| Management | 4.00% | 290 | 0.27 | 66,118 | $66,104 | 0.27 | 290 | 4.00% |
| Payroll & Payroll Tax | 12.00% | 870 | 0.80 | 198,360 | $188,100 | 0.76 | 825 | 11.38% |
| Repairs & Maintenance | 5.24% | 380 | 0.35 | 86,639 | $78,904 | 0.32 | 346 | 4.77% |
| Utilities | 3.13% | 227 | 0.21 | 51,738 | $22,740 | 0.09 | 100 | 1.38% |
| Water, Sewer, & Trash | 4.43% | 321 | 0.30 | 73,188 | $79,560 | 0.32 | 349 | 4.81% |
| Property Insurance | 3.73% | 270 | 0.25 | 61,650 | $68,400 | 0.28 | 300 | 4.14% |
| Property Tax 3.16107 | 3.54% | 257 | 0.24 | 58,568 | $57,000 | 0.23 | 250 | 3.45% |
| Reserve for Replacements | 2.76% | 200 | 0.18 | 45,600 | $45,600 | 0.18 | 200 | 2.76% |
| Other: spt svcs, compl fees, sec | 1.42% | 103 | 0.09 | 23,400 | $23,400 | 0.09 | 103 | 1.42% |
| TOTAL EXPENSES | 45.08% | $3,268 | $3.02 | $745,168 | $671,928 | $2.72 | $2,947 | 40.66% |
| NET OPERATING INC | 54.92% | $3,982 | $3.68 | $907,787 | $980,664 | $3.98 | $4,301 | 59.34% |
| **DEBT SERVICE** | | | | | | | | |
| First Lien Mortgage | 50.93% | $3,692 | $3.41 | $841,770 | $841,770 | $3.41 | $3,692 | 50.94% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 3.99% | $290 | $0.27 | $66,017 | $138,894 | $0.56 | $609 | 8.40% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.08 | 1.17 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | 1.10 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | **TDHCA** | **APPLICANT** | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 6.50% | $5,225 | $4.83 | $1,191,280 | $1,191,280 | $4.83 | $5,225 | 6.79% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.85% | 6,310 | 5.83 | 1,438,700 | 1,438,700 | 5.83 | 6,310 | 8.20% |
| Direct Construction | | 51.03% | 41,024 | 37.93 | 9,353,455 | 8,811,216 | 35.73 | 38,646 | 50.22% |
| Contingency | 2.85% | 1.68% | 1,349 | 1.25 | 307,512 | 307,512 | 1.25 | 1,349 | 1.75% |
| General Req'ts | 4.86% | 2.86% | 2,302 | 2.13 | 524,792 | 524,792 | 2.13 | 2,302 | 2.99% |
| Contractor's G & A | 1.39% | 0.82% | 658 | 0.61 | 150,000 | 150,000 | 0.61 | 658 | 0.85% |
| Contractor's Profit | 3.61% | 2.12% | 1,707 | 1.58 | 389,243 | 389,243 | 1.58 | 1,707 | 2.22% |
| Indirect Construction | | 5.11% | 4,110 | 3.80 | 937,060 | 937,060 | 3.80 | 4,110 | 5.34% |
| Ineligible Costs | | 3.93% | 3,159 | 2.92 | 720,211 | 720,211 | 2.92 | 3,159 | 4.10% |
| Developer's G & A | 1.92% | 1.47% | 1,184 | 1.10 | 270,027 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 9.98% | 8,026 | 7.42 | 1,829,973 | 2,100,000 | 8.52 | 9,211 | 11.97% |
| Interim Financing | | 5.32% | 4,280 | 3.96 | 975,950 | 975,950 | 3.96 | 4,280 | 5.56% |
| Reserves | | 1.31% | 1,057 | 0.98 | 241,002 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $80,391 | $74.33 | $18,329,205 | $17,545,964 | $71.15 | $76,956 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *66.36%* | ***$53,350*** | ***$49.33*** | ***$12,163,702*** | ***$11,621,463*** | ***$47.13*** | ***$50,971*** | *66.23%* |

**SOURCES OF FUNDS**

| | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 63.56% | $51,096 | $47.24 | $11,650,000 | $11,650,000 | $11,400,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | 0 | $2,100,000 |
| LIHTC Syndication Proceeds | 23.78% | $19,114 | $17.67 | 4,358,019 | 4,358,019 | 4,358,019 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 8.39% | $6,745 | $6.24 | 1,537,945 | 1,537,945 | 1,787,945 | 85% |
| Additional (excess) Funds Required | 4.27% | $3,435 | $3.18 | 783,241 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $18,329,205 | $17,545,964 | $17,545,964 | $3,450,863 |

***Kimberly Pointe Apartments, Houston, 4% LIHTC #03402***

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $40.95 | $10,098,763 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | $0.00 | $0 |
| Elderly | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.67) | (166,044) |
| Floor Cover | | | 1.92 | 473,472 |
| Porches/Breezeways | $29.24 | 23,994 | 2.85 | 701,585 |
| Plumbing | $615 | 612 | 1.53 | 376,380 |
| Built-In Appliances | $1,625 | 228 | 1.50 | 370,500 |
| Stairs | $1,625 | 72 | 0.47 | 117,000 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.47 | 362,502 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $59.56 | 3,067 | 0.74 | 182,677 |
| Other: | | | 0.00 | 0 |
| SUBTOTAL | | | 50.76 | 12,516,834 |
| Current Cost Multiplier | 1.03 | | 1.52 | 375,505 |
| Local Multiplier | 0.89 | | (5.58) | (1,376,852) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $46.70 | $11,515,487 |
| Plans, specs, survy, bld prm | 3.90% | | ($1.82) | ($449,104) |
| Interim Construction Interes | 3.38% | | (1.58) | (388,648) |
| Contractor's OH & Profit | 11.50% | | (5.37) | (1,324,281) |
| NET DIRECT CONSTRUCTION COSTS | | | $37.93 | $9,353,455 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $11,650,000 | Term | 360 |
| Int Rate | 6.04% | DCR | 1.08 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.08 |

| | | | |
|---|---|---|---|
| **Additional** | $4,358,019 | Term | |
| Int Rate | | Aggregate DCR | 1.08 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $823,706 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $84,081 |

| | | | |
|---|---|---|---|
| **Primary** | $11,400,000 | Term | 360 |
| Int Rate | 6.04% | DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Additional** | $4,358,019 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.10 |

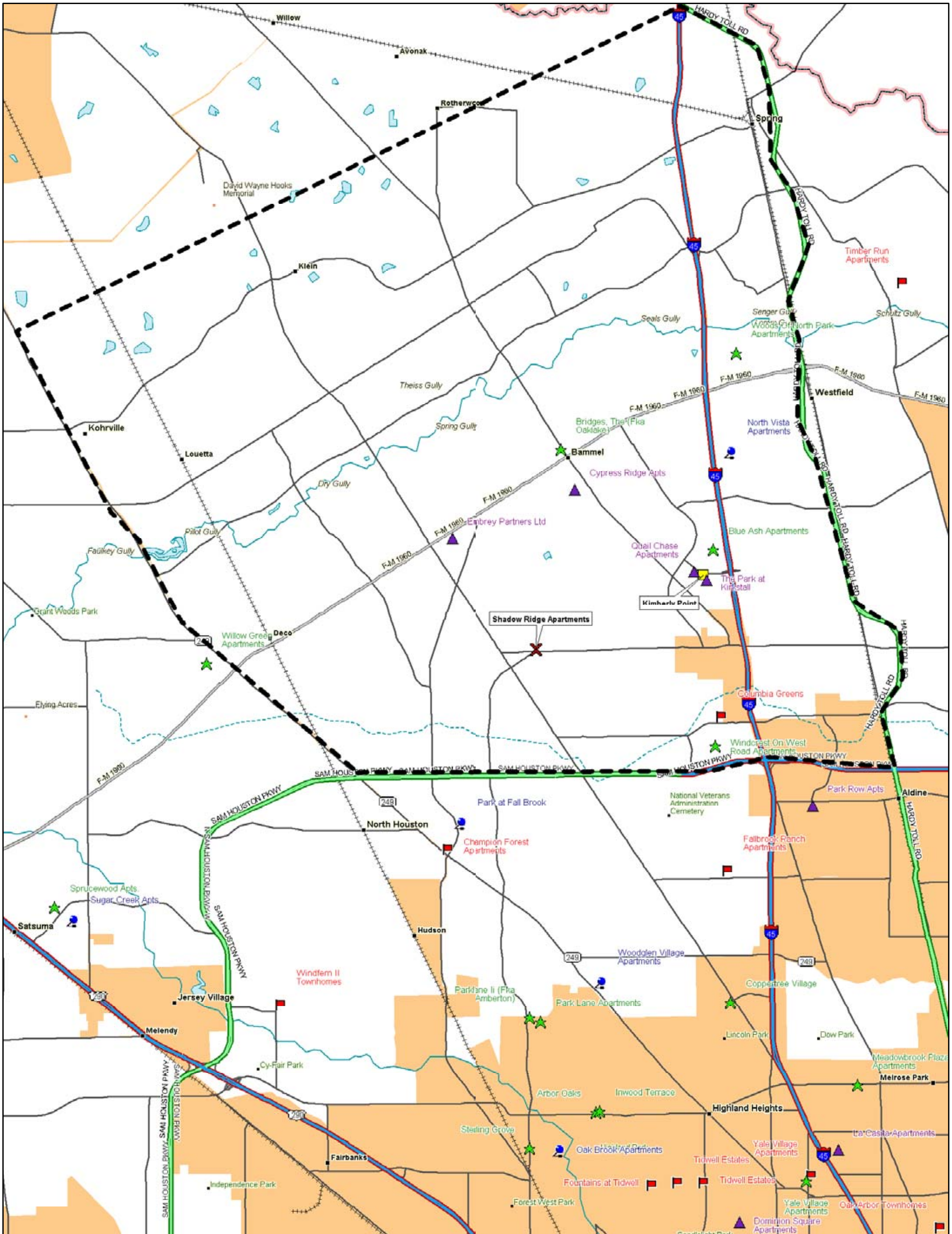
## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,704,898 | $1,756,045 | $1,808,727 | $1,862,988 | $1,918,878 | $2,224,506 | $2,578,812 | $2,989,549 | $4,017,704 |
| Secondary Income | 82,080 | 84,542 | 87,079 | 89,691 | 92,382 | 107,096 | 124,153 | 143,928 | 193,427 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 1,786,978 | 1,840,588 | 1,895,805 | 1,952,679 | 2,011,260 | 2,331,601 | 2,702,965 | 3,133,477 | 4,211,131 |
| Vacancy & Collection Loss | (134,023) | (138,044) | (142,185) | (146,451) | (150,844) | (174,870) | (202,722) | (235,011) | (315,835) |
| Employee or Other Non-Rental U | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,652,955 | $1,702,544 | $1,753,620 | $1,806,228 | $1,860,415 | $2,156,731 | $2,500,243 | $2,898,466 | $3,895,297 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $79,907 | $83,103 | $86,427 | $89,884 | $93,480 | $113,732 | $138,373 | $168,351 | $249,201 |
| Management | 66,118 | 68,102 | 70,145 | 72,249 | 74,417 | 86,269 | 100,010 | 115,939 | 155,812 |
| Payroll & Payroll Tax | 198,360 | 206,294 | 214,546 | 223,128 | 232,053 | 282,328 | 343,495 | 417,915 | 618,616 |
| Repairs & Maintenance | 86,639 | 90,104 | 93,708 | 97,457 | 101,355 | 123,314 | 150,030 | 182,535 | 270,196 |
| Utilities | 51,738 | 53,808 | 55,960 | 58,199 | 60,527 | 73,640 | 89,594 | 109,005 | 161,354 |
| Water, Sewer & Trash | 73,188 | 76,116 | 79,160 | 82,327 | 85,620 | 104,169 | 126,738 | 154,196 | 228,248 |
| Insurance | 61,650 | 64,116 | 66,681 | 69,348 | 72,122 | 87,747 | 106,758 | 129,887 | 192,265 |
| Property Tax | 58,568 | 60,910 | 63,347 | 65,880 | 68,516 | 83,360 | 101,420 | 123,393 | 182,652 |
| Reserve for Replacements | 45,600 | 47,424 | 49,321 | 51,294 | 53,346 | 64,903 | 78,964 | 96,072 | 142,211 |
| Other | 23,400 | 24,336 | 25,309 | 26,322 | 27,375 | 33,305 | 40,521 | 49,300 | 72,976 |
| TOTAL EXPENSES | $745,168 | $774,313 | $804,605 | $836,087 | $868,808 | $1,052,768 | $1,275,904 | $1,546,593 | $2,273,530 |
| NET OPERATING INCOME | $907,787 | $928,230 | $949,015 | $970,141 | $991,607 | $1,103,963 | $1,224,339 | $1,351,873 | $1,621,766 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $823,706 | $823,706 | $823,706 | $823,706 | $823,706 | $823,706 | $823,706 | $823,706 | $823,706 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $84,081 | $104,524 | $125,309 | $146,435 | $167,900 | $280,256 | $400,633 | $528,167 | $798,060 |
| DEBT COVERAGE RATIO | 1.10 | 1.13 | 1.15 | 1.18 | 1.20 | 1.34 | 1.49 | 1.64 | 1.97 |

## LIHTC Allocation Calculation - Kimberly Pointe Apartments, Houston, 4% LIHTC #03402

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB / NEW ELIGIBLE BASIS | TDHCA REHAB / NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,191,280 | $1,191,280 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation / New Construction Cost** | | | | |
| On-site work | $1,438,700 | $1,438,700 | $1,438,700 | $1,438,700 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $8,811,216 | $9,353,455 | $8,811,216 | $9,353,455 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $150,000 | $150,000 | $150,000 | $150,000 |
| Contractor profit | $389,243 | $389,243 | $389,243 | $389,243 |
| General requirements | $524,792 | $524,792 | $524,792 | $524,792 |
| **(5) Contingencies** | $307,512 | $307,512 | $307,512 | $307,512 |
| **(6) Eligible Indirect Fees** | $937,060 | $937,060 | $937,060 | $937,060 |
| **(7) Eligible Financing Fees** | $975,950 | $975,950 | $975,950 | $975,950 |
| **(8) All Ineligible Costs** | $720,211 | $720,211 | | |
| **(9) Developer Fees** | | | $2,030,171 | |
| Developer overhead | | $270,027 | | $270,027 |
| Developer fee | $2,100,000 | $1,829,973 | | $1,829,973 |
| **(10) Development Reserves** | | $241,002 | | |
| **TOTAL DEVELOPMENT COSTS** | $17,545,964 | $18,329,205 | $15,564,644 | $16,176,712 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $15,564,644 | $16,176,712 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $15,564,644 | $16,176,712 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $15,564,644 | $16,176,712 |
| Applicable Percentage | | 3.64% | 3.64% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $566,553 | $588,832 |
| **Syndication Proceeds** | **0.8198** | **$4,644,806** | **$4,827,459** |
| **Total Credits (Eligible Basis Method)** | | **$566,553** | **$588,832** |
| **Syndication Proceeds** | | **$4,644,806** | **$4,827,459** |
| **Requested Credits** | | **$531,572** | |
| **Syndication Proceeds** | | **$4,358,019** | |
| **Gap of Syndication Proceeds Needed** | | **$6,145,964** | |
| **Credit Amount** | | **$749,658** | |




DELORME



Zoom Level: 10-6 Datum: WGS84

Scale 1 : 125,000

1" = 1.97 mi

0 1 2 3 mi

0 1 2 3 4 5 km

TN

MN

4.5°E

# Developer Evaluation

Project ID # **03402** Name: **Kimberly Pointe Apartments** City: **Houston**

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

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

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

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

**Portfolio Management and Compliance**

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

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

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 2

**Program Monitoring/Draws**

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

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

**Asset Management**

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

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

Reviewed by Sara Carr Newsom Date day, April 29, 2003

**Multifamily Finance Production**

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

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

Reviewed by Robbye Meyer Date 4 /25/2003

**Single Family Finance Production**

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

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

Reviewed by __________ Date __________

**Community Affairs**

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

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

Reviewed by Dyna Lang Date 4 /30/2003

**Office of Colonia Initiatives**

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

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

Reviewed by __________ Date __________

**Real Estate Analysis (Cost Certification and Workout)**

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

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

Reviewed by __________ Date __________

**Loan Administration**

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

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

Reviewed by stephanie stuntz Date 4 /30/2003

**Executive Director:** Edwina Carrington **Executed:** Monday, May 05, 2003

LOW INCOME HOUSING TAX CREDIT PROGRAM

# 2003 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Shadow Ridge Apartments** TDHCA#: 03403

## DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: N DDA: N TTC: N
Development Owner: Shadow Point, LP
General Partner(s): Picerne Shadow Point, LLC, 100%, Contact: Kurt P. Kehoe
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
Development Type: Family

**Annual Tax Credit Allocation Calculation**
Applicant Request: $574,202 Eligible Basis Amt: $565,705 Equity/Gap Amt.: $748,627
**Annual Tax Credit Allocation Recommendation: $565,705**
Total Tax Credit Allocation Over Ten Years: $ 5,657,050

## PROPERTY INFORMATION

**Unit and Building Information**
Total Units: 260 LIHTC Units: 260 % of LIHTC Units: 100%
Gross Square Footage: 261,358 Net Rentable Square Footage: 257,340
Average Square Footage/Unit: 990
Number of Buildings: 11
Currently Occupied: N
**Development Cost**
Total Cost: $17,733,128 Total Cost/Net Rentable Sq. Ft.: $68.91
**Income and Expenses**
Effective Gross Income:[1] $1,923,985 Ttl. Expenses: $999,748 Net Operating Inc.: $924,237
Estimated 1st Year DCR: 1.10

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Picerne Management Corp. |
| Attorney: | Gray, Harris & Robinson | Architect: | Forum Architecture & Interior Design, Inc. |
| Accountant: | Reznick Fedder & Silverman | Engineer: | Bury + Partners |
| Market Analyst: | Apartment Market Data Research Services | Lender: | Charter MAC |
| Contractor: | Picerne Construction Corp. | Syndicator: | Related Capital Company |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. John Whitmire, District 15 - NCNC<br>Rep. Sylvester Turner, District 139 - NCNC<br>Judge Robert Eckels, County Judge, Harris County; Consistent with the local Consolidated Plan. |

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

## CONDITION(S) TO COMMITMENT

1. Per §49.12( c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of the special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable).

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

## DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director
Chairman of Executive Award and Review Advisory Committee

Date

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

Chairperson Signature:

Michael E. Jones, Chairman of the Board

Date

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

**DATE:** May 1, 2003 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 03403

## DEVELOPMENT NAME

Shadow Ridge Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Shadow Point L.P. | **Type:** | For-profit | | | | |
| **Address:** | 247 N. Westmonte Drive | **City:** | Altamonte Springs | **State:** | FL | | |
| **Zip:** | 32714 | **Contact:** | Kurt P. Kehoe | **Phone:** | (407) 772-0200 | **Fax:** | (407) 772-0220 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Picerne Shadow Point, LLC | **(%):** | .01% | **Title:** | Managing General Partner |
| **Name:** | Robert Picerne | **(%):** | 12% | **Title:** | Managing Member |
| **Name:** | Raymond Uritescu | **(%):** | 12% | **Title:** | Member |
| **Name:** | John Picerne | **(%):** | 12% | **Title:** | Member |
| **Name:** | David Picerne | **(%):** | 12% | **Title:** | Member |
| **Name:** | Jeanne Picerne | **(%):** | 4% | **Title:** | Member |
| **Name:** | Picerne Investment Corporation | **(%):** | 48% | **Title:** | Member |
| **Name:** | Picerne Affordable Development, LLC | **(%):** | n/a | **Title:** | Developer |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 12200 Old Walters Road | ☐ QCT | ☐ DDA | | |
| **City:** | Houston | **County:** | Harris | **Zip:** | 77014 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $574,202 | N/A | N/A | N/A |

**Other Requested Terms:** Annual ten-year allocation of low-income housing tax credits

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

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $565,705 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 260 | **# Rental Buildings** | 11 | **# Common Area Bldngs** | 1 | **# of Floors** | 3 | **Age:** | 0 yrs | **Vacant:** | N/A at __/ __/ ____ |

**Net Rentable SF:** 257,340 **Av Un SF:** 990 **Common Area SF:** 4,018 **Gross Bldg SF:** 261,358

### STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 30% brick veneer/70% vinyl siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

### APPLIANCES AND INTERIOR FEATURES

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

### ON-SITE AMENITIES

A 3,698-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, & equipped children's play area will be located at the entrance to the property. The plan also calls for a sports courts & perimeter fencing. There will also be a 180-SF laundry building (not identified on the site plan) & a 140-SF maintenance building at the middle of the site.

**Uncovered Parking:** 527 spaces **Carports:** 0 spaces **Garages:** 0 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Shadow Ridge is a relatively dense 14.7 units per acre, new construction development located in northwest Houston, just outside the city limits. The development is comprised of 11 evenly dispersed large garden style walk-up residential buildings surrounding a retention pond as follows:

- Five Building Type A with four two-bedroom/two-bath units, and 20 three-bedroom/ two-bath units;
- Five Building Type B with 16 two-bedroom/two-bath units, and eight three-bedroom/ two-bath units;
- One Building Type C with 12 two-bedroom/two-bath units, and eight three-bedroom/ two-bath units;

**Architectural Review:** The exterior elevations are functional, with varied rooflines. All units are of average size for market rate and LIHTC units, although they have no individual covered patios or balconies. Each unit has a semi-private exterior entry off a breezeway that is shared with three other units. The units are in three-story walk-up structures with mixed brick/masonry and vinyl siding exterior finish and pitched roofs. The site plan shows only one entrance; although there is no Department rule regarding the number of entrances per units in a development, the Underwriter believes the property could be better served with an additional ingress/regress point. The site is exposed to two additional streets through which an emergency ingress/egress route could be planned. The retention pond located in the center of the development also may raise some safety and aesthetic concerns.

**Supportive Services:** The Applicant has contracted with Picerne Management Corporation to provide supportive services. The contract requires the Applicant to pay $62,000 over a five-year term, or $1,033 per month.

**Schedule:** The Applicant anticipates construction to begin in July of 2003, to be completed in August of 2004, to be placed in service in September of 2004, and to be substantially leased-up in February of 2005.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 17.64 acres 768,608 square feet **Zoning/ Permitted Uses:** No zoning in Houston

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

## SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The site is an irregularly-shaped parcel located in the northwest area of Houston, approximately 15 linear miles from the central business district. The site is situated on the northwest corner of Old Walters Road and Antoine Drive, and north of Spears Road.

**Adjacent Land Uses:** To the north and west of the site is raw land. A high school is being built on the eastern side of Old Walters Road. A residential subdivision has been developed along the south side of Spears Road and Antoine Drive. Just to the south is a Mobil gas station and a multi-family property has been developed to the south and southwest of the site.

**Site Access:** Access to the property is from the north or south along Old Walters Road or east or west from Antoine Drive. The development has one entry, from Old Walters Road. Access to Interstate Highway 45 is three miles east.

**Public Transportation:** The availability of public transportation was not mentioned, however the City of Houston does provide a bus service. The site is technically not in the city limits and is not on a bus line but access to a park and ride lot is less than three miles to the east.

**Shopping & Services:** The site is within one mile of major grocery/pharmacies and a variety of other retail establishments and restaurants. Schools are located less than 0.5 miles from the site, and the Houston Northwest Medical Center is located 6.5 miles away. The fire department is 0.5 miles away and the police department is five miles away.

**Site Inspection Findings:** The site has been inspected by a TDHCA staff member, and the site was found to be acceptable for the proposed development.

## HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 2003 was prepared by Tidewater Environmental and contained the following findings and recommendations:

**Findings:** The site is in the vicinity of an oil and gas field. However, no maps or photos show any oil or gas activity on the site. There are also two leaking underground storage tanks, both are located approximately 0.46 miles southwest of the site. The tanks are being operated by Chevron and Jiffy Lube. A Mobil gas station located just south of the property has three underground storage tanks.

**Recommendations:** Because the Mobil gas tanks are not leaking, the engineer does not recommend any further environmental studies at this time.

## POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

**MAXIMUM ELIGIBLE INCOMES**

| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
|---|---|---|---|---|---|---|
| **60% of AMI** | $25,020 | $28,620 | $32,160 | $35,760 | $38,640 | $41,460 |

## MARKET HIGHLIGHTS

A market feasibility study dated February 4, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

**Definition of Market/Submarket:** The market analyst used a trade area in north Houston consisting of 98 square miles as the primary market area. The area appears to be bounded by Beltway 8 to the south, Hwy 290 to the west, Hardy Toll Road to the east and bounded from the north by an imaginary line going from the intersection of Hardy Toll Road and IH-45 to the intersection of Hwy 290 and Gregson Road to the north creating an irregular square with a maximum length of 11 miles and minimum width of eight miles. (p. 30)

The site is in the southern portion of the primary market area.

**Population:** The estimated 2002 population of the primary market area was 241,204 and is expected to increase by approximately 10% to 264,631 by 2007. Within the primary market area there were estimated to be 96,259 households in 2007.

**Total Local/Submarket Demand for Rental Units:** "Based on a straight-line delineation of the household growth alone between the years of 2003 to 2007, it can be assessed that the primary market area will require an additional 3,332 rental dwelling units." (p. 54)

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| Type of Demand | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth | 49 | 1.2% | 129 | 3% |
| Resident Turnover | 3,985 | 97.7% | 4,475 | 97% |
| Other Sources: 10 yrs pent-up demand | 44 | 1.1% | 0 | 0% |
| **TOTAL ANNUAL DEMAND** | **4,078** | **100%** | **4,604** | **100%** |

Ref: p. 46

**Inclusive Capture Rate:** The analyst calculated a capture rate of 11.38% based upon a demand of 4,078 units and a supply of 464 low-income units. (p. 46) The Underwriter calculated a concentration capture rate of 21.29% based upon a revised supply of unstabilized comparable affordable units of 980 divided by a revised demand of 4,604. The Underwriter included Kimberly Pointe, a 288-unit 4% LIHTC development that is being underwritten simultaneously as well as North Vista, a 252-unit 4% LIHTC development awarded credits earlier this year.

**Market Rent Comparables:** The market analyst surveyed eight comparable apartment projects totaling 2,549 units in the market area. (p. Rent Comps.)

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Market** | **Differential** |
| **2-Bedroom (60%)** | $601 | $601 | $0 | $729 | -$128 |
| **3-Bedroom (60%)** | $690 | $690 | $0 | $815 | -$125 |

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

**Submarket Vacancy Rates:** "….the trade area (primary market area) occupancy of multi-family communities is 93.3%." (p. 51)

**Absorption Projections:** Absorption over the previous twelve years is estimated to be 602 units per year. The analyst expects this to increase as the number of new households continues to grow and as additional rental units become available." (p. 80) The analyst estimates that the property will stabilize within 12 months of when lease-up begins. (p. 78)

**Known Planned Development:** The analyst indicated that Kimberly Pointe (228 50% AMI units) several miles north of the site is under development. (p. 46) They also indicated that Northbrooke Apartments, a market rate development nearby, has an estimated 143 units that were not stabilized. (p. 55). The market analyst missed the recently approved North Vista Apartments with 252 60% AMI units which is approximately 3.7 miles northeast of the site.

**Effect on Existing Housing Stock:** "The current occupancy of the market area is 93.3% as a result of ever increasing demand. Demand for new rental apartment units is considered to be stable" (p. 81) This would indicate that the existing stock would not be negatively affected by the addition of the subject property.

The Underwriter found the market study to be sufficient to make a funding decision.

## OPERATING PROFORMA ANALYSIS

**Income:** The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines. Both the Underwriter and the Applicant are assuming $15 per unit per month in secondary income and a vacancy and collection loss of 7.5%. As a result, both income projections are identical.

**Expenses:** The Applicant's estimate of total operating expense is 7% less than the Underwriter's TDHCA database-derived estimate. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($37K lower), repairs and maintenance ($13K lower), utilities ($18K lower), and property insurance ($18K lower).

The Developer did provide actual 2002 data and 2003 proforma information for a newly stabilized property it controls in Houston and 2003 proforma information for another not yet fully stabilized property it operates in Houston. The Underwriter analyzed the data and observed that when taking reserves, compliance fees, and supportive services into account, the Underwriter's estimate is less than 1% higher on a per unit basis and 6% lower on a per foot basis than the 2003 proforma estimates of the stabilized property. The 2002 actual historical performance for this property confirms that the Applicant's estimates for general and administrative, repairs and maintenance, and utilities were $50 to $123 per unit lower than the actual. As might be expected, insurance, payroll and water, sewer, and trash were projected by the Applicant to be somewhat higher in both operating proformas and the subject proforma compared to the historical experience. As a result the Underwriter believes the Applicant's overall operating expenses are understated.

**Conclusion:** The Applicant's estimated expenses and operating income are more than 5% different than the Underwriter's expectations and database-derived estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. When utilizing the Underwriter's estimates, the debt coverage ratio is 1.04 based on the current loan amount, an amount less than the Department's 1.10 allowable minimum. In order to reach the required minimum, the loan amount may need to be reduced by $605K to $11,595,000.

## ACQUISITION VALUATION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 16.3834 acres** | $285,460 | **Assessment for the Year of:** | 2002 |
| **Building:** | $0 | **Valuation by:** | Harris County Appraisal District |
| **Total Assessed Value:** | $285,460 | **Tax Rate:** | 3.76107 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Purchase & sale agreement | | |
| **Contract Expiration Date:** | 5/ 30/ 2003 | **Anticipated Closing Date:** | 5/ 30/ 2003 |
| **Acquisition Cost:** | $1,043,000 | **Other Terms/Conditions:** | |
| **Seller:** | Laurentio Gheorghe | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $1,043,000 ($1.46/SF or $63.662/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of $5,097 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's costs are within 5% of the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered and are therefore considered acceptable as submitted.

**Interim Financing Fees:** The Applicant included as eligible all of the $292,400 cost of underwriting and issuance fee as eligible when only the portion attributable to the construction period can be justified as eligible. The Underwriter, therefore, prorated these fees over the life of the bonds by including as eligible only $14,620 of the total fees.

**Ineligible Costs:** The Applicant's ineligible costs were increased due to the difference in cost of underwriting and issuance discussed above.

**Fees:** The Applicant's contractor's fees for general requirements and contractor profit were each less than 2% of the total combined direct construction and sitework costs. Also, the Applicant is not claiming any fee for contractor overhead.

**Conclusion:** Overall, the Applicant's total development cost is within 5% of the Underwriter's estimate. Therefore, the Applicant's total development cost estimate, as adjusted, will be used to determine the development's eligible basis and total funding need. As mentioned above, the Applicant reduced their contractor fees to substantially less than the maximum allowable. In fact, they are only asking for a total of $560,358, when they are permitted to ask for $1,569,002. In either case, the overall Applicant's developer costs would be within 5% of the Underwriter's costs. Based on the information that was provided by the Applicant, there is a total adjusted eligible basis of $15,584,155 resulting in a tax credit amount of $565,705.

## FINANCING STRUCTURE

### LONG TERM/PERMANENT FINANCING

**Source:** Charter/MAC **Contact:** Marnie Miller

**Principal Amount:** $12,245,000 **Interest Rate:** 6.75%

**Additional Information:**

**Amortization:** 40 yrs **Term:** 40 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

**Annual Payment:** $897,166 **Lien Priority:** 1st **Commitment Date** 2/ 7/ 2003

### LIHTC SYNDICATION

**Source:** Related Capital Company **Contact:** Justin Ginsberg

**Address:** 625 Madison Avenue **City:** New York

**State:** NY **Zip:** 10022 **Phone:** (212) 421-5333 **Fax:** (212) 751-3550

**Net Proceeds:** $4,533,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

**Commitment** ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 6/ 2003

**Additional Information:** Based upon $552, 895 in estimated annual credits

### APPLICANT EQUITY

**Amount:** $955,127 **Source:** Deferred developer fee

### FINANCING STRUCTURE ANALYSIS

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. The Applicant provided a commitment for tax-exempt private activity bonds issued by the Harris County Housing Financing Corporation and privately placed with Charter/MAC at an interest rate of 6.75%, with a term of 40 years.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $955,127 amount to 47% of the total fees.

**Financing Conclusions:** The Applicant's total development costs are used to determine a qualified basis of $15,584,155 and a recommended annual tax credit allocation of $565,705 resulting in syndication proceeds of approximately $4,638,316. The Underwriter was unable to substantiate the full anticipated debt amount and believes it is likely that a mandatory redemption of $650K is possible. Therefore, based on the Underwriter's analysis the Applicant's deferred developer fee may be increased to $1,499,812, which represents approximately 74% of the eligible developer fee. This increased fee is repayable within ten years out of cash flow.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager and supportive services provider are all related entities. These are common relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant and General Partner are newly formed entities and therefore have no material financial statements.
- Robert Picerne, David Picerne, John Picerne, Jeanne Picerne, and Raymond Uritescu are members of the General Partner and submitted unaudited personal financial statements.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Robert Picerne, who is the managing member, has completed numerous multi-family developments as a developer and a contractor throughout the United States.

## SUMMARY OF SALIENT RISKS AND ISSUES

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

| | | | |
|---|---|---|---|
| **Underwriter:** | Mark Fugina | **Date:** | May 1, 2003 |
| **Director of Real Estate Analysis:** | Tom Gouris | **Date:** | May 1, 2003 |

# MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

***Shadow Ridge Apartments, Houston, 4% LIHTC #03403***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| TC50% | 112 | 2 | 2 | 893 | $670 | $601 | $67,312 | $0.67 | $69.00 | $36.00 |
| TC50% | 148 | 3 | 2 | 1,063 | 775 | 690 | 102,120 | 0.65 | 85.00 | 41.00 |
| TOTAL: | 260 | | AVERAGE: | 990 | $730 | $652 | $169,432 | $0.66 | $78.11 | $38.85 |

| **INCOME** | Total Net Rentable Sq Ft: | 257,340 | | | TDHCA | APPLICANT | | USS Region | 6 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | | $2,033,184 | $2,033,184 | | IREM Region | Houston |
| Secondary Income | | Per Unit Per Month: | | $15.00 | 46,800 | 46,800 | $15.00 | Per Unit Per Month | |
| Other Support Income: (describe) | | | | | 0 | | | | |
| POTENTIAL GROSS INCOME | | | | | $2,079,984 | $2,079,984 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | | -7.50% | (155,999) | (156,000) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | | $1,923,985 | $1,923,984 | | | |
| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | | 3.88% | $287 | 0.29 | $74,629 | $38,000 | $0.15 | $146 | 1.98% |
| Management | | 5.00% | 370 | 0.37 | 96,199 | $96,199 | 0.37 | 370 | 5.00% |
| Payroll & Payroll Tax | | 11.76% | 870 | 0.88 | 226,200 | $232,000 | 0.90 | 892 | 12.06% |
| Repairs & Maintenance | | 5.30% | 392 | 0.40 | 101,922 | $88,600 | 0.34 | 341 | 4.61% |
| Utilities | | 2.73% | 202 | 0.20 | 52,474 | $34,000 | 0.13 | 131 | 1.77% |
| Water, Sewer, & Trash | | 4.34% | 321 | 0.32 | 83,460 | $91,000 | 0.35 | 350 | 4.73% |
| Property Insurance | | 2.54% | 188 | 0.19 | 48,895 | $30,400 | 0.12 | 117 | 1.58% |
| Property Tax | 3.76107 | 12.71% | 940 | 0.95 | 244,470 | $253,000 | 0.98 | 973 | 13.15% |
| Reserve for Replacements | | 2.70% | 200 | 0.20 | 52,000 | $52,000 | 0.20 | 200 | 2.70% |
| Other Expenses: Compliance, Supp | | 1.01% | 75 | 0.08 | 19,500 | $19,500 | 0.08 | 75 | 1.01% |
| TOTAL EXPENSES | | 51.96% | $3,845 | $3.88 | $999,748 | $934,699 | $3.63 | $3,595 | 48.58% |
| NET OPERATING INC | | 48.04% | $3,555 | $3.59 | $924,237 | $989,285 | $3.84 | $3,805 | 51.42% |
| **DEBT SERVICE** | | | | | | | | | |
| Charter/Mac | | 46.08% | $3,410 | $3.45 | $886,573 | $879,166 | $3.42 | $3,381 | 45.70% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 1.96% | $145 | $0.15 | $37,664 | $110,119 | $0.43 | $424 | 5.72% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.04 | 1.13 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.10 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 5.67% | $4,012 | $4.05 | $1,043,000 | $1,043,000 | $4.05 | $4,012 | 5.88% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | | 0.00 | 0 | 0.00% |
| Sitework | | 7.21% | 5,097 | 5.15 | 1,325,301 | 1,325,301 | 5.15 | 5,097 | 7.47% |
| Direct Construction | | 55.74% | 39,417 | 39.82 | 10,248,468 | 9,881,856 | 38.40 | 38,007 | 55.73% |
| Contingency | 1.91% | 1.21% | 852 | 0.86 | 221,570 | 221,570 | 0.86 | 852 | 1.25% |
| General Req'ts | 2.42% | 1.52% | 1,078 | 1.09 | 280,179 | 280,179 | 1.09 | 1,078 | 1.58% |
| Contractor's G & A | 0.00% | 0.00% | 0 | 0.00 | 0 | | 0.00 | 0 | 0.00% |
| Contractor's Profit | 2.42% | 1.52% | 1,078 | 1.09 | 280,179 | 280,179 | 1.09 | 1,078 | 1.58% |
| Indirect Construction | | 4.21% | 2,979 | 3.01 | 774,500 | 774,500 | 3.01 | 2,979 | 4.37% |
| Ineligible Costs | | 6.02% | 4,254 | 4.30 | 1,105,973 | 1,105,973 | 4.30 | 4,254 | 6.24% |
| Developer's G & A | 3.65% | 2.76% | 1,952 | 1.97 | 507,500 | 507,500 | 1.97 | 1,952 | 2.86% |
| Developer's Profit | 10.94% | 8.28% | 5,856 | 5.92 | 1,522,500 | 1,522,500 | 5.92 | 5,856 | 8.59% |
| Interim Financing | | 4.30% | 3,041 | 3.07 | 790,570 | 790,570 | 3.07 | 3,041 | 4.46% |
| Reserves | | 1.55% | 1,097 | 1.11 | 285,291 | | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $70,712 | $71.44 | $18,385,031 | $17,733,128 | $68.91 | $68,204 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *67.21%* | ***$47,522*** | ***$48.01*** | ***$12,355,697*** | ***$11,989,085*** | ***$46.59*** | ***$46,112*** | *67.61%* |

| **SOURCES OF FUNDS** | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| Charter/Mac | 66.60% | $47,096 | $47.58 | $12,245,000 | $12,245,000 | $11,595,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | | 0 | $2,030,000 |
| LIHTC Syndication Proceeds | 24.66% | $17,435 | $17.61 | 4,533,000 | 4,533,000 | 4,638,316 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 5.20% | $3,674 | $3.71 | 955,128 | 955,128 | 1,499,812 | 74% |
| Additional (excess) Funds Required | 3.55% | $2,507 | $2.53 | 651,903 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $18,385,031 | $17,733,128 | $17,733,128 | $3,211,960.16 |

## MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

***Shadow Ridge Apartments, Houston, 4% LIHTC #03403***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $41.60 | $10,705,910 |
| Adjustments | | | | |
| Exterior Wall Finish | 5.90% | | $2.45 | $631,649 |
| Elderly | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.67) | (173,276) |
| Floor Cover | | | 1.92 | 494,093 |
| Porches/Balconies | $21.98 | 18,876 | 1.61 | 414,939 |
| Plumbing | $615 | 780 | 1.86 | 479,700 |
| Built-In Appliances | $1,625 | 260 | 1.64 | 422,500 |
| Stairs/Fireplaces | $1,400 | 88 | 0.48 | 123,200 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.47 | 378,290 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $58.46 | 3,698 | 0.84 | 216,181 |
| Other: Laundry, Storage | $50.85 | 420 | 0.08 | 21,358 |
| SUBTOTAL | | | 53.29 | 13,714,545 |
| Current Cost Multiplier | 1.03 | | 1.60 | 411,436 |
| Local Multiplier | 0.89 | | (5.86) | (1,508,600) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $49.03 | $12,617,381 |
| Plans, specs, survy, bld prm | 3.90% | | ($1.91) | ($492,078) |
| Interim Construction Interest | 3.38% | | (1.65) | (425,837) |
| Contractor's OH & Profit | 11.50% | | (5.64) | (1,450,999) |
| NET DIRECT CONSTRUCTION COSTS | | | $39.82 | $10,248,468 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $12,245,000 | Term | 480 |
| Int Rate | 6.75% | DCR | 1.04 |
| **Secondary** | $0 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.04 |
| **Additional** | $4,533,000 | Term | |
| Int Rate | | Aggregate DCR | 1.04 |

### RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $839,511 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $84,726 |

| | | | |
|---|---|---|---|
| **Primary** | $11,595,000 | Term | 480 |
| Int Rate | 6.75% | DCR | 1.10 |
| **Secondary** | $0 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.10 |
| **Additional** | $4,533,000 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.10 |

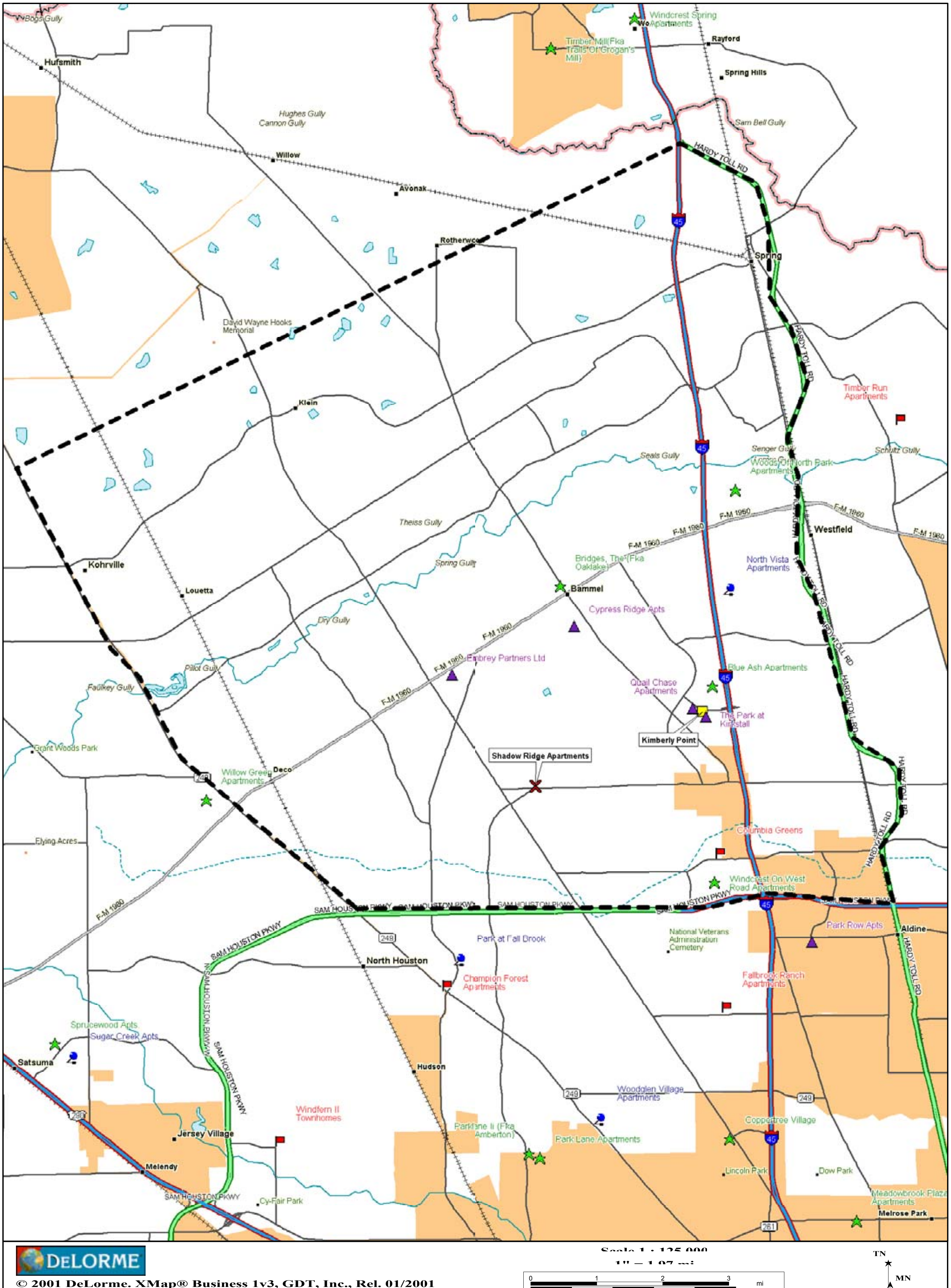
### OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $2,033,184 | $2,094,180 | $2,157,005 | $2,221,715 | $2,288,367 | $2,652,844 | $3,075,373 | $3,565,200 | $4,791,331 |
| Secondary Income | 46,800 | 48,204 | 49,650 | 51,140 | 52,674 | 61,063 | 70,789 | 82,064 | 110,287 |
| Other Support Income: (describ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 2,079,984 | 2,142,384 | 2,206,655 | 2,272,855 | 2,341,040 | 2,713,907 | 3,146,162 | 3,647,265 | 4,901,619 |
| Vacancy & Collection Loss | (155,999) | (160,679) | (165,499) | (170,464) | (175,578) | (203,543) | (235,962) | (273,545) | (367,621) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,923,985 | $1,981,705 | $2,041,156 | $2,102,391 | $2,165,462 | $2,510,364 | $2,910,200 | $3,373,720 | $4,533,997 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $74,629 | $77,614 | $80,718 | $83,947 | $87,305 | $106,220 | $129,233 | $157,231 | $232,741 |
| Management | 96,199 | 99,085 | 102,058 | 105,120 | 108,273 | 125,518 | 145,510 | 168,686 | 226,700 |
| Payroll & Payroll Tax | 226,200 | 235,248 | 244,658 | 254,444 | 264,622 | 321,953 | 391,705 | 476,569 | 705,439 |
| Repairs & Maintenance | 101,922 | 105,999 | 110,239 | 114,649 | 119,235 | 145,067 | 176,496 | 214,735 | 317,860 |
| Utilities | 52,474 | 54,573 | 56,756 | 59,026 | 61,387 | 74,687 | 90,868 | 110,555 | 163,648 |
| Water, Sewer & Trash | 83,460 | 86,798 | 90,270 | 93,881 | 97,636 | 118,790 | 144,526 | 175,838 | 260,283 |
| Insurance | 48,895 | 50,850 | 52,884 | 55,000 | 57,200 | 69,592 | 84,670 | 103,014 | 152,485 |
| Property Tax | 244,470 | 254,248 | 264,418 | 274,995 | 285,995 | 347,956 | 423,342 | 515,060 | 762,415 |
| Reserve for Replacements | 52,000 | 54,080 | 56,243 | 58,493 | 60,833 | 74,012 | 90,047 | 109,556 | 162,170 |
| Other | 19,500 | 20,280 | 21,091 | 21,935 | 22,812 | 27,755 | 33,768 | 41,084 | 60,814 |
| TOTAL EXPENSES | $999,748 | $1,038,776 | $1,079,336 | $1,121,489 | $1,165,298 | $1,411,550 | $1,710,165 | $2,072,328 | $3,044,555 |
| NET OPERATING INCOME | $924,237 | $942,928 | $961,819 | $980,901 | $1,000,165 | $1,098,814 | $1,200,036 | $1,301,392 | $1,489,443 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $839,511 | $839,511 | $839,511 | $839,511 | $839,511 | $839,511 | $839,511 | $839,511 | $839,511 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $84,726 | $103,418 | $122,309 | $141,391 | $160,654 | $259,303 | $360,525 | $461,881 | $649,932 |
| DEBT COVERAGE RATIO | 1.10 | 1.12 | 1.15 | 1.17 | 1.19 | 1.31 | 1.43 | 1.55 | 1.77 |

## LIHTC Allocation Calculation - Shadow Ridge Apartments, Houston, 4% LIHTC #03403

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,043,000 | $1,043,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,325,301 | $1,325,301 | $1,325,301 | $1,325,301 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $9,881,856 | $10,248,468 | $9,881,856 | $10,248,468 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | | | | |
| Contractor profit | $280,179 | $280,179 | $280,179 | $280,179 |
| General requirements | $280,179 | $280,179 | $280,179 | $280,179 |
| **(5) Contingencies** | $221,570 | $221,570 | $221,570 | $221,570 |
| **(6) Eligible Indirect Fees** | $774,500 | $774,500 | $774,500 | $774,500 |
| **(7) Eligible Financing Fees** | $790,570 | $790,570 | $790,570 | $790,570 |
| **(8) All Ineligible Costs** | $1,105,973 | $1,105,973 | | |
| **(9) Developer Fees** | | | | |
| Developer overhead | $507,500 | $507,500 | $507,500 | $507,500 |
| Developer fee | $1,522,500 | $1,522,500 | $1,522,500 | $1,522,500 |
| **(10) Development Reserves** | | $285,291 | | |
| **TOTAL DEVELOPMENT COSTS** | $17,733,128 | $18,385,031 | $15,584,155 | $15,950,767 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $15,584,155 | $15,950,767 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $15,584,155 | $15,950,767 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $15,584,155 | $15,950,767 |
| Applicable Percentage | | 3.63% | 3.63% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $565,705 | $579,013 |
| **Syndication Proceeds** | **0.8199** | **$4,638,316** | **$4,747,431** |
| **Total Credits (Eligible Basis Method)** | | **$565,705** | **$579,013** |
| **Syndication Proceeds** | | **$4,638,316** | **$4,747,431** |
| **Requested Credits** | | **$574,202** | |
| **Syndication Proceeds** | | **$4,707,986** | |
| **Gap of Syndication Proceeds Needed** | | **$6,138,128** | |
| **Credit Amount** | | **$748,627** | |




DeLorme



Zoom Level: 10-6 Datum: WGS84

# Developer Evaluation

Project ID # **03403** Name: **Shadow Ridge Apartments** City:

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

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

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

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

**Portfolio Management and Compliance**

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

Total # of Projects monitored: 7 Projects grouped by score 0-9 7 10-19 0 20-29 0

Total # monitored with a score less than 30: 7 # not yet monitored or pending review: 5

**Program Monitoring/Draws**

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

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

**Asset Management**

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

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

Reviewed by Sara Carr Newsom Date day, April 29, 2003

**Multifamily Finance Production**

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

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

Reviewed by Robbye Meyer Date 4 /25/2003

**Single Family Finance Production**

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

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

Reviewed by ________ Date ________

**Community Affairs**

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

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

Reviewed by Dyna Lang Date 4 /30/2003

**Office of Colonia Initiatives**

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

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

Reviewed by ________ Date ________

**Real Estate Analysis (Cost Certification and Workout)**

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

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

Reviewed by ________ Date ________

**Loan Administration**

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

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

Reviewed by stephanie stuntz Date 4 /30/2003

**Executive Director:** Edwina Carrington **Executed:** Monday, May 05, 2003

# TDHCA BOARD ACTION REQUEST
# May 15, 2003

## Action Items

Request approval of an increase in the tax credit allocation amount for transactions with 4% Low Income Housing Tax Credits (LIHTC) associated with private activity tax exempt mortgage revenue bonds for the following developments:

- 99-10T San Jose Ltd. (A.K.A. Tigua Village, Ike Monty, James Hunt developers) rehabilitation asking for $32,169 in additional credits
- 99-12T Woodglen Village Apartments (Donald Sowell developer) new construction asking for $9,920 in additional credits
- 00007T Texas Pueblo (Ike Monty, James Hunt developers) rehabilitation asking for $37,822 in additional credits

## Recommendation and Requested Action

Approve the increase in credits as follows:

- 99-10T San Jose Ltd. $32,169 for a total of $293,061
- 99-12T Woodglen Village Apartments $9,920 for a total of $560,513
- 00007T Texas Pueblo $33,519 for a total of $314,850

## Background

The Department has, over the years, routinely issued 8609's in amounts *less* than the original determination notice based upon the request of the applicant or in rare instances as a result of unreconcilable error discovered during the cost certification process without further Board action. Since 2001 the Qualified Action Plan (QAP) has included a provision for tax credits associated with private activity bonds which states that a determination Notice issued by the Departments and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the Project is determined to be eligible, and the amount of credits reflected may be greater than or less than the amount set forth in the Determination Notice, based upon the Department's and the bond issuer's determination as of each building's placement in service date. Prior to 2001, the QAP did not specifically address this issue. It is and has generally been the belief by the industry and staff that the 4% tax credits can and should be treated differently than the 9%. This is due in part to the automatic and unlimited features of the 4% credit which, from a federal perspective, mean that the private activity bond transaction meeting certain a percentage of the whole transaction criteria is automatically entitled to a credit allocation and that the amount of such an allocation is not subject to a state's cap on credits which affects the 9% credit allocation. The credit allocation for 4% credits is, however, subject to our state QAP, except where the QAP has itself exempted 4% transactions. Moreover, current state law requires that multifamily private activity bond transactions make application for the 4% tax credits before they may receive a bond reservation.

The requested action requires the Board to act upon three cases which were originally submitted under the pre-2001 QAP. The Board, by its previous actions with 2000 QAP transactions and at the request of staff has agreed to, on a case-by-case basis, increase tax credit award amounts for 4% LIHTC developments over the amount previously approved and indicated in the Determination Notice. Criteria inferred from the previous Board meetings for the consideration of approval of increases included acceptable re-underwriting by department staff and a substantiation that the request for increased credits are a result of circumstances beyond the developer/owner's control. Staff believes the following three applications have met these criteria as evidenced by the attached underwriting addendums and the brief summaries of each below.

**99-10T San Jose Ltd.** This transaction involved the acquisition and rehabilitation of a 186 unit 25 year old development located in El Paso. The applicant originally was awarded their requested amount of $242,722. The applicant submitted additional information shortly after the original award which garnered an increase in the underwriting recommendation and determination notice to $260,892. With the current request the applicant cited unpredicted increases in rehabilitation costs as the primary reason for the requested increase in tax credits of $32,169 to $293,061. The underwriting addendum has confirmed that rehabilitation cost increase is the primary reason for the increase.

**99-12T Woodglen Village Apartments** This transaction involved the development of 250 units in Houston. The applicant was previously approved for credits in the amount of $550,592 which was slightly less than the requested amount at that time. The underwriting report at that time reflected the underwriter's higher anticipated construction costs but recommended a lower tax credit allocation based upon the applicant's costs and excess eligible basis items. The current request is slightly higher than the original request and is consistent with the original underwriting direct cost and current re-underwriting evaluation. The applicant cited a requirement by his lender for the general contractor to obtain additional bonding capacity and when the original general contractor was unable to do so a new unrelated general contractor who could do so was hired. As a result certain cost savings anticipated by the original related party general contractor could not be achieved. The attached underwriting addendum confirms that the requested increase in tax credits of $9,920 to $560,513 is justified.

**00007T Texas Pueblo** This transaction involved the acquisition and rehabilitation of a 210 unit 32 year old development located in Baytown. The applicant originally was awarded their requested amount of 281,331. With the current request the applicant cited unpredictable increases in rehabilitation costs as the primary reason for the requested increase in tax credits of $37,822 to $319,153. The underwriting addendum has confirmed that rehabilitation cost increase is the primary reason for the increase but uses a more conservative valuation of the buildings to recommend an increase of $33,519 for a total of $314,850.

# TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
# MULTI FAMILY CREDIT UNDERWRITING ANALYSIS 2ND ADDENDUM

**DATE:** May 6, 2003 **PROGRAM:** Housing Trust Fund/LIHTC **FILE NUMBER:** 99-10T

**DEVELOPMENT NAME**

San Jose Ltd.

**APPLICANT**

**Name:** San Jose, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

**Address:** 8800 Yermoland, Suite A **City:** El Paso, **State:** Texas

**Zip:** 79907 **Contact:** Ike J. Monty **Phone:** (915) 599-1245 **Fax:** (915) 594-0434

**PRINCIPALS of the APPLICANT**

**Name:** Investment Builders, Inc. **(%):** 50 **Title:** Managing General Partner

**Name:** Hunt Building Corporation **(%):** 50 **Title:** General Partner

**GENERAL PARTNER**

**Name:** San Jose, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

**Address:** 8800 Yermoland, Suite A **City:** El Paso **State:** Texas

**Zip:** 79907 **Contact:** Ike J. Monty **Phone:** (915) 599-1245 **Fax:** (915) 594-0434

**PROPERTY LOCATION**

**Location:** 8017 San Jose Rd., ☐ **QCT** ☒ **DDA**

**City:** El Paso, Texas **County:** El Paso **Zip:** 79915

**REQUEST/PRIOR ALLOCATION**

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| 1) $800,000 | 0% | 30 yrs | 30 yrs |
| 2) $260,892 | n/a | n/a | n/a |
| 3) $32,169 | n/a | n/a | n/a |

**Other Requested Terms:**
1) Housing Trust Fund
2) Previously approved 4% LIHTC Allocation/ original request was $242,722 amended to $265,403
3) Additional credits requested for a total of $293,061

**Proposed Use of Funds:** Acquisition and Rehabilitation

**RECOMMENDATION**

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $293,061 ANNUALLY FOR TEN YEARS.

## CHANGES TO OTHER SOURCES of FUNDS

### LONG TERM/PERMANENT FINANCING

**Source:** El Paso HFC Mortgage Revenue Bonds **Contact:** Carlos Aguilar, III

**Principal Amount:** $3,750,000 **Interest Rate:** 6.10%

**Additional Information**:

**Amortization:** 32 yrs **Term:** 32 yrs **Commitment:** ☐ None ☐ Firm ☐ Conditional

**Annual Payment:** $228,750 **Lien Priority:** 1st

### LIHTC SYNDICATION

**Source:** SunAmerica Housing Fund **Contact:** Michael L. Fowler

**Address:** 1 SunAmerica Center **City:** Century City

**State:** CA **Zip:** 90067 **Phone:** (310) 772-6000 **Fax:** (310) 772-6179

**Net Proceeds:** $2,436,848 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 83.15¢

**Commitment** ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 27/ 2002

**Additional Information**: Commitment letter reflects proceeds of $2,436,848 based on credits of $2,930,610

### APPLICANT EQUITY

**Amount:** $801,925 **Source:** Deferred developer fee

**Amount:** $521,086 **Source:** General Partner Equity

## ADDENDUM

On July 30, 1999, TDHCA issued a determination notice indicating that the Applicant would be eligible to claim $260,892 in tax credits annually for the purchase and rehabilitation of the Tigua Village Apartments (San Jose, Ltd.) in El Paso. Eligible basis at the time of application was calculated to be $6,512,578. At cost certification, the Applicant included eligible basis derived from actual costs was calculated to be $7,840,611 for a difference of $1,328,033, which would result in a potential increase of tax credits to $293,061 according to the applicant's numbers.

Although the cost of acquisition decreased by approximately $181,866 from the estimate at the time of application, sitework and direct construction costs, including an allowance for contingencies, increased from the applicant's estimate of $1,743,037 (or TDHCA's estimate of $1,411,030) to $2,739,474. This increase resulted in corresponding increases in the general contractor's requirements, overhead, and profit. Developer's profit decreased.

The owner provided with the cost certification documentation a detailed final cost breakdown. The owner cites the lack of information at the time of application, compared to the condition of the property found once work begun, as the reason behind the significant cost increases. The cost overruns included numerous sitework repairs, repairs to the roofs, improvements to the electrical and plumbing system, and renovation of the air conditioning systems, drywall interiors, and cabinetry.

The requested increase of approximately $32,000 in tax credits would result in approximately $266,000 in equity proceeds than would not be available otherwise. The primary bond debt has been increased from the estimate at the time of application of $3,651,000 to $3,750,000. The developer will now have to defer all of it's developer's fee of $801,925, and will also have to provide $521,086 in additional equity in order to pay for all project costs. It should be noted that the calculation of the requested tax credits is dependent on the opinion of the applicant's CPA, Robert Woolley, Jr., confirmed by Novogradac & Company, that the tax credit fee of $2,760 payable to TDHCA may be included in eligible basis. This is a point on which there is some disagreement in the industry.

Based upon the Underwriter's current analysis the developments cash flow is projected to be considerably weaker than the applicant has projected. The Underwriter's current analysis suggests that, even with the additional proposed syndication resulting from the increase in credits, the development may have difficulty meeting its deferred developer fee obligation within the current 15 year TDHCA guideline. It should be noted that the LIHTC and HTF funds for this development were recommended and approved prior to such a guideline being in place. The requirement that the general partner provide additional equity in the development may be a result of a similar finding from the lender or syndicators.

Based on the forgoing, it is recommended to approve the applicant's request to increase the tax-credit determination to $293,061 annually.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Stephen Apple* | **Date:** | May 6, 2003 |
| **Director of Credit Underwriting:** | *Tom Gouris* | **Date:** | May 6, 2003 |

# MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis-Cost Cert Addendum

***San Jose, Ltd., (Tigua Village), El Paso, LIHTC #99-10T SECOND ADDENDUM***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| LIHTC (60%) | 24 | 1 | 1 | 520 | $408 | $341 | $8,184 | $0.66 | $67.00 | $19.00 |
| LIHTC (60%) | 22 | 1 | 1 | 525 | 408 | 341 | 7,502 | 0.65 | 67.00 | 19.00 |
| LIHTC (60%) | 76 | 2 | 1 | 670 | 490 | 417 | 31,692 | 0.62 | 73.00 | 22.00 |
| LIHTC (60%) | 64 | 2 | 1 | 675 | 490 | 417 | 26,688 | 0.62 | 73.00 | 22.00 |
| | | | | | | | 0 | #DIV/0! | | |
| | | | | | | | 0 | #DIV/0! | | |
| | | | | | | | 0 | #DIV/0! | | |
| | | | | | | | 0 | #DIV/0! | | |
| TOTAL: | 186 | | AVERAGE: | 635 | $470 | $398 | $74,066 | $0.63 | $71.52 | $21.26 |

| INCOME | Total Net Rentable Sq Ft: | 118,150 | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $888,792 | $897,696 | | | |
| Secondary Income | | Per Unit Per Month: | $10.00 | 22,320 | 22,320 | $10.00 | Per Unit Per Month | |
| Other Support Income: (describe) | | | | 0 | | | | |
| POTENTIAL GROSS INCOME | | | | $911,112 | $920,016 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (68,333) | (69,001) | -7.50% | of Potential Gross Income | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | $842,779 | $851,015 | | | |
| **EXPENSES** | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | 5.27% | $239 | $0.38 | $44,430 | $32,855 | $0.28 | $177 | 3.86% |
| Management | 5.00% | 227 | 0.36 | 42,139 | 39,210 | 0.33 | 211 | 4.61% |
| Payroll & Payroll Tax | 14.44% | 654 | 1.03 | 121,695 | 109,720 | 0.93 | 590 | 12.89% |
| Repairs & Maintenance | 5.92% | 268 | 0.42 | 49,904 | 29,336 | 0.25 | 158 | 3.45% |
| Utilities | 4.83% | 219 | 0.34 | 40,704 | 39,041 | 0.33 | 210 | 4.59% |
| Water, Sewer, & Trash | 5.63% | 255 | 0.40 | 47,448 | 41,856 | 0.35 | 225 | 4.92% |
| Property Insurance | 2.80% | 127 | 0.20 | 23,630 | 23,364 | 0.20 | 126 | 2.75% |
| Property Tax 2.989055 | 6.30% | 285 | 0.45 | 53,094 | 54,000 | 0.46 | 290 | 6.35% |
| Reserve for Replacements | 6.62% | 300 | 0.47 | 55,800 | 37,200 | 0.31 | 200 | 4.37% |
| Other Expenses: Protection Costs/C | 3.14% | 142 | 0.22 | 26,442 | 26,442 | 0.22 | 142 | 3.11% |
| TOTAL EXPENSES | 59.95% | $2,717 | $4.28 | $505,286 | $433,024 | $3.67 | $2,328 | 50.88% |
| NET OPERATING INC | 40.05% | $1,814 | $2.86 | $337,492 | $417,991 | $3.54 | $2,247 | 49.12% |
| **DEBT SERVICE** | | | | | | | | |
| County of El Paso Housing Finance | 31.66% | $1,435 | $2.26 | $266,824 | $228,750 | $1.94 | $1,230 | 26.88% |
| TDHCA-HTF | 3.16% | $143 | $0.23 | 26,667 | 26,664 | $0.23 | $143 | 3.13% |
| | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 5.22% | $237 | $0.37 | $44,002 | $162,577 | $1.38 | $874 | 19.10% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.15 | 1.64 | | | |
| ALTERNATIVE DEBT COVERAGE RATIO | | | | 1.15 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 34.57% | $15,642 | $24.62 | $2,909,334 | $2,909,334 | $24.62 | $15,642 | 35.01% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | | 0.00 | 0 | 0.00% |
| Sitework | | 2.68% | 1,212 | 1.91 | 225,438 | 225,438 | 1.91 | 1,212 | 2.71% |
| Direct Construction | | 29.87% | 13,516 | 21.28 | 2,514,036 | 2,514,036 | 21.28 | 13,516 | 30.25% |
| Contingency | 0.00% | 0.00% | 0 | 0.00 | 0 | | 0.00 | 0 | 0.00% |
| General Req'ts | 5.81% | 1.89% | 855 | 1.35 | 159,099 | 159,099 | 1.35 | 855 | 1.91% |
| Contractor's G & A | 2.00% | 0.65% | 295 | 0.46 | 54,789 | 54,789 | 0.46 | 295 | 0.66% |
| Contractor's Profit | 6.00% | 1.95% | 884 | 1.39 | 164,368 | 169,638 | 1.44 | 912 | 2.04% |
| Indirect Construction | | 2.06% | 932 | 1.47 | 173,329 | 173,329 | 1.47 | 932 | 2.09% |
| Ineligible Costs | | 11.70% | 5,296 | 8.34 | 984,965 | 984,965 | 8.34 | 5,296 | 11.85% |
| Developer's G & A | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 12.87% | 9.53% | 4,311 | 6.79 | 801,925 | 801,925 | 6.79 | 4,311 | 9.65% |
| Interim Financing | | 3.77% | 1,706 | 2.69 | 317,306 | 317,306 | 2.69 | 1,706 | 3.82% |
| Reserves | | 1.33% | 602 | 0.95 | 111,950 | | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $45,250 | $71.24 | $8,416,539 | $8,309,859 | $70.33 | $44,677 | 100.00% |
| *Recap-Hard Construction Costs* | | *37.04%* | *$16,762* | *$26.39* | *$3,117,730* | *$3,123,000* | *$26.43* | *$16,790* | *37.58%* |

**SOURCES OF FUNDS**

| | | | | | | RECOMMENDED |
|---|---|---|---|---|---|---|
| County of El Paso Housing Finance | 44.56% | $20,161 | $31.74 | $3,750,000 | $3,750,000 | $3,750,000 |
| TDHCA-HTF | 9.51% | $4,301 | $6.77 | 800,000 | 800,000 | 800,000 |
| LIHTC Syndication Proceeds | 28.95% | $13,101 | $20.63 | 2,436,848 | 2,436,848 | 2,436,848 |
| Deferred Developer Fees | 9.53% | $4,311 | $6.79 | 801,925 | 801,925 | 801,925 |
| General Partner Equity | 7.46% | $3,375 | $5.31 | 627,766 | 521,086 | 521,086 |
| TOTAL SOURCES | | | | $8,416,539 | $8,309,859 | $8,309,859 |

*San Jose, Ltd., (Tigua Village), El Paso, LIHTC #99-10T SECOND ADDENDUM*

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $3,750,000 | Amort | 384 |
| Int Rate | 6.10% | DCR | 1.26 |

| | | | |
|---|---|---|---|
| **Secondary** | $800,000 | Amort | 360 |
| Int Rate | 0.00% | Subtotal DCR | 1.15 |

| | | | |
|---|---|---|---|
| **Additional** | $2,436,848 | Amort | |
| Int Rate | | Aggregate DCR | 1.15 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $266,824 |
| Secondary Debt Service | 26,667 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $44,002 |

| | | | |
|---|---|---|---|
| **Primary** | $3,750,000 | Amort | 384 |
| Int Rate | 6.10% | DCR | 1.26 |

| | | | |
|---|---|---|---|
| **Secondary** | $800,000 | Amort | 360 |
| Int Rate | 0.00% | Subtotal DCR | 1.15 |

| | | | |
|---|---|---|---|
| **Additional** | $2,436,848 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.15 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $888,792 | $915,456 | $942,919 | $971,207 | $1,000,343 | $1,159,672 | $1,344,378 | $1,558,502 | $2,094,497 |
| Secondary Income | 22,320 | 22,990 | 23,679 | 24,390 | 25,121 | 29,123 | 33,761 | 39,138 | 52,599 |
| Other Support Income: (describe | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 911,112 | 938,445 | 966,599 | 995,597 | 1,025,465 | 1,188,795 | 1,378,139 | 1,597,640 | 2,147,095 |
| Vacancy & Collection Loss | (68,333) | (70,383) | (72,495) | (74,670) | (76,910) | (89,160) | (103,360) | (119,823) | (161,032) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $842,779 | $868,062 | $894,104 | $920,927 | $948,555 | $1,099,635 | $1,274,778 | $1,477,817 | $1,986,063 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $44,430 | $46,208 | $48,056 | $49,978 | $51,977 | $63,238 | $76,939 | $93,608 | $138,563 |
| Management | 42,139 | 43,403 | 44,705 | 46,046 | 47,428 | 54,982 | 63,739 | 73,891 | 99,303 |
| Payroll & Payroll Tax | 121,695 | 126,562 | 131,625 | 136,890 | 142,365 | 173,209 | 210,735 | 256,392 | 379,523 |
| Repairs & Maintenance | 49,904 | 51,900 | 53,976 | 56,135 | 58,381 | 71,029 | 86,418 | 105,141 | 155,634 |
| Utilities | 40,704 | 42,332 | 44,026 | 45,787 | 47,618 | 57,935 | 70,486 | 85,757 | 126,942 |
| Water, Sewer & Trash | 47,448 | 49,346 | 51,320 | 53,373 | 55,507 | 67,533 | 82,165 | 99,966 | 147,974 |
| Insurance | 23,630 | 24,575 | 25,558 | 26,581 | 27,644 | 33,633 | 40,920 | 49,785 | 73,694 |
| Property Tax | 53,094 | 55,218 | 57,427 | 59,724 | 62,113 | 75,569 | 91,942 | 111,861 | 165,582 |
| Reserve for Replacements | 55,800 | 58,032 | 60,353 | 62,767 | 65,278 | 79,421 | 96,628 | 117,562 | 174,021 |
| Other | 26,442 | 27,500 | 28,600 | 29,744 | 30,933 | 37,635 | 45,789 | 55,709 | 82,463 |
| TOTAL EXPENSES | $505,286 | $525,076 | $545,645 | $567,024 | $589,245 | $714,185 | $865,760 | $1,049,672 | $1,543,698 |
| NET OPERATING INCOME | $337,492 | $342,986 | $348,458 | $353,903 | $359,310 | $385,450 | $409,018 | $428,145 | $442,365 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $266,824 | $266,824 | $266,824 | $266,824 | $266,824 | $266,824 | $266,824 | $266,824 | $266,824 |
| Second Lien | 26,667 | 26,667 | 26,667 | 26,667 | 26,667 | 26,667 | 26,667 | 26,667 | 26,667 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $44,002 | $49,495 | $54,968 | $60,412 | $65,819 | $91,959 | $115,527 | $134,654 | $148,874 |
| DEBT COVERAGE RATIO | 1.15 | 1.17 | 1.19 | 1.21 | 1.22 | 1.31 | 1.39 | 1.46 | 1.51 |

| LIHTC Allocation Calculation - San Jose, Ltd., (Tigua Village), El Paso, LIHTC #99-10T SECOND ADDENDUM | | | | | | |
|---|---|---|---|---|---|---|
| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S ACQUISITION ELIGIBLE BASIS | TDHCA ACQUISITION ELIGIBLE BASIS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
| **(1) Acquisition Cost** | | | | | | |
| Purchase of land | $286,208 | $286,208 | | | | |
| Purchase of buildings | $2,623,126 | $2,623,126 | $2,623,126 | $2,623,126 | | |
| **(2) Rehabilitation/New Construction Cost** | | | | | | |
| On-site work | $225,438 | $225,438 | | | $225,438 | $225,438 |
| Off-site improvements | | | | | | |
| **(3) Construction Hard Costs** | | | | | | |
| New structures/rehabilitation hard costs | $2,514,036 | $2,514,036 | | | $2,514,036 | $2,514,036 |
| **(4) Contractor Fees & General Requirements** | | | | | | |
| Contractor overhead | $54,789 | $54,789 | | | $54,789 | $54,789 |
| Contractor profit | $169,638 | $164,368 | | | $164,368 | $164,368 |
| General requirements | $159,099 | $159,099 | | | $159,099 | $159,099 |
| **(5) Contingencies** | | | | | | |
| **(6) Eligible Indirect Fees** | $173,329 | $173,329 | | | $173,329 | $173,329 |
| **(7) Eligible Financing Fees** | $317,306 | $317,306 | | | $317,306 | $317,306 |
| **(8) All Ineligible Costs** | $984,965 | $984,965 | | | | |
| **(9) Developer Fees** | | | $337,568 | $393,469 | $464,357 | $541,255 |
| Developer overhead | | | | | | |
| Developer fee | $801,925 | $801,925 | | | | |
| **(10) Development Reserves** | | $111,950 | | | | |
| **TOTAL DEVELOPMENT COSTS** | $8,309,859 | $8,416,539 | $2,960,694 | $3,016,595 | $4,072,722 | $4,149,620 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Deduct from Basis:** | | | | | | |
| All grant proceeds used to finance costs in eligible basis | | | | | | |
| B.M.R. loans used to finance cost in eligible basis | | | | | | |
| Non-qualified non-recourse financing | | | | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | | | | |
| Historic Credits (on residential portion only) | | | | | | |
| **TOTAL ELIGIBLE BASIS** | | | $2,960,694 | $3,016,595 | $4,072,722 | $4,149,620 |
| High Cost Area Adjustment | | | | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | | $2,960,694 | $3,016,595 | $5,294,539 | $5,394,506 |
| Applicable Fraction | | | 100% | 100% | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | | $2,960,694 | $3,016,595 | $5,294,539 | $5,394,506 |
| Applicable Percentage | | | 3.55% | 3.55% | 3.55% | 3.55% |
| **TOTAL AMOUNT OF TAX CREDITS** | | | $105,105 | $107,089 | $187,956 | $191,505 |
| | **Syndication Proceeds** | **0.8315** | **$873,961** | **$890,463** | **$1,562,885** | **$1,592,394** |
| | | | | New Credit Amount | $293,061 | $298,594 |
| | | | | | $2,436,846 | $2,482,857 |

# TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
# MULTI FAMILY CREDIT UNDERWRITING THIRD ADDENDUM

**DATE:** May 5, 2003 **PROGRAM:** LIHTC/MRB **FILE NUMBER:** 99-12T

## DEVELOPMENT NAME

Woodglen Village Apartments

## APPLICANT

**Name:** Woodglen Village, LTD. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

**Address:** 509 Ellen Powell Drive **City:** Prairie View **State:** Texas

**Zip:** 77446 **Contact:** Donald W. Sowell **Phone:** (409) 857-5944 **Fax:** (409) 857-5009

## PRINCIPALS of the APPLICANT

| Name | (%) | Title |
|---|---|---|
| BP '98, Inc. | 01 | General Partner |
| Donald W. Sowell | | 100% owner of G.P. |
| Platinum “S” LLC, Beatrice Sowell | 99.9 | Initial Limited Partner |

## PROPERTY LOCATION

**Location:** 11000 Block of West Montgomery Road ☐ QCT ☐ DDA

**City:** Houston **County:** Harris **Zip:** 77088

## REQUEST/PRIOR ALLOCATION

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| 1) $10,660,000 | 7.375% | 40 yrs | 40 yrs |
| 2) $550,592 | n/a | n/a | n/a |
| 3) $9,821 | n/a | n/a | n/a |

**Other Requested Terms:**
1) Multifamily Tax-exempt Bond amount previously approved
2) Previously approved 4% LIHTC Allocation/ original request was $543,591 amended to $554,222
3) Additional credits requested for a total of $560,413

**Proposed Use of Funds:** New Construction

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A REVISED TOTAL LIHTC ALLOCATION OF NOT MORE THAN $560,413 PER YEAR.

## ADDENDUM

In November of 1999, the Applicant was initially recommended for approval of a Housing Credit Allocation Amount of $537,666 annually for the construction of the Woodglen Village Apartments in Houston. In December the Applicant revised the application with acceptable documentation and was recommended and received approval for an increase in the credit to $550,592. The Applicant completed construction and submitted for cost certification in March of 2002 with a credit amount of $560,413.

The Applicant has indicated that an increased tax credit allocation is reasonable due to the fact that in many construction projects the actual costs usually exceed the estimated values. The Applicant states that “in light of the fact that our request for additional credits is not a large increase, only 3% and the fact that overall costs increased only nine percent (9%) is remarkable based on the very short time period we had to close the transaction." Assumptions in the application were made and the numbers changed as the syndicators and lender put the deal together. The Applicant feels that the additional costs which totaled $1,439,201 from the original application and $464,493 from the last underwriting evaluation could not have been foreseen. The Applicant indicated that the end purchaser of the bonds came back and required the construction company to be fully bonded and the original contractor did not have sufficient bonding capacity therefore a third party construction contractor was contracted to build the development at a slightly higher cost.

The Underwriter has reviewed the information provided and makes the following observations. The Applicant's hard construction costs have increase by 8% over the original application and 5% from the last addendum but are within 1% of the Underwriter's original hard construction costs. The Underwriter has re-evaluated costs based upon current Marshall and Swift *Residential Cost Handbook* standards and the final development elements and this updated cost estimate is less than 1% higher than the final actual costs. While this by itself would lend credence to the Applicant's claim that construction costs they anticipated justifiably were higher than they expected they would be, other line items of cost have also shifted considerably. Developer fees increased by $388,829 since the last underwriting review, but remain within the 15% allowable based upon the higher construction cost and despite a reduction of $470K in eligible and ineligible indirect costs. The costs provided by the Applicant are believed to be final costs that have been reviewed by the development's independent CPA and are justifiable based upon the Underwriter's re-evaluation; therefore, the requested credit amount is acceptable. Moreover, the increase in eligible basis for market cost reasons beyond the developer's control appears to be plausible.

The Applicant's net operating income has decreased by $143K from the last addendum while the underwriter's net operating income has increased by $20K. The majority of difference in the NOI estimates is due to the Applicant's use of older gross rent figures which result in an understated effective gross rent by $118K. The Applicant's operating expenses have increased by $270K while the Underwriter's have only increased by $262K thus reducing the difference on operating expenses in the original underwriting report to $52K. Overall the Applicant's NOI is $65K less than the Underwriter's whereas originally it was $97K higher. While the Applicant's NOI projects a debt coverage ration below a 1.10 the underwriter's DCR is an acceptable 1.14. Moreover, the anticipated deferred developer fee and the $500K of developer equity now being required appear to be repayable in 15 years.

Based on the evaluation of the information provided by the Applicant a recommendation to increase the LIHTC Allocation to $560,413 annually for ten years is recommended.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Carl Hoover* | **Date:** | May 5, 2003 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | May 5, 2003 |

# MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

***Woodglen Village, Houston, LIHTC# 99-12T, THIRD ADDENDUM***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| TC (60%) | 24 | 2 | 1 | 923 | 804 | $714 | 17,133 | 0.77 | 90.14 | 18.45 |
| TC (60%) | 194 | 2 | 2 | 968 | 804 | $714 | 138,489 | 0.74 | 90.14 | 18.45 |
| TC (60%) | 32 | 3 | 2 | 1,111 | 930 | $820 | 26,234 | 0.74 | 110.19 | 22.55 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| TOTAL: | 250 | | AVERAGE: | 982 | $820 | $727 | $181,855 | $0.74 | $92.71 | $18.97 |

| INCOME | Total Net Rentable Sq Ft: 245,496 | | TDHCA | APPLICANT | | |
|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | $2,182,265 | $2,055,240 | | |
| Secondary Income | Per Unit Per Month: | $10.00 | 30,000 | 30,000 | $10.00 | Per Unit Per Month |
| Other Support Income: (describe) | | | 0 | | $0.00 | Per Unit Per Month |
| POTENTIAL GROSS INCOME | | | $2,212,265 | $2,085,240 | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (165,920) | (156,396) | -7.50% | of Potential Gross Income |
| Employee or Other Non-Rental Units or Concessions | | | 0 | | | |
| EFFECTIVE GROSS INCOME | | | $2,046,345 | $1,928,844 | | |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 4.11% | $336 | $0.34 | $84,105 | $30,252 | $0.12 | $121 | 1.57% |
| Management | | 5.00% | 409 | 0.42 | 102,317 | 96,270 | 0.39 | 385 | 4.99% |
| Payroll & Payroll Tax | | 11.27% | 922 | 0.94 | 230,555 | 161,880 | 0.66 | 648 | 8.39% |
| Repairs & Maintenance | | 5.06% | 414 | 0.42 | 103,602 | 85,800 | 0.35 | 343 | 4.45% |
| Utilities | | 3.47% | 284 | 0.29 | 70,920 | 69,600 | 0.28 | 278 | 3.61% |
| Water, Sewer, & Trash | | 6.22% | 509 | 0.52 | 127,200 | 126,444 | 0.52 | 506 | 6.56% |
| Property Insurance | | 1.92% | 157 | 0.16 | 39,279 | 40,296 | 0.16 | 161 | 2.09% |
| Property Tax | 2.5 | 10.69% | 875 | 0.89 | 218,750 | 313,920 | 1.28 | 1,256 | 16.28% |
| Reserve for Replacements | | 2.44% | 200 | 0.20 | 50,000 | 50,000 | 0.20 | 200 | 2.59% |
| Other Expenses: Comp.Fees | | 2.21% | 181 | 0.18 | 45,240 | 45,240 | 0.18 | 181 | 2.35% |
| TOTAL EXPENSES | | 52.38% | $4,288 | $4.37 | $1,071,969 | $1,019,702 | $4.15 | $4,079 | 52.87% |
| NET OPERATING INC | | 47.62% | $3,898 | $3.97 | $974,376 | $909,142 | $3.70 | $3,637 | 47.13% |
| **DEBT SERVICE** | | | | | | | | | |
| Muni Mae Midland (Tax ExemptBon | | 40.62% | $3,325 | $3.39 | $831,142 | $830,012 | $3.38 | $3,320 | 43.03% |
| Muni Mae Midland 2nd Lien | | 1.00% | $82 | $0.08 | 20,399 | 20,399 | $0.08 | $82 | 1.06% |
| | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 6.00% | $491 | $0.50 | $122,835 | $58,731 | $0.24 | $235 | 3.04% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.14 | 1.07 | | | |
| ALTERNATIVE DEBT COVERAGE RATIO | | | | | 1.14 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 3.15% | $2,213 | $2.25 | $553,363 | $553,363 | $2.25 | $2,213 | 3.21% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 5.06% | 3,547 | 3.61 | 886,759 | 886,759 | 3.61 | 3,547 | 5.14% |
| Direct Construction | | 56.87% | 39,902 | 40.63 | 9,975,508 | 9,868,347 | 40.20 | 39,473 | 57.23% |
| Contingency | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| General Req'ts | 5.70% | 3.53% | 2,478 | 2.52 | 619,450 | 619,450 | 2.52 | 2,478 | 3.59% |
| Contractor's G & A | 1.87% | 1.16% | 814 | 0.83 | 203,611 | 203,611 | 0.83 | 814 | 1.18% |
| Contractor's Profit | 3.88% | 2.40% | 1,687 | 1.72 | 421,833 | 421,833 | 1.72 | 1,687 | 2.45% |
| Indirect Construction | | 4.11% | 2,885 | 2.94 | 721,225 | 721,225 | 2.94 | 2,885 | 4.18% |
| Ineligible Costs | | 5.81% | 4,075 | 4.15 | 1,018,757 | 1,018,757 | 4.15 | 4,075 | 5.91% |
| Developer's G & A | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 12.56% | 9.98% | 7,000 | 7.13 | 1,750,000 | 1,750,000 | 7.13 | 7,000 | 10.15% |
| Interim Financing | | 6.29% | 4,413 | 4.49 | 1,103,142 | 1,103,142 | 4.49 | 4,413 | 6.40% |
| Reserves | | 1.63% | 1,146 | 1.17 | 286,508 | 98,091 | 0.40 | 392 | 0.57% |
| TOTAL COST | | 100.00% | $70,161 | $71.45 | $17,540,156 | $17,244,578 | $70.24 | $68,978 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *69.03%* | ***$48,429*** | ***$49.32*** | ***$12,107,161*** | ***$12,000,000*** | ***$48.88*** | ***$48,000*** | *69.59%* |

**SOURCES OF FUNDS**

| | | | | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| Muni Mae Midland (Tax ExemptBonds)1st | 60.77% | $42,640 | $43.42 | $10,660,000 | $10,660,000 | $10,660,000 | Developer fee Avalable |
| Muni Mae Midland 2nd Lien | 1.23% | $860 | $0.88 | 215,000 | 215,000 | 215,000 | $1,750,000 |
| LIHTC Syndication Proceeds | 25.92% | $18,184 | $18.52 | 4,546,003 | 4,546,003 | 4,545,999 | % of Dev. Fee Deferred + Equity |
| Deferred Developer Fees | 7.49% | $5,256 | $5.35 | 1,313,998 | 1,313,998 | 1,313,998 | 104% |
| Cash Equity | 2.90% | $2,038 | $2.08 | 509,477 | 509,477 | 509,477 | 15 yr cumulative cash flow |
| Additional (excess) Funds Req'd | 1.69% | $1,183 | $1.20 | 295,678 | 100 | 104 | $3,865,684.10 |
| TOTAL SOURCES | | | | $17,540,156 | $17,244,578 | $17,244,578 | |

***Woodglen Village, Houston, LIHTC# 99-12T, THIRD ADDENDUM***

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $41.78 | $10,256,823 |
| Adjustments | | | | |
| Exterior Wall Finish | 3.31% | | $1.38 | $339,501 |
| Elderly | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.67) | (165,301) |
| Floor Cover | | | 1.92 | 471,352 |
| Porches/Balconies | $29.24 | 37,375 | 4.45 | 1,092,845 |
| Plumbing | $615 | 226 | 0.57 | 138,990 |
| Built-In Appliances | $1,625 | 250 | 1.65 | 406,250 |
| Stairs/Fireplaces | | | 0.00 | 0 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.47 | 360,879 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $59.56 | 2,846 | 0.69 | 169,513 |
| Other: Stairways | $1,625 | 83 | 0.55 | 134,875 |
| SUBTOTAL | | | 53.79 | 13,205,728 |
| Current Cost Multiplier | 1.03 | | 1.61 | 396,172 |
| Local Multiplier | 0.90 | | (5.38) | (1,320,573) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $50.03 | $12,281,327 |
| Plans, specs, survy, bld prm | 3.90% | | ($1.95) | ($478,972) |
| Interim Construction Interest | 3.38% | | (1.69) | (414,495) |
| Contractor's OH & Profit | 11.50% | | (5.75) | (1,412,353) |
| NET DIRECT CONSTRUCTION COSTS | | | $40.63 | $9,975,508 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $10,660,000 | Amort | 480 |
| Int Rate | 7.39% | DCR | 1.17 |

| | | | |
|---|---|---|---|
| **Secondary** | $215,000 | Amort | 480 |
| Int Rate | 9.25% | Subtotal DCR | 1.14 |

| | | | |
|---|---|---|---|
| **Additional** | $4,546,003 | Amort | |
| Int Rate | | Aggregate DCR | 1.14 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $831,142 |
| Secondary Debt Service | 20,399 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $122,835 |

| | | | |
|---|---|---|---|
| **Primary** | $10,660,000 | Amort | 480 |
| Int Rate | 7.39% | DCR | 1.17 |

| | | | |
|---|---|---|---|
| **Secondary** | $215,000 | Amort | 480 |
| Int Rate | 9.25% | Subtotal DCR | 1.14 |

| | | | |
|---|---|---|---|
| **Additional** | $4,546,003 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.14 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $2,182,265 | $2,247,733 | $2,315,165 | $2,384,620 | $2,456,158 | $2,847,361 | $3,300,871 | $3,826,615 | $5,142,650 |
| Secondary Income | 30,000 | 30,900 | 31,827 | 32,782 | 33,765 | 39,143 | 45,378 | 52,605 | 70,697 |
| Other Support Income: (describ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 2,212,265 | 2,278,633 | 2,346,992 | 2,417,401 | 2,489,924 | 2,886,504 | 3,346,249 | 3,879,220 | 5,213,347 |
| Vacancy & Collection Loss | (165,920) | (170,897) | (176,024) | (181,305) | (186,744) | (216,488) | (250,969) | (290,941) | (391,001) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $2,046,345 | $2,107,735 | $2,170,967 | $2,236,096 | $2,303,179 | $2,670,016 | $3,095,280 | $3,588,278 | $4,822,346 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $84,105 | $87,469 | $90,968 | $94,607 | $98,391 | $119,708 | $145,643 | $177,196 | $262,294 |
| Management | 102,317 | 105,387 | 108,548 | 111,805 | 115,159 | 133,501 | 154,764 | 179,414 | 241,117 |
| Payroll & Payroll Tax | 230,555 | 239,778 | 249,369 | 259,344 | 269,717 | 328,152 | 399,247 | 485,746 | 719,022 |
| Repairs & Maintenance | 103,602 | 107,746 | 112,056 | 116,538 | 121,200 | 147,458 | 179,406 | 218,274 | 323,099 |
| Utilities | 70,920 | 73,757 | 76,708 | 79,776 | 82,967 | 100,942 | 122,811 | 149,419 | 221,176 |
| Water, Sewer & Trash | 127,200 | 132,288 | 137,579 | 143,082 | 148,806 | 181,045 | 220,269 | 267,991 | 396,691 |
| Insurance | 39,279 | 40,851 | 42,485 | 44,184 | 45,951 | 55,907 | 68,019 | 82,756 | 122,499 |
| Property Tax | 218,750 | 227,500 | 236,600 | 246,064 | 255,907 | 311,349 | 378,804 | 460,873 | 682,205 |
| Reserve for Replacements | 50,000 | 52,000 | 54,080 | 56,243 | 58,493 | 71,166 | 86,584 | 105,342 | 155,933 |
| Other | 45,240 | 47,050 | 48,932 | 50,889 | 52,924 | 64,391 | 78,341 | 95,314 | 141,088 |
| TOTAL EXPENSES | $1,071,969 | $1,113,825 | $1,157,324 | $1,202,531 | $1,249,515 | $1,513,618 | $1,833,888 | $2,222,324 | $3,265,124 |
| NET OPERATING INCOME | $974,376 | $993,910 | $1,013,643 | $1,033,565 | $1,053,665 | $1,156,398 | $1,261,393 | $1,365,954 | $1,557,222 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $831,142 | $831,142 | $831,142 | $831,142 | $831,142 | $831,142 | $831,142 | $831,142 | $831,142 |
| Second Lien | 20,399 | 20,399 | 20,399 | 20,399 | 20,399 | 20,399 | 20,399 | 20,399 | 20,399 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $122,835 | $142,370 | $162,103 | $182,024 | $202,124 | $304,857 | $409,852 | $514,413 | $705,681 |
| DEBT COVERAGE RATIO | 1.14 | 1.17 | 1.19 | 1.21 | 1.24 | 1.36 | 1.48 | 1.60 | 1.83 |

## LIHTC Allocation Calculation - Woodglen Village, Houston, LIHTC# 99-12T, THIRD ADDENDUM

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $553,363 | $553,363 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $886,759 | $886,759 | $886,759 | $886,759 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $9,868,347 | $9,975,508 | $9,868,347 | $9,975,508 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $203,611 | $203,611 | $203,611 | $203,611 |
| Contractor profit | $421,833 | $421,833 | $421,833 | $421,833 |
| General requirements | $619,450 | $619,450 | $619,450 | $619,450 |
| **(5) Contingencies** | | | | |
| **(6) Eligible Indirect Fees** | $721,225 | $721,225 | $721,225 | $721,225 |
| **(7) Eligible Financing Fees** | $1,103,142 | $1,103,142 | $1,103,142 | $1,103,142 |
| **(8) All Ineligible Costs** | $1,018,757 | $1,018,757 | | |
| **(9) Developer Fees** | | | | |
| Developer overhead | | | | |
| Developer fee | $1,750,000 | $1,750,000 | $1,750,000 | $1,750,000 |
| **(10) Development Reserves** | $98,091 | $286,508 | | |
| **TOTAL DEVELOPMENT COSTS** | $17,244,578 | $17,540,156 | $15,574,367 | $15,681,528 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $15,574,367 | $15,681,528 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $15,574,367 | $15,681,528 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $15,574,367 | $15,681,528 |
| Applicable Percentage | | 3.60% | 3.60% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $560,413 | $564,269 |
| **Syndication Proceeds** | **0.8112** | **$4,545,999** | **$4,577,278** |

# TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
# MULTI FAMILY CREDIT UNDERWRITING ANALYSIS 2ND ADDENDUM

**DATE:** May 6, 2003 **PROGRAM:** LIHTC **FILE NUMBER:** 00007T

## DEVELOPMENT NAME

Texas Pueblo, Ltd. aka The Village Apartments

## APPLICANT

**Name:** Texas Pueblo, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

**Address:** 8800 Yermoland, Suite A **City:** El Paso **State:** TX

**Zip:** 79907 **Contact:** Ike J. Monty **Phone:** (915) 599-1245 **Fax:** (915) 594-0434

## PRINCIPALS of the APPLICANT

| | | | |
|---|---|---|---|
| **Name:** Investment Builders, Inc. | **(%):** .05% | **Title:** Managing general partner |
| **Name:** Hunt Building Corporation | **(%):** .05% | **Title:** Co-managing G.P. |
| **Name:** Midland Equity | **(%):** 99.9% | **Title:** Limited Partner |

## GENERAL PARTNER

**Name:** Investment Builders, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

**Address:** 8800 Yermoland, Suite A **City:** El Paso **State:** TX

**Zip:** 79907 **Contact:** Ike J. Monty **Phone:** (915) 599-1245 **Fax:** (915) 594-0434

## PROPERTY LOCATION

**Location:** 4601 Village Lane ☐ **QCT** ☐ **DDA**

**City:** Baytown **County:** Harris **Zip:** 77521

## REQUEST/PRIOR ALLOCATION

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| 1) $281,331 | N/A | N/A | N/A |
| 2) $37,822 | N/A | N/A | N/A |

**Other Requested Terms:** 1) Previously approved 4% LIHTC Allocation/ original request was $294,459
2) Additional credits requested for a total of $319,153

**Proposed Use of Funds:** Acquisition & Rehabilitation

## RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN INCREASE IN TAX CREDITS OF $33,519 TO A TOTAL AMOUNT OF $314,850.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

# CREDIT UNDERWRITING ANALYSIS 2ND ADDENDUM

## OTHER SOURCES of FUNDS

### BOND FINANCING

**Source:** Bank of New York **Contact:** Joseph Center

**Principal Amount:** $5,000,000 **Interest Rate:** 8.5% (provided by Applicant)

**Additional Information**: Tax-exempt mortgage revenue bond proceeds

**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:** ☐ None ☐ Firm ☒ Executed

### OTHER PERMANENT FINANCING

**Source:** Cimarron Mortgage **Contact:** Ana Ochoa

**Principal Amount:** $1,583,000 **Interest Rate:** After 2 years, based on a rate fixed to provide a 1.12 DCR

**Additional Information**: Cash Flow Note

**Amortization:** n/a yrs **Term:** n/a yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

**Annual Payment:** n/a **Lien Priority:** 2nd **Commitment Date** 5/ 16/ 2000

### LIHTC SYNDICATION

**Source:** Midland Equity **Contact:** Ryan Luxon

**Address:** 33 North Garden Avenue, Suite 1200 **City:** Clearwater

**State:** FL **Zip:** 33755 **Phone:** 800 237-4946 **Fax:**

**Net Proceeds:** $3,012,784 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 81.76%

**Commitment** ☐ None ☐ Firm ☒ Executed **Date:** 5/ 1/ 2000

### APPLICANT EQUITY

**Amount:** 1) $1,037,611 2) $125,151 **Sources:** 1) Deferred Developer Fee 2) Owner Equity

### ADDENDUM

In July 2000, the Applicant was awarded a Housing Credit Allocation Amount of $281,331 annually for ten years for the acquisition and rehabilitation of the Village Apartments in Baytown. The rehabilitation has now been completed and the units put into service and the Applicant is currently requesting an additional $37,822, or a total of $319,153 in credits. Due to an error in the applicant's completion of TDHCA's forms, an amount of $319,163 appears in some of the revised request documents. The request for additional credits is due to unforeseen cost overruns related to direct and indirect costs of renovating the property.

The Applicant explains that at the time of their initial due diligence, they only had access to a limited number of units and received "as built" drawings that were not consistent with the actual construction. Because of the lack of an accurate as-built drawing, the Applicant did not realize that two of the buildings had major structural damage. This required complete underpinning as well as other major structural renovation measures. The applicant states that it was impossible to know that the as-built drawings were not accurate and that the owner failed to disclose the extent of deterioration and damage to the units. The Mansard roofs also had to be replaced, and the majority of sewer lines had to be repaired. Additionally, 80% of the water pipes needed replacing. The result of these items totaled an additional $553,827 in hard construction costs; however this amount was reduced to $406,827 when factoring in the contingency amount of $147,000 from the original application. Interim financing costs and other eligible indirect costs also increased by $160,626. Most significantly, however, ineligible interim financing expense and bond fees were the two largest contributors to the $1,098,312 more of ineligible costs than originally anticipated. These costs provide no increase in the potential amount of credits but are a significant reason why the additional sources of funds have been sought by the Applicant and why 98% of the developer and contractor fees is projected by the Applicant to be deferred and an additional $125K in GP equity is being contributed to the development.

As part of the cost cert package provided by the Applicant, a complete appraisal was provided which valued the "as completed" development at $5,000,000 effective February 6, 2002. The same appraiser had conducted a limited appraisal at the time of original application and provided an "as is" prior to rehabilitation value of $4,000,000 effective September 22, 1999. In the limited appraisal, a separate valuation for the land was not provided, other than the reference to the then assessed value of the land of $913,020 (which amounted to roughly 26% of the total assessed value). The more complete "as completed" appraisal included a well supported land value of $571,566 or roughly 11% of the total as completed value. Having no other basis for justification, the original underwriting utilized the assessed value percentage to recommend a reduced eligible basis from acquisition and therefore a reduced credit amount. If the lower land value had been available at the time the original underwriting was conducted a higher building value would have been considered and a higher credit amount would likely have been concluded. Today, an increase in credits as a result of redefining the appropriate land value will provide additional equity to support the real increase in direct and indirect rehabilitation costs. While there is no clear authority on the issue of what the appropriate land to building ratio should be, the Underwriter believes that using the as completed value and percentages as done by the Applicant and attested to by the Applicant's third party CPA, overstates the building value and understates the land. Of the five land comps included in the February 2002 appraisal, four occurred 9 to 20 months prior to the September 1999 "as is" appraisal and the fifth occurred in November of 1999. No time adjustments were used in the February 2002 "as completed" appraisal and, therefore, one would not expect any to have been used in the 1999 appraisal if the same comparables had been considered at that time. Thus a reasonable and more conservative approach to the appropriate building value at the time of acquisition would be to net the appraised land value from the acquisition price, which also increased and is now reflected at within $48K of the original $4,000,000 appraised value (making the percentage of value difference negligible). Thus the Underwriter recommends utilizing an additional $612,306 in eligible building value in this recalculation of credits. This is $118,548 less than the Applicant is requesting and while it provides a $22K increase in the credit amount, it results in a reduction of $4,303 from what the Applicant is currently requesting.

The Applicant provided an updated rent schedule and updated expense figures in their cost certification documents. The Applicant's new income estimate is 11.26% less than the Underwriter's new estimate. The Underwriter's estimate uses the HAP contract rents effective for the property. The Applicant assumes a much lower rental income but could not justify why their estimates are so low. The Applicant's expense estimate was 7.44% lower than the Underwriter's estimate. As a result, the Applicant's net operating income estimate is 16.30% lower than the Underwriter's. While the Applicant's estimates result in a debt coverage ratio for the primary debt of 1.10, the Underwriter's estimates result in a debt coverage ratio of 1.20.

The Applicant received primary financing in the amount of $5,000,000 through the Harris County Finance Corporation's issuance of bonds which were privately placed with the Bank of New York. The term of the loan is 30 years. While an interest rate is not stated in the Promissory Note, the Applicant indicated in their sources and uses that the rate would be 8.5%. Secondary financing of $1,583,000 from Cimarron Mortgage will be repaid out of cash flow. Although, the contract actually is for $1,580,089 with interest to begin after two years with a rate to provide for a DCR equal to 1.12.

In order to complete the sources of funds the Applicant will need to defer 100% of the developer's and contractor's fees, and will contribute an additional $125,151 in equity. Based on the Underwriter's analysis and estimate of potential income, the deferred developers and contractor's fees and equity can be paid out of cash flow in approximately 12 years if no payments to the subordinate cash flow debt are made. Moreover the Underwriter's projections suggest that over half of the cash flow loan and all deferred developer and contractor fees could be repaid out of available cashflow by the end of the 15 year.

The Applicant certifies that the cost overruns which totaled $1,796,671 could not have been foreseen and that the additional costs were necessary to accomplish the purpose for the rehabilitation of the apartments in a manner that would provide decent, safe, quality affordable housing. Based on a thorough evaluation of the information provided by the Applicant, a recommendation to increase the LIHTC Allocation to $314,850 annually for ten years is justified.

**Director of Real Estate Analysis:** ______________________ **Date:** May 6, 2003

*Tom Gouris*

# MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

***Texas Pueblo, Ltd. aka The Village Apartments, Baytown, LIHTC # 00007T,*** ***SECOND ADDENDUM***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Wtr & Swr |
|---|---|---|---|---|---|---|---|---|---|---|
| TC <(50%) HAP | 41 | 1 | 1 | 625 | 558 | $461 | $18,901 | $0.74 | $53.60 | $14.35 |
| TC <(50%) HAP | 84 | 2 | 1 | 730 | 670 | $544 | 45,696 | 0.75 | 58.17 | 18.49 |
| TC <(50%) HAP | 47 | 3 | 2 | 900 | 775 | $644 | 30,268 | 0.72 | 84.24 | 22.55 |
| TC <(50%) HAP | 18 | 4 | 2 | 1,050 | 863 | $681 | 12,258 | 0.65 | 107.21 | 28.70 |
| TC <(50%) | 7 | 1 | 1 | 625 | 558 | $461 | 3,227 | 0.74 | 53.60 | 14.35 |
| TC <(50%) | 8 | 2 | 1 | 730 | 670 | $544 | 4,352 | 0.75 | 58.17 | 18.49 |
| TC <(50%) | 3 | 3 | 2 | 900 | 775 | $644 | 1,932 | 0.72 | 84.24 | 22.55 |
| TC <(50%) | 2 | 4 | 2 | 1,050 | 863 | $681 | 1,362 | 0.65 | 107.21 | 28.70 |
| TOTAL: | 210 | | AVERAGE: | 777 | $688 | $562 | $117,996 | $0.72 | $68.00 | $19.48 |

## INCOME & EXPENSE

| | | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $1,415,952 | $1,243,536 | | | |
| Secondary Income | | Per Unit Per Month: | $10.00 | 25,200 | 35,280 | $14.00 | Per Unit Per Month | |
| POTENTIAL GROSS INCOME | | | | $1,441,152 | $1,278,816 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | 7.50% | 108,086 | 95,911 | 7.50% | of Potential Gross Rent | |
| Rental Concessions | | | | 0 | 0 | | | |
| Employee or Other Non-Rental Units | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | $1,333,066 | $1,182,905 | | | |
| EXPENSES | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | 5.09% | $323 | $0.42 | $67,876 | $24,229 | $0.15 | $115 | 2.05% |
| Management | 5.00% | 317 | 0.41 | 66,653 | 62,921 | 0.39 | 300 | 5.32% |
| Payroll & Payroll Tax | 13.36% | 848 | 1.09 | 178,035 | 174,444 | 1.07 | 831 | 14.75% |
| Repairs & Maintenance | 6.14% | 390 | 0.50 | 81,900 | 85,392 | 0.52 | 407 | 7.22% |
| Utilities | 3.28% | 208 | 0.27 | 43,699 | 46,510 | 0.29 | 221 | 3.93% |
| Water, Sewer & Trash | 7.11% | 451 | 0.58 | 94,749 | 96,718 | 0.59 | 461 | 8.18% |
| Insurance | 2.45% | 155 | 0.20 | 32,632 | 31,927 | 0.20 | 152 | 2.70% |
| Property Tax 3.25671 | 8.92% | 566 | 0.73 | 118,923 | 100,688 | 0.62 | 479 | 8.51% |
| Reserve for Replacements | 4.73% | 300 | 0.39 | 63,000 | 68,250 | 0.42 | 325 | 5.77% |
| Other Expenses: Compliance Fees | 0.76% | 48 | 0.06 | 10,150 | 10,150 | 0.06 | 48 | 0.86% |
| TOTAL EXPENSES | 56.83% | $3,608 | $4.64 | $757,617 | $701,229 | $4.30 | $3,339 | 59.28% |
| NET OPERATING INC | 43.17% | $2,740 | $3.53 | $575,449 | $481,676 | $2.95 | $2,294 | 40.72% |
| Harris County (Series A bonds) | 34.61% | $2,197 | $2.83 | $461,348 | $439,856 | $2.70 | $2,095 | 37.18% |
| Facility Administration Fee | 0.94% | $60 | $0.08 | 12,500 | 0 | $0.00 | $0 | 0.00% |
| Asset Management Fee | 0.56% | $36 | $0.05 | 7,500 | 0 | $0.00 | $0 | 0.00% |
| Other Financing | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 7.06% | $448 | $0.58 | $94,101 | $41,820 | $0.26 | $199 | 3.54% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.20 | 1.10 | | | |
| ALTERNATIVE DEBT COVERAGE RATIO | | | | 1.20 | | | | |

## CONSTRUCTION COST

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldng) | | 36.84% | $18,871 | $24.29 | $3,962,957 | $3,962,957 | $24.29 | $18,871 | 36.84% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 2.52% | 1,290 | 1.66 | 270,856 | 270,856 | 1.66 | 1,290 | 2.52% |
| Direct Construction | | 26.60% | 13,628 | 17.54 | 2,861,918 | 2,861,918 | 17.54 | 13,628 | 26.60% |
| Contingency | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| General Requiremer | 5.95% | 1.73% | 887 | 1.14 | 186,283 | 186,283 | 1.14 | 887 | 1.73% |
| Contractor's G & A | 1.98% | 0.58% | 295 | 0.38 | 61,899 | 61,899 | 0.38 | 295 | 0.58% |
| Contractor's Profit | 6.00% | 1.75% | 894 | 1.15 | 187,830 | 187,830 | 1.15 | 894 | 1.75% |
| Indirect Construction | | 4.67% | 2,395 | 3.08 | 502,961 | 502,961 | 3.08 | 2,395 | 4.67% |
| Ineligible Expenses | | 13.06% | 6,689 | 8.61 | 1,404,762 | 1,404,762 | 8.61 | 6,689 | 13.06% |
| Developer's G & A | 0.20% | 0.14% | 73 | 0.09 | 15,401 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 9.50% | 4,868 | 6.27 | 1,022,210 | 1,037,611 | 6.36 | 4,941 | 9.64% |
| Interim Financing | | 2.62% | 1,340 | 1.73 | 281,469 | 281,469 | 1.73 | 1,340 | 2.62% |
| Reserves | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $51,231 | $65.94 | $10,758,546 | $10,758,546 | $65.94 | $51,231 | 100.00% |

## SOURCES OF FUNDS

| | % | PER UNIT | PER SQ FT | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| Harris County (Series A bonds) | 46.47% | $23,810 | $30.64 | $5,000,000 | $5,000,000 | $5,000,000 | ontractor & Developer fee Avalab |
| Cimarron Mortgage | 14.69% | $7,524 | $9.68 | 1,580,089 | 1,583,000 | 1,580,089 | $1,473,623 |
| Syndication | 24.25% | $12,425 | $15.99 | 2,609,314 | 2,609,314 | 2,574,210 | % of Dev. Fee Deferred + Equity |
| Owner Equity | 1.16% | $596 | $0.77 | 125,151 | 125,151 | 125,151 | 100% |
| Developer/Contractor fee deferral | 13.39% | $6,862 | $8.83 | 1,441,081 | 1,441,081 | 1,479,096 | 15 yr cumulative cash flow |
| Shortfall (Excess) | 0.03% | $14 | $0.02 | 2,911 | 0 | 0 | $2,445,634.82 |
| TOTAL SOURCES | | | | $10,758,546 | $10,758,546 | $10,758,546 | |

## MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

***Texas Pueblo, Ltd. aka The Village Apartments, Baytown, LIHTC # 00007T, SECOND ADDENDUM***

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $5,000,000 | Term | 360 |
| Int Rate | 8.50% | DCR | 1.25 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Additional** | $0 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.20 |

### ALTERNATIVE FINANCING STRUCTURE

| | |
|---|---|
| Primary Debt Service | $461,348 |
| Secondary Debt Service | 12,500 |
| Additional Debt Service | 7,500 |
| NET CASH FLOW | $94,101 |

| | | | |
|---|---|---|---|
| **Primary** | $5,000,000 | Term | 360 |
| Int Rate | 8.50% | DCR | 1.25 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Additional** | $0 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.20 |

### OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,415,952 | $1,458,431 | $1,502,183 | $1,547,249 | $1,593,666 | $1,847,496 | $2,141,754 | $2,482,880 | $3,336,784 |
| Secondary Income | 25,200 | 25,956 | 26,735 | 27,537 | 28,363 | 32,880 | 38,117 | 44,188 | 59,385 |
| POTENTIAL GROSS INCOME | 1,441,152 | $1,484,387 | $1,528,918 | $1,574,786 | $1,622,029 | $1,880,376 | $2,179,872 | $2,527,069 | $3,396,169 |
| Vacancy & Collection Loss | 108,086 | 111,329 | 114,669 | 118,109 | 121,652 | 141,028 | 163,490 | 189,530 | 254,713 |
| Rental Concessions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee/Other Non-Rental Ui | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,333,066 | $1,373,058 | $1,414,249 | $1,456,677 | $1,500,377 | $1,739,348 | $2,016,381 | $2,337,539 | $3,141,456 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $67,876 | $70,591 | $73,414 | $76,351 | $79,405 | $96,608 | $117,539 | $143,004 | $211,680 |
| Management | 66,653 | 68,653 | 70,712 | 72,834 | 75,019 | 86,967 | 100,819 | 116,877 | 157,073 |
| Payroll & Payroll Tax | 178,035 | 185,156 | 192,562 | 200,265 | 208,276 | 253,399 | 308,299 | 375,092 | 555,228 |
| Repairs & Maintenance | 81,900 | 85,176 | 88,583 | 92,127 | 95,812 | 116,570 | 141,825 | 172,552 | 255,419 |
| Utilities | 43,699 | 45,447 | 47,265 | 49,155 | 51,121 | 62,197 | 75,672 | 92,067 | 136,281 |
| Water, Sewer & Trash | 94,749 | 98,539 | 102,481 | 106,580 | 110,843 | 134,858 | 164,075 | 199,623 | 295,490 |
| Insurance | 32,632 | 33,937 | 35,295 | 36,707 | 38,175 | 46,446 | 56,508 | 68,751 | 101,768 |
| Property Tax | 118,923 | 123,680 | 128,627 | 133,772 | 139,123 | 169,264 | 205,936 | 250,552 | 370,878 |
| Reserve for Replacements | 63,000 | 65,520 | 68,141 | 70,866 | 73,701 | 89,669 | 109,096 | 132,731 | 196,475 |
| Other | 10,150 | 10,556 | 10,978 | 11,417 | 11,874 | 14,447 | 17,577 | 21,385 | 31,654 |
| TOTAL EXPENSES | $757,617 | $787,255 | $818,059 | $850,074 | $883,349 | $1,070,424 | $1,297,345 | $1,572,633 | $2,311,948 |
| NET OPERATING INCOME | $575,449 | $585,802 | $596,191 | $606,603 | $617,028 | $668,924 | $719,037 | $764,905 | $829,509 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $461,348 | $461,348 | $461,348 | $461,348 | $461,348 | $461,348 | $461,348 | $461,348 | $461,348 |
| Facility Admin. Fee | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 |
| Asset Oversight Fee | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| NET CASH FLOW | $94,101 | $104,454 | $114,842 | $125,255 | $135,680 | $187,576 | $237,689 | $283,557 | $348,161 |
| DEBT COVERAGE RATIO | 1.20 | 1.22 | 1.24 | 1.26 | 1.28 | 1.39 | 1.49 | 1.59 | 1.72 |

LIHTC Allocation Calculation - Texas Pueblo, Ltd. aka The Village Apartments, Baytown, LIHTC # 00007T, SEC

| CATEGORY | | APPLICANT'S AMOUNT | TDHCA AMOUNT | APPLICANT'S ACQUISITION ELIGIBLE BASIS | TDHCA ACQUISITION ELIGIBLE BASIS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | REHAB/NEW CONSTRUCTION ELIGIBLE BASIS |
|---|---|---|---|---|---|---|---|
| **(1) Purchase of Land & Buildings** | | $3,962,957 | $3,962,957 | $3,509,939 | $3,391,391 | | |
| **(2) Rehabilitation/New Construction Cost** | | | | | | | |
| On-Site work | | $270,856 | $270,856 | | | $270,856 | $270,856 |
| Off-Site improvements | | | | | | | |
| **(3) Construction Hard Costs** | | | | | | | |
| New structures | | $2,861,918 | $2,861,918 | | | $2,861,918 | $2,861,918 |
| Rehabilitation hard costs | | | | | | | |
| **(4) Contractor Fees & General Requirements** | | | | | | | |
| Contractor overhead | | $61,899 | $61,899 | | | $61,899 | $61,899 |
| Contractor profit | | $187,830 | $187,830 | | | $187,830 | $187,830 |
| General requirements | | $186,283 | $186,283 | | | $186,283 | $186,283 |
| **(5) Contingencies** | | | | | | | |
| **(6) Eligible Indirect Fees** | | $502,961 | $502,961 | | | $502,961 | $502,961 |
| **(7) Eligible Financing Fees** | | $281,469 | $281,469 | | | $281,469 | $281,469 |
| **(8) All Ineligible Costs** | | $1,404,762 | $1,404,762 | | | | |
| **(9) Developer Fees** | | | | $459,601 | $459,601 | $578,010 | $578,010 |
| Developer overhead | | | $15,401 | | | | |
| Developer fee | | $1,037,611 | $1,022,210 | | | | |
| **(10) Development Reserves** | | | | | | | |
| **TOTAL DEVELOPMENT COSTS** | | $10,758,546 | $10,758,546 | $3,969,540 | $3,850,992 | $4,931,226 | $4,931,226 |
| **Deduct from Basis:** | | | | | | | |
| All grant proceeds used to finance costs in eligible basis | | | | | | | |
| B.M.R. loans used to finance cost in eligible basis | | | | | | | |
| Non-qualified non-recourse financing | | | | | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | | | | | |
| Historic Credits (on residential portion only) | | | | | | | |
| **TOTAL ELIGIBLE BASIS** | | | | $3,969,540 | $3,850,992 | $4,931,226 | $4,931,226 |
| High Cost Area Adjustment | | | | | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | | | $3,969,540 | $3,850,992 | $4,931,226 | $4,931,226 |
| Applicable Fraction | | | | 100% | 100% | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | | | $3,969,540 | $3,850,992 | $4,931,226 | $4,931,226 |
| Applicable Percentage | | | | 3.63% | 3.63% | 3.55% | 3.55% |
| **TOTAL AMOUNT OF TAX CREDITS** | | | | $144,094 | $139,791 | $175,059 | $175,059 |
| | **Syndication Proceeds** | | **0.8176** | **$1,178,115** | **$1,142,931** | **$1,431,278** | **$1,431,278** |
| | **Total Amount of Acquisition and Rehabilitation Tax Credits** | | | | | **$319,153** | **$314,850** |
| | **Total Syndication Proceeds** | | | | | **$2,609,393** | **$2,574,210** |

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
# BOARD MEETING
# MAY 15, 2003

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF
HOME INVESTMENT PARTNERSHIPS PROGRAM DISASTER RELIEF APPLICATION

Staff recommends the approval of a Disaster Relief award utilizing HOME deobligated funds. The award is in accordance with the TDHCA Deobligation Policy adopted by the Board on January 17, 2002.

The disaster occurred on April 25, 2002 due to excessive rain, flash flooding and hail that occurred in the City of Albany located in Shackelford County. On May 3, 2002, upon completion of the damage survey of the county by the Division of Emergency Management, the area was declared a disaster by the Governor's Office. An application workshop was conducted with the City of Albany on June 19, 2002.

After the initial assessment, the City of Albany's consultant reviewed the potential applicants and discovered that all of the eligible applicant's were residing in the flood plain and were not eligible for rehabilitation assistance. It was initially thought that the city would not be eligible for the disaster relief program. Upon conferring with HOME Program staff and a review by THDCA's Legal Division, it was determined in October 2002 that the city could use HOME Program funds to complete an acquisition and new construction program in which affected citizens could be moved out of the flood plain into newly built homes. Based on this determination, the city was ready to submit an application for funding.

In late January 2003, the application was received and scored by the appropriate HOME Program staff. A funding recommendation was then made to program management. Since all of the award documentation wasn't compiled in time to include the recommendation for the April Board meeting, a letter was sent to the city advising them that the recommendation would be taken to the May 15, 2003 Board meeting.

It should be noted that when this disaster occurred, the HOME Program had established a one-year deadline for disaster relief applications from the date of the disaster. Since the recent TDHCA reorganization, many aspects of the Disaster Relief Program have been reviewed and modified in order to expedite assistance to those cities and counties affected. The application deadline is now defined as within 6 months from the actual disaster or 3 months from the Disaster Application Workshop. Additionally, the applications will be scored upon receipt of the application (first-come, first-served) and then recommendations will be made at the next Board meeting if the applicant meets the minimum threshold and qualifies for assistance. The application form has also been placed on the TDHCA website.

## Recommendation

The Board approve the Disaster Relief funding in the amount of $520,000 for the City of Albany as outlined on the attached Disaster Application Summary.

# Disaster Application Summary

| | | | |
|---|---|---|---|
| **Application Number:** | 2003-0001 | | |
| **Name of Organization:** | City of Albany | | |
| **Location of Project:** | Shackelford County | **Number of units to be served:** 9 | |
| **Project Funds Requested:** | $500,000.00 | **Administrative Funds Requested** | $20,000.00 |
| **Application Status** | Funding recommended by staff . | | |
| **Describe the Program Design:** the City of Albany will complete an acquisition, new construction program to move persons out of the flood plain, thus replacing and demolishing their existing flood damaged units. | | | |
| **Reason for decision:**<br>• **Score of 232 (out of possible 300 points)** | | | |

# AUDIT COMMITTEE MEETING
# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
**507 Sabine, Board Room, Fourth Floor, Austin, Texas 78701**
**May 15, 2003 11:00 am**

## A G E N D A

| | |
|---|---|
| **CALL TO ORDER, ROLL CALL**<br>**CERTIFICATION OF QUORUM** | Vidal Gonzalez<br>Chair |

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

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

| | | |
|---|---|---|
| Item 1 | Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meeting of March 13, 2003 | Vidal Gonzalez |
| Item 2 | Presentation and Discussion of Reports:<br>a) Status of Prior Audit Issues<br><br>b) Status of Central Database Project | David Gaines |

| | |
|---|---|
| **ADJOURN** | Vidal Gonzalez<br>Chair |

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

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

**AUDIT COMMITTEE MEETING**
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**507 Sabine Street, Room 437, Austin, Texas 78701**
**March 13, 2003 8:30 a.m.**

**Summary of Minutes**

**CALL TO ORDER, ROLL CALL**
**CERTIFICATION OF QUORUM**
The Audit Committee Meeting of the Texas Department of Housing and Community Affairs of March 13, 2003 was called to order by Chair Vidal Gonzalez at 8:40 a.m. It was held at the Texas Department of Housing and Community Affairs Boardroom, Austin, Texas. Roll call certified a quorum was present. Shad Bogany was absent.

Members present:
Vidal Gonzalez -- Chair
Elizabeth Anderson - Member

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

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

Mr. Gonzalez called for public comment and no one wished to give comments at this time but would comment at the presentation of the agenda items.

**REPORT ITEMS**

**(1) Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meeting of February 13, 2003**
Motion made by Beth Anderson and seconded by Vidal Gonzalez to approve the minutes of the Audit Committee Meeting of February 13, 2003.
Passed Unanimously

**(2) Presentation, Discussion and Possible Approval of FY 2003 Annual Internal Audit Plan**
Mr. Gaines stated the Texas Internal Auditing Act requires an annual plan to be developed based on risk management procedures. The Internal Auditing Division uses 9 different risk factors that it applies to each of the units within the department to develop this plan. These units are defined as the division responsible for satisfying measures to align closely with the reorganization. Based on a request by the board and the inherent risk associated with cash and cash receipts, the reviews of other fees collected by the Department has been added. The objectives will be to assist the effectiveness and controls of the fee collection processes to ensure that authorized fees are collected and properly accounted for. Another project is review of the department's draw processes. The objectives of this review will be to determine if the draw is properly accounted for, adequately supported and in compliance with department standards. This includes any applicable federal and state laws. The contribution to the Peer Review Process coordinated by the state agency's Internal Audit Forum will have the TDHCA Internal Audit Division employees conduct peer reviews of other state agency internal audit divisions. The other projects being proposed are following up on prior audit issues, developing the annual audit plan for FY2004, preparing the annual audit report, and coordinating and assisting external auditors. Mr. Gaines is involved in the central database steering committee.

Motion made by Beth Anderson and seconded by Vidal Gonzalez to approve the FY 2003 Annual Internal Audit Plan as presented.

Passed Unanimously

**(3) Presentation and Discussion of Reports:**

**a) External Audit – Communications with Audit Committee Letter**

**b) External Audit - Opinion Audit on FY2002 Basic Financial Statements**

**c) External Audit – Opinion Audit on FY2002 Revenue Bond Program Financial Statements**

**d) External Audit – Opinion Audit of FY2002 Computation of Unencumbered Fund Balances**

**e) External Audit – Report to Management (Management Letter)**

Mr. George Scott, Partner, Deloitte & Touche, stated their opinions on the reports are clean opinions. Their opinion of the financial statements does present the financial position of the agency as of August 31. They had no restrictions placed on them as they had access to documents, records and individuals. They received outstanding cooperation throughout the organization. They had no material adjustments to be made to the financial statements. They performed procedures around compliance with state and federal law and reviewed internal control environment. They identified no situation as a material weakness in the internal control environment. They did ask the board to look at the directors and officers insurance which lapsed during the year and to work with SORM to try to get this insurance reinstated. They also suggested the board review the loan loss reserve.

Ms. Anderson asked that staff present information on the Directors and Officers Insurance at the next Audit Committee and the Board Meeting.

**f) Internal Audit – Low Income Housing Tax Credit Inspection Fee Balances Due From/Due to Project Owners**

Mr. David Gaines stated the applied procedures agreed upon with management is to assist the board with respect to evaluating amounts due from tax credit project owners that have resulted from construction inspections on projects. There is a subsidiary ledger that identifies payments to the inspectors and reimbursements from the project owners by a specific project that has been prepared and reconciled to the accounting records. The new balance due from project owners is $203,238 and the amount due to project owners is $103,113. Management has billed an additional $152,402 and will bill the balance as it assesses and is satisfied with the documentation supporting those balances. The Financial Services Division assumed responsibility for maintaining the detailed subsidiary records supporting the balances due.

Ms. Anderson asked that Mr. Gaines provide updates to the Board on this item in the future.

**g) Status of Internal/External Audits**

Mr. Gaines stated the Inspection Fee Receivable report has been completed. There are several audits that are in the planning stage and relate to the collection of other fees collected by the department. There is also a review over the controls over tax credit deliverables. This is in the fieldwork reporting phase. There are also several audits that have been completed by the external auditors.

**ADJOURN**

Motion made by Beth Anderson and seconded by Vidal Gonzalez to adjourn the meeting.
Passed Unanimously

The meeting adjourned at 9:15 a.m.

Respectfully submitted,

Board Secretary

p:dg/auminmar

# Texas Department of Housing and Community Affairs

## *Prior Audit Issues*

---

- Summary Report of Prior Audit Issues
  (except those prior audit issues previously reported as implemented or otherwise resolved)

- Removed from Listing as Implemented/Otherwise Resolved Since Last Report to the Board

# Texas Department of Housing and Community Affairs -
# Summary Report of Prior Audit Issues
## *(except those prior audit issues previously reported as implemented or otherwise resolved)*

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **252** | 07/24/00 | Housing Trst Fnd-Subrecipient Monitoring, Rpt.#0.04 | Px | 08/24/00 | 12/31/00 |
| | IA | The HTF program's subrecipient monitoring function. | Px | 04/18/01 | 05/31/01 |
| | | | Px | 07/25/01 | 08/31/01 |
| | | | Px | 09/28/01 | NR |
| | | | Pxx | 01/7/02 | NR |
| | | | Px | 04/25/02 | 05/31/02 |
| | | | Px | 07/09/02 | 01/31/03 |
| | | | Px | 09/25/02 | 01/31/03 |
| | | | Px | 10/25/02 | 01/31/03 |
| | | | Px | 01/27/03 | 04/30/03 |
| | | | Px | 03/31/03 | 04/30/03 |
| | | | Ix | 04/30/03 | |

***Division:*** Portfolio Management & Compliance

***Issue:*** We recommend that Department management explore alternatives regarding the inspection of its construction projects, including (1.) establishing an agency-wide construction inspection section, (2.) formally evaluating the costs and benefits associated with contracting with third parties, (3.) formally evaluating the degree of overlap between HTF's construction inspection objectives and procedures and those of third parties and (4.) considering obtaining additional inspection resources.

***Status:*** 04/30/03:

1. An agency wide Construction Inspection Section was established in March, 2003 under Compliance Monitoring and Asset Management to coordinate inspection activities for all of the Department's construction programs.
2. Third-party inspections and plan review services have been formally evaluated, cost structures have been determined for specified services, and funding sources for these services have been identified.
3. The Department will accept inspection reports prepared by or for lenders, syndication firms, or outside funding entities when such other third party inspection services are already being conducted for the HTF, HOME and Preservation programs, which have substantial overlap with the Department's construction inspection objectives. Such third party reports will include a simple checklist verification of application selection criteria requirements.
4. Additional inspection resources have been considered and procured. Contractors are currently performing plan reviews to verify compliance with accessibility standards and requirements for LIHTC projects. This service will be extended to all internal construction financing programs. When the Department is not the primary lender, the Department will request copies of construction inspection reports prepared by or for outside lenders (#3 above). When the Department is the primary lender, the Department will utilize approved contractors to perform construction inspections.



*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation;
D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **187** | 09/19/00 | Section 8 Management Review | Dx | 01/03/01 | |
| | HUD | Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements. | Dx | 03/04/01 | |
| | | | Dx | 04/18/01 | NR |
| | | | Dx | 11/28/01 | NR |
| | | | Pxx | 04/25/02 | 08/31/02 |
| | | | Px | 07/31/02 | 12/31/02 |
| | | | Px | 08/30/02 | 12/31/02 |
| | | | Px | 10/25/02 | 12/31/02 |
| | | | Dx | 12/12/02 | NR |
| | | | Px | 05/06/03 | NR |

***Division:*** Community Affairs - Section 8

***Issue:*** Finding No. 17: Contract of Participation and Establishment of Escrow Account, Documentation could not Be Provided to Support Implementation of a Family Self-Sufficiency (FSS) Program (Repeat Finding).

***Status:*** 05/06/03 - Communications from HUD dated 4/25/03 indicate that the response pending from HUD regarding the adequacy of the FFS Action Plan submitted (see 12/12/02 status) was overlooked and that the issue would be considered soon. Management is also considering whether community action agencies (CAAs) could provide FSS services to Section 8 voucher holders on behalf of the Department. A target date for these considerations has not been established due to anticipated time delays in coordinating and obtaining information/responses from the CAAs.

12/12/02 - Letters requesting an exception of the FSS Program have been submitted to the San Antonio and Forth Worth offices of HUD. However, a draft of the FSS Action Plan was submitted to the Fort Worth office requesting implementation of the program in Brazoria County to serve as our model in fulfilling the FSS Program of the mandatory size for all three (3) HUD service regions. Further action is pending responses by HUD.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| 253 | 11/16/01 | Monitoring Visit - HOME Program - M-00/01-SG-48-0100 | Px | 04/22/02 | 08/01/02 |
| | HUD | On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001. | Dx | 07/26/02 | |
| | | | Dx | 09/23/02 | |
| | | | Px | 10/28/02 | 06/30/03 |
| | | | Px | 01/31/02 | NR |
| | | | Px | 03/31/03 | 5/31/03 |
| | | | Px | 04/29/03 | NR |

***Division:*** Portfolio Management & Compliance

***Issue:*** (Finding 1A.) The state is not providing adequate monitoring and oversight of the processing and construction activities in accordance with the applicable requirements. (Finding 1B.) - Additionally, the properties assisted by several of the HOME activities through HOME awards by one of the Department's subrecipients, the Texas State Affordable Housing Corporation, have insufficient or no documentation that they are in compliance with applicable standards and code requirements.

Corrective actions - HUD letter dated 2/27/03 requires that the Department:
(Finding 1A.) develop and submit for HUD's approval a process and procedures that it will use to monitor and oversee its subrecipients, which also apply to its subrecipients that may contract with lower-tier agencies to carry out these activities. The process and procedures should include a commitment to provide sufficient monitoring at the housing sites by qualified persons.
(Finding 1B.) establish that each house (1,112 homeowners and homebuyers) met the state's and HUD's standards at the time the activity was completed by sending homeowners and homebuyers a simplified housing standards checklist or survey approved by HUD asking the homeowners and homebuyers if their house met the required standards at the time the activity was completed and the HOME funds were spent. For any claims by homeowners or homebuyers, the Department must conduct an on-site inspection by a qualified person to review for compliance with standards using any available documentation that appears reliable. If documentation is not available, the Department must complete a full write-up of the condition of the house and determine if the claimed deficiency existed at the time of the activity completion. If standards were not met, the Department must take required corrective actions to bring the house into standards. The Department shall provide an appeals process for any claim by homebuyers or homeowners that is denied.

***Status:*** 4/29/03: The Department informed HUD by letter dated 4/22/03 of:
(Finding 1A.) - its current processes to ensure construction and inspection compliance. The letter also discussed the Department's risk based monitoring approach and assured HUD that it agreed that program oversight is essential.
(Finding 1B.) - the surveys prepared in English and Spanish and approved by HUD on 4/14/03 that were mailed on April 17, 2003 to the 1112 applicable properties. As of April 29, 2003, 183 surveys have been returned. Staff is in the process of evaluating the returned surveys. The homeowner response is due by May 12, 2003. At that time staff will have a report detailing those that require corrective action, will develop strategies to do so and establish estimated target dates for completion.

**254** | 11/16/01 | Monitoring Visit - HOME Program - M-00/01-SG-48-0100

HUD | On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.

| Status Codes* | Status Date | Target Date |
|---|---|---|
| Px | 04/22/02 | 08/01/02 |
| Px | 07/26/02 | 12/31/02 |
| Px | 10/02/02 | NR |
| Px | 10/28/02 | NR |
| Px | 01/31/03 | NR |
| Px | 03/31/03 | 06/30/03 |
| Px | 04/29/03 | NR |

***Division:*** Portfolio Management & Compliance

***Issue:*** (Finding 2.) One of the Department's subrecipient's (the Texas State Affordable Housing Corporation) third-party lenders (HOME, Inc.) (1) disbursed both HOME and FHA Title 1 Home Improvement Loan funds to pay a contractor, in full, to reconstruct a house that was never completed and, (2) issued checks against the FHA Title 1 Home Improvement Loan which subsequently were returned due to insufficient funds, as well as disbursing HOME funds to pay the same contractor for rehabilitation work on a second project, which was never completed.

Corrective Actions include, in addition to resolving the preceding, identifying all applicants funded through the third-party lender and justifying related disbursements. Additionally, HUD letter dated 2/27/03 requires that the Department conduct on-site inspections of each of the 27 applicable properties and to take corrective actions in instances where standards were not met at the time the activity was completed. HUD also requires that the Dept. review financial transactions involving both the HOME funding and the Title I funding to determine if the loans were set up and the funds disbursed properly, and assist the homeowners with any Title I problems including obtaining reimbursement of overpayments. The Dept. should determine if any contract was paid for work not done and if it is feasible legally to take action to recover the funds.

***Status:*** 4/29/03 - The Department informed HUD by letter dated 4/22/03 that inspections would be made, described the inspection process, reiterated the details of the HOME Inc. loans, and agreed to take corrective actions for those homes not meeting a HQS standard. Contact has been made with the homeowner and the inspections are scheduled to begin May 5, 2003 and to be completed by the end of May 2003. Once the results of the inspections are reviewed, a corrective action plan will be implemented and an estimated target date for completion will be established for those properties not meeting housing quality standards. Additionally, the Department reviewed the financial transactions on 10/8/02 and determined that funds were disbursed properly for interest buy-downs of the loans as opposed to actual rehabilitation of the units. The loans for rehabilitation were provided through the FHA Title I Home Improvement Loan program. As a result, it is not legally feasible for the Department to pursue legal action against a contractor that was not part of the contract award between the Department and TSAHC or HOME, Inc.

---

**255** | 11/16/01 | Monitoring Visit - HOME Program - M-00/01-SG-48-0100

HUD | On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.

| Status Codes* | Status Date | Target Date |
|---|---|---|
| Px | 04/22/02 | 08/01/02 |
| Px | 07/26/02 | 08/31/03 |
| Px | 10/02/02 | RN |
| Px | 10/28/02 | RN |
| Px | 01/31/03 | 05/30/03 |
| Px | 03/31/03 | 07/31/03 |
| Dx | 04/29/03 | NR |

***Division:*** Portfolio Management & Compliance

***Issue:*** (Finding 3.) Data previously entered into IDIS that was incomplete and/or inaccurate have still not been corrected.

Corrective Actions include (1) reviewing all Project Set-up and Project Completion reports for all activities assisted from 1998 through present and making all required corrections on the forms, (2) entering all revised data into the IDIS for each activity, (3) providing a proposed timeframe for the preceding, and (4) advising HUD the steps the State plans to implement to assure in the future that all required data will be obtained and accurately entered into IDIS.

***Status:*** 04/29/03 - The Department informed HUD by letter dated 4/22/03 that it has completed over 2000 corrections and that all major corrections have been completed and the finding should be cleared. The letter also details the processes involved in IDIS entry, staffing changes implemented and discusses reconciliation issues with IDIS, CSAS and Genesis, the program's internal database. The Department is waiting on clearance of the issue by HUD.

---

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|

**256** | 11/16/01 | Monitoring Visit - HOME Program - M-00/01-SG-48-0100

HUD | On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.

| Codes* | Date | Target Date |
|---|---|---|
| Px | 04/22/02 | 08/01/02 |
| Ix | 07/26/02 | |
| Px | 10/28/02 | |
| Ix | 01/31/03 | |
| Px | 03/31/03 | 05/31/03 |
| Px | 04/29/03 | NR |

***Division:*** Portfolio Management & Compliance

***Issue:*** (Finding 4.) Under the contract-for-deed conversion program (CFD) delivered by one of the Department's subrecipients (the Texas State Affordable Housing Corporation), vacant lots were purchased for which the construction of housing units was not started within 12 months of the purchase of the land, contrary to HOME rules. Additionally, based on the state's monitoring checklist for one of the recipients of the CFD assistance, it could not be determined if the applicant was income eligible.

Corrective Action: Identify all CFD projects that included only land, determine if the land is still vacant, reimburse HUD for all lots remaining vacant after 12 months and cancel the projects on IDIS.

***Status:*** 04/29/2003 - The Department informed HUD by letter dated 4/22/03 of the details relating Its current processes to ensure construction and inspection compliance. The letter also discussed the Department's risk based monitoring approach and assured HUD that it agreed that program oversight is essential.

The Department has contacted the homeowners and the inspections are scheduled to begin May 5, 2003 and are expected to be completed by the end of May 2003. The inspections will be reviewed, a corrective action plan implemented and estimated target dates for completion established for those properties not meeting the housing quality standards.

---

**258** | 11/16/01 | Monitoring Visit - HOME Program - M-00/01-SG-48-0100

HUD | On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.

| Codes* | Date | Target Date |
|---|---|---|
| Pxx | 04/26/02 | 06/30/02 |
| Px | 07/26/02 | |
| Px | 10/02/02 | NR |
| Px | 10/28/02 | NR |
| Px | 01/31/03 | 07/31/03 |
| Px | 04/01/03 | 05/31/03 |
| Dx | 04/29/03 | NR |

***Division:*** Portfolio Management & Compliance

***Issue:*** (Finding 6.) There is a prohibited clause in the Land Use Restriction Agreement (LURA) executed between one of the Department's subrecipients (the Texas State Affordable Housing Corporation) and a Texas limited partnership (83-Westgate, LTD or "Owner") whereby occupancy requirements could be waived contrary to program regulations unless an exception is granted by HUD for specified reasons.

Corrective Actions include (1) amending the LURA to remove the prohibited clause, (2) reviewing all other LURAs or similar documents from 1998 through present to assure that no prohibited clauses are in the agreements and, if so, make appropriate corrections and (3) reviewing all LURAs or similar documents in the future to ensure that no prohibited clauses are included.

***Status:*** 04/29/2003 - The Department informed HUD by letter dated 4/22/03 that the master copy of the revised LURA is available on the Department Web site. The three LURA's containing the faulty language have been amended and executed copies have been provided to the Department. The Department is waiting on clearance of the issue by HUD.

---



*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation; D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **260** | 11/16/01<br>HUD | Monitoring Visit - HOME Program - M-00/01-SG-48-0100<br>On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001. | Px<br>Px<br>Px<br>Px<br>Px<br>Px<br>Px | 04/22/02<br>06/27/02<br>10/02/02<br>10/28/02<br>12/13/02<br>03/31/03<br>04/29/03 | 08/01/02<br>01/31/03<br>NR<br>NR<br>07/31/03<br>08/31/03<br>NR |

***Division:*** Portfolio Management & Compliance

***Issue:*** (Finding 8A.) Instances were noted where there was no documentation that newly-constructed units (single-family and multi-family) financed by the Department with HOME funds awarded to one of its subrecipients (the Texas State Affordable Housing Corporation) are in compliance with the current edition of the Model Energy Code (MEC) published by the Council of American Building Officials. (Finding 8B.) Additionally, it was noted that one of TSAHC's HOME funded apartment complexes (the Keystone Apartment complex Weslaco) is not in compliance with Section 504 (handicapped accessibility) relative to units that are accessible for persons with visual and/or hearing impairments.

Corrective Actions include (1) reviewing all applicable files from 1998 through present to verify compliance with MEC and 504 requirments, (2) increasing the number of accessible units to comply with 504, and (3) providing a proposal on how the state intends to comply with the 504 sensory impairment requirement.

***Status:*** 04/30/03 - - The Department informed HUD by letter dated 4/22/03 that:
(Finding 8A.) - 154 units of 269 new construction projects have now been documented for compliance with the MEC. TSAHC was unable to obtain documentation for the remaining 115 units although substantial numerous attempts have been made and continue to be made. The Department informed HUD that it believes that substantial compliance has been achieved given that the units identified were all in compliance with MEC. The letter also includes a description of how the process will be completed in the future to ensure compliance with the MEC.
(Finding 8B) - The owner must provide a recommended plan of action to TSAHC and TDHCA including a proposal to comply with Section 504 requirements no later than May 12, 2003. The proposal should include preliminary work write-ups and a plan to commence construction no later than June 1, 2003. The Department will establish an estimated target date for completion once the work plan is developed, ensure that HOME maximum per unit subsidy limits (Section 203 B) are not exceeded and will notify HUD once the necessary modifications are complete.

---

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **266** | 01/07/02<br>IA | Controls Over Single Family Loans; Report No. 1.05<br>Controls over single family loans serviced by the Department. | Px<br>Px<br>Px<br>Px<br>Px<br>Px | 04/22/02<br>07/22/02<br>11/05/02<br>01/28/03<br>03/28/03<br>05/06/03 | 07/01/02<br>11/01/02<br>02/01/03<br>06/01/03<br>06/01/03<br>06/01/03 |

***Division:*** Financial Administration - Financial Services

***Issue:*** The Department should develop and implement formal policies and procedures for the periodic review of delinquent program loans, related collection efforts and specific criterion to be met for writing-off loan balances.

***Status:*** 05/06/03 - Management continues to expect issue resolution by 06/01/03.

03/28/03 - The Asset Management staff is being trained on the loan servicing system to generate delinquency reports and loan level detail of delinquent loans. The process of developing procedures outlining methods of delinquency management and foreclosure proceedings is being coordinated with Legal and OCI staff.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| 295 | 11/15/02<br>SAO | An Audit Report on Fiscal Year 2001 Performance Measures<br>To determine accuracy of key performance measures reported to the ABEST database. | Px<br>Ix | 03/28/03<br>04/30/03 | |

**Division:** Single and Multifamily Finance Production

**Issue:** Enhance data collection and calculation processes to include documented, detailed steps taken to arrive at the reported performance figure and review performance data after it is entered in ABEST and prior to final submission to ABEST (Percent of Households/Individuals of Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-Related Assistance).

**Status:** 04/30/03 - Standard operating procedures for Single/Multi-Family housing programs have been developed for reporting, approving and maintaining performance measure reports. The SF/MF Divisions have followed agency procedures that require a hard copy of all output measures reported to ABEST to be circulated to the Program Manager and then to the Division Director for review and approval. A signed copy of the reviewed measures will be maintained by the responsible division.

---

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| 285 | 12/20/02<br>Deloitte & Touche | Report To Management - Year ended August 31, 2002<br>Annual independent audit of the Department's general purpose financial statements | Px<br>Ix | 03/28/03<br>04/30/03 | 04/30/03 |

**Division:** Financial Administration - Accounting Operations

**Issue:** Reconsider the status of Director's and Officer's (D&O) insurance and assess necessity of coverage.

**Status:** 4/30/03 - Staff received bids from the State Office of Risk Management. Reviews and comparisons were done to ensure that sufficient data were included in bids. The Department selected Option II of Arthur Gallagher & Company, Public Official and Non Profit Protector Policy Insurance - excluding the terrorism coverage. Coverage for 1-year began April 11, 2003. The Department's new policy is forthcoming.

---

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| 298 | 02/24/03<br>KPMG | Compliance with Requirements & IC Over Compliance - A-133.<br>Statewide Federal Single Audit for FYE August 31, 2002 (SAO contract with KPMG). | Px<br>Ix | 04/02/03<br>05/07/03 | 05/01/03 |

**Division:** Portfolio Management & Compliance

**Issue:** Establish management sample review of project files for compliance with maximum per unit subsidy rules and regulations and designate on the project set up form the mortgage limit amounts or a reference to the appropriate rules and regulations along with a requirement for the individual responsible for its preparation to initial his or her acknowledgment of compliance.
Questioned Cost: $3,000 due to a project award in excess of maximum allowable award (1 of 40 projects).

**Status:** 05/07/03 - The Portfolio Management and Compliance Division has established procedures whereby staff reviews each set-up to ensure compliance with maximum per unit subsidy rules and regulations. Additionally, the Setup Forms have been modified to include a reference to program rules and regulations that each employee approving a project set-up form signs acknowledging compliance.

---



*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation;
D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **299** | 02/24/03<br>KPMG | Compliance with Requirements & IC Over Compliance - A-133.<br>Statewide Federal Single Audit for FYE August 31, 2002 (SAO contract with KPMG). | Px<br>Px | 03/31/03<br>04/30/03 | 08/31/03<br>05/31/03 |

***Division:*** Financial Administration - Accounting Operations

***Issue:*** Establish procedures to monitor the clearance patterns of all programs subject to CMIA Subpart A on a yearly basis and inform the Comptroller's Office in those instances where there are significant changes in patterns.
Questioned Cost: $4,400 due to interest earned on program income and refund receipts accumulated and not disbursed prior to requesting additional federal funds ($4,000) and a discrepancy in the methodology used to calculate new clearance patterns ($440).

***Status:*** 04/30/03 - Since the issuance of the finding, the Department has been reclassified as a Type B agency in accordance with the Cash Management Improvement Act (CMIA) of 1990. The reclassification is a lower standard of consideration and reporting in which the Department can comply with the requirements outlined in the CMIA. The Department will perform a Calculation Period I to assess the status of the clearance patterns during May 2003.

---

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **303** | 03/01/03<br>SAO | Compliance with Benefits Proportional by Fund Requirements<br>Testing of Benefits Proportional by Fund Reports FY 2001 at 20 state entities. | Ix | 04/30/03 | |

***Division:*** Financial Administration - Accounting Operations

***Issue:*** Develop a procedure to process adjustments identified in its Benefits Proportional by Fund Reports in a timely manner.

***Status:*** 4/30/03 - The Department has worked with the Comptroller's Office to facilitate procedures for future fiscal years for the submission and acceptance of the Benefits Proportional by Fund Report (BPFR) and the funding source adjustments to ensure the Department complies with proportionality requirements in a timely manner.

---

# Texas Department of Housing and Community Affairs - Prior Audit Issues Removed from Listing as Implemented/Otherwise Resolved Since Last Report to the Board

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **268** | 02/12/02<br>KPMG | Compliance with Requirements & IC Over Compliance - A-133.<br>Statewide Federal Single Audit for FYE August 31, 2001 (SAO contract with KPMG). | Px<br>Px<br>Px<br>Px<br>Px<br>Ixx | 04/22/02<br>07/31/02<br>10/02/02<br>10/25/02<br>01/31/03<br>02/2403 | 08/01/02<br>10/31/02<br>NR<br>NR<br>NR |

***Issue:*** There is a lack of documentation to support soft costs incurred by subrecipients. Known questioned costs - $29,400. Estimated questioned costs - $2,314,574.

***DIVISION:*** Portfolio Management & Compliance

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **292** | 11/15/02<br>SAO | An Audit Report on Fiscal Year 2001 Performance Measures<br>To determine accuracy of key performance measures reported to the ABEST database. | Ix | 03/28/03 | |

***Issue:*** Recalculate performance results and amend ABEST if the Department receives information that affects previously reported results for Percent of Persons in Poverty that Received Homeless or Poverty Related Assistance.

***DIVISION:*** Community Affairs - Community Services

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **293** | 11/15/02<br>SAO | An Audit Report on Fiscal Year 2001 Performance Measures<br>To determine accuracy of key performance measures reported to the ABEST database. | Ix | 03/28/03 | |

***Issue:*** Recalculate performance results and amend ABEST if the Department receives information that affects previously reported results for Number of Persons Assisted that Achieve Incomes Above Poverty Level.

***DIVISION:*** Community Affairs - Community Services



*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation; D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **296** | 11/15/02<br>SAO | An Audit Report on Fiscal Year 2001 Performance Measures<br>To determine accuracy of key performance measures reported to the ABEST database. | Ix | 03/28/03 | |

***Issue:*** Review performance data after entering it in ABEST and prior to final submission (Projected Number of Very Low and Low Income Households Benefiting from HOME Investment Program Loans and Grants ).

***DIVISION:*** Single and Multifamily Finance Production

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **286** | 12/20/02<br>Deloitte & Touche | Report To Management - Year ended August 31, 2002<br>Annual independent audit of the Department's general purpose financial statements | Ix | 12/20/03 | |

***Issue:*** Analyze historical loan losses (for TDHCA or for similar agencies throughout the US) for regular loans and design a reserve methodology that is based on actual loss experience.

***DIVISION:*** Financial Administration - Financial Services

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **282** | 01/30/03<br>TDPRS - IA Dir. | Quality Assurance Review of TDHCA Internal Audit Function<br>Performed by TDPRS to evaluate IA's compliance with established standards, covering period of Sept. 99 through Aug. 02. | Ix | 03/28/03 | |

***Issue:*** Update charter to incorporate newly prescribed consulting standards.

***DIVISION:*** Internal Auditing

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **283** | 01/30/03<br>TDPRS - IA Dir. | Quality Assurance Review of TDHCA Internal Audit Function<br>Performed by TDPRS to evaluate IA's compliance with established standards, covering period of Sept. 99 through Aug. 02. | Ix | 03/28/03 | |

***Issue:*** Revise charter and job description wording to specifically mention adherence to the IIA Code of Ethics.

***DIVISION:*** Internal Auditing



*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation; D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **284** | 01/30/03<br>TDPRS - IA Dir. | Quality Assurance Review of TDHCA Internal Audit Function<br>Performed by TDPRS to evaluate IA's compliance with established standards, covering period of Sept. 99 through Aug. 02. | Ix | 03/28/03 | |

***Issue:*** Amend charter to require the Board to periodically review whether resources allocated to the Internal Auditing Division are adequate to implement an effective program of internal auditing to effectively cover the risk in the agency.

***DIVISION:*** Internal Auditing

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **300** | 02/24/03<br>KPMG | Compliance with Requirements & IC Over Compliance - A-133.<br>Statewide Federal Single Audit for FYE August 31, 2002 (SAO contract with KPMG). | Ix | 02/24/03 | |

***Issue:*** Implement additional review control procedures over income and housing assistance payment calculations, data entry and proper citizenship documentation.
Questioned Cost: $3,027 due to improper calculations of income (1 of 40 contracts), utility allowances (1 of 40), incorrect accounting of a housing assistance payment (1 of 40), an incorrect effective date (1 of 40), and lack of documentation supporting US citizenship (1 of 40).

***DIVISION:*** Community Affairs - Section 8

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **301** | 02/24/03<br>KPMG | Compliance with Requirements & IC Over Compliance - A-133.<br>Statewide Federal Single Audit for FYE August 31, 2002 (SAO contract with KPMG). | Ix | 02/24/03 | |

***Issue:*** Implement controls to ensure that formal notification of failure to meet housing quality standards by owners is performed and documented; that follow up of the correction of these deficiencies is conducted within prescribed time frames; and that quality controls are put in place by program managers for assurance of supporting documentation and timely correction of deficiencies.
Questioned Cost: $3,795 due to housing assistance payments subsequent to the due date for correction of deficiencies (2 of 40 contracts for life threatening deficiencies and 2 of 40 for non-life threatening).

***DIVISION:*** Community Affairs - Section 8



*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation; D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

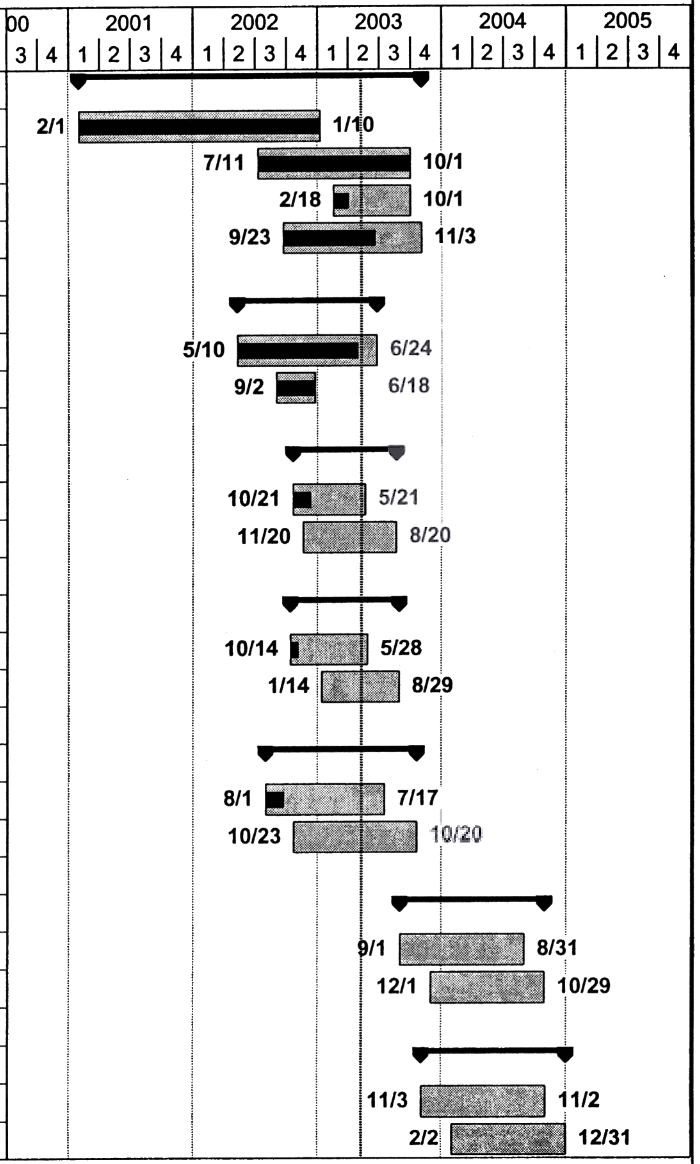
Texas Department of Housing and
Community Affairs

*Central Database*

*Project Status as of April 30, 2003*

# TDHCA Central Database
## *Summary Project Plan/Status*
## As of April 30, 2003

| ID | Task Name | Start | Finish | % Comple |
|---|---|---|---|---|
| 1 | **COMP'L. MONITORING & TRACKING SYSTEM (CMTS)** | **Thu 2/1/01** | **Mon 11/3/03** | **82%** |
| 2 | Development | Thu 2/1/01 | Fri 1/10/03 | 100% |
| 3 | Functional Planning and Deployment (except LIHTC data) | Thu 7/11/02 | Wed 10/1/03 | 100% |
| 4 | LIHTC - Historical Data Gathering and Input | Tue 2/18/03 | Wed 10/1/03 | 19% |
| 5 | Industry Rollout | Mon 9/23/02 | Mon 11/3/03 | 67% |
| 6 | | | | |
| 7 | **FUND ALLOCATION/CONTRACT MODULE** | **Fri 5/10/02** | **Tue 6/24/03** | **78%** |
| 8 | Development | Fri 5/10/02 | Tue 6/24/03 | 86% |
| 9 | Functional Planning and Deployment | Mon 9/2/02 | Wed 6/18/03 | 66% |
| 10 | | | | |
| 11 | *** PROGRAM MODULE** | **Mon 10/21/02** | **Wed 8/20/03** | **11%** |
| 12 | Development | Mon 10/21/02 | Wed 5/21/03 | 25% |
| 13 | Functional Planning and Deployment | Wed 11/20/02 | Wed 8/20/03 | 0% |
| 14 | | | | |
| 15 | *** LIHTC MODULE** | **Mon 10/14/02** | **Fri 8/29/03** | **5%** |
| 16 | Development | Mon 10/14/02 | Wed 5/28/03 | 10% |
| 17 | Functional Planning and Deployment | Tue 1/14/03 | Fri 8/29/03 | 0% |
| 18 | | | | |
| 19 | *** APPLICATION MODULE** | **Thu 8/1/02** | **Mon 10/20/03** | **7%** |
| 20 | Development | Thu 8/1/02 | Thu 7/17/03 | 15% |
| 21 | Functional Planning and Deployment | Wed 10/23/02 | Mon 10/20/03 | 0% |
| 22 | | | | |
| 23 | *** CONSTRUCTION & PROGRAM MONITORING MODULE** | **Mon 9/1/03** | **Fri 10/29/04** | **0%** |
| 24 | Development | Mon 9/1/03 | Tue 8/31/04 | 0% |
| 25 | Functional Planning and Deployment | Mon 12/1/03 | Fri 10/29/04 | 0% |
| 26 | | | | |
| 27 | *** CREDIT UNDERWRITING & COST CERT. MODULE** | **Mon 11/3/03** | **Fri 12/31/04** | **0%** |
| 28 | Development | Mon 11/3/03 | Tue 11/2/04 | 0% |
| 29 | Functional Planning and Deployment | Mon 2/2/04 | Fri 12/31/04 | 0% |




Project: Central Database
Save Date: Wed 5/7/03

Module Duration | Rolled-up Task | Progress

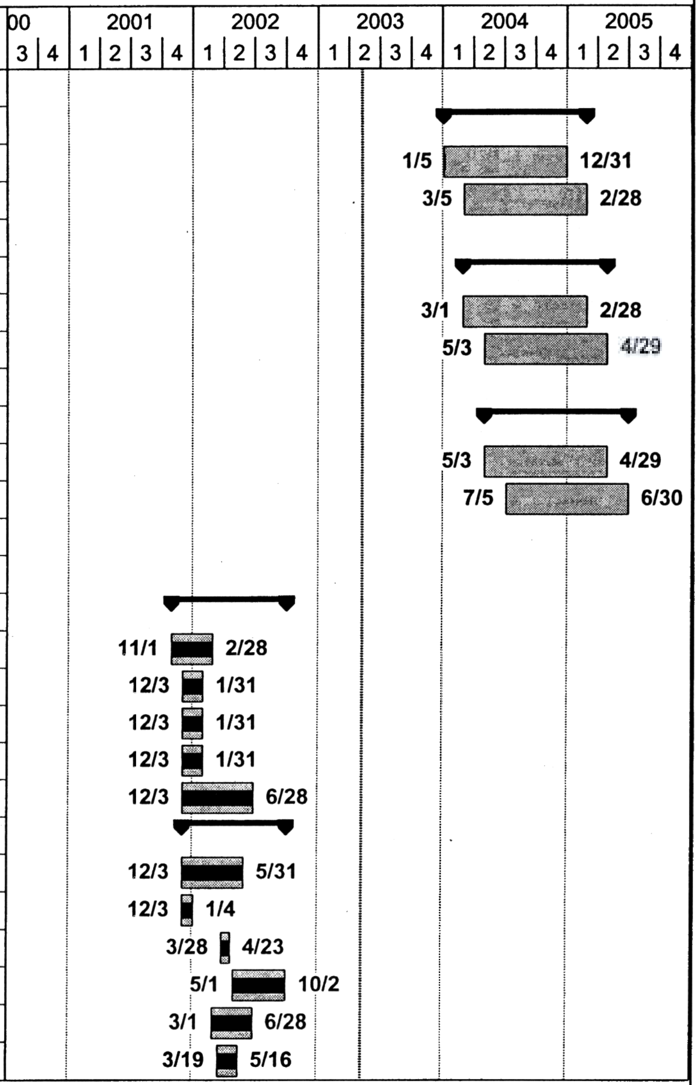
* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates are very preliminary and will likely change as detailed plans are developed.

TDHCA Central Database

*Summary Project Plan/Status*

As of April 30, 2003

| ID | | Task Name | Start | Finish | % Comple |
|---|---|---|---|---|---|
| 30 | | | | | |
| 31 | | *** OCI MOCULE** | **Mon 1/5/04** | **Mon 2/28/05** | **1%** |
| 32 | | Development | Mon 1/5/04 | Fri 12/31/04 | 1% |
| 33 | | Functional Planning and Deployment | Fri 3/5/04 | Mon 2/28/05 | 0% |
| 34 | | | | | |
| 35 | | *** SECTION 8 MODULE** | **Mon 3/1/04** | **Fri 4/29/05** | **0%** |
| 36 | | Development | Mon 3/1/04 | Mon 2/28/05 | 0% |
| 37 | | Functional Planning and Deployment | Mon 5/3/04 | Fri 4/29/05 | 0% |
| 38 | | | | | |
| 39 | | *** BOND FINANCE MODULE** | **Mon 5/3/04** | **Thu 6/30/05** | **0%** |
| 40 | | Development | Mon 5/3/04 | Fri 4/29/05 | 0% |
| 41 | | Functional Planning and Deployment | Mon 7/5/04 | Thu 6/30/05 | 0% |
| 42 | | | | | |
| 43 | | | | | |
| 44 | ✓ | **COMPLETED/ACCOMPLISHED** | **Thu 11/1/01** | **Wed 10/2/02** | **100%** |
| 45 | ✓ | Software Dev Environ Infrastructure & Arch Plng | Thu 11/1/01 | Thu 2/28/02 | 100% |
| 46 | ✓ | Main Menu and Login Process | Mon 12/3/01 | Thu 1/31/02 | 100% |
| 47 | ✓ | LIHTC Microsoft Outlook Contact Log Solution | Mon 12/3/01 | Thu 1/31/02 | 100% |
| 48 | ✓ | Housing Sponsor Report | Mon 12/3/01 | Thu 1/31/02 | 100% |
| 49 | ✓ | HRC Information Clearinghouse | Mon 12/3/01 | Fri 6/28/02 | 100% |
| 50 | ✓ | **Data Migration and Population** | **Mon 12/3/01** | **Wed 10/2/02** | **100%** |
| 51 | ✓ | HRC Information Clearinghouse | Mon 12/3/01 | Fri 5/31/02 | 100% |
| 52 | ✓ | Housing Sponsor Report | Mon 12/3/01 | Fri 1/4/02 | 100% |
| 53 | ✓ | LIHTC Portfolio | Thu 3/28/02 | Tue 4/23/02 | 100% |
| 54 | ✓ | Multi-Family BOND Portfolio (Tax Bond) | Wed 5/1/02 | Wed 10/2/02 | 100% |
| 55 | ✓ | Software Architecture | Fri 3/1/02 | Fri 6/28/02 | 100% |
| 56 | ✓ | Housing Sponsor Report - Historical | Tue 3/19/02 | Thu 5/16/02 | 100% |




Project: Central Database
Save Date: Wed 5/7/03

Module Duration | Rolled-up Task | Progress

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates are very preliminary and will likely change as detailed plans are developed.

## TDHCA Central Database
### *Summary Project Plan/Status*
### As of April 30, 2003

1 **COMP'L. MONITORING & TRACKING SYSTEM (CMTS)**

CMTS was Phase I of the Central Database Project. The goal of Phase I was to develop a fully integrated system to address the compliance monitoring needs for all multifamily housing programs. The system was designed to provide full integration and reporting, provide automated compliance funtions for the LIHTC, AHDP, HOME, HTF, and Tax Exempt Bond programs during the affordability period, allow remote property managers to access and update tenant information through the Internet, and improve productivity through the use of a sound business process design, a graphical user interface, and improved access to data.

Capital expenditures for AIMS Contract: $309,038 ($262,955 paid in FY 01; $46,083 paid in FY 02)

Capital Expenditures for External Property Owner's Interface: $8,375 (contract services)

Capital Expenditures for Functional Planning and Deployment: $12,900 (contract services)

Capital Expenditures for FY 03 Post Implementation Enhancements ($23,485)

2 Development

1/31/03 - Development is reported as complete. Ongoing maintenance, periodic bugs and enhancements still require the Technical Team's support. The Steering Committee has elected to restrict such activities to 10% of the available Technical Team's time unless there are fixes necessary for the system to be usable.

11/30/02 - The 11/19/02 finish date reported 10/31/02 was extended to 1/10/03 due to reports preparation (design and development) requiring more extensive IS involvement than was previously anticipated.

3 Functional Planning and Deployment (except LIHTC data)

5/7/03:
The gathering and input of the LIHTC historical data has been removed from the CMTS Functional Planning and Deployment project plan to allow for specific identification and tracking of this portion of the overall plan (see project plan, *LIHTC - Historical Data Gathering and Input*). Accordingly, the balance of the Functional Planning and Deployment project is complete. With completion, the planned functionality of the system has been deployed.

Functionality is available and in use by the Department for the multifamily AHDP, HOME, HTF, and Tax Exempt Bond programs during the affordability period. Full deployment through Industry Rollout will allow remote property managers to access, update and report tenant information through the Internet. Improved productivity is being realized through the use of a sound business process design, a graphical user interface, improved access to data, automated compliance functions, and compliance tests. Similar functionality will be available for the LIHTC program once historical data is loaded.

Currently, the largest obstacles to realization of the full benefits of the system relate to

1. the Department's business partners and contractors accepting and using the system for data entry of unit and tenant information. Many such third parties have existing systems in use. These third parties (1) will be required to export data from existing property systems for electronic input to the CMTS, (2) will be required to dual entry into existing systems and into CMTS, or (3) will be providing hard copy information from existing systems to the Department for manual entry to CMTS by reliance on existing Department employees or identification of additional resources.
2. completing front-end modules of the system that will load required data such as (1) program level information such as program name, type of program, and program requirements (see Program Module), (2) information relating to individuals and organizations with which the Department contracts (HOME and Housing Trust Fund programs) or allocates tax credits (see Fund Allocation/Contract and LIHTC Modules), and (3) information relating to individuals and organizations that receives multifamily bond funds (see Fund Allocation/Contract Modules).

1/31/03 - CMTS enhancements were required for the successful deployment of the Affordable Housing Disposition Program (AHDP) functionality of the Central Database. The deployment is needed in support of AHDP and the external contractor (MDSI) who is running this program on TDHCA's behalf. The original cost estimate for MDSI was reduced by over $100,000 a year based upon the availability of a web-based replacement of the AHDP legacy software application. Percentage complete shows additional tasks and assignments as needed to complete this software module.

4 LIHTC - Historical Data Gathering and Input

5/7/03:
Gathering and entering missing data on the LIHTC program was not expected to be completed until 10/1/03. This estimate was based on 1200 properties, 1/2 day per property, and six employees working 70% of full time. However, 28 individuals throughout the Department have volunteered with the data entry project; each determined the number of hours that can be contributed per week. These individuals, with leadership and technical assistance provided by the Portfolio Management and Compliance Division, are expected to complete data entry by 7/10/03. While the data entry initiative is proceeding well, it is being discovered by the Team that there are a number of missing files and documents within files. Accordingly, the original target date of 10/1/03 will be kept to allow time to develop strategies to locate, identify alternative sources, or create the necessary data for entry.

"Missing" data is necessary for automated compliance testing and person/organization information pertinent to compliance assessment work.

"While staff is confident with the estimates of time required, the resources (individuals) to perform the work have not been specifically identified and committed.

7 **FUND ALLOCATION/CONTRACT MODULE**

The Fund Allocation portion of this module will allow each of the program areas to distribute and track funds from the original source (HUD, General Revenue) to Program, Regions, Activities ( SECO, Development, Owner Occupied etc.), Specific Setasides (CHDO, Special Needs etc.) Administration. The tracking of the funds includes source of the funds, expiration dates (Federal and State) for each of the source types to the contract level. Program Income, Deobligated Funds and Administration Funds will also be tracked at a detail level from source to final use. Balances will be automatically maintained in each of the funds.

A history of all transactions against any of the funds will be maintained. The transaction history will contain the type of transaction, date, amount, by whom and comments.

Contract and Draw portion of this module is inclusive of budgets and draws. This segment of the module will provide the ability for each of the program areas to set up a contract in the system, associate the contract to organizations and persons involved in the development and execution of the contract. Track the use of leveraging and matching funds for individual contracts. Provide the ability to create contract activities associated with the contract, create and maintain the budget including balances as funds get drawn, deobligated or refunded. Track the application of program income to contracts and automatically maintain the balances of deobligated funds to ensure deobligated funds are used immediately upon availability. Provide the ability to track the receipt of Program Income as well as tracking the program income proceeds at the contract level.

Provide the ability for the subrecipients to create and manage their own detail budget online. Management of the budget by the sub recipient will include the transfer of funds between budget items but not changes to the overall budget, which requires a formal amendment. Balances will be maintained by the system as funds are drawn, refunded etc.

The initial release of this module will accommodate the functional needs of the HOME and Housing Trust Fund programs. While the timelines planned incorporate the design work for the Energy Assistance (EA) and Community Services (CS) programs, the development, testing and acceptance of work for these programs is not anticipated until subsequent releases not currently scheduled. Additionally, any functionality offered by the Fund Allocation/Contract Module applicable to the LIHTC, OCI and Bond programs will not be fully designed, developed, tested and accepted until consideration of those program modules.

Capital Expenditures: $139,900 (contract services)

8 **Development**

1/31/03:
The 4/30/2003 delivery of the Fund Allocation/Contract module has been extended to 6/18/03 over the last two months because, during that time frame, it has been necessary to devote a larger percentage of the technical team's time than originally estimated to CMTS enhancements. We originally planned to spend 10% of the technical team's time on CMTS work during these months. However, the work required for the successful deployment of the Affordable Housing Disposition Program (AHDP) functionality of CMTS accounted for about 40% of the technical team's time.

The CDB Steering Committee and management has taken the necessary steps to address and handle such overages in the future.

The AHDP deployment is needed in support of AHDP and the external contractor (MDSI) who is running this program on TDHCA's behalf. The cost to TDHCA's new contract with MDSI (which began on September 1, 2002) was reduced by approximately $100,000 based upon the availability of a web-based replacement of the AHDP legacy software application. Percentage complete shows additional tasks and assignments as needed to complete this software module.

11/30/02 - The Development coding phase of the project has been extended from 12/4/02, previously reported as of 10/31/02, to 4/30/03. The primary reason for the extension of the project is a better understanding of the necessary tasks by the Project Team that has resulted from a clearer definition of the system design. While the development coding phase of the project has been extended, it is not anticipated to have a significant impact in the overall timeline delivery of the system due to ongoing testing and acceptance by the users throughout the course of development.

11 * **PROGRAM MODULE**

Provide the ability to store online program level information. The information to be stored includes: Program name, the type of program (multi family or single family), program activities with each activity's specific strategies, targets (income targets, geographic, special needs, non-profit participation etc.) and requirements.

Provide the ability to map back to the original program targets the actual results as contracts are awarded to provide a visual summary of the actual results as they occur.

Capital Expenditures: $3,250 (contract services)

15 * **LIHTC MODULE**

The tax credit program is the primary means of directing private capital towards the creation of affordable rental housing. The tax credits provide developers of low income rental housing with a benefit that is used to offset a portion of their federal tax liability in exchange for the production of affordable rental housing. The value associated with the tax credits allows residences in LIHTC developments to be leased to qualified families at below market rate rents.

In addition to the application, scoring, tracking and other features the LIHTC component of the Central Database will provide the ability to:

- track credit allotment to the state
- track the allotment of credits to the individual setasides and subsequent allocation to projects and their respective buildings
- track the allocation of credits to the properties
- identify applicable fraction for each of the buildings receiving tax credits
- identify the purpose of the allocation (acquisition, rehab, new construction
- capture the necessary information to issue 8609s
- capture the necessary information to effectively manage the cost certification process
- automatically assign the applicable PV rate and provide the ability to lock in the rate
- track the tax credit from initial allocation, carryover to final issuance

Capital Expenditures: $2,600 (contract services)

19 * **APPLICATION MODULE**

Provide the ability to create and store application guidelines, threshold information, scoring criteria and templates to be used in the application scoring process. The system will allow the applicant to enter and submit the application online and submit any supporting documentation via hardcopy and electronic means. Where possible, automated scoring will be invoked but regardless, all scoring will be performed in the system and summarized automatically. As application flows through the process, updates to fund balances are automatically updated to reflect applications that have not met minimum thresholds.

Capital Expenditures: $5,000 (contract services)

23 * **CONSTRUCTION & PROGRAM MONITORING MODULE**

This module will coordinate and manage the monitoring activities performed at projects, subrecipients, etc. The system will provide the ability to capture pertinent information regarding the monitoring activity and consolidate the results of all monitoring activities at the entity in a common place.

27 * **CREDIT UNDERWRITING & COST CERT. MODULE**

This module will provide the ability to capture and track underwriting and cost certification details and apply pre-established thresholds and tolerances to determine eligibility or compliance with established standards.

31 * **OCI MOCULE**

The OCI module will be able to track its programs (Texas Bootstrap Loan Program, Contract for Deed Conversion Loan Programs, Builder Incentive Partnership Program, Contract for Deed Conversion Loan Guarantee Program, Colonia Self-Help Center Program and Colonia Consumer Education Programs) through the Database. This will

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates are very preliminary and will likely change as detailed plans are developed.

enable the creation of various reports regarding the colonias and these programs. There will also be a capability to search on the Database for other funding activities in the colonias by other programs within the Agency.

35 *** SECTION 8 MODULE**
The Section 8 module will consist of 4 major components. They are Family Reports, Contracts, Payments and Contract Tracking. The Family Reporting System (i.e., application system) is modeled after HUD's automated Form 50058 application process which is used to collect, store and generate reports on families who participate in the Section 8 rental subsidy program. Once a family's application has been submitted and processed by HUD, it is ready to become a contract in TDHCA's Section 8 program. The Contract System is almost an exact mirror of the Family Reporting System except that it abstracts the information to a higher level and presents it in a more summarized form to agency users. A contract then provides the Section 8 Payment System with the information it needs to process payments for local operators, landlords and tenants. This system then feeds the information to Accounting's CSAS System which, in turn, gives accounting the information they need to produce their monthly checks for the aforementioned groups. Lastly, the Section 8 Contract Tracking System is used to help the program area "keep track" of which contracts have received their payments and/or have reimbursed the agency for the services rendered.

39 *** BOND FINANCE MODULE**
The Bond Finance module will capture all relevant commercial paper, single family and multifamily bond data and information for retrieval and reporting purposes. The Bond Finance module will provide this data and information in a readily accessible manner through user defined reports to provide information to other state agencies. Financial concerns, such as rating agencies, bond insurers, investors, investment banks, etc. also will use these reports. The Bond Finance module will consolidate current report preparation processes, thereby increasing Bond Finance's efficiency and productivity with the issuance of new bonds and the management of outstanding bonds.

44 **COMPLETED/ACCOMPLISHED**
Capital Expenditures Not Associated with Individual Milestones:
Java Training, $7,640
Server Hardware, $42,987
Software and Misc., $4,620

45 **Software Dev Environ Infrastructure & Arch Plng**
The software development environment was restructured and a more refined process that accommodated both existing and new programming languages, databases and standards were put into place. This includes the development of a project charter, the creation of a detailed project plan, selection of a source code control tool, the addition of a modified QA process that involves more user participation, the creation of web and graphical user interface standards, Java coding standards, database naming convention standards, Java software development platform standard, and software change control, management and deployment process improvements.

Capital Expenditures: $11,700 (contract services)

46 **Main Menu and Login Process**
The Central Database Main Menu for navigation through the system. The Login Process entailed developing the interface and preliminary security mechanisms for internal users. This also included development of a standardized interface stylesheet for use in the application.

Capital Expenditures: $14,000 (contract services)

47 **LIHTC Microsoft Outlook Contact Log Solution**
Provided an immediate Microsoft Outlook solution to a SB322 item where oral (phone) or written communication can be logged for the LIHTC program. This is the short-term solution to the SB322 item. The longer-term solution will be in the form of the LIHTC Contact Log.

48 **Housing Sponsor Report**
The Housing Sponsor Report is used by the property owners and property managers to report property and unit information into the Central Database. The Housing Sponsor Report is required to be submitted to TDHCA on an annual basis for any properties where program participation was involved.

Capital Expenditures: $650 (contract services)

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates are very preliminary and will likely change as detailed plans are developed.

49 **HRC Information Clearinghouse**
The Housing Resource Center Information Clearinghouse provides the citizens of Texas easy access to information on homebuyer assistance, rental housing assistance, home repair, and other community services throughout the state. A brief description of several programs offered by TDHCA and other state and federal programs, including hyperlinks, is also available.

Capital Expenditures: $51,034 (contract services)

50 **Data Migration and Population**
Capital Expenditures: $22,885 (contract services)

55 **Software Architecture**
The software infrastructure required for current and future projects which included the design, technical design and software development of data access routines, object model development and user interface framework.

Capital Expenditures: $18,750 (contract services)

56 **Housing Sponsor Report - Historical**
The Housing Sponsor Report - Historical information is used to query for property and unit information that has been provided in prior Housing Sponsor Report reporting years. The Housing Sponsor Report is required to be submitted to TDHCA on an annual basis for any properties where program participation was involved. This portion of the system is specific to historical information as previously reported by prior Housing Sponsor Reports entered by property owners and property managers.

**Resolution No. 03-42**

RESOLUTION APPROVING CLOSING AGREEMENT WITH INTERNAL REVENUE SERVICE WITH RESPECT TO MULTIFAMILY HOUSING REVENUE BONDS (WILLIAMS RUN APARTMENTS) SERIES 2000A; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has previously issued its Multifamily Housing Revenue Bonds (Williams Run Apartments) Series 2000A in the principal amount of $12,650,000 (the "Bonds"), the proceeds of which were loaned to Greenbridge Williams Run, L.L.C. to finance a multifamily housing project known as Williams Run Apartments; and

WHEREAS, the Department now desires to enter into an agreement with the Internal Revenue Service (the "Service") in settlement of an issue raised by the Service in an examination of the Bonds;

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

Section 1. The Governing Board of the Department hereby authorizes the execution and delivery by the Chairman or Vice Chairman of the Governing Board or the Executive Director of the Department of the Closing Agreement on Final Determination of Tax Liability and Specific Matters in substantially the form attached hereto as Exhibit "A" between the Department and the Service.

Section 2. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 15th day of May, 2003.

Michael E. Jones, Chairman

ATTEST:

Delores Groneck, Secretary

(SEAL)

**CLOSING AGREEMENT ON FINAL DETERMINATION OF TAX LIABILITY AND SPECIFIC MATTERS**

By and among
Internal Revenue Service
Director, Tax Exempt Bonds
- and-
Texas Department Of Housing
And Community Affairs
(EIN: 74-2114645)

---

Under section 7121 of the Internal Revenue Code (the "Code"), Texas Department Of Housing And Community Affairs (the "Issuer") and the Commissioner of Internal Revenue Service (the "Commissioner" or "IRS" or "Service") make this closing agreement (the "Agreement").

WHEREAS, the parties have determined the following facts and made the following legal conclusions and representations:

A. This Agreement is in settlement of a bond issue raised in an examination of the Issuer's $12,650,000 principal amount of 501(c)(3) Multifamily Housing Mortgage Revenue Bonds, Series A, Williams Run Apartments Project, issued on December 6, 2000 (the "Bonds").

B. The Issuer loaned the proceeds of the Bonds to the conduit borrower to finance a multifamily housing project (the "Project") described in section 145(d)(2) of the Code.

C. As more fully set forth in the Preliminary Adverse Determination Letter dated September 13, 2002, the Service has made a preliminary determination that the Bonds are taxable private activity bonds because on the date of issuance of the Bonds the issuance costs financed by the Bonds has exceeded two percent of the proceeds of the Bonds, and thus the provisions of section 147(g)(1) of the Code were not met.

D. The Service has not formally asserted any claims against the Issuer, nor has it sought to tax any holders of the Bonds on interest income on the Bonds.

E. The terms of this Agreement were arrived at by negotiation among the Issuer and the Service and may differ from the terms of settlement of other bond issues examined or to be examined by the Service.

**Closing Agreement with Texas Department Of Housing And Community Affairs (EIN: 74-2114645)**

F. This Agreement is for the benefit of the past, present and future registered and beneficial owners of the Bonds (collectively, the "Bondholders").

NOW IT IS HEREBY DETERMINED AND AGREED PURSUANT TO THIS CLOSING AGREEMENT EXECUTED BY THE PARTIES HERETO UNDER SECTION 7121 OF THE CODE THAT FOR FEDERAL INCOME TAX PURPOSES:

1. Simultaneously with the execution and delivery of this Agreement by the Issuer, the conduit borrower (on behalf of the Issuer) shall pay $3,000.00 to the Service in settlement of issues raised in an examination of the Bonds. Payment will be made by certified check payable to "United States Treasury" and delivered to a duly authorized representative of the Service. Payment of this amount shall not be made from proceeds of bonds described in section 103(a) of the Code.

2. The Issuer will redeem a portion of outstanding Bonds, totaling $40,000.00, on or before May 1, 2003. The Bonds will not be redeemed with proceeds of bonds described in section 103(a) of the Code.

3. The conduit borrower is not required to make a separate adjustment pursuant to section 150(b)(4) of the Code.

4. The Bondholders are not required to include in their gross income any interest on the Bonds, on grounds that on the date of issuance, the Bonds do not qualify as 501(c)(3) bonds, as more fully set forth in paragraph C of this Agreement.

5. This Agreement is executed with respect to the federal income tax liability of the Bondholders.

6. No income shall be recognized by any Bondholder as a result of this Agreement or any payments made pursuant to this Agreement.

7. No party shall endeavor by litigation or by other means to attack the validity of this Agreement.

**Closing Agreement with Texas Department Of Housing And Community Affairs (EIN: 74-2114645)**

8. The amount paid by the Issuer pursuant to this Agreement is not refundable, or subject to credit or offset under any circumstances.

9. This Agreement may not be cited or relied upon by any person or entity whatever as precedent in the disposition of any other case.

10. This Agreement is final and conclusive except that—

   a. The matter it relates to may be reopened in the event of fraud, malfeasance, or misrepresentation of material fact;

   b. It is subject to the Internal Revenue Code sections that expressly provide that effect be given to their provisions (including any stated exception for section 7122) notwithstanding any other law or rule of law; and

   c. It is subject to any law, enacted after the date of this Agreement that applies to tax periods ending after the date of this Agreement.

11. The Issuer hereby consents to disclosure by the IRS of information concerning the existence and subject matter of this Agreement to Members of Congress, the press, and the general public –

   a. In the event of a default by the Issuer or Conduit Borrower on any term in this Agreement, or

   b. To the extent the IRS deems necessary to correct any material misstatement with respect to this Agreement in response to a public statement by the Issuer or an agent of the Issuer.

**Closing Agreement with Texas Department Of Housing And Community Affairs (EIN: 74-2114645)**

By signing, the above parties certify that they have read and agreed to the terms of this Agreement.

ISSUER:

Texas Department Of Housing And Community Affairs
EIN: ____________

BY:________________________
NAME

________________________
ADDRESS

________________________
TITLE

________________________
DATE

**Closing Agreement with Texas Department Of Housing And Community Affairs (EIN: 74-2114645)**

COMMISSIONER OF THE INTERNAL REVENUE SERVICE

BY:________________________
NAME

Director, Tax Exempt Bonds

________________________
DATE

**REPORT ITEMS**
Executive Directors Report Edwina Carrington
1) Items Related to 78th Legislative Session – Legislative Memo
2) Status of TDHCA Sunset Legislation

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**M E M O R A N D U M**

**TO:** Edwina P. Carrington
Ruth Cedillo
Directors and Managers

**FROM:** Anne O. Paddock
Deputy General Counsel

**DATE:** May 6, 2003

**SUBJECT:** Legislative Activity Memorandum No. 20

The following is a summary of legislative activity in the 78th Legislature for the period of April 30, 2003 through May 5, 2003. Only bills which amend TDHCA's enabling statute, otherwise directly affect the agency, or are of major interest will be covered in this and future memoranda. Bills which would affect all state agencies in general will only be summarized if they become law or as time allows. Copies of bills will be available through the Governmental Affairs Division or you may refer to the following Internet site: http://www.capitol.state.tx.us

*The number in parenthesis following the caption description of a bill refers to the number of the Legislative Activity Memorandum in which the bill was last summarized.*

# SENATE BILLS

SB 84 by Wentworth, which relates to the prompt production of public information, was favorably reported out of the House State Affairs Committee on May 5, 2003. (No. 1)

SB 525 by Shapleigh, which relates to the creation of employee wellness programs by state agencies, was passed by the Senate on April 30, 2003 with one floor amendment adopted.

The bill, as passed by the Senate, adds Section 664.007 to the Government Code, "Employee Wellness Program," to require each state agency to designate an individual as the wellness coordinator for the agency. An agency's wellness program may include an agency wellness center staffed by a nurse practitioner who provides services such as blood pressure monitoring and annual health assessments, smoking cessation programs, and contracts with fitness centers for reduced membership fees for state employees.

Effective Date: September 1, 2003

SB 535 by Lucio, which authorizes certain border counties to regulate land development, was favorably reported out of the House Border and International Affairs Committee on May 1, 2003. (No. 11)

SB 735 by Lindsay, which relates to local government officials serving on state boards, was favorably reported out of the House County Affairs Committee on May 2, 2003.

The bill adds Section 574.005 to the Government Code to permit, despite the general prohibition on dual office holding, a local elected or appointed official to serve on the governing body of a state agency as long as the individual does not receive compensation for service on the state agency board.

SB 775 by Averitt (Same as HB 1627 by Jim Keffer), which relates to the use of TexasOnline by state agencies, was favorably reported out of the House Government Reform Committee on April 30, 2003 and was passed by the House on Local Calendar on May 2, 2003.

Among other things, the bill amends Section 2054.111 of the Government Code to require a state agency that maintains a generally accessible Internet site and that uses TexasOnline to include a link to TexasOnline on the front page and to assist DIR with marketing efforts regarding the project.

SB 991 by Armbrister (Same as HB 1207 by Kuempel), which relates to municipal zoning, was favorably reported out of the Senate Intergovernmental Relations Committee on April 30, 2003 as a committee substitute. (No. 10)

The committee substitute adds Section 211.016 to the Local Government Code to provide that a municipal zoning regulation adopted after the approval of a residential plat that affects the exterior appearance of a single-family house or the landscaping of a single-family residential lot does not apply to that subdivision until the second anniversary of the date the plat was approved or the date the municipality accepts the subdivision improvements offered for public dedication.

SB 999 by West, which establishes reserve accounts to fund repairs on multifamily housing developments assisted by TDHCA, was favorably reported out of the Senate Intergovernmental Relations Committee on April 30, 2003 as a committee substitute.

The committee substitute makes significant changes to the bill as filed. The committee substitute adds definitions for "cost of living adjustment" and "bank trustee" and amends the definition of “department assistance” to specifically include low-income housing tax credits. The committee substitute only applies the reserve account requirement if TDHCA is the first lien holder and if the development contains 25 or more rental units. The committee substitute increases the deposit amount to $250 (from $200) per unit for units one to five years old and adds a cost of living adjustment in addition to that deposit amount as well as to the $300 per unit per year for units six or more years old amount for each year after 2004. The committee substitute provides that the LURA must address the deposit requirements which may continue until the affordability period specified in the LURA ends, rather than in 50 years.

In addition, the committee substitute provides that if the first lien holder has not required the establishment of a reserve account for multifamily housing, the development owner is required to set aside a repair reserve amount as a reserve for capital improvements needed for the development to maintain habitability according to federal standards or local codes.

The committee substitute further provides that beginning with the 11th year after the award of financial assistance by TDHCA, the owner is required to inspect the development at least once every five years and to submit the report to TDHCA not later than the 30th day after the date of inspection and make the repairs in a “timely manner.” TDHCA is authorized to complete the necessary repairs if owner fails to do so and the owner has to pay for those repairs directly or through a reserve account. The committee substitute provides that if TDHCA is notified of health and safely violations in the report, TDHCA may complete the repairs and pay for them through a reserve account.

TDHCA is required to assess administrative penalties on owners who fail to conduct the inspection and the identified repairs in the same manner as in Sec. 2306.6023 (relating to manufactured housing) in an amount computed by multiplying $200 by the number of dwelling units. The penalty is paid to TDHCA and the Attorney General is required to assist in the collection of the penalty and the enforcement of the reserve account requirements.

The committee substitute provides that it does not apply to multifamily rental housing developments supported by 501(c)(3) bonds and makes corresponding amendments to Sec. 2306.185.

SB 1000 by West, which relates to statistical and demographic analyses conducted by state agencies, was passed by the Senate on Local Calendar on May 1, 2003. (No. 10)

SB 1152 by Shapleigh, which relates to the use of Texas Online by state agencies, was passed by the Senate on Local Calendar on May 1, 2003 with the committee substitute adopted.

SB 1520 by Lucio, which relates to Housing Finance Corporations, was favorably reported out of the Senate Intergovernmental Relations Committee on May 2, 2003 as a committee substitute.

The bill, as substituted, amends the Texas Housing Finance Corporation Act, Chapter 394 of the Local Government Code, to make it easier for local housing finance corporations to incorporate by reducing from three to one the number of residents needed to file an application to incorporate with the local government and to act as incorporators. In addition, the bill authorizes housing finance corporations to enter into partnership agreements, general or limited, and removes the requirement for such corporations to have a corporate seal. Finally, the bill removes the limitation on the amount of bonds that a corporation may issue in a calendar year to defray the costs of funding home mortgages.

Effective Date: Immediately*.

SB 1663 by Lindsay, which relates to private activity bonds and does not directly affect TDHCA, was passed by the Senate on Local Calendar on May 1, 2003 with the committee substitute adopted and was referred to the House Urban Affairs Committee on May 2, 2003. (No. 12)

SB 1836 by Staples, which relates to the eligibility of nonborder areas for certain colonia assistance, was favorably reported out of the Senate State Affairs Committee on April 30, 2003 as a committee substitute.

The bill, as substituted, no longer relates to TDHCA.

SCR 6 by Averitt, which relates to the volume cap on private activity bonds, was passed by the House on April 30, 2003.

The Senate Concurrent Resolution asks the United States Congress to amend the Internal Revenue Code to remove the volume cap on private activity bonds for water and waste water facilities.

**HOUSE BILLS**

HB 1 by Heflin, is the General Appropriations Act for the 2004-2005 biennium. The House refused to concur in the Senate amendments on May 1, 2003 and appointed the following conferees: Heflin, Luna, Turner, Pitts, Wohlgemuth. The Senate on May 2, 2003 appointed the following conferees: Bivins, Zaffirini, Whitmire, Duncan, and Ogden.

The appropriation to TDHCA in the bill as passed by the Senate differs from the appropriation as passed by the House in several respects, including approximately $2 million dollars less is appropriated to the Housing Trust Fund; approximately $300,00 more is appropriated to the HOME program and the number of households benefiting is increased by 100 each fiscal year; both output measures for Energy Assistance are increased substantially as is the amount appropriated for Poor and Homeless Programs; the Compliance output measures are reduced significantly; the appropriations for Indirect Admin and Support Costs are increased approximately $200,000 for central admin. and $200,00 for Information Resource Technologies; TDHCA is authorized 10 more FTEs;

$120,000 in fiscal year 2004 for a Weatherization Assistance Program Software Development Project is appropriated.

The riders differ from the House version. The Senate version includes Rider 12 which appropriates unexpended balances in the HTF (approximately $6 million) to the HTF and does not include the System Benefit Fund rider that is in the House version. In addition, the Senate version directs the CDBG funds transferred for El Paso to be used for internet access and other high technology assistance, if permissible.

HB 424 by Christian, which relates to the appointment of a tenant representative as a commissioner of a municipal housing authority and requires notice thereof to be sent to TDHCA, was finally passed by the House on April 30, 2003 with one floor amendment adopted. (No. 19)

The floor amendment prohibits lobbying and conflicts of interest by municipal housing authorities.

HB 649 by Jim Keffer, which expands an interagency work group on rural issues and creates another, was passed to third reading in the House on May 2, 2003 with the committee substitute adopted and was finally passed by the House on May 5, 2003. (No. 6)

HB 1197 by Krusee, which relates to the authorization of for a development agreement between a developer and an owner of land in the municipality's ETJ, was passed to third reading in the House on May 1, 2003 with one floor amendment and the committee substitute adopted and was finally passed by the House on May 2, 2003 with another floor amendment adopted. (No. 8)

One floor amendment exempts land located in the ETJ of a municipality with a population of 1.9 million or more. The other floor amendment prohibits a municipality from requiring an agreement as a condition for providing water, sewer, electricity, gas, or other utility service.

HB 1207 by Kuempel (Same as SB 991 by Armbrister), which relates to the application of certain municipal zoning regulations affecting the appearance of buildings and open space, was passed to third reading in the House on April 30, 2003 with the committee substitute adopted and was finally passed by the House on May 1, 2003. (No. 17)

HB 1247 by Ritter, which relates to the creation of a fire fighter and police officer home loan program at TSAHC, was finally passed by the House on April 30, 2003.

The bill adds Section 2306.563 to the Government Code to require TSAHC to establish by September 1, 2004 a program to provide eligible fire fighters and police officers with low-interest home mortgage loans in accordance with the bill. The program expires September 1, 2014. The bill provides that if the Legislature finds before January 1, 2005 that TSAHC should be abolished under the sunset review process, the program must be administered by TDHCA..

The bill adds Section 1372.0222 to the Government Code to allocate $25 million each year to TSAHC out of the state ceiling that is available exclusively for issuers of qualified mortgage bonds under §1372.022 for the purpose of issuing such bonds for the home loan program established under Section 2306.563. The bill adds Section 2306.563(h) to authorize TSAHC, in addition to such funds, to accept funding from TDHCA's Housing Trust Fund and federal "block" grants.

Effective Date: Immediately*

HB 1318 by Swinford, which relates to workforce planning requirements for state agencies and the compensation, accountability, and employment of certain employees, was passed to third reading in the House on May 2, 2003 with the committee substitute adopted and was finally passed by the House on May 5, 2003. (No. 18)

HB 1493 by Solomons, which authorizes mortgage servicers to conduct foreclosure sales on behalf of mortgages, was passed by the House on May 2, 2003 with the committee substitute adopted. (No. 9)

HB 1774 by Delisi, which relates to prescription drug benefits for state employees, was finally passed by the House on April 30, 2003. (No. 19)

HB 2044 by McReynolds, which relates to the duties of the General Land Office and the disposition of state owned land, was passed to third reading in the House on May 5, 2003 with one floor amendment adopted. (Nos. 10 and 19)

The floor amendment requires TDHCA to evaluate as suitable for affordable housing real property that the Land Commissioner has recommended to the Governor and the "highest and best use" of which has been determined by GLO to be residential. TDHCA is required to submit comments concerning such property to the Governor not later than the 60th day after the date it receives the report from GLO.

HB 2055 by Christian, which relates to BRB approval of residential rental project bonds issued by TDHCA, was referred to the Senate Intergovernmental Relations Committee on April 30, 2003. (No. 10)

HB 2308 by Jesse Jones (Same as SB 1002 by West), which relates to the concentration of LIHTC projects, was favorably reported out of the House Urban Affairs Committee on May 1, 2003 as a committee substitute. (Please refer to the summary of SB 1002 in Legislative Activity Memorandum No. 10)

The committee substitute substantially re-writes the bill as filed. The committee substitute adds Section 2306.67035 to the Government Code, "Regulation of Location of Certain Developments" (rather than amending Section 2306.6703, "Ineligibility for

Consideration" as does SB 1002) to require TDHCA to develop by rule "appropriate" guidelines under the LIHTC program in which the applicant proposes to construct a new development that is located one linear mile or less from a development that serves the same type of household as the new development; has received an allocation of tax credits for new construction during the preceding three year-period; and has not been withdrawn or terminated from the LIHTC program. The bill, as substituted, requires TDHCA to exempt a development that is either using federal HOPE VI funds or local public improvement funds or tax increment financing; or that is located outside of a MSA.

<u>HB 2617 by Mowery</u>, which relates to the LIHTC program and property tax exemptions for CHDOs, was favorably reported out of the House Urban Affairs Committee on May 5, 2003 with a committee amendment. (No. 12)

The committee amendment requires a LIHTC applicant to obtain the approval of the governing body of a county even if the proposed development is located in a municipality in the county, as well as the approval of the municipality.

<u>HB 2801 by Giddings,</u> which creates an urban land bank program in municipalities with populations of 1.8 million or more located in counties with total areas of less than 1,000 square miles and does not affect TDHCA, was favorably reported out of the House Urban Affairs Committee on April 30, 2003 with the committee substitute adopted.

<u>HB 3208 by Heflin</u> (Same as SB 897 by Averitt), which authorizes temporary lump-sum payments to certain state employee retirees, was favorably reported out of the Government Reform Committee on April 30, 2003. (Please refer to the summary of SB 897 in Legislative Activity Memorandum No. 10.)

<u>HB 3045 by Cook</u>, which reduces the average office space allowed for a state employee to 135 square feet, was passed to third reading in the House on Local Calendar on May 2, 2003 with the committee substitute adopted.

<u>HB 3456 by Heflin</u>, which relates to state employee health benefits, was finally passed by the House on April 30, 2003. (No. 18)

<u>HB 3546 by Hamric</u>, which relates to CHDO tax exemptions and requires monitoring by TDHCA, was favorably reported out of the House Local Ways and Means Committee as committee substitute. (No. 12)

As it directly relates to TDHCA, the committee substitute is unchanged. In addition to clarifying amendments and other things, the committee substitute also adds a new section that allow the income method of tax appraisal to be used for LIHTC financed real property rented to low or moderate income individuals or families (sic) that does not receive a property tax exemption.

*If the requirements for emergency passage are met.

3) HOME Program Homebuyer Assistance (Down Payment) Activity Report

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
# BOARD MEETING
# EXECUTIVE REPORT ITEM
# MAY 15, 2003

PRESENTATION AND DISCUSSION OF
HOME INVESTMENT PARTNERSHIPS PROGRAM
HOMBUYER ASSISTANCE ACTIVITY HISTORY

At the request of Kent Conine at the April Board meeting, a historical report has been prepared regarding the funding history for the Homebuyer Assistance Activity under the HOME Investment Partnerships Program. Several options have also been developed and outlined for the Board to consider for funding homebuyer assistance in the future. Please reference the attached report.

**Single Family Finance Production Division**
**HOME Investment Partnership Program**
**Homebuyer Assistance (HBA) Activity**
**Executive Report**
**May 15, 2003**

## Activity History

| | |
|---|---|
| Prior to 1997 Program Year | Prior to 1997, two options were allowed under the HBA Program. One option was a forgivable loan limited to $5,000. The deferred loan was non-interest bearing for five years. The other option was a 0% interest loan up to $5,000 repayable over 10 years to the administrator/grantee. Eligible participants were households whose income did not exceed 80% of the AMFI adjusted for family size. The most common option used was the deferred forgivable option. Repayable loans were fully recaptured out of net proceeds and were repayable to the grantee. Any funds repaid by the initial homebuyer as a result of the sale of property were used by the Grantee to assist other homebuyer applicants. |
| Program Years 1997-1998 | In 1997 and 1998, HBA funds were loans limited to $5,000 and were repayable to TDHCA upon sale, refinance or pay off of the first lien. All assistance was provided in the form of 0% interest loans repayable to TDHCA. The gross annual income could not exceed 80% of the median income adjusted for family size. |
| Program Years 1999- 2001 | In 1999, the HBA maximum per unit subsidy was increased to $10,000 depending upon the County in which the property was located. This item was approved at the June 12, 1998 Board meeting and was retroactive on all existing HOME Program HBA contracts. Since the AMFI across the state was so drastically different, one amount of assistance would not work for the entire state. Therefore, a three-tiered subsidy structure was created to distribute the funds utilizing the Section 8 Area Median Family Income (AMFI) at 80% AMFI for a family of four for the program's designated service area.<br><br>For example, if 80% of the AMFI for a family of four was $40,000 or more in a particular county, the maximum amount of assistance was $5,000.<br><br>If between $30,000 and $40,000, the maximum assistance was $7,500.<br><br>If $30,000 or less, the maximum assistance was $10,000. This method of distribution was created to provide more assistance to lower income and rural homebuyers. The assistance was provided in the form of 0% interest loans repayable to TDHCA. |

| | |
|---|---|
| 2001- Present | The Homebuyer Assistance (HBA) Program currently utilizes deferred forgivable loans to assist homebuyers. Each loan must not exceed the $5,000, $7,500 or $10,000 limit depending upon the County in which the property is located or $15,000 to administrators serving special need populations only. Each loan is forgivable at a rate of 10% per year of assisted homebuyer occupancy. Should the homebuyer sell the home, refinance, or payoff the first lien Note prior to the 10-year expiration, the remaining loan balance is repayable to the Department from net proceeds of the sale. Net proceeds are defined as the sale price minus the first lien payoff and customary closing costs actually paid. If net proceeds do not allow for the full payoff of the second or third lien Note, the loan balance may be repaid in equal monthly installments over a five (5) year period. |

**Funding History**
Listed below are the amounts of funding awarded since 1995.

| **Year of Contract** | **Amount Awarded** | **Number of Units** | **Amount/Unit** |
|---|---|---|---|
| 1995 | $9,713,600 (1) | 2285 | $4,251 |
| 1996 | $4,531,000 | 1033 | $4,386 |
| 1997 | $16,977,150 (2) | 3,335 | $5,090 |
| 1998 | $7,755,830 | 1,173 | $6,611 |
| 1999 | $8,338,964 | 1,181 | $7,060 |
| 2000 | $6,673,794 | 852 | $7,833 |
| 2001 | $4,519,192 | 569 | $7,942 |
| 2002 | $104,000 (3) | 20 | $5,200 |
| **Totals** | $63,297,882 | 10,926 | $5,793 |

(1) Includes $3,120,000 awarded to Texas State Affordable Housing Corporation (1,000 Units)
(2) Includes $8,132,800 award to Texas State Affordable Housing Corporation (1,659 Units)
(3) 2002-2003 HOME Program funds will not be awarded until June 25th. The City of Bartlett was awarded an HBA contract using 2001 funds for $104,000 in June 2002.

According to the Department's Loan Servicing records, $1,337,793 has been repaid to date.

**2002/2003 Funding Cycle**
For the current HOME HBA funding cycle, applications were received on April 2, 2003. An allocation of $9,757,541 is available. Total requests for HBA were $11,865,454. Uniform State Service Region 11 was the most over subscribed, and Region 2 was the least subscribed. No requests were submitted from this region for HBA. (See attachment).

**2004 HBA Options**
Staff has developed and is outlining three scenarios for the Board to consider for funding homebuyer assistance. They are outlined below:

**Option I**
If the three-tiered subsidy structure is continued, it is suggested that it be indexed to the HUD Section 8 Income Limits so that the income parameters adjust yearly to increases or decreases in the State median income. Based on current 2003 income figures, our research indicates that no Texas counties will qualify for the $10,000 maximum amount of assistance based on the three-tiered structure criteria. If using the index figures, the following structure is proposed:

If 80% AMFI for a family of four is greater than 100% of the State median ($52,100) or more, the maximum amount of assistance is $5,000.

If 80% AMFI for a family of four is between 80% and 100% of the State median ($41,680 - $52,100), the maximum amount of assistance is $7,500.

If 80% AMFI for a family of four is less than 80% of the State median ($41,680), the maximum amount of assistance is $10,000.

| **Percentages** | **Median Income** | **Amount of Assistance** |
|---|---|---|
| 100% or Greater | $52,100 | $5,000 |
| Between 80% - 100% | $41,680 - $52,100 | $7,500 |
| Less than 80% | $41,680 | $10,000 |

Under this scenario, the maximum assistance amounts by County per household would apply:

| **County** | **Assistance** | | **County** | **Assistance** |
|---|---|---|---|---|
| | | | | |
| Bastrop | **$5,000** | | Austin | **$7,500** |
| Caldwell | | | Bandera | Irion |
| Collin | | | Brazoria | Johnson |
| Dallas | | | Brazos | Montgomery |
| Denton | | | Carson | Kendall |
| Ellis | | | Chambers | Liberty |
| Hays | | | Cooke | Loving |
| Hunt | | | Delta | Ochiltree |
| Kaufman | | | Ft. Bend | Parker |
| Rockwall | | | Galveston | Roberts |
| Travis | | | Harris | Tarrant |
| Williamson(12) | | | Hartley | Waller |
| | | | Hood | Wise (25) |

All Counties Not Listed Above Would Qualify For $10,000

**Option II**
Another proposed alternative is to index the amount of assistance provided to the State median income. Under this scenario, the three-tiered income structure would adjust yearly to increases or decreases in the State median but would not be adjusted for family size for four. Counties would qualify for the same amount of assistance but the assistance would only be provided to families earning 60% AMFI or below. This is the methodology currently used by the Single Family Mortgage Revenue Bond Program. This is a simpler methodology but may possibly penalize larger size families. Please reference the attached First Time Homebuyer Program Maximum Income Limits Table. For a point of reference, most rural and lower income counties fall under the "Balance of State" category and qualify for down payment assistance of $5,000, $7500 or $10,000 if their income does not exceed $31,260 regardless of family size. (See attachment)

**Option III**
A third option would be to revise and update the current tiered structure amounts. Instead of using the $30,000 and $40,000 parameters currently being used, the figures could be increased accordingly:

If 80% AMFI for a family of four is $45,000 or more, the maximum amount of assistance would be $5,000.

If 80% AMFI for a family of four is between $35,000 and $45,000, the maximum amount of assistance would be $7,500.

If 80% AMFI for a family of four is less than $35,000, the maximum amount of assistance would be $10,000.

Under this scenario, the maximum assistance amounts by County per household would apply:

| County | Assistance | | County | Assistance |
|---|---|---|---|---|
| | | | | |
| Bastrop | **$5,000** | | Andrews | **$7,500** |
| Brazoria | | | Angelina | |
| Caldwell | | | Archer | |
| Chambers | | | Armstrong | |
| Collin | | | Austin | |
| Denton | | | Bandera | |
| Ellis | | | Bell | |
| Ft. Bend | | | Bexar | |
| Galveston | | | Bowie | |
| Harris | | | Blanco | |
| Hartley | | | Brazos | |
| Hays | | | Burleson | |
| Hood | | | Burnet | |
| Hunt | | | Calhoun | |

| | | | | |
|---|---|---|---|---|
| Johnson | **$5,000** | | Carson | **$7,500** |
| Kaufman | | | Clay | |
| Kendall | | | Colorado | |
| Liberty | | | Cooke | |
| Loving | | | Crane | |
| Montgomery | | | Delta | |
| Parker | | | Ector | |
| Rockwell | | | Fannin | |
| Tarrant | | | Fayette | |
| Travis | | | Franklin | |
| Waller | | | Freestone | |
| Williamson | | | Gillespie | |
| | | | Glasscock | |
| | | | Gray | |
| | | | Grayson | |
| | | | Grimes | |
| | | | Gregg | |
| | | | Hardin | |
| | | | Harrison | |
| | | | Hemphill | |
| | | | Houston | |
| | | | Hutchinson | |
| | | | Irion | |
| | | | | |
| | | | | |
| **$7,500** | **$7,500** | **$7,500** | | |
| Jack | McMullen | Roberts | | |
| Jackson | Mason | Scurry | | |
| Jefferson | Matagorda | Shakelford | | |
| Jeff Davis | McMlennan | Sommervell | | |
| Kerr | Medina | Smith | | |
| King | Midland | Sterling | | |
| Lampassas | Milam | Sutton | | |
| Lee | Montague | Taylor | | |
| Lipscomb | Nueces | Van Zandt | | |
| Llano | Ochiltree | Victoria | | |
| Lubbock | Oldham | Walker | | |
| | Orange | Washington | | |
| | Potter | Wharton | | |
| | Rains | Wichita | | |
| | Randall | Wise | | |
| | | | | |
| | | | | |

All Counties Not Listed Above Would Qualify For $10,000

**Action Requested**

TDHCA staff requests that the Board select one of the recommended options or propose another so that applications anticipated to be awarded under the 2002-2003 HOME Program funding cycle may be awarded at the June 25th Board meeting.

Since no Counties will qualify for the $10,000 amount of assistance under the current structure, a decision will ensure that upcoming 2002-2003 contracts can be written using a new structure.  Upon a decision by the Board, TDHCA staff will present the new structure as directed at the upcoming June 12th Board meeting.

# EXECTUIVE DIRECTOR REPORT ITEM

May 15, 2003

## Background

The Department is currently examining its policies and rules related to the consideration of public input with regard to allocation decisions. On April 10th the TDHCA Board conducted a policy discussion regarding the development of policies and rules related to the incorporation of public comment into its decision making process. Staff was subsequently instructed to undertake the following:

- Research how other states consider public comment.
- Inform the Texas Legislature of the Department's activities with regard to the policy/rule development.
- Convene an advisory workgroup made up of various interest groups to help draft a policy for the Board to review.
- Review the Department's current public hearing and notification process.

## Update

***State Survey***

Department Staff contacted 50 state housing finance agencies and was able to survey 44. The responses fell into three categories. Those that:

- Require local support/approval (defer entirely to the local government) (12);
- Give point incentives for local support (17);
- Do not take local support/approval into consideration (if the deal meets the criteria of the program it is approved despite local opposition) (15).

*Survey Questions*

- How do you receive public input on proposed developments?
- How do you notify the public of proposed developments?
- Is local support required for developments? If so, in what format?
- Are there any requirements for local housing plans (beyond zoning)?
- Do you have a written policy on how to quantify/qualify public comment?
- If local approval is required, how do you ensure fair housing issues are being taken into consideration in local decision making?
- If the agency solely makes the decision, how do you ensure that there is local input? (Does the agency mission supercede local control?)
- Are developers viewed as partners or are they considered independent entities?
- Do you conduct any NIMBY outreach or education?

Attached is a brief overview of the local support requirements of the various agencies, delineated by their local support responses (Appendix A).

### *Information to the Legislature*

The Department sent the following items to members of the Urban Affairs Committee, as well as those sponsoring legislation that directly affect TDHCA:

- Agenda from April 15th Board Meeting
- Materials that were in the Board book for the April 15th meeting
- An overview of the discussion conducted by the Board
- State survey results

### *Advisory Workgroup*

An initial workgroup meeting has been scheduled for Wednesday, May 14, 2003. The purpose of the first meeting is to solicit feedback on how the Department takes public comment and the involvement of community groups in the siting of affordable housing.

### *Review Current Notification and Hearing Procedures*

Staff has compiled public hearing requirements and is reviewing the public notification process.

# Appendix A: State Housing Agency Survey Overview

## Indication of Public Approval Required for Award Decision (Resolution of Support Required)

| State | Agency Name | Programs Administered | Overview of Local Support Requirements |
|---|---|---|---|
| Arkansas | Arkansas Development Finance Authority | MF/SF Bond, LIHTC, HOME, Economic Development programs | They require a letter from the mayor. If letter, then project goes through. If not, then project does not go through. Some jurisdictions are set so that, before the mayor even gets the letter, the issue goes to the city council for approval. |
| Illinois | Illinois Housing Development Authority | MF/SF Bond, LIHTC, HOME, HTF | Yes, part of QAP. They do look for the level of support for a project. |
| Kansas | Kansas Department of Commerce and Housing | MF/SF Bond, LIHTC, HOME, HTF, Section 8 (project based), CDBG,ESGP, WAP, CSBG, | Application must have resolution from the city council supporting the development. "Keeps local issues local." |
| Maryland | Maryland | MF/SF Bond ,LIHTC, HOME, HTF | Letter of support is required for threshold, usually in the form of a resolution from local government. |
| Missouri | Missouri Housing Development Commission | MF/SF Bond, LIHTC, HOME, HTF | City/county must offer letter of support. Encourage the developer to work with CHDO. |
| Nebraska | Nebraska Investment Finance Authority | MF/SF Bond, LIHTC, Revolving Loan Fund | Require support from local jurisdiction. Developer must have letters of support mayor/city council. This process may take place in a public forum, or the developer may go directly to mayor. |
| New Jersey | New Jersey Housing and Mortgage Finance Agency | MF/SF Bond, LIHTC, community development funding | Must have resolution or funds cannot be approved. |
| North Dakota | North Dakota Housing Finance Agency | SF MRB, LIHTC, | Require a city support letter with application. |
| Oklahoma | Oklahoma Housing Finance Agency | SF MRB, LIHTC, HOME, HTF, Section 8 | Must have a resolution of support from city or county (threshold item). Bond deals have the same requirements as LIHTCs with the exception of not being a competative process. Appropriate zoning and permitting must also be in place prior to submission. This evidently trips quite a few applicants up. |
| South Dakota | South Dakota Housing Development Authority | MF/SF Bond, LIHTC, HOME | A letter from the mayor stating the location of the development and confirming their support for the development is required. LIHTC will not be awarded without the letter. |
| Washington | Washington State Housing Finance Corporation | MF/SF Bond, LIHTC | Public support is required for threshold. Must be responsive to their local plan. |

| | | | |
|---|---|---|---|
| West Virginia | West Virginia Housing Development Authority | SF Bond, LIHTC | Must have a letter from the mayor stating that there is unqualified support or no opposition. No letter = no application. |

## Public Support Considered in Award Decision (Points, Appeals, etc.)

| State | Agency Name | Programs Administered | Overview of Local Support Requirements |
|---|---|---|---|
| California | California Housing Finance Authority | MF/SF Bond (LIHTC allocated by another agency) | In the applications, they require that the city include a letter that states that the city will participate in the project by helping to finance the project or other assistance-related activities. If the city says that they will not participate in the project, the department will call the city to find out why. If it is just an issue that the city doesn't have any funds, then the project will go forward. If the city just doesn't want the project, then they will try to find out why that is. |
| Delaware | Delaware State Housing Authority | SF Bond, LIHTC, HOME, HTF, Section 8, ESGP, CDBG | Points are provided for community outreach before application.<br>Points are provided for letters of support from the chief elected official of the municipality. |
| Dist. of Columbia | District of Columbia Housing Finance Agency | MF/SF Bond, LIHTC (4%) | No letters of support required, although they do receive letters from city council, Advisory Neighborhood Commissioners, or non-profits. There are some points in the QAP for resident association participation in financing some aspect of development or services. |
| Georgia | Georgia Department of Community Affairs | MF/SF Bond, LIHTC, HOME, Section 8, CDBG, HOPWA, econ dev programs, | If local government support, you get points. |
| Iowa | Iowa Finance Authority | MF/SF Bond, LIHTC, HTF, Section 8 | Award 10 extra points for letter of support from city council. Most developers get this letter. |
| Massachusetts | Massachusetts Department of Housing and Community Affairs | MF/SF Bond, LIHTC, HOME, Sec. 8, CDBG, ESGP, CSBG | Varies, for example: LIHTC requires a lot of support. MassHousing some requirements, some notification, some attempt at reaching community. A now defunct program started in 1999, New England Fund (financial institutions affiliated with FHLB of Boston) offered construction loans low-interest to developer (subsidy for affd hsg). No local support/notification required. This program that created many large developments, up to 600 units, has now ceased. With this cessation, 80% of aff hsg gone. There was a lack of reguation, compliance, consistency, and local cooperation. There were many more instances of NIMBYism. There is now a new new program whereby the lending institutions can offer funding and a state agency reviews and issues site approval letters and the agency follows up with compliance. |
| Michigan | Michigan State Housing Development Authority | MF/SF Bond, LIHTC, HOME, Section 8 | Points given for letters of support. Must also have a letter for the city regarding the availability of utilities. Local contribution is required for HOME funds. |

| | | | |
|---|---|---|---|
| Mississippi | Mississippi HOME Corporation | MF/SF Bonds LIHTC, | Require letters from local jurisdictions, from the chief executive of the local jurisdiction.  Letters may express support or opposition.  Opposition to a project does not necessarily mean rejection of project.  Developers must provide documentation of hearings in files with applications.  If local jurisdiction approves local zoning ordinance, then the project will usually go forward. |
| Montana | Montana Board of Housing/Housing Division | MF/SF Bond,  LIHTC, HOME, Section 8 | Developers must submit letters of support/concern from city/county commissioners. |
| New Mexico | New Mexico Mortgage Finance Authority | MF/SF Bond, LIHTC, HOME, Section 8 | Bond:  Send out a notice with a questionnaire on support.  If the questionnaire is not returned in 30 days, it is assumed that there is no opposition.  Letter of rejection is investigated further, the NMMFA will look into the reasons for oppostion.  For example, if the reason for objection is because the local Housing Authority doesn't want any competition,  then the project will go forward.  If a letter expresses legitimate neighborhood concerns, the project will not go forward.<br><br>LIHTC applicant needs letter of support, and the NMMFA will reject a deal w/o the letter.  The QAP states that if there is a negative response to the project at the local level, then the project may not go forward. |
| Ohio | Ohio Housing Finance Agency | MF/SF Bond, LIHTC, HOME, HTF, Section 8 | Points given for letters of support. |
| Rhode Island | Rhode Island Hsng. & Mortgage Fin. Agency | MF/SF Bond, LIHTC, HOME, | In the application, developers can/should include any letters or anything that supports the project, but letters are not required. |
| South Carolina | South Carolina State Housing. Finance and Development. Agency | MF/SF Bond, LIHTC, HOME, HTF | Points system for letters: 2, 5, 8.  8=strong letter of support; 5=no objection; 2=developer attempted to contact for support, and received no answer from local government.<br>Agency also requires zoning letter.  The letter includes information of whether or not the property is zoned correctly or not, and also what other guidelines the development must meet. |
| Vermont | Vermont Housing Finance Agency | MF/SF Bond, LIHTC | Public support is not mandated by the QAP. If a public hearing is required as part of the local approval process, then the first hearing will have to have taken place prior to application submission. As a practical matter, because competition is very tight the readiness to procede points that would be impacted by local opposition makes developers strive to get community support. |
| Virginia | Virginia Housing Development Authority | MF/SF Bond, LIHTC, HTF | According to the QAP, a letter of support from city/county points counts toward scoring (50 pts for unconditional support; 0 for opposition based on zoning; 25 for opposition of 500 to 600 total). Points have changed a little and the change has reduced the significance of the letter slightly.   Community opposition manifests at local level.  Some communities submit an opposition letter.  But, as long as the project is zoned properly, development goes forward.  Preference points are awarded for zoning and most all projects are properly zoned. |

| | | | |
|---|---|---|---|
| Wisconsin | Wisconson Housing and Economic Dvlp. Authority | MF/SF Bond, LIHTC, HOME | Letter includes spot for "support/neutral/oppose." No opposition checks yet. Some QAP points for local support, but this support must be quantifiable such as matching contributions. |
| Wyoming | Wyoming Community Development Authority | SF Bond, LIHTC, HOME, HTF, CDBG | Yes letters of support required from developer, from all except 2 largest cities, they do letter of consistency with consolidated plan. The letter is to come from the chief executive officer of city/county. In the notification letter later sent out by staff, it is stated that WCDA will consider objections based on lack of fire safetly, police, water, and other infrastructure. Other objections may not be considered. If there are objections based on school district overcrowding, the WCDA will call school board to confirm if this is truly a concern. WCDA will investigate all other types of objections for validity. |

## Public Approval Not Considered in Award Decision (permitting and zoning, etc. will take care of p

| State | Agency Name | Programs Administered | Overview of Local Support Requirements |
|---|---|---|---|
| Alabama | Alabama Housing Finance Authority | MF/SF Bond, LIHTC, HOME | They used to award extra points for support letters, but no longer do so. There were issues of developers paying mayors for letters or mayors giving letters if developers gave a donation to the city etc. |
| California | California Tax Credit Allocation Committee | LIHTC | "We do NOT require local support " (afraid this might give NIMBY's an upper hand). |
| Colorado | Colorado Housing Finance Authority | SF Bond, LIHTC, Section 8 (project based) | Applications must have a formal document from city that says the proposed development conforms to local zoning and planning rules. |
| Florida | Florida Housing Finance Corporation | MF/SF Bond, LIHTC, HOME | Need 2 things: something signed by local government to show land use and infrastuture in place. All LIHTC and some MF Bond require local government contribution (small amount of money as a show of support). |
| Idaho | Idaho Housing and Finance Association | MF/SF Bond, LIHTC, HOME, ESG, HOPWA, CDBG, Sec. 8 (project based) | Local support letter is not required (note: it had been in the recent past, but was removed -- they didn't see the advantage in the process) |
| Maine | Maine State Housing Authority | MF/SF Bond, LIHTC, HOME, ESGP | They don't require letters of support, but they are welcome with the application. |
| Minnesota | Minnesota Housing Finance Agency | MF/SF Bond, LIHTC, HOME | Agency likes to see public support, ask for letters of support with applications. But the lack of a letter of support is not basis for rejection of an application. The developers must gather building permits needed at local level. If a developer is able to obtain all permits and site control, then the project will be funded. |

| | | | |
|---|---|---|---|
| Nevada | Nevada Housing Division | MF/SF Bond, LIHTC, HOME, HTF, ESGP, WAP | Projects go through local channels, they must go through the local level. If a project is approved through zoning, then there is not reason for the Division to deny project. The Division awards preference points if the project is properly zoned. The onus is on developer to make sure there is no public opposition. For MF bonds, the developers need approval at local level for 50% of the amount. The developers come to the Division for the other 50%. If the project had any problems at the local level, it would have come out by then. |
| New Hampshire | New Hampshire Housing Finance Authority | MF/SF Bond, LIHTC, HOME, HTF, Section 8 | The developments need all of their local permits in place before HFA sees the request. The development must have acquired clear title and clear ability to develop. Nothing required in terms of local support, although the HFA may receive local support.<br>Local support is manifested in other ways i.e. CDBG projects need local support. The HFA likes to see local sponsors of developments. |
| New York | New York State Division of Housing and Community Renewal | MF/SF Bond (including 501 (c)(3) Bond), LIHTC, HTF, | If the project follows the laws (including land zoning and if the market study is acceptable), then the project is 9/10 times approved. |
| North Carolina | North Carolina Housing Finance Agency | MF/SF Bond, LIHTC, Section 8 (project based) | Local support is not required. Used to have that requirement, but it has been dropped. Local opponents have power with zoning. Bonus points for soft loans (local government power). |
| Oregon | Oregon Housing and Community Services | MF/SF Bond, LIHTC, HOME, HTF, Section 8 (project based), ESGP, HOPWA, WAP, EA | While public support is not required, because of Oregon's state planning requirements developments are likely to have support prior to applying. |
| Pennsylvania | Pennsylvania Housing Finance Agency | MF/SF Bond, LIHTC, HOME, PHFA general fund. | No letters of support are required or given preference through scoring criteria. |
| Tennessee | Tennessee Housing Development Agency | MF/SF Bond, LIHTC, HOME | No evidence of support is required. No points are given for evidence of support. |
| Utah | Utah Housing Corporation | MF/SF Bond, LIHTC | Developers need to garner support at the local level through zoning and site control. There are some projects that might not go forward, but that happens at the local level. The local requirements vary based on communities, some have additional architectural or visual requirements. |

## No Response

| *State* | *Agency Name* | *Programs Administered* | *Overview of Local Support Requirements* |
|---|---|---|---|
| Alaska | Alaska Housing Finance Corporation | MF/SF Bond, LIHTC, HOME, Homeless Assistance, Weatherization, Section 8 (project based) | |

# Appendix A: State Housing Agency Survey Overview

| | | |
|---|---|---|
| Arizona | Arizona Department of Housing | SF Bond, LIHTC, CDBG |
| Connecticut | Connecticut Housing Finance Authority | MF/SF Bond, LIHTC |
| Hawaii | Housing and Community Development Corporation of Hawaii | SF Bond, LIHTC, HTF, Section 8, Hope vi |
| Indiana | Indiana Housing Finance Authority | MF/SF Bond, LIHTC, HOME, Section 8, CDBG, HOPWA |
| Louisiana | Louisiana Housing Finance Agency | MF/SF Bond, LIHTC, HOME, Section 8, WAP |

4) Status of Public Input Policy

**EXECUTIVE SESSION** Michael Jones

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – 1) Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District;

Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code - 1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A – Proposed Closing Agreement with the IRS

Personnel Matters under Section 551.074, Texas Government Code

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

**OPEN SESSION** Michael Jones

Action in Open Session on Items Discussed in Executive Session

**ADJOURN** Michael Jones
Chair of Board

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

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

**JOINT BOARD AND EXECUTIVE COMMITTEE MEETING**
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**OFFICE OF RURAL COMMUNITY AFFAIRS**
**507 Sabine, Board Room, Fourth Floor, Austin, Texas 78701**
**May 15, 2003 9:00 a.m.**

# A G E N D A

| | |
|---|---|
| **CALL TO ORDER, ROLL CALL**<br>**CERTIFICATION OF QUORUM** | Michael Jones<br>Chair |

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

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

**ACTION ITEMS**

| | | |
|---|---|---|
| Item 1 | Briefing and Discussion on Threshold, Scoring, and Underwriting Criteria and Rules (Qualified Allocation Plan and Rules and Underwriting Rules and Guidelines) Applied to Applications Eligible for the Low Income Housing Tax Credit Rural Set-Aside | Michael Jones |

| | |
|---|---|
| **EXECUTIVE SESSION**<br>If permitted by law, the Board and Executive Committee may separately discuss any item listed on this agenda in Executive Session | Michael Jones |
| **OPEN SESSION**<br>Action in Open Session on Items Discussed in Executive Session | Michael Jones |
| **ADJOURN** | Michael Jones<br>Chair |

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

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

**BOARD ACTION REQUEST**

**May 7, 2003**

Action Item

Discussion and possible recommendations on threshold, scoring and underwriting criteria and rules applied to applications eligible for the Low Income Housing Tax Credit (LIHTC) Rural Set-Aside.

Required Action

To obtain input from the ORCA Executive Committee on the LIHTC Rural Set-Aside.

Background

Pursuant to the Interagency Contract between the Office of Rural Community Affairs (ORCA) and TDHCA, the TDHCA Board and ORCA Executive Committee will hold a joint workshop prior to September 30 of each year, to obtain input from the ORCA Executive Committee on the threshold and scoring criteria applied to applications eligible for the LIHTC Rural Set-Aside.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

# M E M O R A N D U M

**TO:** Board of the Texas Department of Housing and Community Affairs

**FROM:** Edwina Carrington, Executive Director, TDHCA

**CC:** Executive Committee of the Office of Rural Community Affairs
Ruth Cedillo, Deputy Executive Director, TDHCA

**DATE:** May 7, 2003

**SUBJECT:** **2004 Qualified Allocation Plan – Briefing for ORCA**

---

In preparation for the discussion with ORCA on the joint administration of the Rural Set-Aside for the Low Income Housing Tax Credit (LIHTC) Program, below is a status report of where the LIHTC Program stands as it relates to the generation of the 2004 Qualified Allocation Plan, which will govern that set-aside for the 2004 credit cycle.

In January 2003, TDHCA established a 2004 QAP Working Group to evaluate primary issues that might warrant revision of the rules. The membership for that group was designed as a small, but diverse, set of individuals that adequately represented the many facets of tax credit developments. From the rural perspective, team members include ORCA staff, as well as advocates and developers for rural areas. ORCA staff reviewed the list of members and added several additional members to ensure adequate representation for the rural set-aside. The Working Group has been meeting monthly since February 2003. The group is organized into subcommittees that meet on specific issues and then present their recommendations to the larger group for approval; one of these subcommittees deals exclusively with rural issues. The ultimate result from the Working Group will be draft QAP language on a variety of issues. A list of the members and the Groups is attached.

The Working Group is anticipated to have a set of final recommendations by late June. However, at this time, the committee working on rural issues has not yet presented its suggestions for rural changes to the full Working Group. The recommendations of the working group as a whole will be reviewed by staff prior to integrating that feedback into a recommendation to the Board in the form of a draft QAP.

Below is a timeline of the process, and timeline, that will be utilized in generating a final 2004 QAP. The timeline meets all rulemaking procedures and ensures that the QAP deadlines are met. ORCA staff and Board are welcome to attend any of our sessions relating to the Rural Set-Aside. In addition, I have denoted those meetings/events for which ORCA's presence is very strongly encouraged. Because of the legal restrictions limiting changes to rules after they are published for public comment without republishing them for further comment (which time constraints do not permit), the draft rules submitted for the Board book on August 5 for posting to the Department's website should be substantially the rules anticipated to become final, except for limited changes based on public comment. **We request that the ORCA Executive Committee coordinate its comments and recommendations through Subcommittee 11 of the Work Group that is making recommendations on rural aspects of the QAP.**

Texas Department of Housing and Community Affairs
P.O. Box 13941, Austin, TX 78711-3941 Phone: 512.475.3340 Fax: 512.475.0764


# 2003 Low Income Housing Tax Credit Program

# Qualified Allocation Plan and Rules

## EXCERPT OF:

## §49.2 COORDINATION WITH RURAL AGENCIES

## §49.9 APPLICATION THRESHOLD AND SELECTION CRITERIA

### §49.2. Coordination with Rural Agencies.

To assure maximum utilization and optimum geographic distribution of tax credits in rural areas, and to achieve increased sharing of information, reduction of processing procedures, and fulfillment of Development compliance requirements in rural areas, the Department has entered into a Memorandum of Understanding (MOU) with the TX-USDA-RHS to coordinate on existing, rehabilitated, and new construction housing Developments financed by TX-USDA-RHS; and will jointly administer the Rural Set-Aside with the Texas Office of Rural Community Affairs (ORCA). ORCA will assist in developing all Threshold, Selection and Underwriting Criteria applied to Applications eligible for the Rural Set-Aside. The Criteria will be approved by that Agency. To ensure that the Rural Set-Aside receives a sufficient volume of eligible Applications, the Department and ORCA shall jointly implement outreach, training, and rural area capacity building efforts.

### §49.9. Application: Submission, Adherence to Obligations, Evaluation Process, Required Pre-Certification and Acknowledgement, Threshold Criteria, Selection Criteria, Evaluation Factors, Staff Recommendations.

(a) **Application Submission.** Any Applicant requesting a Housing Credit Allocation or a Determination Notice must submit an Application, and the required Application fee as described in §49.21 of this title, to the Department during the Application Acceptance Period. A complete Application may be submitted at any time during the Application Acceptance Period, and is not limited to submission after the close of the Pre-Application Cycle. Only one Application may be submitted for a site in an Application Round. While the Application Acceptance Period is open, Applicants may withdraw their Application and subsequently file a new Application along with a new required Application fee. The Department is authorized, but not required, to request the Applicant to provide additional information it deems relevant to clarify information contained in the Application or to submit documentation for items it considers to be an Administrative Deficiency, including both threshold and selection criteria documentation. An Applicant may not change or supplement an Application in any manner after the filing deadline, except as it relates to a direct request from the Department to remedy an Administrative Deficiency as further described in §49.3(1) of this title or to the amendment of an Application after a commitment or allocation of tax credits as further described in §49.18 of this title.

(b) **Adherence to Obligations.** All representations, undertakings and commitments made by an Applicant in the application process for a Development, whether with respect to Threshold Criteria, Selection Criteria or otherwise, shall be deemed to be a condition to any Commitment Notice, Determination Notice, or Carryover Allocation for such Development, the violation of which shall be cause for cancellation of such Commitment Notice, Determination Notice, or Carryover Allocation by the Department, and if concerning the ongoing features or operation of the Development, shall be reflected in the LURA. All such representations are enforceable by the Department and the tenants of the Development, including enforcement by administrative penalties for failure to perform, in accordance with the LURA.

(c) **Evaluation Process.** Applications will be reviewed according to the process outlined in this subsection.

(1) Threshold Criteria Review. Applications will be initially evaluated against the Threshold Criteria. Applications not meeting Threshold Criteria will be terminated, unless the Department determines that the failure to meet the Threshold Criteria is the result of Administrative Deficiencies, in which event the Applicant shall be given an opportunity to correct such deficiencies. Applications not meeting Threshold Criteria will be rejected and the Applicant will be provided a written notice to the effect that the Threshold Criteria have not

been met. The Department shall not be responsible for the Applicant's failure to meet the Threshold Criteria, and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled.

(2) Selection Criteria Review. For an Application to be considered under the Selection Criteria, the Applicant must demonstrate that the Development meets all of the Threshold Criteria requirements. Applications that satisfy the Threshold Criteria will then be scored and ranked according to the Selection Criteria listed in subsection (f) of this section. Where a particular scoring criterion involves multiple points, the Department will award points to the degree proportionate, in its determination, to which a proposed Development complied with that criterion. Applications not scored by the Department's staff shall be deemed to have the points allocated through self-scoring by the Applicants until actually scored. This shall apply only for purposes of releasing the Submission Log in ranking order by score.

(3) Subsequent Evaluation of Prioritized Applications. After the Application is scored under the Selection Criteria, the Department will assign, as herein described, Developments for review for financial feasibility by the Department’s credit underwriting division. Assignments for financial feasibility will be determined by selecting the Applications with the highest scores in each Set-Aside statewide and then in each Uniform State Service Region. Based on Application rankings, the Department shall continue to underwrite Applications until the Department has processed enough Applications satisfying the Department’s underwriting criteria to enable the allocation of all available housing tax credits according to regional allocation goals and Set-Aside categories. To enable the Board to establish a Waiting List, the Department shall underwrite as many additional Applications as the Committee and Board consider necessary to ensure that all available housing tax credits are allocated within the period required by law.

(4) Underwriting Evaluation and Criteria. Underwriting of a Development will include a determination by the Department, pursuant to the Code, §42, that the amount of credits recommended for commitment to a Development is necessary for the financial feasibility of the Development and its long-term viability as a qualified low income housing property. In making this determination, the Department will use the Underwriting Rules and Guidelines, 10 TAC §1.32 of this title.

(A) The Department may have an outside third party perform the underwriting evaluation to the extent it determines appropriate. The expense of any third party underwriting evaluation shall be paid by the Applicant prior to the commencement of the aforementioned evaluation.

(B) The Department will reduce the Applicant's estimate of Developer's and/or Contractor fees in instances where these exceed the fee limits determined by the Department. In the instance where the Contractor is an Affiliate of the Development Owner and both parties are claiming fees, Contractor's overhead, profit, and general requirements, the Department shall be authorized to reduce the total fees estimated to a level that it determines to be reasonable under the circumstances. Further, the Department shall deny or reduce the amount of Housing Tax Credits allocated with respect to any portion of costs which it deems excessive or unreasonable. The Department also may require bids or third party estimates in support of the costs proposed by any Applicant.

(5) Compliance Evaluation. After the Department has determined which Developments will be reviewed for financial feasibility, those same Developments will be reviewed for evaluation of the compliance status of all members of the ownership structure by the Department’s compliance division, in accordance with §49.19 of this title.

(6) Site Evaluation. Site conditions shall be evaluated through a physical site inspection by the Department. Such inspection will evaluate the site based upon the criteria set forth in the Site Evaluation form provided in the Application and the inspector shall provide a written report of such site evaluation. The evaluations shall be based on the condition of the surrounding neighborhood, including appropriate environmental and aesthetic conditions and proximity to retail, medical, recreational, and educational facilities, and employment centers. The site's appearance and visibility to prospective tenants and its accessibility via the existing transportation infrastructure and public transportation systems shall be considered. "Unacceptable" sites would include, without limitation of any sort, those containing a non-mitigable environmental factor that might adversely affect the health and safety of the residents. For Developments applying under the TX-USDA-RHS Set-Aside, the Department will rely on the physical site inspection performed by TX-USDA-RHS.

(d) **Required Pre-Certification and Acknowledgement Procedures**. No later than 7 days prior to the close of the Application Acceptance Period, an Applicant must submit the documents required in this subsection to obtain the required pre-certification and acknowledgement.

(1) Experience Certificate. Upon receipt of the evidence required under this paragraph, a certification from the Department will be provided to the Applicant for inclusion in their Application(s). Evidence must show that the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), Developer or their Principals have a record of successfully constructing or developing residential units or comparable commercial property (i.e. dormitory and hotel/motel) in the capacity of owner,

General Partner, Developer or managing member. If a Public Housing Authority organized an entity for the purpose of developing residential units or comparable commercial property, the Public Housing Authority shall be considered a principal for the purpose of this requirement. If rehabilitation experience is being claimed to qualify for an Application involving new construction, then the rehabilitation must have been substantial and involved at least $6,000 of direct hard cost per unit.

(A) The term "successfully" is defined as acting in a capacity as the owner, General Partner, managing member, or Developer of:

(i) at least 100 residential units or comparable commercial property; or

(ii) at least 36 residential units or comparable commercial property if the Development applying for credits is a rural Development.

(B) One of the following documents must be submitted: American Institute of Architects (AIA) Document A111 - Standard Form of Agreement Between Owner & Contractor, AIA Document G704 - Certificate of Substantial Completion, IRS Form 8609, HUD Form 9822, development agreements, partnership agreements, or other appropriate documentation verifying that the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), Developer or their Principals have the required experience. If submitting the IRS Form 8609, only one form per Development is required. The evidence must clearly indicate:

(i) that the Development has been completed (i.e. Development Agreements, Partnership Agreements, etc. must be accompanied by certificates of completion.);

(ii) that the names on the forms and agreements tie back to the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), Developer or their Principals as listed in the Application; and

(iii) the number of units completed or substantially completed.

(2) Financial Statement and Authorization to Release Credit Information. Upon receipt of the evidence required under this paragraph, an acknowledgement from the Department will be provided to the Applicant for inclusion in their Application(s). A "Financial Statement and Authorization to Release Credit Information" must be completed and signed for any Person with an ownership interest in the General Partner (or Managing Member), interest in the Applicant, or the Developer, or anticipated to provide guarantees to secure necessary financing.. The statement must not be older than 90 days from the date of submission. If submitting partnership or corporate financials in addition to the statements of individuals , the certified financial statements, or audited financial statements if available, should be for the most recent fiscal year ended 90 days prior to the day the documentation is submitted. This document is required for an entity even if the entity is wholly-owned by a Person who has submitted this document as an individual. Entities that have not yet been formed and entities that have been formed recently but have no assets, liabilities or net worth are not required to submit this documentation, but must submit a statement that this is the case.

(e) **Threshold Criteria.** The following Threshold Criteria listed in paragraphs (1) through (14) of this subsection are mandatory requirements at the time of Application submission:

(1) Completion and submission of the Application provided in the Application Submission Procedures Manual, which includes the entire Uniform Application and any other supplemental forms which may be required by the Department.

(2) Completion and submission of the Site Packet as provided in the Application Submission Procedures Manual.

(3) Set-Aside Eligibility. Documentation must be provided that confirms eligibility for all Set-Asides under which the Application is seeking funding, other than the General Set-Aside, as required in the Application Submission Procedures Manual.

(4) Certifications and Design Items. The "Certification Form" provided in the Application Submission Procedures Manual and supporting documents. This exhibit will provide:

(A) A description of the type of amenities proposed for the Development. The amenities selected must be made available for the benefit of all tenants. If fees in addition to rent are charged for amenities reserved for an individual tenant's use (i.e. covered parking, storage, etc.), then the amenity may not be included among those provided to complete this exhibit. Developments with more than 36 units must provide at least four of the amenities provided in clauses (i) through (viii) of this subparagraph. Developments with 36 Units or less and/or Developments receiving funding from TX-USDA-RHS must provide at least two of the amenities provided in clauses (i) through (viii) of this subparagraph. Any future changes in these amenities, or substitution of these amenities, may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in a cancellation of a Commitment Notice or Carryover Allocation if the Threshold Criteria are no longer met.

(i) Full perimeter fencing with controlled gate access;

(ii) designated playground and equipment;

(iii) community laundry room and/or laundry hook-ups in Units (no hook-up fees of any kind may be charged to a tenant for use of the hook-ups);

(iv) furnished community room;

(v) recreation facilities;

(vi) public telephone(s) available to tenants 24 hours a day;

(vii) on-site day care, senior center, or community meals room; or

(viii) computer facilities including internet access.

(B) A certification that the Development will adhere to the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere at a minimum to the International Building Code as it relates to access, lighting and life safety issues.

(C) A certification that the Applicant is in compliance with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. Section 3601 et seq.), and the Fair Housing Amendments Act of 1988 (42 U.S.C. Section 3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. Section 2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.); and the Rehabilitation Act of 1973 (29 U.S.C. Section 701 et seq.)

(D) A certification that the Applicant will attempt to ensure that at least 30% of the construction and management businesses with which the Applicant contracts in connection with the Development are Minority Owned Businesses, and that the Applicant will submit at least once in each 90-day period following the date of the Commitment Notice a report, in a format prescribed by the Department and provided at the time a Commitment Notice is received, on the percentage of businesses with which the Applicant has contracted that qualify as Minority Owned Businesses.

(E) A certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. A Unit that is on an accessible route and is adaptable and otherwise compliant with sections 3–8 of the Uniform Federal Accessibility Standards (UFAS), shall be deemed to meet this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments. Additionally, in Developments where all Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type must provide an accessible entry level in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. At the construction loan closing, a certification from an accredited architect will be required stating that the Development was designed in conformance with these standards and that all features have been or will be installed to make the Unit accessible for individuals with mobility impairments or individuals with hearing or vision impairments. A similar certification will also be required after the Development is completed. This requirement applies to all Developments including new construction and rehabilitation.

(F) A certification that the Development will adhere to the 2000 International Energy Conservation Code (IECC) and the Department's Minimum Standard Energy Saving Devices in the construction of each tax credit Unit, historic preservation codes notwithstanding. Minimum Standard Energy Saving Measures are identified in clauses (i) through (v) of this subparagraph. All Units must be air-conditioned. The measures must be certified by the Development architect as being included in the design of each tax credit Unit prior to the closing of the construction loan and in actual construction upon Cost Certification.

(i) Insulation values must meet the 2000 International Energy Conservation Code (IECC) for the region in which the development is located. Rehabilitation Developments must also include soffit and ridge vents and storm windows;

(ii) If newly installed, Energy Star or equivalently rated air handler and condenser; or heating and cooling systems with minimum SEER 12 A/C and AFUE 90% furnace if using gas; or in dry climates an evaporative cooling system may replace the Energy Star cooling system;

(iii) All appliances installed to be Energy Star rated and water heaters to have an energy factor greater than .93 for electric or greater than .62 for gas;

(iv) Maximum 2.5 gallon/minute showerheads and maximum 1.5 gallon/minute faucet aerators; and

(v) Installation of ceiling fans in living room and each sleeping room.

(G) A certification that the Development will be built by a General Contractor that satisfies the requirements of the General Appropriation Act, Article VII, Rider 11(c) applicable to the Department which requires that the General Contractor hired by the Development Owner or the Applicant, if the Applicant serves as General Contractor, must demonstrate a history of constructing similar types of housing without the use of federal tax credits.

(H) All of the architectural drawings identified in clauses (i) through (v) of this subparagraph. While full size design or construction documents are not required, the drawings must have an accurate and legible scale and show the dimensions. All Developments involving new construction, or conversion of existing buildings not configured in the Unit pattern proposed in the Application, must provide all of the items identified in clauses (i) through (v) of this subparagraph. For Developments involving rehabilitation for which the Unit configurations are not being altered, only the items identified in clauses (i), (ii) and (iii) of this subparagraph are required:

(i) a site survey or drawing of the entire property that is under the control the prospective Development Owner, which must be a professionally generated (e.g. computer-generated or architectural draft; not a sketch) plat drawn to scale from a metes and bounds description;

(ii) a site plan which:

(I) is consistent with the number of Units and Unit mix specified in the "Rent Schedule" provided in the Application;

(II) identifies all residential, common buildings and amenities; and

(III) clearly delineates the flood plain boundary lines and other easements shown in the site survey;

(iii) floor plans for each type of residential building and each type of common area building;

(iv) floor plans and elevations for each type of residential building and each common area building clearly depicting the height of each floor and a percentage estimate of the exterior composition;

(v) Unit floor plans for each type of Unit showing special accessibility and energy features. The use of each room must be labeled. The net rentable areas these Unit floor plans represent should be consistent with those shown in the "Rent Schedule" provided in the application; and

(I) Rehabilitation Developments must submit photographs of the existing signage, typical building elevations and interiors, existing Development amenities, and site work. These photos should clearly document the typical areas and building components which exemplify the need for rehabilitation.

(5) Evidence of the Development's development costs and corresponding credit request and syndication information as described in subparagraphs (A) through (G) of this paragraph.

(A) A written narrative describing the financing plan for the Development, including any non-traditional financing arrangements; the use of funds with respect to the Development; the funding sources for the Development including construction, permanent and bridge loans, rents, operating subsidies, and replacement reserves; and the commitment status of the funding sources for the Development. This information must be consistent with the information provided throughout the Application.

(B) All Developments must submit the "Development Cost Schedule" provided in the Application Submission Procedures Manual. This exhibit must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(C) Provide a letter of commitment from a syndicator that, at a minimum, provides an estimate of the amount of equity dollars expected to be raised for the Development in conjunction with the amount of housing tax credits requested for allocation to the Applicant, including pay-in schedules, syndicator consulting fees and other syndication costs. No syndication costs should be included in the Eligible Basis.

(D) For Developments located in a Qualified Census Tract (QCT) as determined by the Secretary of HUD and qualifying for a 30% increase in Eligible Basis, pursuant to the Code, §42(d)(5)(C), Applicants must submit a copy of the census map clearly showing that the proposed Development is located within a QCT. Census tract numbers must be clearly marked on the map, and must be identical to the QCT number stated in the Department's Reference Manual.

(E) Rehabilitation Developments must submit the "Proposed Work Write Up for Rehabilitation Developments" provided in the Application Submission Procedures Manual. This form must be prepared and certified by a Third Party registered or licensed architect, engineer or construction inspector.

(F) If offsite costs are included in the budget as a line item, or embedded in the site acquisition contract, or referenced in the utility provider letters, then the supplemental form "Off Site Cost Breakdown" must be provided.

(G) If projected site work costs include unusual or extraordinary items or exceed $7,500 per Unit, then the Applicant must provide a detailed cost breakdown prepared by a Third Party engineer or architect, and a letter from a certified public accountant allocating which portions of those site costs should be included in Eligible Basis and which ones may be ineligible.

(6) Evidence of readiness to proceed as evidenced by at least one of the items under each of subparagraphs (A) through (E) of this paragraph:

(A) Evidence of site control in the name of Development Owner. If the evidence is not in the name of the Development Owner, then the documentation should reflect an expressed ability to transfer the rights to the Development Owner. All individual Persons who are members of the ownership entity of the seller of the proposed site must be identified. One of the following items described in clauses (i) through (iii) of this subparagraph must be provided:

(i) a recorded warranty deed; or

(ii) a contract for sale or lease (the minimum term of the lease must be at least 45 years) which is valid for the entire period the Development is under consideration for tax credits or at least 90 days, whichever is greater; or

(iii) an exclusive option to purchase which is valid for the entire period the Development is under consideration for tax credits or at least 90 days, whichever is greater.

(B) Evidence from the appropriate local municipal authority that satisfies one of clauses (i) through (iii) of this subparagraph. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(i) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that the Development is located within the boundaries of a political subdivision which does not have a zoning ordinance;

(ii) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that:

(I) the Development is permitted under the provisions of the zoning ordinance that apply to the location of the Development or that there is not a zoning requirement; or

(II) the Applicant is in the process of seeking the appropriate zoning and has signed and provided to the political subdivision a release agreeing to hold the political subdivision and all other parties harmless in the event that the appropriate zoning is denied, and a time schedule for completion of appropriate zoning. The Applicant must also provide at the time of Application a copy of the application for appropriate zoning filed with the local entity responsible for zoning approval and proof of delivery of that application in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from said official. No later than April 1, 2003 (or for Tax Exempt Bond Developments no later than 14 days before the Board meeting where the credits will be committed), the Applicant must submit to the Department written evidence that the local entity responsible for initial approval of zoning has approved the appropriate zoning and that they will recommend approval of appropriate zoning to the entity responsible for final approval of zoning decisions (city council or county commission). If this evidence is not provided on or before April 1, 2003, the Application will be terminated. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee is paid. If this evidence is not provided with the Commitment Fee, any commitment of credits will be rescinded.

(iii) In the case of a rehabilitation Development, if the property is currently a non-conforming use as presently zoned, a letter which discusses the items in subclauses (I) through (IV) of this clause:

(I) a detailed narrative of the nature of non-conformance;

(II) the applicable destruction threshold;

(III) owner's rights to reconstruct in the event of damage; and

(IV) penalties for noncompliance.

(C) This Exhibit is required for New Construction only. Evidence of the availability of all necessary utilities/services to the development site. Necessary utilities include natural gas (if applicable), electric, trash, water, and sewer. Such evidence must be a letter or a monthly utility bill from the appropriate municipal/local service provider. If utilities are not already accessible, then the letter must clearly state: an estimated time frame for provision of the utilities, an estimate of the infrastructure cost, and an estimate of any portion of that cost that will be borne by the Development Owner. Letters must be from an authorized individual representing the organization which actually provides the services. Such documentation should clearly indicate the Development property. If utilities are not already accessible (undeveloped areas), then the letter should not be older than three months from the first day of the Application Acceptance Period.

(D) Evidence of interim and permanent financing sufficient to fund the proposed Total Housing Development Cost less any other funds requested from the Department and any other sources documented in the Application. Such evidence must be consistent with the sources and uses of funds represented in the Application and shall be provided in one or more of the following forms described in clauses (i) through (iv) of this subparagraph:

(i) bona fide financing in place as evidenced by a valid and binding loan agreement and a deed(s) of trust in the name of the Development Owner which identifies the mortgagor as the Applicant or entities which comprise the General Partner and/or expressly allows the transfer to the Development Owner; or,

(ii) bona fide commitment or term sheet for the interim and permanent loans issued by a lending institution or mortgage company that is actively and regularly engaged in the business of lending money which is addressed to the Development Owner, or entities which comprise the Applicant and which has been executed by the lender (the term of the loan must be for a minimum of 15 years with at least a 30 year amortization). The commitment must state an expiration date and all the terms and conditions applicable to the financing including the mechanism for determining the interest rate, if applicable, and the anticipated interest rate. Such a commitment may be conditional upon the completion of specified due diligence by the lender and upon the award of tax credits; or,

(iii) any Federal, State or local gap financing, whether of soft or hard debt, must be identified at the time of Application. At a minimum, evidence from the lending agency that an application for funding has been made and a term sheet which clearly describes the amount and terms of the funding, and the date by which the funding determination will be made and any commitment issued, must be submitted. While evidence of application for funding from another TDHCA program is not required except as indicated on the Uniform Application, the Applicant must clearly indicate that such an application has been filed as required by the Application Submission Procedures Manual. If the necessary financing has not been committed by the applicable lending agency, the Commitment Notice, Housing Credit Allocation or Determination Notice, as the case may be, will be conditioned upon Applicant obtaining a commitment for the required financing by a date certain, but no later than the date the Carryover Allocation Document is due to the Department; or

(iv) if the Development will be financed through Development Owner contributions, provide a letter from an Third Party CPA verifying the capacity of the Applicant to provide the proposed financing with funds that are not otherwise committed together with a letter from the Applicant's bank or banks confirming that sufficient funds are available to the Applicant. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(E) A copy of the full legal description and either of the documents described in clauses (i) and (ii) of this subparagraph, and satisfying the requirements of clause (iii) of this subparagraph, if applicable:

(i) a copy of the current title policy which shows that the ownership (or leasehold) of the land/Development is vested in the exact name of the Applicant, or entities which comprise the Applicant; or

(ii) a copy of a current title commitment with the proposed insured matching exactly the name of the Applicant or entities which comprise the Applicant and the title of the land/Development vested in the name of the exact name of the seller or lessor as indicated on the sales contract or lease.

(iii) if the title policy or title commitment is more than six months old as of the day the Application Acceptance Period closes, then a letter from the title company indicating that nothing further has transpired on the policy or commitment.

(7) Evidence of all of the notifications described in subparagraphs (A) through (D) of this paragraph. Such notices must be prepared in accordance with "Public Notifications" provided in the Application Submission Procedures Manual.

(A) A copy of the public notice published in the most widely circulated newspaper in the area in which the proposed Development will be located. The newspaper must be intended for the general population and may not be a business newspaper or other specialized publication. Such notice must run at least twice within a thirty day period. Such notice must be published prior to the submission of the Application to the Department and can not be older than three months from the first day of the Application Acceptance Period. In communities located within a Metropolitan Statistical Area the notice should be published in the newspapers of both the Development community and the Metropolitan Statistical Area. Developments that involve rehabilitation and which are already serving low income residents are not required to provide this exhibit.

(B) Evidence of notification of the local chief executive officer(s) (i.e., mayor and county judge), state senator, and state representative of the locality of the Development. Evidence of such notification shall include a letter which at a minimum contains a copy of the public notice sent to the official and proof of delivery in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from said official. Proof of notification should not be older than three months from the first day of the Application Acceptance Period.

(C) If any of the Units in the Development are occupied at the time of Application, then the Applicant must post a copy of the public notice in a prominent location at the Development throughout the period of time the Application is under review by the Department. A picture of this posted notice must be provided with this exhibit. When the Department's public hearing schedule for comment on submitted Applications becomes available, a copy of the schedule must also be posted until such hearings are completed. Compliance with these requirements shall be confirmed during the Department's site inspection.

(D) Public Housing Waiting List. Evidence that the Development Owner has committed in writing to the local public housing authority(ies) (PHA) the availability of Units and that the Development Owner agrees to consider households on the PHA's waiting list as potential tenants and that the Property is available to Section 8 and other tenant-based rental assistance certificate or voucher holders. Evidence of this commitment must include a copy of the Development Owner's letter to the PHA(s) and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said PHA(s). Proof of notification should not be older than six months from the close of the Application Acceptance Period. If no PHA is within the locality of the Development, the Development Owner must utilize the nearest authority or office responsible for administering Section 8 programs.

(8) Evidence of the Development's proposed ownership structure and the Applicant's previous experience as described in subparagraphs (A) through (E) of this paragraph.

(A) Charts which clearly illustrates the complete organizational structure of the final proposed Development Owner and of any Developer, providing the names and ownership percentages of all Persons having an ownership interest in the Development Owner or the Developer, as applicable, whether directly or through one or more subsidiaries.

(B) Each entity shown on an organizational chart as described in subparagraph (A) of this paragraph, shall provide the following documentation, as applicable:

(i) For entities that are not yet formed but are to be formed either in or outside of the state of Texas:

(I) a certificate of reservation of the entity name from the Texas Secretary of State and from the state in which the entity is to be formed if different from Texas; and

(II) an executed letter of intent to organize or a copy of the draft organizational documents for the entity to be formed including Articles of Incorporation, Articles of Organization or Partnership Agreement.

(ii) For existing entities whether formed in or outside of the state of Texas:

(I) A Certificate of Account Status from the Texas Comptroller of Public Accounts or, if such a Certificate is not available because the entity is newly formed, a statement to such effect; and

(II) for entities formed in a state other than Texas a certificate of authority to do business in Texas or an application for a certificate of authority,

(III) Copies of the entity's governing documents, including, but not limited to, its Articles of Incorporation, Articles of Organization, Certificate of Limited Partnership, Bylaws, Regulations and/or Partnership Agreement.

(iii) the Applicant must provide evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution or by-laws which indicate same from the sub-entity in Control of the Applicant, and that those persons constitute all persons required to sign or submit such documents. A cover sheet must be placed before the copy of the organizational documents, identifying the relevant document(s) where the evidence of authority to sign is to be found and specifying exactly where the applicable information exists within all relevant documents by page number or by section and subsection if the pages are not numbered.

(C) Each entity shown on an organizational chart as described in subparagraph (A) of this paragraph, shall provide a copy of the completed and executed Previous Participation and Background Certification Form. If the Developer of the Development is receiving more than 10% of the Developer fee, he/she will also be required to submit documents for this exhibit. The 2003 versions of these forms, as required in the Uniform Application, must be submitted. Units of local government are also required to submit this document. The form must include a list of all developments that are, or were, previously under ownership or control of the Applicant and their Affiliates. All participation in any TDHCA funded or monitored activity, including non-housing activities, must be disclosed.

(D) If the Development Owner or the Developer or any of their Affiliates shown on the organizational chart as described in subparagraph (A) of this paragraph (other than the Development Owner's limited partner) have, or have had, ownership or control of affordable housing, being housing that receives any form of financing and/or assistance from any Governmental Entity for the purpose of enhancing affordability to persons of low or moderate income, outside the state of Texas, then evidence that such Persons have sent the National Previous Participation and Background Certification Form, to the appropriate Housing Credit Agency for each state in which they have developed or operated affordable housing. This form is only necessary when the Developments involved are outside of the state of Texas. An original form is not required. Evidence of such notification shall be a copy of the form sent to the agency and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from said agency.

(E) Evidence that the Developer and the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member) or their Principals have a record of successfully constructing or developing residential units or comparable commercial property (i.e. dormitory and hotel/motel) in the capacity of Developer, Development Owner, General Partner or managing member. Evidence must be a certification from the Department that the Person with the experience satisfies this exhibit, as further described under §49.9(d) of this title. Applicants must request this certification at least seven days prior to the close of the Application Acceptance Period. Applicants should ensure that the individual whose name is on the certification appears in the organizational chart provided in subparagraph (A) of this paragraph.

(9) Evidence of the Development's projected income and operating expenses as described in subparagraphs (A) through (D) of this paragraph:

(A) All Developments must provide a 30-year proforma estimate of operating expenses and supporting documentation used to generate projections (operating statements from comparable properties).

(B) If rental assistance, an operating subsidy, an annuity, or an interest rate reduction payment is proposed to exist or continue for the Development, any related contract or other agreement securing those funds must be provided, which at a minimum identifies the source and annual amount of the funds, the number of Units receiving the funds, and the term and expiration date of the contract or other agreement.

(C) Applicant must provide documentation from the source of the "Utility Allowance" estimate used in completing the Rent Schedule provided in the Application. This exhibit must clearly indicate which utility costs are included in the estimate. If there is more than one entity (Section 8 administrator, public housing authority) responsible for setting the utility allowance(s) in the area of the Development location, then the Utility Allowance selected must be the one which most closely reflects the actual utility costs in that Development area. In this case, documentation from the local utility provider supporting the selection must be provided.

(D) Occupied Developments undergoing rehabilitation must also submit the items described in clauses (i) through (iv) of this subparagraph.

(i) The items in subclauses (I) and (ii) are required unless the current property owner is unwilling to provide the required documentation. In that case, submit a signed statement as to their unwillingness to do so.

(I) historical monthly operating statements of the subject Development for 12 consecutive months ending not more than 45 days prior to the first day of the Application Acceptance Period. In lieu of the monthly operating statements, two annual operating statement summaries may be provided. If 12 months of operating statements or two annual operating summaries cannot be obtained, then the monthly operating statements since the date of acquisition of the Development and any other supporting documentation used to generate projections may be provided; and

(II) a rent roll not more than 6 months old as of the day the Application Acceptance Period closes, that discloses the terms and rate of the lease, rental rates offered at the date of the rent roll, Unit mix, tenant names or vacancy, and dates of first occupancy and expiration of lease.

(ii) a written explanation of the process used to notify and consult with the tenants in preparing the Application;

(iii) a relocation plan outlining relocation requirements and a budget with an identified funding source; and

(iv) if applicable, evidence that the relocation plan has been submitted to the appropriate legal agency.

(10) Applications involving Nonprofit General Partners and Qualified Nonprofit Developments.

(A) All Applicants involving a nonprofit General Partner (or Managing Member), regardless of the Set-Aside applied under, must submit all of the documents described in clauses (i) through (iii) of this subparagraph which confirm that the Applicant is a Qualified Nonprofit Organization pursuant to Code, §42(h)(5)(C):

(i) an IRS determination letter which states that the Qualified Nonprofit Organization is a 501(c)(3) or (4) entity;

(ii) a copy of the articles of incorporation of the nonprofit organization which specifically states that the fostering of affordable housing is one of the entity's exempt purposes;

(iii) "Nonprofit Participation Exhibit"; and

(B) Additionally, all Applicants applying under the Nonprofit Set-Aside, established under §49.7(b)(1) of this title, must also provide the following information with respect to the Qualified Nonprofit Organization as described in clauses (i) through (v) of this subparagraph.

(i) evidence that one of the exempt purposes of the nonprofit organization is to provide low income housing;

(ii) evidence that the nonprofit organization prohibits a member of its board of directors, other than a chief staff member serving concurrently as a member of the board, from receiving material compensation for service on the board;

(iii) a Third Party legal opinion stating:

(I) that the nonprofit organization is not affiliated with or controlled by a for-profit organization and the basis for that opinion, and

(II) that the nonprofit organization is eligible, as further described, for a Housing Credit Allocation from the Nonprofit Set-Aside and the basis for that opinion. Eligibility is contingent upon the nonprofit organization controlling a majority of the Development, or if the organization's Application is filed on behalf of a limited partnership, or limited liability company, being the managing General Partner (or Managing Member); and otherwise meet the requirements of the Code, §42(h)(5);

(iv) a copy of the nonprofit organization's most recent audited financial statement;

(v) evidence, in the form of a certification, that a majority of the members of the nonprofit organization's board of directors principally reside:

(I) in this state, if the Development is located in a rural area; or

(II) not more than 90 miles from the Development, if the Development is not located in a rural area.

(11) Applicants applying for acquisition credits or affiliated with the seller must provide all of the documentation described in subparagraphs (A) through (C) of this paragraph. Applicants applying for acquisition credits must also provide the items described in subparagraph (D) of this paragraph and as provided in the Application Submission Procedures Manual.

(A) an appraisal, not more than 6 months old as of the day the Application Acceptance Period closes, which complies with the Uniform Standards of Professional Appraisal Practice and the Department's Market Analysis and Appraisal Policy. For Developments qualifying in the TX-USDA-RHS Set-Aside, the appraisal may be more than 6 months old, but not more than 12 months old as of the day the Application Acceptance Period closes. This appraisal of the property must separately state the as-is, pre-acquisition or transfer value of the land and the improvements where applicable;

(B) a valuation report from the county tax appraisal district;

(C) clear identification of the selling Persons or entities, and details of any relationship between the seller and the Applicant or any Affiliation with the Development Team, Qualified Market Analyst or any other professional or other consultant performing services with respect to the Development. If any such relationship exists, complete disclosure and documentation of the related party's original acquisition and holding and improvement costs since acquisition, and any and all exit taxes, to justify the proposed sales price must also be provided; and

(D) "Acquisition of Existing Buildings Form."

(12) Evidence of an "Acknowledgement of Receipt of Financial Statement and Authorization to Release Credit Information" must be provided for any person with an ownership interest in the General Partner (or Managing Member), interest in the Applicant, or the Developer, or anticipated to provide guarantees to secure necessary financing, as required under §49.9(d) of this title.

(13) Supplemental Threshold Reports. Documents under subparagraph (A) and (B) of this paragraph must be submitted as further clarified in subparagraph (C) and (D) of this paragraph and in accordance with the Market Analysis Rules and Guidelines and Environmental Site Assessment Rules and Guidelines, 10 TAC §§1.33 and 1.35 of this title.

(A) A Phase I Environmental Site Assessment (ESA) on the subject Property, dated not more than 12 months prior to the first day of the Application Acceptance Period. In the event that a Phase I Environmental Site Assessment on the Development is more than 12 months old prior to the first day of the Application Acceptance Period, the Development Owner must supply the Department with an updated letter from the Person or organization which prepared the initial assessment; however the Department will not accept any Phase I Environmental Site Assessment which is more than 24 months old as of the day the Application Acceptance Period closes. The ESA must be prepared in accordance with the Department Environmental Site Assessment Rules and Guidelines. Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply this information; however, the Development Owners of such Developments are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

(B) A comprehensive Market Analysis prepared at the Development Owner's expense by a disinterested Qualified Market Analyst in accordance with the Market Analysis Rules and Guidelines. In the event that a Market Analysis on the Development is older than 6 months as of the day the Application Acceptance Period closes, the Development Owner must supply the Department with an updated Market Analysis from the Person or organization which prepared the initial report; however the Department will not accept any Market Analysis which is more than 12 months old as of the day the Application Acceptance Period closes. The Market Analysis should be prepared for and addressed to the Department. For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11)(A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required; however the Department may request additional information as needed.

(i) The Department may determine from time to time that information not required in the Department Market Analysis and Appraisal Rules and Guidelines will be relevant to the Department's evaluation of the need for the Development and the allocation of the requested Housing Credit Allocation Amount. The Department may request additional information from the Qualified Market Analyst to meet this need.

(ii) All Applicants shall acknowledge by virtue of filing an Application that the Department shall not be bound by any such opinion or the Market Analysis itself, and may substitute its own analysis and underwriting conclusions for those submitted by the Qualified Market Analyst.

(C) Inserted at the front of each of these reports must be a transmittal letter from the individual preparing the report that states that the Department is granted full authority to rely on the findings and conclusions of the report.

(D) The requirements for each of the reports identified in subparagraphs (A) and (B) of this paragraph can be satisfied in either of the methods identified in clauses (i) or (ii) of this subparagraph.

(i) Upon Application submission, the documentation for each of these exhibits may be submitted in its entirety as described in subparagraphs (A) and (B) of this paragraph; or

(ii) Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than March 31, 2003. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, March 31, 2003. If the entire exhibit is not received by that time, the Application will be terminated for a Material Deficiency and will be removed from consideration.

(14) Self-Scoring. Applicant's self-score must be completed on the "Application Self-Scoring Form."

(f) **Selection Criteria.** All Applications will be evaluated and ranking points will be assigned according to the Selection Criteria listed in paragraphs (1) through (13) of this subsection.

(1) Development Location Characteristics. Evidence, not more than 6 months old from the date of the close of the Application Acceptance Period, that the subject Property is located within one of the geographical areas described in subparagraphs (A) through (D) of this paragraph. Areas qualifying under any one of the subparagraphs (A) through (D) of this paragraph will receive 5 points. A Development may only receive points under one of the subparagraphs (A) through (D) of this paragraph. A Development may receive points pursuant to subparagraph (E) of this paragraph in addition to any points awarded in subparagraphs (A) through (D) of this paragraph.

(A) A geographical area which is:

(i) a Targeted Texas County (TTC) or Economically Distressed Area; or

(ii) a Colonia, or

(iii) a Difficult Development Area (DDA) as specifically designated by the Secretary of HUD.

(B) a designated state or federal empowerment/enterprise zone, urban enterprise community, or urban enhanced enterprise community. Such Developments must submit a letter and a map from a city/county official verifying that the proposed Development is located within such a designated zone. Letter should be no older than 6 months from the close of the Application Acceptance Period.

(C) a city-sponsored Tax Increment Financing Zone (TIF), Public Improvement District (PIDs), or other area or zone where a city or county has, through a local government initiative, specifically encouraged or channeled growth, neighborhood preservation or redevelopment. Such Developments must submit all of the following documentation: a letter from a city/county official verifying that the proposed Development is located within the city sponsored zone or district; a map from the city/county official which clearly delineates the boundaries of the district; and a certified copy of the appropriate resolution or documentation from the mayor, local city council, county judge, or county commissioners court which documents that the designated area was:

(i) created by the local city council/county commission, and

(ii) targets a specific geographic area which was not created solely for the benefit of the Applicant.

(D) a non-impacted Census Block pursuant to the Young vs. Martinez judgment. Such Developments must submit evidence in the form of a letter from HUD that the Development is located in such an area.

(E) a Development which is located in a city or county with a relatively low ratio of awarded tax credits (in dollars) to its population. If the Development is located in an incorporated city, the city ratio will be used and if the Development is located outside of an incorporated city, then the county ratio will be used. Such ratios shall be calculated by the Department based on its inventory of tax credit developments and the 2000 Census Data. In the event that census data does not have a figure for a specific place, the Department will rely on the Texas State Data Center's place population estimates, or as a final source the Department will rely on the local municipality's most recent population estimate to calculate the ratio. The ratios will be published in the Reference Manual. Geographic area will be eligible for points as described in clauses (i) through (iv) of this subparagraph.

(i) A city or county with no LIHTC developments will receive eight points.

(ii) A city or county with a ratio greater than zero and less than one will receive six points.

(iii) A city or county with a ratio equal to or greater than one, but less than two, will receive two points.

(iv) A city or county with a ratio greater than four, will have four points deducted from its score.

(2) Housing Needs Characteristics. Each Development, dependent on the city or county where it is located, will yield a score based on the Uniform Housing Needs Scoring Component. If a Development is in an incorporated city, the city score will be used. If a Development is outside the boundaries of an incorporated city, then the county score will be used. The Uniform Housing Needs Scoring Component scores for each city and county will be published in the Reference Manual. (20 points maximum).

(3) Support and Consistency with Local Planning. All documents must not be older than 6 months from the close of the Application Acceptance Period. Points may be received under both subparagraph (A) or (B) of this paragraph.

(A) Evidence from the local municipal authority stating that the Development fulfills a need for additional affordable rental housing as evidenced in a local consolidated plan, comprehensive plan, or other local planning document; or a letter from the local municipal authority stating that there is no local plan and that the city supports the Development (6 points).

(B) Community Support. Points will be awarded based on the written statements of support from local and state elected officials representing constituents in areas that include the location of the Development and from neighborhood and/or community civic organizations for areas that encompass the location of the Development. Letters of support must identify the specific Development and must state support of the specific Development at the proposed location. This documentation must be provided as part of the Application. Letters of support from state officials that do not represent constituents in areas that include the location of the Development will not qualify for points under this Exhibit, nor do letters of support from organizations that are not active in the area that includes the location of the Development. For the purposes of this Exhibit neighborhood and/or community civic organizations do not include governmental entities, taxing entities or educational entities. Letters of support received after the close of the Application Acceptance Period will not be accepted for this Exhibit. Points can be awarded for letters of support as identified in clauses (i) through (iv) of this subparagraph, not to exceed a total of 6 points:

(i) from United States Representative or Senate Member (3 points each, maximum of 6 points)

(ii) from State of Texas Representative or Senate Member (2 points each, maximum of 4 points);

(ii) from the Mayor, County Judge, City Council Member, or County Commissioner indicating support; or a resolution from the local governing entity indicating support of the Development (maximum of 2 points);

(iv) from neighborhood and/or community civic organizations (1 point each, maximum of 2 points).

(4) Development Characteristics. Developments may receive points under as many of the following subparagraphs as are applicable; however to qualify for points under subparagraphs (B) through (H) of this paragraph, the Development must first meet the minimum requirements identified under subparagraph (A) of this paragraph, unless otherwise provided in the particular subparagraph. This minimum requirement does not apply to Developments involving rehabilitation or Developments receiving funding from TX-USDA-RHS.

(A) Unit Size. The square feet of all of the units in the Development, for each type of unit, must be at minimum:

(i) 500 square feet for an efficiency unit;

(ii) 650 square feet for a non-elderly one bedroom unit; 550 square feet for an elderly one bedroom unit;

(iii) 900 square feet for a two bedroom unit; 750 square feet for an elderly two bedroom unit;

(iv) 1,000 square feet for a three bedroom unit; and

(v) 1,200 square feet for a four bedroom unit.

(B) Cost per Square Foot. For this exhibit hard costs shall be defined as construction costs, including site work, contractor profit, overhead and general requirements, as represented in the Development Cost Schedule. This calculation does not include indirect construction costs. The calculation will be hard costs per square foot of net rentable area (NRA). The calculations will be based on the hard cost listed in the Development Cost Schedule and NRA shown in the Rent Schedule of the Application. Developments do not exceed $60 per square foot. (1 point).

(C) Unit Amenities and Quality. Developments providing specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure provided in clauses (i) through (xii) of this subparagraph, not to exceed 10 points in total. Developments involving rehabilitation will double the points listed for each item, not to exceed 10 points in total.

(i) Covered entries (1 point);

(ii) Computer line/phone jack available in all bedrooms (only one phone line needed) (1 point);

(iii) Mini blinds or window coverings for all windows (1 point);

(iv) Ceramic tile floors in entry, kitchen and bathrooms (2 points);

(v) Laundry connections (1 point);

(vi) Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets (1 point);

(vii) Laundry equipment (washers and dryers) in units (3 points);

(viii) Twenty-five year architectural shingle roofing (1 point);

(ix) Covered patios or covered balconies (1 point);

(x) Covered parking of at least one covered space per Unit (2 points);

(xi) Garages, which do not also qualify as covered parking (3 points);

(xii) Greater than 75% masonry on exterior, which can include stucco, but that excludes cementious board or efis products(3 points);

(xiii) Use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20 (3 points).

(D) The Development is an existing Residential Development without maximum rent limitations or set-asides for affordable housing for which the proposed rehabilitation is part of a community revitalization plan. If maximum rent limitations had existed previously, then the restrictions must have expired at least one year prior to the date of Application to the Department (4 points).

(E) The Development is a mixed-income Development comprised of both market rate Units and qualified tax credit Units. Points will be awarded to Development's with a Unit based Applicable Fraction which is no greater than:

(i) 80% (8 points); or,

(ii) 85% (6 points); or,

(iii) 90% (4 points); or

(iv) 95% (2 points).

(F) Evidence that the proposed historic Residential Development has received an historic property designation by a federal, state or local Governmental Entity. Such evidence must be in the form of a letter from the designating entity identifying the Development by name and address and stating that the Development is:

(i) listed in the National Register of Historic Places under the United States Department of the Interior in accordance with the National Historic Preservation Act of 1966;

(ii) located in a registered historic district and certified by the United States Department of the Interior as being of historic significance to that district;

(iii) identified in a city, county, or state historic preservation list; or

(iv) designated as a state landmark (6 points).

(G) The Development consists of not more than 36 Units and is not a part of, or contiguous to, a larger Development (5 points).

(H) Evidence that the proposed Development is partially funded by a HOPE VI, Section 202 or Section 811 grant or project-based Section 8 voucher from HUD; or a Community Development Block Grant or HOME award. If the proposed Development involves a Section 811 grant the Applicant must provide evidence that the Development will comply with the Department's definition of Integrated Housing. The Development must have already applied for funding from the funding entity. Evidence shall include a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. Notice of actual commitment must be received consistent with §49.9(e)(6)(D)(iii). In the event that an award is not made by the funding entity, the Department will reevaluate the Application to ensure its continued financial feasibility (5 points).

(5) Sponsor Characteristics. Developments may only receive points for one of the three criteria listed in subparagraphs (A) through (C) of this paragraph. To satisfy the requirements of subparagraphs (A) or (B) of this paragraph, a copy of an agreement between the two partnering entities must be provided which shows that the nonprofit organization or HUB will hold an ownership interest in and materially participate (within the meaning of the Code §469(h)) in the development and operation of the Development throughout the Compliance Period and clearly identifies the ownership percentages of all parties (3 points maximum for one of subparagraphs (A) through (C) of this paragraph).

(A) Evidence that a HUB, as certified by the Texas Building and Procurement Commission (formerly General Services Commission), has an ownership interest in and materially participates in the development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas Building and Procurement Commission (formerly General Services Commission) that the Person is a HUB at the close of the Application Acceptance Period. Evidence will need to be supplemented, either at the time the Application is submitted or at the time a HUB certification renewal is received by the Applicant, confirming that the certification is valid through July 31, 2003 and renewable after that date.

(B) Joint Ventures with Qualified Nonprofit Organizations. Evidence that the Development involves a joint venture between a for profit organization and a Qualified Nonprofit Organization. The Qualified Nonprofit Organization must be materially participating in the Development as one of the General Partners (or Managing Members), but is not required to have Control, to receive these points. However, to also be eligible for the Nonprofit Set-Aside, as further described in §49.7 of this title, the Qualified Nonprofit Organization must have Control.

(C) The proposed Development involves the rehabilitation of existing Units, or on- or off-site replacement of Units, that are owned by a Public Housing Authority, and which Units, or replacement Units, will continue to be owned by a partnership Controlled by said Public Housing Authority or its nonprofit affiliate as evidenced by a partnership agreement showing the Control by the said Public Housing Authority. A Housing Finance Agency is not considered to be a Public Housing Authority for purposes of this exhibit.

(6) Developments Targeting Tenant Populations of Individuals with Children. The Rent Schedule of the Application must show that 50% or more of the Units in the Development have more than 2 bedroom (1 point).

(7) Development Provides Supportive Services to Tenants. Points may be received under both subparagraphs (A) and (B) of this paragraph.

(A) An Applicant will receive points for coordinating their tenant services with those services provided through state workforce development and welfare programs as evidenced by execution of a Tenant Supportive Services Certification (2 points).

(B) The Development Owner must certify that the Development will provide a combination of special supportive services appropriate for the proposed tenants. The provision of supportive services will be included in the LURA as selected from the list of services identified in this paragraph. Services must be provided on-site or transportation to off-site services must be provided (maximum of 6 points).

(i) Applicants will be awarded points for selecting services listed in clause (ii) of this sub-paragraph based on the following scoring range:

(I) Two points will be awarded for providing one of the services; or

(II) Four points will be awarded for providing two of the services; or

(III) Six points will be awarded for providing three of the services.

(ii) Service options include child care; transportation; basic adult education; legal assistance; counseling services; GED preparation; English as a second language classes; vocational training; home buyer education; credit counseling; financial planning assistance or courses; health screening services; health and nutritional courses; youth programs; scholastic tutoring; social events and activities; senior meal program; home-delivered meal program; community gardens or computer facilities; any other programs described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families; or any other services approved in writing by the Department.

(8) Tenant Characteristics – Populations with Special Needs. Evidence that the Development is designed solely for transitional housing for homeless persons on a non-transient basis, with supportive services designed to assist tenants in locating and retaining permanent housing. For the purpose of this exhibit, homeless persons are individuals or families that lack a fixed, regular, and adequate nighttime residence as more fully defined in 24 Code of Federal Regulations, §91.5, and as may be amended from time to time. All of the items described in subparagraphs (A) through (E) of this paragraph must be submitted:

(A) a detailed narrative describing the type of proposed housing;

(B) a referral agreement, not more than 12 months old from the first day of the Application Acceptance Period, with an established organization which provides services to the homeless;

(C) a marketing plan designed to attract qualified tenants and housing providers;

(D) a list of supportive services; and

(E) adequate additional income source to supplement any anticipated operating and funding gaps (15 points).

(9) Low Income Targeting Points. An Applicant may qualify for points under subparagraph (C) of this paragraph. To qualify for these points, the rents for the rent-restricted Units must not be higher than the allowable tax credit rents at the rent-restricted AMGI level. For Section 8 residents, or other rental assistance tenants, the tenant paid rent plus the utility allowance is compared to the rent limit to determine compliance. The Development Owner, upon making selections for this exhibit will set aside Units at the rent-restricted levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA.

(A) No more than 50% of the total number of low income units (including Units at 60% of AMGI) will be counted as designated for tenants at or below 50% of the AMGI for purposes of determining the points in the 50%, 40% and 30% AMGI categories. No more than 30% of the total number of low income targeted units will be counted as designated for tenants at or below 40% of the AMGI for purposes of determining the points in the 40% and 30% AMGI categories. No more than 20% of the total number of low income targeted units will be counted as designated for tenants at or below 30% of the AMGI for purposes of determining the points in the 30% AMGI category. For purposes of calculating "Total Low Income Targeted Units" for this exhibit, Units at 60% of AMGI are also included.

(B) For purposes of calculating points no Unit may be counted twice in determining point eligibility.

(C) Developments should be scored based on the structure in the table below. Only Developments located in cities (or counties for Developments not located within a city) whose AMGI is below the statewide AMGI, may use Weight Factor B. All other Applicants are required to use Weight Factor A.

| **% of AMGI** | **# of Rent Restricted Units (a)** | **Portion of Rent Restricted Units (a/b)** | | **Weight A** | **OR** | **Weight B** | **Points** |
|---|---|---|---|---|---|---|---|
| 50% | (a) | (c) | X | 5 | | 10 | |
| 40% | (a) | (c) | X | 15 | | 20 | |
| 30% | (a) | (c) | X | 30 | | 40 | |
| TOTAL LI TARGETED UNITS* | (b) | | | | | TOTAL POINTS = | |

*Includes Units at 60% of AMGI

(10) Length of Affordability Period. In accordance with the Code, each Development is required to maintain its affordability for a 15-year compliance period and, subject to certain exceptions, an additional 15-year extended use period. Applicants that are willing to extend the affordability period for a Development beyond the 30 years required in the Code may receive points as follows:

(A) Add 5 years of affordability after the extended use period for a total affordability period of 35 years (8 points); or

(B) Add 10 years of affordability after the extended use period for a total affordability period of 40 years (12 points).

(11) Evidence that Development Owner agrees to provide a right of first refusal to purchase the Development upon or following the end of the Compliance Period for the minimum purchase price provided in, and in accordance with the requirements of, §42(i)(7) of the Code (the "Minimum Purchase Price"), to a Qualified Nonprofit Organization, the Department, or either an individual tenant with respect to a single family building, or a tenant cooperative, a resident management corporation in the Development or other association of tenants in the Development with respect to multifamily developments (together, in all such cases, including the tenants of a single family building, a "Tenant Organization"). Development Owner may qualify for these points by providing the right of first refusal in the following terms (5 points).

(A) Upon the earlier to occur of:

(i) the Development Owner's determination to sell the Development, or

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

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

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

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

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

(iv) If, during such two-year period, the Development Owner shall receive an offer to purchase the Development at the Minimum Purchase Price from one of the organizations designated in clauses (i), (ii), and (iii) of this subparagraph (within the period(s) appropriate to such organization), the Development Owner shall sell the Development at the Minimum Purchase Price to such organization. If, during such period, the Development Owner shall receive more than one offer to purchase the Development at the Minimum Purchase Price from one or more of the organizations designated in clauses (i), (ii), and (iii) of this subparagraph (within the period(s) appropriate to such organizations), the Development Owner shall sell the Development at the Minimum Purchase Price to whichever of such organizations it shall choose.

(C) After whichever occurs later of:

(i) the end of the Compliance Period; or

(ii) two years from delivery of a Notice of Intent,

the Development Owner may sell the Development without regard to any right of first refusal established by the LURA if no offer to purchase the Development at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or a period of 120 days has expired from the date of acceptance of all such offers as shall have been received without the sale having occurred, provided that the failure(s) to close within any such 120-day period shall not have been caused by the Development Owner or matters related to the title for the Development.

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

(E) The Department shall, at the request of the Development Owner, identify in the LURA a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Development at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(F) The Department shall have the right to enforce the Development Owner's obligation to sell the Development as herein contemplated by obtaining a power-of-attorney from the Development Owner to execute such a sale or by obtaining an order for specific performance of such obligation or by such other means or remedy as shall be, in the Department's discretion, appropriate.

(12) Pre-Application Points. Developments which submit a Pre-Application during the Pre-Application Acceptance Period and meet the requirements of this paragraph shall receive 7 points. To be eligible for these points, the proposed Development in the Application must:

(A) be for the identical site as the proposed Development in the Pre-Application;

(B) have met the Pre-Application Threshold Criteria;

(C) be serving the same target population (family or elderly) as in the Pre-Application in the same Set-Asides; and

(D) achieve an Application score that is not more than 5% greater or less than the number of points requested at Pre-Application.

(13) Point Reductions. Penalties will be imposed on Applicant if the Applicant or any of its Affiliates who have requested extensions of Department deadlines, and did not meet the original submission deadlines, relating to developments receiving a housing tax credit commitment made in the application round preceding the current round. Applicants or Affiliates having filed an extension, but that met the original deadline as required, will not have points deducted. Extensions that will receive penalties include all types of extensions identified in §49.21 of this title, received on or before the close of Application Acceptance Period, including Developments whose extensions were authorized by the Board. For each extension request made, the Applicant will be required to pay a $2,500 extension fee as provided in §49.21(k) of this title and receive a 2 point deduction.

(g) **Evaluation Factors.** In the event that two or more Applications receive the same number of points in any given Set-Aside category and Uniform State Service Region, and are both practicable and economically feasible, the Department will utilize the factors in paragraphs (1) through (6) of this subsection, in the order they are presented, to determine which Development will receive a preference in consideration for a tax credit commitment. In addition, the Committee and Board may also choose to evaluate Applications and proposed Developments, including Tax Exempt Bond Developments, on the basis of factors other than (or in addition to) scoring, for one or more of the following reasons:

(1) to serve a greater number of lower income families for fewer credits;

(2) to ensure geographic dispersion within each Uniform State Service Region;

(3) to ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan;

(4) to ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built as required under the Texas General Appropriations Act applicable to the Department;

(5) to give preference to a Development which is located in a QCT or a Difficult Development Area as specifically designated by the Secretary of HUD, and which also contributes to a concerted community revitalization plan; and

(6) to provide integrated, affordable accessible housing for individuals and families with different levels of income.

(h) **Staff Recommendations**. After eligible Applications have been evaluated, ranked and underwritten in accordance with the QAP and the Rules, the Department staff shall make its recommendations to the Executive Award and Review Advisory Committee. The Committee will develop funding priorities and shall make commitment recommendations to the Board. Such recommendations and supporting documentation shall be made in advance of the meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. The Committee will provide written, documented recommendations to the Board which will address at a minimum the financial or programmatic viability of each Application and a list of all submitted Applications which enumerates the reason(s) for the Development's proposed selection or denial, including all evaluation factors provided in §49.9(g) of this title that were used in making this determination.

# Timeline for 2004 QAP Development

| **Stage of Rulemaking Process** | **Date Due / Deadline** |
|---|---|
| First Meeting of the 2004 QAP Work Group **(ORCA Presence)** | February 20, 2003 |
| March Meeting of the 2004 QAP Work Group **(ORCA Presence)** | March 12, 2003 |
| April Meeting of the 2004 QAP Work Group **(ORCA Presence)** | April 9, 2003 |
| May Meeting of the 2004 QAP Work Group **(ORCA Presence)** | May 14, 2003 |
| Last Meeting of the 2004 QAP Work Group **(ORCA Presence)** | June 11, 2003 |
| Internal Meeting(s) to discuss changes and gather input from Directors and Supervisors | July 21-24, 2003 |
| Internal Strategic Planning Meeting | July 25, 2003 |
| Internal Executive Meeting/EARAC to go over Draft Rules **(ORCA Presence)** | July 28, 2003 |
| Work Session with TDHCA Board **(ORCA Presence)** | July 28 – July 31, 2003 |
| Routing of Executive Action Item | August 1, 2003 |
| Submission for Board Book to Delores –Anticipated final Rules, for Public Comment | August 5, 2003 |
| TDHCA Board Meeting to Approve Draft Rules for Public Comment | August 14, 2003 |
| Submission of Drafts (with board changes) and hearing information to Texas Register and posting to web | August 18, 2003 |
| Do all required hearing notifications/mailings | August 19-22, 2003 |
| Publication of Drafts in Texas Register | August 29, 2003 |
| Public Hearings on All Rules / Consolidate Hearings (All 13 regions) **(ORCA Presence)** | September 29 - October 10, 2003 |
| Synthesis of Public Comment and Internal Meeting(s) to Discuss Changes | October 10-17, 2003 |
| Executive Meeting/EARAC to go over Final Rules **(ORCA Presence)** | October 17, 2003 |
| Routing of Executive Action Item | October 27, 2003 |
| Submission for Board Book to Delores | November 4, 2003 |
| Board Meeting to Approve Final Rules | November 13, 2003 |
| Submission (with board changes) in Texas Register and posting on web | November 17, 2003 |
| QAP to Governor’s Office with Cover Letter summarizing public comment | November 14, 2003 (due 11/15 – Saturday) |
| Governor Deadline to Approve QAP | December 1, 2003 |
| Posting in Texas Register | November 28, 2003 |