BOARD MEETING OF NOVEMBER 14, 2003

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

November 14, 2003

ROLL CALL

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

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1400 N. Congress, State Capitol Extension Auditorium, Austin, Texas
November 14, 2003 8:00 a.m.

A G E N D A

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM Chair of Board

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

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

ACTION ITEMS

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of October 9, 2003 Chair of Board

Item 2 Presentation, Discussion and Possible Approval of: Edwina Carrington

a) 2004 Regional Allocation Formula

b) 2004 Affordable Housing Needs Score

Item 3 Presentation, Discussion and Possible Approval of Department: Rules Edwina Carrington

a) Final Housing Tax Credit Qualified Allocation Plan for 2004:

Adoption of Repeal of Title 10, Part 1, Chapter 50 – 2001 Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules;

Adoption of New Title 10, Part 1, Chapter 50 – 2004: Housing Tax Credit Program Qualified Allocation Plan and Rules

b) Final Housing Trust Fund Rules:

Adoption of Repeal of Title 10, Part 1, Chapter 51 – Housing Trust Fund Rules

Adoption of New Title 10, Part 1, Chapter 51 - Housing Trust Fund Rules

c) Final Real Estate Analysis Rules:

Adoption of Amendment to Title 10, Part 1, Chapter 1, Subchapter B – Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, and Property Condition Assessment Rules And Guidelines Including New Section 1.36 Property Condition Assessment Rules and Guidelines

d) Final HOME Program Rules:

Adoption of Repeal of Title 10, Part 1, Chapter 53, Section 53.59

Adoption of Amendment to Title 10, Part 1, Chapter 53 – Home Investment Partnerships Program

e) Final Integrated Housing Rule:

Adoption of New Title 10, Part 1, Subchapter A, Section 1.15

f) Final Portfolio Management and Compliance Rules:

Adoption of New Title 10, Part 1, Chapter 60 – Compliance Administration, Subchapter A, Compliance Monitoring and Asset Management

g) Final Multi Family Bond Rules:

Withdrawal of Emergency Repeal Title 10, Part 1, Chapter 33 – Guidelines for Multifamily Housing Revenue Bond Rules

Adoption of Repeal of Title 10, Part 1, Chapter 33 – Guidelines for Multi Family Housing Revenue Bond;

Adoption of Repeal of Title 10, Part 1, Chapter 35 – Taxable Multi Family Mortgage Revenue Bond Program;

Adoption of Repeal of Title 10, Part 1, Chapter 39 – Tax-Exempt Multi Family Mortgage Revenue Bond Program;

Withdrawal of Emergency New Title 10, Part 1, Chapter 33 – Multifamily Housing Revenue Bond Rules

Adoption of New Title 10, Part 1, Chapter 33 – Multifamily Housing Revenue Bond Rules;

Item 4 Presentation, Discussion and Possible Approval of Interagency Contract with the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs on the Housing Tax Credit Set Aside — Edwina Carrington

Item 5 Presentation, Discussion and Possible Approval of “Draft” 2004 Application Submission Procedures Manual for Housing Tax Credits and Housing Trust Fund — Edwina Carrington

Item 6 Presentation, Discussion and Possible Approval of Programmatic Items: — Shad Bogany

a) Section 8 Program

1) Resolution No. 03-085 Authorizing Payment Standards for Section 8 Program for FY 2004

2) Resolution No. 03-086 Authorizing Consolidation of Three Annual Contributions Contracts into One Annual Contributions Contract

3) Resolution No. 03-087 Authorizing the Transfer of Thirty Section 8 Vouchers from the Texas Department of Housing and Community Affairs to the U.S. Department of Housing and Urban Development

b) HOME Program:

1) FY 2002-2003 Multi Family HOME Appeal for Bethel Senior Housing

2) Single Family HOME Program Awards for Disaster Relief Projects for $13,832,000 in HOME Program Deobligated Funds

FEMA DR 1425 Awards:
2003-0382-Institute of Rural Development for $520,000
2003-0383-Jim Wells County for $520,000
2003-0384-Live Oak County for $520,000
2003-0385-San Patricio County for $520,000
2003-0386-Rural Economic Assistance League (R.E.A.L.) for $520,000
2003-0387-Dimmit County for $520,000
2003-0388-City of Tuscola for $520,000
2003-0389-City of Big Wells for $520,000
2003-0390-City of Benavides for $520,000
2003-0391-Medina County for $520,000
2003-0392-Karnes County for $520,000
2003-0393-City of Robstown for $520,000
2003-0394-City of Kenedy for $520,000
2003-0400-LaSalle County for $520,000
2003-0401-City of Cotulla for $520,000
2003-0402-City of Hondo for $520,000

FEMA DR 1434 Awards:
2003-0395-Jim Wells County for $520,000
2003-0396-R.E.A.L. for $520,000
2003-0404-Institute of Rural Development for $520,000
2003-0405-Live Oak County for $520,000
2003-0406-San Patricio County for $520,000

FEMA DR 1439 Awards:
2003-0397-Jim Wells County for $520,000
2003-0398-Institute of Rural Development for $520,000
2003-0399-R.E.A.L. for $520,000
2003-0403-San Patricio County for $520,000

State Declared Declarations Awards:
2003-0407-Johnson County for $520,000
2003-0408-Rusk County for $312,000

c) Housing Trust Fund:

Request for Forgiveness of Repayment in the amount of $168,000 in Predevelopment Loans for the Green Bridge Development Company

Item 7 Presentation, Discussion and Possible Approval of Financial Items: C. Kent Conine

a) Mortgage Credit Certificates:

1) Mortgage Credit Certificate Program Administrator

2) Resolution No. 03-080 Authorizing Mortgage Credit Certificate Program for First Time Homebuyers

b) Capital Fund Program Revenue Bonds (Modernization and Preservation Program)

c) Resolution No. 03-081 Authorizing an Additional Series for TDHCA's Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes Program

Item 8 Presentation, Discussion and Possible Approval of Housing Tax Credit Items: Chair of Board

a) Request for Extensions:

1) No. 02-019, Yale Village Apartments, Houston, Texas
No. 02-020, Kings Row Apartments, Houston, Texas
No. 02-021, Continental Terrace Apartments, Ft. Worth, Texas
No. 02-022, Castle Garden Apartments, Lubbock, Texas

2) No. 02-097, Park Manor Apartments, Waxahachie, Texas

3) No. 02-103, Valley View Apartments, Pharr, Texas

4) No. 02-119, Lovett Manor, Houston, Texas

5) No. 02-131, Meadows of Oakhaven, Pleasanton, Texas

6) No. 02-147, Heatherbrook Apartments, Houston, Texas

b) Issuance of Determination Notices with Other Issuers:

03-432 Primrose Skyline Apartments, Houston in amount of $0
Harris County Housing Finance Corp. is the Issuer

03-433 Southern Terrace, Dallas in amount of $1,043,740
Dallas Housing Finance Corp. is the Issuer

03-434 Preakness Ranch, Dallas in amount of $939,661
Dallas Housing Finance Corp. is the Issuer

03-436 Northland Woods Apartments, Houston in amount of $865,730
Harris County Housing Finance Corp. is the Issuer

03-438 Parkside Point Apartments, Houston in amount of $792,586

Houston Housing Finance Corp. is the Issuer

03-441 Primrose at Jefferson Plaza, San Antonio in amount of $616,285
Bexar County Housing Finance Corp. is the Issuer

03-442 Little York Parc Apartments, Houston in amount of $883,444
Victory Street Public Utility Corp. is the Issuer

03-449 Little Nell Apartments, Houston in amount of $920,281
Houston Housing Finance Corp. is the Issuer

c) Amendments:

01-007, Grand Texan Apartments, McKinney, Texas

03-220, Desert Breeze, El Paso, Texas

03-231, Montgomery Meadows, Huntsville, Texas

REPORT ITEMS

Executive Directors Report — Edwina Carrington

Update on Revised Homebuyer Assistance Program Income Calculations For the HOME Program
Status of the Family Self Sufficiency Program
NCSHA Annual Conference
Federal Legislation - HR284/S595 – Housing Bond and Credit Modernization And Fairness Act
Availability of 4.99% Unassisted First Time Homebuyer Funds

EXECUTIVE SESSION — Chair of Board

Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code – Matters Concerning Section 572.054, Texas Government Code;
If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION — Chair of Board

Action in Open Session on Items Discussed in Executive Session

ADJOURN

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.

EXECUTIVE OFFICE

BOARD ACTION REQUEST
November 14, 2003

Action Items

Board Minutes of October 9, 2003.

Required Action

Approve with any necessary corrections the minutes of the Board Meetings.

Background

The Board is required to keep minutes of each of their meetings. Staff recommends approval of the minutes.

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Room 437, Austin, Texas 78701
October 9, 2003 10:30 a. m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of October 9, 2003 was called to order by Board Chair Michael Jones at 10:32 a.m. It was held at 507 Sabine, Room 437, Austin, Texas. Roll call certified a quorum was present.

Members present:
Michael Jones -- Chair
C. Kent Conine -- Vice Chair
Shadrick Bogany – Member (joined the meeting in progress)
Norberto Salinas -- Member
Vidal Gonzalez -- Member
Beth Anderson -- 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 either gave comments at this time or preferred to wait until the agenda item was presented.

<u>Ernesto Maldonado, Principal, Glassman Shoemake Maldonado Architects, Houston, Texas</u>
Mr. Maldonado discussed their experience in Houston in dealing with local opposition. He stated he appreciated the boards' interest in this issue and trying to work towards making affordable housing something that is acceptable and encouraged by the neighborhoods. They are trying to get the neighborhoods to understand how important affordable housing is to a neighborhood. They worked for 18 months on a project to get the residents, the city representatives, state representatives and federal representatives on board with housing issues. They found it was a very positive thing and they built community consensus.

Mr. Jones closed public comment at 10:45 am but would allow those people who requested to speak at the time of the agenda items to do so at that time.

Mr. Jones recognized Liza Gonzales from the Governors Office and Jeremy Mazur from Rep. Callegari's office who were in attendance and he welcomed them to the meeting.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of the Board Meetings of August 14, 2003 and September 11, 2003
Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the Minutes of the Board Meetings of August 14, 2003 and September 11, 2003.
Passed Unanimously

<u>Donna Chatham, Executive Director, ARCIT, Austin, Texas</u>
Ms. Chatham stated their organization has over 270 members which indicates that rural Texas wants to be involved in the policy making process for rural communities. This group has been working with the

ORCA board and wants to work close with TDHCA to help form more rural policy. She stated ARCIT is part of a new coalition which is forming and is called the Alliance for Rural Texas. She invited the department to join in this alliance.

(2) Presentation and Discussion of Proposed 2004 Affordable Housing Needs Score

Ms. Carrington stated this is an information only item and in September the Board did approve the affordable housing needs score. There were public hearings held around the state on the rules of the department and it was discovered that inadvertently the affordable housing needs score that the board approved in September and as a component of the state low income housing plan does not achieve what the department had intended it to achieve. It serves as a disincentive as the points are lower in smaller more rural communities and higher in urban areas and that is the opposite of what the department was looking to achieve. Staff will be going back to the affordable housing needs score that was used in the 2003 state plan and various funding sources. Staff will change those scores on the website so there is accurate and appropriate information for what this department is looking to achieve through the utilization of this affordable housing needs score.

(3) Presentation, Discussion and Possible Approval of Financial Items:

a) Multi-Family Bonds:

Proposed Issuance of Multifamily Mortgage Revenue Bonds for Arlington Villas (fka Hampton Villas), Arlington, Texas in an Amount not to Exceed $16,700,000 and Issuance of Determination Notice in the Amount of $752,224 for Housing Tax Credits for Arlington Villas, 03-424 with TDHCA as the Issuer

Ms. Carrington stated Arlington Villas is a new construction project with 4% tax credits with TDHCA as the issuer. It will have 280 units and there is $15 million in tax-exempt bonds and $2.1 million on taxable bonds. The bonds will be issued under two indentures for the first 24 months and they will be rated. When it converts, it will be a private placement and not be rated. The real estate analysis division used a blended rate of 6.87, 6.81 as they underwrote the transaction. The annual credit amount is $752,224 with conditions on the underwriting report.

Motion made by C. Kent Conine and seconded by Beth Anderson to approve Resolution No. 03-77 approving the issuance of multifamily mortgage revenue bonds for Arlington Villas, Arlington, Texas in an amount not to exceed $16,700,000 and issuance of a determination notice in the amount of $752,224 for housing tax credits.
Passed Unanimously

b) Transfer of Funds:

Review Transfer of Funds from Single Family Bond Production from 1983 Multifamily Transaction in the Amount of $308,884.50 to the Multi Family Finance Production Division to Augment the Junior Lien Preservation Program and to Increase the Notice of Funding Availability for the MF Housing Incentives Program by $308,884.50

Ms. Carrington stated Bank One has served as trustee for the department for several years and Bank One trust department was bought by J.P. Morgan Chase. In reviewing various indentures and making this transfer, staff discovered funds in the 1983 indenture in the amount of $308,884.50. Staff is recommending that the Board approve the addition of this money to the preservation program of the multifamily housing incentives program. It would be available for the department to continue preservation activities and staff is requesting this approval.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the transfer of funds from the 1983 multifamily transaction in the amount of $308,884.50 to the Multi Family Finance Production Division to augment the Junior Lien Preservation Program and to increase the Notice of Funding Availability for the MF Housing Incentives Program by $308,884.50.
Passed Unanimously

c) Bond Inducements:

Inducement Resolutions Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Projects Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2004

2004-001	Chisholm Trail Apts.	Houston	$12,000,000
2004-002	Montgomery Pines Apts.	Porter	$12,300,000
2004-003	Lake June Park Apts.	Dallas	$13,900,000
2004-004	Post Oak East Apts.	Ft. Worth	$13,000,000
2004-005	Pinnacle Apartments	Houston	$15,000,000
2004-006	Sugar Pines Apts.	Houston	$11,600,000
2004-007	Wellington Park Apts.	Houston	$15,000,000
2004-008	Mayfair Apartments	Houston	$13,000,000
2004-009	Post Oak West Apts.	Ft. Worth	$13,000,000
2004-010	Sphinx @ Delafield	Dallas	$13,600,000
2004-011	Sphinx @ Greens	Houston	$14,300,000
2004-012	Rosemont @ Trinity	Ft. Worth	$15,000,000
2004-013	Rosemont @ Dreeben	Haltom City	$15,000,000
2004-014	Rosemont @ Shiver	Ft. Worth	$15,000,000
2004-015	Rosemont @ Parkway	Ft. Worth	$15,000,000
2004-016	Rosemont @ Paschall	Mesquite	$15,000,000
2004-017	Primrose @ Stonebrook	Frisco	$14,700,000
2004-018	Rosemont @ Cooks Lane	Ft. Worth	$15,000,000
2004-019	Rosemont @ Chenault	Mesquite	$15,000,000
2004-020	Churchill @ Georgetown Srs.	Georgetown	$15,000,000
2004-021	Churchill @ Round Rock Town.	Round Rock	$15,000,000
2004-022	Churchill @ Pinnacle Park	Dallas	$11,700,000
2004-023	Evergreen @ Los Colinas	Irving	$13,700,000
2004-024	Evergreen @ Plano Ind.	Plano	$15,000,000
2004-025	Evergreen @ Plano Stonebr.	Plano	$15,000,000
2004-026	Western Hills Apts.	San Antonio	$ 4,400,000
2004-027	Tranquility Bay Apts.	Pearland	$14,600,000
2004-028	Creekside Manor Apts.	Houston	$12,000,000
2004-029	Rose Court at Westmoreland	Dallas	$15,000,000
2004-030	Rose Court at College Park	Dallas	$15,000,000
2004-031	Rose Court at Remond	Dallas	$15,000,000
2004-032	Rose Court at Madison III	Dallas	$15,000,000
2004-033	Rose Court at Madison	Dallas	$15,000,000
2004-034	Hills Apartments	Houston	$11,600,000
2004-035	Rose Court at Pearsall Apts.	San Antonio	$13,300,000
2004-036	Rose Court at Wimbledon	Dallas	$15,000,000
2004-037	Rose Court III	Dallas	$15,000,000
2004-038	Rose Court at Riverside	San Antonio	$13,300,000
2004-039	Merry Oaks Homes	San Antonio	$13,300,000
2004-040	Rose Court at Forney Hei.	Dallas	$15,000,000
2004-041	Rose Court at Prairie Oaks	Arlington	$13,400,000
2004-042	Rose Court at Riverside II	Dallas	$15,000,000
2004-043	Rose Court at Simpson Stu.	Dallas	$15,000,000
2004-044	Rose Court on the Stream	Dallas	$15,000,000
2004-045	Alta Renn Apartments	Houston	$14,000,000
2004-046	Alta Cullen Apartments	Houston	$14,000,000

Ms. Carrington stated the department accepted applications for those developers who were interested in accessing the private activity bond volume cap for 2004 using TDHCA as the issuer. The department is down from 100 applications in 2002 to 46 applications this year. These 46 applications totaled about $649,000,000. There is an additional fee required of developers which is a $5,000 fee when they apply to the BRB. $1,000 will go to the Bond Review Board and the remaining $4,000 will come to the department to contract in a series of market studies, research data related to the benefits and the placing of affordable housing. The multifamily cap with the Bond Review Board is divided up with 20% of the total amount coming to the department; 70% going to local issuers; and, 10% going to TSAHC. Priority I has 3 options for developers to choose from with Priority II being an option and Priority III being the third option. All applications will have to meet the requirements of the 2004 Qualified Allocation Plan. There are some applications now that are not in conformance with the QAP rules and will not quality for a housing tax credit determination notice as they have no 1 bedroom units.

Mr. Conine stated that he desires to make sure developers develop products that are consistent with the needs of the citizens of Texas. He felt the department is not getting all applications that are meeting the needs of the citizens.

Ms. Carrington stated if the applications do not comply with the rules of the 2004 Qualified Application Plan that they will not be eligible and will fall out.

Motion made by C. Kent Conine and seconded by Norberto Salinas to amend the list to remove Primrose at Stonebrook No. 2004-017 from the list.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve Resolution No. 03-078 and the amended list.
Passed Unanimously

d) Fourth Quarter Investment Report
Mr. Bill Dally, Chief of Agency Administration, stated this report contains all the elements required by the Public Funds Investment Act which is to show all details of investments by type, maturity and market value and the investments by funds. It reflects the purchases, sales and maturities that occurred during the year and one can see the trend of refinancings on this report.

<u>David Kelly, Carlton Residential, Dallas, Texas</u>
Mr. Kelly stated he was in attendance to answer any questions from the Board.

<u>Mike Gilbert, Developer, Kerrville, Texas</u>
Mr. Gilbert stated he was requesting an extension for the Meadows of Oakhaven. On July 30th the Board granted an extension to close by September 11 on their construction loan. They were able to close that loan on October 8th which was the extension date requested of the Board. They have accomplished what they set out to do but a little later than anticipated. As a result of closing of the loan, they have invested more money in the project.

4) Presentation, Discussion and Possible Approval of Housing Tax Credit Items:
a) Request for Extensions:
1) No. 02-131 Meadows of Oakhaven
Ms. Carrington stated staffs recommendation was to deny the extension because the QAP does not allow for more than one 30 day extension.

Motion made by Norberto Salinas and seconded by Beth Anderson to approve the request for an extension for No. 02-131, Meadows of Oakhaven.
Passed Unanimously

2) No. 02-086 Refugio Street Apartments
Ms. Carrington stated this was an extension request for the commencement of substantial construction on the Refugio Street Apartments, which was a 2002 tax credit development located in San Antonio. Staff is recommending an extension deadline of January 31, 2004.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the request for an extension for No. 02-086, Refugio Street Apartments to January 31, 2004. .
Passed Unanimously

Kirk Kehoe, Picerne Aff. Development, Altamonte Springs, Florida
Mr. Kehoe was in attendance to answer questions on item 4(b).

b) Issuance of Determination Notices:
03-423 Sweetwater Point, Houston, Texas in amount of $574,155
Houston Housing Finance Corp. is the Issuer
Ms. Carrington stated staff is recommending the issuance of 4% tax credits in the amount of $574,155 for Sweetwater Point Apartments to be located in Houston with the Houston Housing Finance Corporation as the issuer.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the issuance of a determination notice for 03-423, Sweetwater Point, Houston, Texas in an amount of $574,155.
Passed Unanimously

c) Amendments
1) No. 03-159 Summit Senior Village
Ms. Carrington stated this is a request for an amendment to a tax credit application that involves a material change. The QAP states that if a material change is being proposed to the development then that change must be reviewed by the Board for their consideration. The material change that is involved is to add over three acres of land to the project and it also changes two buildings to one story buildings. The City of Gainesville did request these changes. Staff is recommending this amendment be approved.

Motion made by C. Kent Conine and seconded by Beth Anderson to approve the amendment to 03-159 Summit Senior Village.
Passed Unanimously

Kent Hance, Developer, Austin, Texas
Mr. Hance stated they are requesting a change in the site plan for Sterling Springs Villas. The city has requested the developer to donate land to build a road on the west side and the developer will grant that request. He was requesting approval of amendment to the site plan for a zoning change as the first 200 feet of the property is zoned for duplexes and the back of the property is zoned for multifamily. They asked for a zoning change to make it all multifamily and it passed planning and zoning and it passed the city council on the first reading. Before the second city council reading, neighbors complained that they wanted duplexes in the first 200 feet like the original plan and he has adjusted the site plan so it will be duplexes on the front part and the multifamily on the back. This does increase the number of buildings but it does not change the number of units or the unit mix or the credits. They have done this to get along with their neighbors and the city.

2) No. 03-145 Sterling Springs Villas
Motion made by Norberto Salinas and seconded by Shad Bogany to approve the amendment to No. 03-145, Sterling Springs Villas as recommended by staff.
Passed Unanimously

David Stallcup, Collinwood Homeowners Association, Austin, Texas
Mr. Stallcup stated the Collinwood Homeowners Association represents the surrounding area around the project of Cottage Community. Where the project is to be located is a steep piece of land and bordered on Dessau Road. Dessau Road has quite a history of car accidents late at night. They are not against the project but recommend that instead of being these 7.3 acres that it be moved to a different area. There is a wider road and that would be much safer, flatter and a much better of land for them to do this project at.

Theresa Tabi, Austin, Texas
Ms. Tabi stated the local transportation, Capitol Metro, will not provide transportation to Cottage Community. She submitted a letter from Capitol Metro on not providing services. The nearest bus stop is one mile away. Due to narrow streets and an inability to turn their buses safely, Capitol Metro is not considering providing service to any residential streets within Collinwood. They will not run vans or any kind of shuttle service for regular residents of Cottage Community. Also, the closest grocery store and pharmacy is a two mile walk. Cottage Community has proposed other services such as child care and educational classes to the community at large. Because there will be no public transportation, only those that have their own vehicles can avail themselves to these services.

Tamara Barksdale, Austin, Texas
Ms. Barksdale stated affordable housing is a worthy and notable service every community should have for their citizens. Those who cannot afford median priced housing should never be excluded from safe warm neighborhoods and home ownership. Cottage Communities has selected a tract of land that is ill suited for the development as planned. TDHCA underwriting analysis supports this and the Cottage Communities lack of readiness to proceed based on numerous construction uncertainties bears this out. Access to the site is limited and the applicant has submitted contradicting information regarding right of way access to the site. She asked the Board to compel the applicant to produce a site plan consistent with its most recent plans as filed with the City of Austin. She also stated that the applicant proposes to build one 5,000 sq. ft. building to house a 100-child day care center and to accommodate support services. City zoning statutes strictly prohibit the mixed uses the applicant has planned as administrative offices, health care services and child care must be housed in separate structures.

Avery Barksdale, Austin, Texas
Mr. Barksdale stated there is a lack of readiness in terms of lining up funding with their financial partners. There are no funding commitments from the City even though there is interest from the Austin Housing Finance Corporation.

Linda Moss, President, Collinwood Homeowners Association, Austin, Texas
Ms. Moss stated the homeowners association opposes the building of this project on this particular site. They have concerns of safety, lack of public transportation, and this particular site wouldn't adequately serve the needs of the targeted population.

Tom Stacy, T. Stacy & Associates, Austin, Texas
Mr. Stacy stated they have had good meetings with the neighborhood and they intend to work with them on this project. They are asking the Board to overturn the decision of staff. They have their zoning change on the site. This does not involve child care and if they decide to put a child care facility on the property, they will ask the city for the zoning. He stated they have their funding in place and they own the site. Their request is that they stay in the program in this round of funding. If that does not happen, they will be back in the open funding.

5) Presentation, Discussion and Possible Approval of:
a) HOME Program
1) FY 2002-2003 Multi Family HOME CHDO Appeals for:
a) No. 20030116, Cottage Community

Ms. Carrington stated staff is requesting the Board deny the appeal. Cottage Community appealed to the Executive Director and their appeal was denied so they are now asking the Board to overturn this denial. The staff recommendation due to financial infeasibility and lack of all of the information needed on the construction planning and firm financing commitments, staff's recommendation is to deny this appeal.

Motion made by Beth Anderson and seconded by Vidal Gonzalez to adopt the staffs' recommendation and deny the appeal.
Motion passed with 4 ayes (Ms. Anderson, Mr. Gonzalez, Mr. Bogany, Mr. Salinas) and 1 no (Mr. Conine) and Mr. Jones did not vote.

Carolyn Truesdale, Houston, Texas
Ms. Truesdale stated she retired from Vinson & Elkins and is an attorney and is now devoting her time to working with non-profit and community organizations. She is on the board of New Hope Housing. She stated the Board is committed to this project as they provide housing to very low income people by providing one room housing. This project is being built in a location that is on two major bus routes. The rents are a little over $300 a month and they maintain and operate the buildings in good condition and provide supportive services.

Joy Horak-Brown, New Hope Housing, Houston, Texas
Ms. Horak-Brown waived her time but was available to answer questions from the Board.

a)2) Award of HOME Rental CHDO Funds to: No. 20030178, Canal Street for $1,250,000

Ms. Carrington stated this project was in the multifamily home CHDO awards set aside. When the Board make their recommendations, this project was not recommended by staff due to financial infeasibility. Canal Street appealed to the staff and Executive Director and both recommended approval of the appeal. Staff is now recommending $1,250,000 of funding from the HOME multifamily CHDO set-aside.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the award of HOME Rental CHDO Funds for No. 20030178, Canal Street for $1,250,000.
Passed Unanimously

6) Presentation, Discussion and Possible Approval of Report from Audit Committee: Fiscal Year 2004 Annual Audit Plan

Mr. David Gaines, Director of Internal Auditing, stated the Audit Committee met earlier in the day and approved an action item that needs to be approved by the full Board. This is approval of the 2004 Annual Audit Plan.

Motion made by Beth Anderson and seconded by C. Kent Conine to approve the FY 2004 Annual Audit Plan.
Passed Unanimously

b) Report Items:
1) Fiscal Year 2003 Annual Internal Audit Report

Mr. Gaines stated this is an annual report required by statute and is a summary of the audit plan and a summary of all audit issues issued during the year with the status of those issues. There is also a discussion of the other activities of the Internal Audit Division.

2) Internal Auditing Report on Manufactured Housing Division Controls Over Fee Collections
3) Internal Auditing Report on Housing Tax Credit Program Controls Over Construction of Housing Tax Credit Developments
4) HUD – Rental Integrity Monitoring Review of Section 8 Housing Choice Voucher Program
5) HUD Monitoring Report of Emergency Shelter Grant Program
6) Prior Audit Issues:
a) September 2000 HUD Section 8 Management Review
b) November 2001 HUD Monitoring Visits of HOME Program
c) June 2003 State Auditor's Report, Selected Assistance Programs
d) Other Miscellaneous Prior Audit Issues (Section 8 Program Specific Audit, Controls Over Single Family Loans Audit and Statewide Federal Single Audit)
7) Status of Central Database

Since these items were presented to the Audit Committee he referred the remaining board members to the board book for detailed information.

7) Presentation and Discussion on Update from Community Affairs Division

Mr. Eddie Farris, Director of Community Affairs, stated they are ahead of the planned performance in all goals listed in their report. Under the community services section, they have served 441 thousand persons who are at or below poverty in the state and this includes assisting in the transition from poverty of 1,565 persons. There are 76 ongoing emergency shelter grant contracts. In the energy assistance section, with the weatherization assistance program and the comprehensive energy assistance programs, they have weatherized 4,351 homes. On the Section 8 program, the lease up rate is now at 95%. The department received a $50,000 grant from the US Dept. of Health and Human Services to assist with six agencies attending national community service management academies. The department subsidized their participation by paying the registration fee.

REPORT ITEMS

Executive Directors Report

Ms. Carrington stated that the NCSHA Conference will be held in Seattle in two weeks and she along with two board members will be attending.

Meeting on Fannie Mae Expanded Approval Program

Ms. Carrington stated that in a recent Board meeting, staff had proposed to eliminate the $10 million EA component in one of the single family bond programs. Mr. Conine requested staff to spend a little more time trying to figure out what some of the issues were. Mr. Gonzalez took the lead on setting up a meeting with Fannie Mae and bankers.

Mr. Gonzalez thanked Sue Cavazos and Eric Pike for attending this meeting in San Antonio and for being involved in the whole process of the Fannie Mae Expanded Approval Program.

Sue Cavazos, Manager, SF Finance Production, stated they attended this meeting and provided an update on the expanded approval program and discussed previous marketing efforts on behalf of the staff. She stated that Tim Almquist with Countrywide Home Loans announced that they were now allowing their wholesale division to partner with community banks and brokers throughout correspondent agreements to originate loans for the department. Under this arrangement, a vehicle will exist for many other community banks and brokers to participate in the department's programs. Additional training would be conducted for current participating EA lenders in order to increase awareness regarding the EA program and they would invite any new lenders to a separate training session. They will do onsite visits with the top five lenders which are CH Mortgage, Sterling Capital, Rocky Mountain Mortgage, Northstar Mortgage and Judith O. Smith Mortgage.

Eric Pike, Director of SF Finance Production, stated they also discussed the mortgage insurance associated with loans and will discuss these issues further with Fannie Mae.

Mr. Conine stated the department needed to continue to stress to Fannie Mae that this is kind of treading new waters for the department and to use their influence on burdensome costs associated with mortgage insurance.

Introduction of Special Assistant to Executive Director

Ms. Carrington introduced Mr. Leonard Spearman, Special Assistant to the Executive Director, and stated he will be handling a variety of activities related to governmental affairs and marketing and public outreach. Mr. Spearman comes with experience from the Federal Housing Finance Board and FHA.

EXECUTIVE SESSION

Consultation with Attorney Pursuant to Sec. 551.071, Texas
Government Code – Matters Concerning Section 572.054,
Texas Government Code;

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

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Mr. Jones announced that no Executive Session will be held.

ADJOURN

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to adjourn the meeting.

The meeting adjourned at 12:40 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

Bdminoct

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION REQUEST
November 14, 2003

Action Items

2004 Regional Allocation Formula.

Required Action

Approval of the 2004 Regional Allocation Formula for the HOME, Housing Tax Credit, and Housing Trust Fund Program.

- See Attachment A for a summary of changes made to the methodology as a result of public comment.
- See Attachment B for a summary of comments and Department responses.
- See Attachment C for the version of the 2004 Regional Allocation Formula as Proposed for Final Board Approval.
- See Attachment D for the version of the 2004 Regional Allocation Formula as Proposed for Public Comment (for comparative purposes).
- See Attachment E for a summary of the 2004 Regional Allocation Formula Methodology as Proposed for Final Board Approval.

Background

In 1999, the 76th Legislature enacted Senate Bill 1112 (§2306.111, Government Code), which required TDHCA to develop and use a formula to regionally allocate its HOME Program, Housing Trust Fund (HTF), and Housing Tax Credit Program (HTC) funding. Each year, the formula is submitted for public comment, with the final version to be published in the State of Texas Low Income Housing Plan and Annual Report.

At the August 14, 2003 Board Meeting, the Board approved the Proposed Regional Allocation Formula. This proposed formula was published on the TDHCA web site and was made available upon request for public comment. The Regional Allocation Formula was also an agenda item for the public hearings held to receive additional comments on all proposed rules in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

ATTACHMENT A: Summary of Revisions to the Regional Allocation Formula Methodology Based on Public Comment

While the basic methodology used to generate the RAF remains unchanged, the way the US Census affordable housing need data is analyzed to calculate the urban/exurban and rural funding distribution at the regional level has been revised. This change was made to address public comment on perceived significant differences in the urban/exurban and rural funding distribution to regions containing the State's largest metropolitan areas.

The 2004 methodology proposed for public comment assumed that all need in a region that was located outside of urban place boundaries (urban city boundaries) was rural. Upon further study, this assumption was problematic and contributed to an inaccurate distribution of urban/exurban and rural need.

The most conspicuous example of the originally proposed methodology's inaccurate urban/exurban and rural funding distribution is found in Uniform State Service Region Six where Houston is located. In Harris County over 680,000 people live in unincorporated areas just outside of the Houston city limits. Most of this unincorporated population lives in an area located northwest of the Houston city limits near the Sam Houston Tollway. This population should not be considered rural given the proximity to the city of Houston and a population density similar to that of Houston. In the 2004 methodology proposed for public comment this population was considered rural, thereby inflating the region's rural funding distribution.

To compound this issue, 93 percent of the other available funding the Housing Tax Credit and Housing Trust Fund RAF considers is place specific. Because the estimate of urban/exurban and rural affordable housing need was not place specific in the 2004 methodology proposed for public comment, even more of the urban/exurban allocation was adjusted to rural areas.

With the desire to remain as consistent and accurate as possible, the Department modified the affordable housing need calculation in the Regional Allocation Formula to reflect place (city or town) level information. This revised 2004 methodology utilizes the urban/exurban and rural place designations based on the Regional Allocation Formula's definition of urban/exurban and rural. The resulting funding distribution is provided in "Attachment C."

ATTACHMENT B: Regional Allocation Formula Public Comments and Department Responses

Comment: It was stated that the 2003 RAF is serving its intended purpose and it should not be changed other than to update the US Census data used in the formula as it becomes available.

Department Response: The part of the RAF that allocates available funding among the state service regions remains unchanged except for adding 2000 US Census data and updating the other available funding for 2003. *[Additional HUD funding for public housing authorities was added to the other available funding data set. This addition of previously unavailable data is consistent with the intent of the RAF to consider as many sources of other affordable housing funding as possible.]*

The change to the formula which divides the region's available funding into urban/exurban and rural funding pools is in response to Senate Bill 264 of the 78th Legislature. The methodology used to distribute the funds to the urban/exurban and rural populations within the region is consistent with the method used to distribute the funds from the state level to the regional level. No change proposed.

Comment: Concern was voiced that rural areas are adversely impacted by the Regional Allocation Formula because much of the need is located in larger metropolitan areas. For example, it was stated that, "El Paso gets the bulk of the money, the way the allocation formula criteria are, because the formula is very heavily weighted on numbers of people…Well, unfortunately, in the rural communities or the frontier communities, we don't have big numbers. And so we automatically receive less funding consideration because we don't have…numbers to compete with larger communities."

Department Response: The current formula attempts to split the available funds between urban/exurban and rural areas based on quantifiable measures of need. In past allocation rounds, the determination of how much funding would be available to rural areas was either not specifically defined or was based on a statewide set aside of funds. The new formula provides rural areas in each region with a specifically designated pool of money for their use. This distribution is based on an estimate of what portion of the region's affordable housing need is located in "rural" areas.

Under the Housing Trust Fund and Housing Tax Credit RAF formula, six regions have over 40 percent of the region's available funds earmarked for rural areas. Statewide, the distribution of funding is 77 percent urban/exurban and 23 percent rural (8 percent higher than the previous 15 percent rural set-aside). The HOME program, which distributes 95 percent of its funds to non-participating jurisdictions, shows a 32 percent urban/exurban and 68 percent rural statewide distribution pattern. No change proposed.

Comment: A comment asked why some of the regions with larger metropolitan areas showed such substantial variances in the distribution of affordable housing need, other available funding, and the resulting distribution of funds between urban/exurban and rural areas. Specifically, the proposed RAF showed an 11% difference between the rural funding allocation for Region 3 (Dallas) and Region Six (Houston).

Department Response: To address this concern the Department reevaluated the way the RAF calculates affordable housing need for the urban/exurban and rural areas. The 2004 methodology proposed for public comment assumed that all need outside of urban place boundaries (urban city boundaries) was rural. This assumption was problematic and contributed to an inaccurate distribution of urban/exurban and rural need.

The most conspicuous example of the inaccurate distribution lies in the funding results for Uniform State Service Region Six where the city of Houston is located. In Harris County over 680,000 people live in unincorporated areas just outside of the Houston city limits. Most of this unincorporated population lives in an area located northwest of the Houston city limits near the Sam Houston Tollway. This population should not be considered rural given the proximity to the city of Houston and a population density similar to that of Houston. In the 2004 methodology proposed for public comment this population was considered rural, thereby inflating the region's rural funding distribution.

To compound this issue, 93 percent of the other available funding the Housing Tax Credit and Housing Trust Fund RAF considers is place specific. Because the estimate of urban/exurban and rural affordable housing need was not place specific in the 2004 methodology proposed for public comment, even more of the urban/exurban allocation was adjusted to rural areas.

With the desire to remain as consistent and accurate as possible, the Department modified the affordable housing need calculation in the Regional Allocation Formula to reflect place (city or town) level information. This revised 2004 methodology utilizes the urban/exurban and rural place designations based on the Regional Allocation Formula's definition of urban/exurban and rural. The resulting funding distribution is provided in "Attachment C."

Comment: It was stated that the RAF needs to consider other HUD tenant based rental assistance funding available to PHAs if it is going to consider similar funding from USDA. If such data is not considered, then the funding available to urban/exurban and rural areas would be distorted.

Department Response: The Department agrees that including more sources of funds will provide a more accurate RAF model. TDHCA worked directly with HUD to obtain this information and it is included in the model.

Comment: It was suggested that USDA multifamily property transfer payments should not be included in the formula as they do not represent actual new available funding.

Department Response: The Department concurs. USDA multifamily transfer payment transactions were identified and were removed from the RAF.

Comment: It was recommended that the HOME RAF methodology should be refined to separate the other available sources of funding between home ownership/owner occupied and multifamily activities. With the need for multifamily and single family activities being closely equal and over 80 percent of the other available funding being available for owner occupied housing, it seems misdirected for TDHCA to use 80 percent of its HOME funds for owner occupied housing.

Department Response: The RAF does not determine the percentage of HOME funds that will be used for a specific activity. As such, considering the single family funds separately from multifamily funds would have no impact on this issue. The Regional Allocation Formula distributes funds to regions with a consideration of how much money is available to the region from other sources for affordable housing activities. As the HOME program serves both single family and multifamily activities, the Department will continue to consider single family and multifamily funds together. No change proposed.

Comment: It is recommended that the sources and uses of the other available funds be provided with the release of the Regional Allocation Formula so the public may provide a more informed response to the request for comment.

Department Response: The Department concurs. While this information is included in the SLIHP in which the RAF is published, this information will be provided in future write ups describing the Regional Allocation Formula.

ATTACHMENT C: 2004 Regional Allocation Formula as Proposed for Final Board Approval

Housing Tax Credit Regional Allocation Formula

Region	Reference City	Funding Available to the Region	Overall Regional Funding Distribution	Portion of Region's Funding Available to Urban/ Exurban Areas	Portion of Region's Funding Available to Rural Areas	% of Region's Funding Available to Urban/ Exurban Areas	% of Region's Funding Available to Rural Areas
1	Lubbock	$1,620,753	4.3%	$855,004	$765,749	52.8%	47.2%
2	Abilene	$1,067,631	2.8%	$581,108	$486,523	54.4%	45.6%
3	Dallas/Fort Worth	$7,001,362	18.4%	$6,544,854	$456,508	93.5%	6.5%
4	Tyler	$1,851,816	4.9%	$709,081	$1,142,735	38.3%	61.7%
5	Beaumont	$1,485,785	3.9%	$682,095	$803,690	45.9%	54.1%
6	Houston	$9,309,000	24.5%	$8,458,598	$850,402	90.9%	9.1%
7	Austin/Round Rock	$1,936,878	5.1%	$1,687,375	$249,503	87.1%	12.9%
8	Waco	$2,073,169	5.5%	$1,637,657	$435,512	79.0%	21.0%
9	San Antonio	$2,613,520	6.9%	$2,159,101	$454,419	82.6%	17.4%
10	Corpus Christi	$1,644,334	4.3%	$956,659	$687,675	58.2%	41.8%
11	Brownsville/Harlingen	$4,494,121	11.8%	$2,668,907	$1,825,214	59.4%	40.6%
12	San Angelo	$1,065,240	2.8%	$705,898	$359,342	66.3%	33.7%
13	El Paso	$1,836,391	4.8%	$1,562,049	$274,342	85.1%	14.9%
	Total	38,000,000	100.0%	$29,208,385	$8,791,615	76.9%	23.1%

Housing Trust Fund Regional Allocation Formula

Due to the relatively small funding amount available regionally, the decision has been made to allocate the Housing Trust Fund money regionally, but without a specified urban/exurban and rural distribution of funds within each region. The overall statewide urban/exurban and rural distribution of funds will be maintained in awarding the funds.

Region	Reference City	Funding Available to the Region	Overall Regional Funding Distribution	Portion of Region's Funding Available to Urban/ Exurban Areas	Portion of Region's Funding Available to Rural Areas	% of Region's Funding Available to Urban/ Exurban Areas	% of Region's Funding Avail. to Rural Areas
1	Lubbock	$85,302	4.3%				
2	Abilene	$56,191	2.8%				
3	Dallas/Fort Worth	$368,493	18.4%				
4	Tyler	$97,464	4.9%				
5	Beaumont	$78,199	3.9%				
6	Houston	$489,947	24.5%				
7	Austin/Round Rock	$101,941	5.1%				
8	Waco	$109,114	5.5%				
9	San Antonio	$137,554	6.9%				
10	Corpus Christi	$86,544	4.3%				
11	Brownsville/Harlingen	$236,533	11.8%				
12	San Angelo	$56,066	2.8%				
13	El Paso	$96,652	4.8%				
	Total	$2,000,000	100.0%	$ 1,537,284	$ 462,716	76.9%	23.1%

HOME Regional Allocation Formula

Region	Reference City	Funding Available to the Region	Overall Regional Funding Distribution	Portion of Region's Funding Available to Urban/ Exurban Areas	Portion of Region's Funding Available to Rural Areas	% of Region's Funding Available to Urban/ Exurban Areas	% of Region's Funding Available to Rural Areas
1	Plainview	$1,657,420	6.1%	-	$1,657,420	0.0%	100.0%
2	Brownwood	$1,350,015	5.0%	$19,276	$1,330,739	1.4%	98.6%
3	Carrolton	$4,742,036	17.4%	$3,383,959	$1,358,077	71.4%	28.6%
4	Texarkana	$3,405,200	12.5%	$735,077	$2,670,123	21.6%	78.4%
5	Lufkin	$1,837,418	6.8%	$178,057	$1,659,361	9.7%	90.3%
6	League City	$1,946,781	7.2%	$842,468	$1,104,313	43.3%	56.7%
7	Round Rock	$1,771,558	6.5%	$937,840	$833,718	52.9%	47.1%
8	Temple	$1,368,186	5.0%	$630,361	$737,825	46.1%	53.9%
9	New Braunfels	$1,540,347	5.7%	$37,841	$1,502,506	2.5%	97.5%
10	Victoria	$2,183,466	8.0%	$484,132	$1,699,334	22.2%	77.8%
11	Del Rio	$3,008,341	11.1%	$442,700	$2,565,641	14.7%	85.3%
12	Midland	$1,500,809	5.5%	$697,987	$802,822	46.5%	53.5%
13	Socorro	$888,423	3.3%	$367,370	$521,053	41.4%	58.6%
	Total	$27,200,000	100%	$8,757,068	$18,442,932	32.2%	67.8%

ATTACHMENT D: 2004 Regional Allocation Formula as Proposed for Public Comment

Housing Tax Credit Funding Distribution Under the 2004 Regional Allocation Formula

Region	Reference City	Funding Available to the Region	Overall Regional Funding Distribution	Portion of Region's Funding Available to Urban/ Exurban Areas	Portion of Region's Funding Available to Rural Areas	% of Region's Funding Available to Urban/Exurban Areas	% of Region's Funding Available to Rural Areas
1	Lubbock	$1,870,270	4.9%	$1,120,568	$749,702	59.9%	40.1%
2	Abilene	$1,231,995	3.2%	$591,693	$640,302	48.0%	52.0%
3	Dallas/Fort Worth	$6,244,225	16.4%	$5,184,278	$1,059,947	83.0%	17.0%
4	Tyler	$2,136,905	5.6%	$804,330	$1,332,575	37.6%	62.4%
5	Beaumont	$1,714,525	4.5%	$467,659	$1,246,866	27.3%	72.7%
6	Houston	$6,234,057	16.4%	$4,464,644	$1,769,413	71.6%	28.4%
7	Austin/Round Rock	$1,727,421	4.5%	$1,182,644	$544,777	68.5%	31.5%
8	Waco	$2,392,336	6.3%	$1,784,324	$608,012	74.6%	25.4%
9	San Antonio	$4,016,445	10.6%	$3,107,644	$908,801	77.4%	22.6%
10	Corpus Christi	$1,897,482	5.0%	$847,888	$1,049,594	44.7%	55.3%
11	Brownsville/ Harlingen	$5,185,997	13.6%	$2,843,986	$2,342,011	54.8%	45.2%
12	San Angelo	$1,229,235	3.2%	$706,967	$522,268	57.5%	42.5%
13	El Paso	$2,119,107	5.6%	$1,801,962	$317,145	85.0%	15.0%
	Total	$38,000,000	100.0%	$24,908,586	$13,091,412	65.5%	34.5%

Housing Trust Fund Funding Distribution Under the 2004 Regional Allocation Formula

Region	Reference City	Funding Available to the Region	Overall Regional Funding Distribution	Portion of Region's Funding Available to Urban/ Exurban Areas	Portion of Region's Funding Available to Rural Areas	% of Region's Funding Available to Urban/Exurban Areas	% of Region's Funding Available to Rural Areas
1	Lubbock	$98,436	4.9%	$58,978	$39,458	59.9%	40.1%
2	Abilene	$64,842	3.2%	$31,142	$33,700	48.0%	52.0%
3	Dallas/Fort Worth	$328,642	16.4%	$272,856	$55,786	83.0%	17.0%
4	Tyler	$112,469	5.6%	$42,333	$70,136	37.6%	62.4%
5	Beaumont	$90,239	4.5%	$24,614	$65,625	27.3%	72.7%
6	Houston	$328,107	16.4%	$234,980	$93,127	71.6%	28.4%
7	Austin/Round Rock	$90,917	4.5%	$62,244	$28,673	68.5%	31.5%
8	Waco	$125,913	6.3%	$93,912	$32,001	74.6%	25.4%
9	San Antonio	$211,391	10.6%	$163,560	$47,831	77.4%	22.6%
10	Corpus Christi	$99,868	5.0%	$44,626	$55,242	44.7%	55.3%
11	Brownsville/ Harlingen	$272,947	13.6%	$149,683	$123,264	54.8%	45.2%
12	San Angelo	$64,697	3.2%	$37,209	$27,488	57.5%	42.5%
13	El Paso	$111,532	5.6%	$94,840	$16,692	85.0%	15.0%
	Total	$2,000,000	100.0%	$1,310,977	$689,023	65.5%	34.5%

HOME Funding Distribution Under the 2004 Regional Allocation Formula

Region	Reference City	Funding Available to the Region	Overall Regional Funding Distribution	Portion of Region's Funding Available to Urban/ Exurban Areas	Portion of Region's Funding Available to Rural Areas	% of Region's Funding Available to Urban/ Exurban Areas	% of Region's Funding Available to Rural Areas
1	Lubbock	$1,315,918	4.8%	-	$1,315,918	0.0%	100.0%
2	Abilene	$1,071,902	3.9%	$8,442	$1,063,460	0.8%	99.2%
3	Dallas/Fort Worth	$4,763,500	17.5%	$2,226,288	$2,537,212	46.7%	53.3%
4	Tyler	$3,403,516	12.5%	$287,109	$3,116,407	8.4%	91.6%
5	Beaumont	$2,287,281	8.4%	$67,550	$2,219,731	3.0%	97.0%
6	Houston	$1,964,004	7.2%	$591,998	$1,372,006	30.1%	69.9%
7	Austin/Round Rock	$2,204,581	8.1%	$812,166	$1,392,415	36.8%	63.2%
8	Waco	$1,702,949	6.3%	$494,306	$1,208,643	29.0%	71.0%
9	San Antonio	$1,539,542	5.7%	$490,939	$1,048,603	31.9%	68.1%
10	Corpus Christi	$1,733,596	6.4%	$445,586	$1,288,010	25.7%	74.3%
11	Brownsville/Harlingen	$3,007,548	11.1%	$332,176	$2,675,372	11.0%	89.0%
12	San Angelo	$1,500,162	5.5%	$632,547	$867,615	42.2%	57.8%
13	El Paso	$705,501	2.6%	$276,025	$429,476	39.1%	60.9%
	Total	$27,200,000	4.8%	$6,665,131	$20,534,869	24.5%	75.5%

ATTACHMENT E: Summary of the 2004 Regional Allocation Formula Methodology as Proposed for Final Board Approval

Purpose:

The RAF determines how HOME, Housing Trust Fund (HTF), and Housing Tax Credit (HTC) program funding is distributed among 13 Uniform State Service Regions.

Data Utilized in the RAF

1. The following US Census data is used to measure each region's share of the state's affordable housing need (AHN): poverty, cost burden, overcrowding, incomplete kitchen, and incomplete plumbing.

2. Amount of other available state and federal funding available in the region (i.e. USDA, HUD, bond financing, TDHCA funding from programs not distributed under the RAF, etc.).

Methodology:

1) Determining Each Region's Portion of the State's Affordable Housing Need

   a) The total number persons in poverty; households with housing cost burden; overcrowded households; households with incomplete kitchen; and households with incomplete plumbing is totaled for each region and the state. For each of the above listed AHN factors, the region's total is divided by the state total to determine what percentage of the state's need is in the region.

   b) The resulting regional AHN factor percentages are weighted to reflect each factor's relative size and significance in representing affordable housing need. The factor weights are:
      i) poverty = 50 percent,
      ii) cost burden = 35 percent,
      iii) overcrowding = 5 percent,
      iv) incomplete kitchen = 5 percent, and
      v) incomplete plumbing = 5 percent.

   c) The weighted AHN factors are combined to create a single AHN percentage that represents the region's share of the state's affordable housing need.

2) Adjusting the Regional Allocation Based on Other Available State and Federal Funding

   a) The percentage of Texas' other available state and federal funding that was distributed to each region is calculated.

   b) The difference between each region's AHN percentage and other available funding percentage is calculated. Each region's AHN percentage is adjusted based on the resulting size and sign (positive or negative) of this difference relative to the other regions. For example, if a region has 5 percent of the state's AHN and received only 2 percent of the other available funding, then that region's AHN percentage will be slightly adjusted upwards.

   c) This adjusted AHN percentage determines the portion of the available HOME, HTC, or HTF funds that the region will receive.

3) Distribution of Funds within Regions to Consider Rural and Exurban/Urban Need

[Note this step does not impact the distribution of funds between the 13 Uniform State Service Regions.]

a) Each place is identified as being urban/exurban or rural based a slightly modified version of the Housing Tax Credit definition which reflects terms used by the US Census.

i) Rural Area - An area that is

(1) within the boundaries of a *place* as identified by the US Census Bureau and outside the boundaries of a metropolitan statistical area; or

(2) within the boundaries of a metropolitan statistical area, if the *place* has a population of 20,000 or less and does not share a boundary with a *place* that has a population of 20,000 or more.

ii) **Urban/Exurban Areas** - All *places* identified by the US Census Bureau that do not meet the "Rural Area" criteria.

b) The AHN data is totaled by urban/exurban and rural places for each region to determine how much of the region's affordable housing need is in urban/exurban and rural places.

c) The percentage of other available state and federal funding that went to urban/exurban and rural places within each region is calculated.

d) The difference between the region's distribution of urban/exurban and rural affordable housing <u>need</u> and the region's distribution of <u>other available funding</u> is calculated. Each region's urban/exurban and rural funding distribution is adjusted based on the resulting size and sign (positive or negative) of this difference.

e) This adjusted urban/exurban and rural funding distribution determines the portion of the region's funds that will be available to urban/exurban and rural areas within the region.

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION REQUEST
November 14, 2003

Action Items

2004 Affordable Housing Needs Score (AHNS).

Required Action

Approval of the 2004 Affordable Housing Need Score for the HOME, Housing Tax Credit, and Housing Trust Fund Program.

- See Attachment A for a summary of changes made to the methodology as a result of public comment.
- See Attachment B for a summary of comments and Department responses.
- See Attachment C for the 2004 Affordable Housing Need Scores as Proposed for Final Board Approval.

Background

The scoring criteria used to evaluate HOME, Housing Trust Fund (HTF), and Housing Tax Credit (HTC) applications include an Affordable Housing Needs Score (AHNS). The AHNS provides a comparative assessment of each county and place's level of need relative to other areas within the 13 Uniform State Service Regions TDHCA uses for planning purposes. Through the AHNS, applicants are encouraged to request funding to serve communities that have a high proportion of the region's affordable housing need.

At the August 14, 2003 Board Meeting, the Board approved the Proposed Affordable Housing Need Scores. The AHNS methodology and resulting scores were published on the TDHCA web site and were made available upon request for public comment. The Affordable Housing Need Score was an agenda item for the public hearings held to receive additional comments on all proposed rules in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

At the October 9, 2003 Board Meeting, the Board was notified of the Department's intent to post a revised set of scores that reflected the 2003 AHNS methodology. This revision was due to substantial negative public comment received on the proposed scores during the public hearings. The revised scores and methodology were posted to the website in late October (10/15 for Housing Tax Credits and Housing Trust Fund and 10/21 for the HOME Program) to allow for additional comment prior to the close of the public comment period. The Housing Tax Credit Program also used an email distribution list to notify interested parties that the revised scores were available.

ATTACHMENT A: Summary of Revisions to the Affordable Housing Need Score Methodology Based on Public Comment

AHNS Point Adjustments

The formula has been revised to provide a more equitable scoring variation between places across each region. These changes were made based on public comment to provide more competitive scores to places:

- where a relatively high proportion of the place's population is effected by affordable housing need; and
- that are located outside of counties that have a high proportion of the region's affordable housing need.

To accomplish this, the part of the AHNS which compares an area's Census based affordable housing need to the area's total population was changed to use place level data instead of county level data. Also, the relative weights associated with this factor and the factor that compares the county affordable housing need to the region's affordable housing need were equalized.

The revised point structure of the AHNS is:

- the county affordable housing need population divided by region's affordable housing need population is worth 6.25 points (31 percent of the score; previously 50 percent of 2003 AHNS);
- the place affordable housing need population divided by the place total population is worth 6.25 points (31 percent of the score; previously 13 percent of 2003 AHNS);
- the Community Needs Survey factor is worth 2.5 points (13 percent of the score; unchanged from 2003 AHNS); and
- areas where an award of TDHCA HTC, HOME, and HTF funding has not been made during the preceding two program allocation cycles receive a five point scoring bonus (25 percent of the score; unchanged from 2003 AHNS).

Updates to Prior TDHCA Funding Data

It was also noted that in some instances, areas may be penalized for prior TDHCA funding allocations that have been returned to the Department prior to the date that an application is submitted but after the Board approved scores were published. The case in point was the return of a number of HOME awards because the amount awarded was significantly reduced from the amount requested by the applicant. To provide an equitable set of scores for all communities in a region, TDHCA is suggesting that the AHNS point adjustment for previous TDHCA funding will be subject to change until the application is submitted. This will include revisions for both returned TDHCA funding as well as additional TDHCA awards that occur after the Board approves the AHNS methodology. A disclaimer will be added to the published scores that advises applicants to use due diligence to determine that additional fund awards are not in the "pipeline" for a community.

ATTACHMENT B: Affordable Housing Need Score Public Comments and Department Responses

Comment: A few comments suggested that more weight should be assigned to the poverty related component of the AHNS - as the score does not give sufficient weight to factors that would provide housing assistance to those households with the "greatest housing need." The AHNS should give greater priority to geographic areas having families living at or below the poverty level and where there is either an insufficient supply of housing affordable to such families or the housing stock is unaffordable, inadequate, or substandard.

Department Response: Sixty two percent of the total AHNS is based on US Census data. Persons living at or below the poverty level already represent half of these points. Persons experiencing housing cost burden and the combined measures of housing quality (overcrowding, incomplete plumbing, and incomplete kitchen) each represent a third of the US Census data related points. It is thought that the weights assigned to each of the components in the proposed AHNS results in a balanced scoring model. No change is proposed.

Comment: Concern was voiced that the difference between the high and low scores in the proposed AHNS was too great for some areas to even bother applying. For example, it was stated that, "the affordable housing needs score is 20 points for Dallas, and the rest of the points going down to three and four points. It's just too dramatic a difference there. Also we found that there's no way to compensate for that point score differential, because the exurban proposal in the QAP limits the developer to 100 units. I found that extremely difficult to make work on expensive tracts, or more expensive tracts in the suburbs." This concern of the scoring differential between places was voiced for both urban and rural areas.

Department Response: The Department agrees that the originally proposed AHNS did not have a range of scores that allowed for equitable competition between a variety of places within each region. It had been intended that scoring items within the program rules would offset this potential scoring gap in the AHNS. However, from a practical standpoint, the originally proposed AHNS made it much harder to determine what places in a region would score competitively. The AHNS methodology was revised to provide a set of scores that allows competitive applications to be submitted for more places in a region.

Comment: Concern was voiced that cities with the highest scores were also the ones that have repeatedly received funding.

Department Response: The Department agreed with this suggestion and reinstated the five point AHNS scoring bonus for cities that have not received an award of HOME, HTC, or HTF funding within the past two program allocations.

Comment: It was suggested that the type of population served by previous TDHCA funding awards should be considered when this data is used to adjust the AHNS. For example, while a community may have received prior funding commitments, these awards may not have specifically addressed the elderly or persons with disabilities.

Department Response: The previous TDHCA award scoring adjustment in the AHNS is designed to ensure that TDHCA's limited funds are distributed across a wide geographical area. For the purpose of the AHNS, it is the fact that a particular community received funds for affordable housing that another community did not have the opportunity to receive. The AHNS is not designed to determine what activities the funds should be used for or what demographic groups should be served. No change is proposed.

Comment: A suggestion was made that the AHNS should make a distinction between the need for elderly developments as opposed to family, or other categories.

Department Response: The AHNS is designed to encourage developers to submit applications that will serve parts of the region that show the highest level of affordable housing need. As such, it is a macro level analysis of need. Due to the complexity analyzing local markets, it is thought that the determination of what type of housing is needed locally is best left to market studies and input from the members of the community. No change is proposed.

Comment: It was suggested that overcrowding should not be considered in the AHNS scoring model for applicants applying in the HOME special needs set-aside. Special needs funding that serves the elderly will help households who are normally one or two persons. These households will typically not be affected by overcrowding. More emphasis could be placed on the need associated with incomplete kitchens and incomplete plumbing.

Department Response: The AHNS serves as a measure of the general need for affordable housing in an area. The factors used in the formula represent a broad segment of the population with affordable housing need as opposed to data that relates to specific population groups. The current formula places more emphasis on the measures that affect a larger portion of the population. Income and housing cost issues (as represented by poverty and housing cost burden data) are weighted much higher than the factors related to much smaller population groups (overcrowding, incomplete plumbing, and incomplete kitchen). No change is proposed.

Comment: It was suggested that TDHCA should consider including 2000 Census information on persons with disabilities in the Affordable Housing Need Score.

Department Response: The AHNS serves as a general assessment of affordable housing need which helps distribute funds within the State's service regions. Currently, the AHNS does not include data that could result in funding distribution preferences based on the demographic characteristics of specific subgroups of the population. The proposed AHNS methodology, which considers the region's income, cost of housing, and condition of housing, provides an accurate measure of the region's overall housing need. No change is proposed.

[Note: TDHCA is working in conjunction with Texas Council for Developmental Disabilities on a report to identify the housing needs of persons with disabilities in Texas. The 2000 US Census data on persons with disabilities will be a significant part of this report. It is possible that the AHNS may be modified for future funding allocations based on the findings of this report.]

Comment: A number of comments stated that additional weight in the AHNS should be associated with an area's level of affordable housing need relative to the area's overall population. The proposed AHNS formula provides a scoring advantage to all places located in counties that have a higher percentage of the region's population. In the proposed AHNS, all communities in counties with larger metropolitan areas receive an insurmountable scoring edge over similarly sized communities in lower population counties. One comment suggested that this problem could be addressed by having: "factors that gave equal scoring consideration to the absolute number of households that appear within a particular needs category, as well as using a percentage of how those people make up the community as a whole."

Department Response: The Department concurs with this recommendation. The formula has been revised to provide a greater scoring variation for places throughout the region's counties. To accomplish this, the part of the score which compares an area's affordable housing need indicator (AHNI) data to the area's total population was changed to use place level data instead of county level data. Also, the relative weights associated with this factor and the factor that compares the county AHNI need to the region's AHNI need were equalized. The remaining points associated with the Community Need Survey responses were not changed.

ATTACHMENT C: 2004 Housing Tax Credit and Housing Trust Fund Affordable Housing Need Scores as Proposed for Final Board Approval

Sorted by State Service Region, County, Population

Note: The "Previous TDHCA Funding Adjustment" component of the AHNS is subject to change until the application is submitted as TDHCA funding is recaptured or additional TDHCA awards are made.

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Claude	Armstrong	1	Rural	1,298	5	12
Muleshoe	Bailey	1	Rural	4,353	5	15
Quitaque	Briscoe	1	Rural	410	5	13
Silverton	Briscoe	1	Rural	816	5	12
Groom	Carson	1	Rural	601	5	13
Skellytown	Carson	1	Rural	613	5	10
White Deer	Carson	1	Rural	1,102	5	10
Panhandle	Carson	1	Rural	2,649	5	10
Nazareth	Castro	1	Rural	357	5	10
Hart	Castro	1	Rural	1,180	5	12
Dimmitt	Castro	1	Rural	4,137	5	15
Childress	Childress	1	Rural	6,789	0	10
Whiteface	Cochran	1	Rural	430	5	12
Morton	Cochran	1	Rural	2,113	5	16
Samnorwood	Collingsworth	1	Rural	26	5	11
Quail	Collingsworth	1	Rural	27	5	11
Dodson	Collingsworth	1	Rural	111	5	16
Wellington	Collingsworth	1	Rural	2,126	5	15
Lorenzo	Crosby	1	Rural	1,329	5	16
Crosbyton	Crosby	1	Rural	1,791	5	16
Ralls	Crosby	1	Rural	2,201	5	16
Texline	Dallam	1	Rural	513	5	10
Dalhart	Dallam	1	Rural	7,204	5	12
Hereford	Deaf Smith	1	Rural	14,417	5	16
Dickens	Dickens	1	Rural	331	5	15
Spur	Dickens	1	Rural	1,065	5	13
Hedley	Donley	1	Rural	373	5	15
Howardwick	Donley	1	Rural	449	5	11
Clarendon	Donley	1	Rural	1,931	5	12
Lockney	Floyd	1	Rural	1,981	5	13
Floydada	Floyd	1	Rural	3,564	5	16
Post	Garza	1	Rural	3,892	5	16
Lefors	Gray	1	Rural	537	5	12
McLean	Gray	1	Rural	804	5	16
Pampa	Gray	1	Rural	17,643	5	15
Edmonson	Hale	1	Rural	125	5	13
Petersburg	Hale	1	Rural	1,211	5	16
Seth Ward	Hale	1	Rural	1,966	5	18
Hale Center	Hale	1	Rural	2,190	5	16
Abernathy	Hale	1	Rural	2,807	5	15
Plainview	Hale	1	Rural	21,896	5	18
Lakeview	Hall	1	Rural	151	5	16
Estelline	Hall	1	Rural	164	5	16
Turkey	Hall	1	Rural	486	5	15
Memphis	Hall	1	Rural	2,467	5	15

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Morse	Hansford	1	Rural	171	5	12
Gruver	Hansford	1	Rural	1,152	5	13
Spearman	Hansford	1	Rural	2,996	5	12
Channing	Hartley	1	Rural	385	5	10
Hartley	Hartley	1	Rural	443	5	9
Canadian	Hemphill	1	Rural	2,198	5	12
Opdyke West	Hockley	1	Rural	202	5	18
Smyer	Hockley	1	Rural	486	5	17
Ropesville	Hockley	1	Rural	524	5	15
Anton	Hockley	1	Rural	1,184	5	16
Sundown	Hockley	1	Rural	1,500	5	15
Levelland	Hockley	1	Rural	12,680	5	18
Sanford	Hutchinson	1	Rural	209	5	16
Stinnett	Hutchinson	1	Rural	1,887	5	13
Fritch	Hutchinson	1	Rural	2,156	5	13
Borger	Hutchinson	1	Rural	13,970	0	10
Spade	Lamb	1	Rural	99	5	13
Springlake	Lamb	1	Rural	133	5	17
Amherst	Lamb	1	Rural	824	5	17
Sudan	Lamb	1	Rural	1,043	5	15
Earth	Lamb	1	Rural	1,104	5	17
Olton	Lamb	1	Rural	2,343	5	16
Littlefield	Lamb	1	Rural	6,474	5	17
Lipscomb	Lipscomb	1	Rural	44	5	10
Darrouzett	Lipscomb	1	Rural	304	5	12
Follett	Lipscomb	1	Rural	408	5	11
Higgins	Lipscomb	1	Rural	415	5	12
Booker	Lipscomb	1	Rural	1,341	5	14
Reese Center	Lubbock	1	Urban/Exurban	40	5	14
Buffalo Springs	Lubbock	1	Rural	502	5	14
New Deal	Lubbock	1	Rural	716	5	17
Ransom Canyon	Lubbock	1	Rural	1,028	5	14
Shallowater	Lubbock	1	Rural	2,075	5	18
Idalou	Lubbock	1	Rural	2,188	5	16
Wolfforth	Lubbock	1	Rural	2,620	5	17
Slaton	Lubbock	1	Rural	6,185	5	19
Lubbock	Lubbock	1	Urban/Exurban	204,247	0	14
New Home	Lynn	1	Rural	319	5	11
Wilson	Lynn	1	Rural	517	5	13
O'Donnell	Lynn	1	Rural	920	5	15
Tahoka	Lynn	1	Rural	2,822	5	15
Sunray	Moore	1	Rural	1,919	5	12
Cactus	Moore	1	Rural	2,612	5	15
Dumas	Moore	1	Rural	13,505	5	14
Roaring Springs	Motley	1	Rural	259	5	12
Matador	Motley	1	Rural	719	5	12
Perryton	Ochiltree	1	Rural	7,856	0	8
Adrian	Oldham	1	Rural	163	5	14
Vega	Oldham	1	Rural	951	5	12
Farwell	Parmer	1	Rural	1,313	5	15
Bovina	Parmer	1	Rural	1,876	5	15

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Friona	Parmer	1	Rural	3,804	5	15
Bishop Hills	Potter	1	Rural	213	5	17
Amarillo	Potter	1	Urban/Exurban	179,083	0	13
Palisades	Randall	1	Rural	353	5	14
Timbercreek Canyon	Randall	1	Rural	437	5	14
Lake Tanglewood	Randall	1	Rural	844	5	15
Canyon	Randall	1	Rural	13,255	5	19
Miami	Roberts	1	Rural	559	5	10
Texhoma	Sherman	1	Rural	359	5	12
Stratford	Sherman	1	Rural	1,944	5	11
Happy	Swisher	1	Rural	621	5	11
Kress	Swisher	1	Rural	791	5	13
Tulia	Swisher	1	Rural	4,874	5	15
Wellman	Terry	1	Rural	191	5	12
Meadow	Terry	1	Rural	640	5	12
Brownfield	Terry	1	Rural	9,065	5	16
Mobeetie	Wheeler	1	Rural	108	5	11
Wheeler	Wheeler	1	Rural	1,300	5	11
Shamrock	Wheeler	1	Rural	1,950	5	16
Plains	Yoakum	1	Rural	1,438	5	14
Denver City	Yoakum	1	Rural	3,869	5	13
	1 Count	117				
Megargel	Archer	2	Rural	247	5	11
Scotland	Archer	2	Rural	453	5	11
Windthorst	Archer	2	Rural	457	5	11
Lakeside City (Archer)	Archer	2	Urban/Exurban	968	5	11
Holliday	Archer	2	Rural	1,630	5	12
Archer City	Archer	2	Rural	1,846	5	12
Seymour	Baylor	2	Rural	2,866	5	13
Blanket	Brown	2	Rural	418	5	17
Bangs	Brown	2	Rural	1,658	5	17
Lake Brownwood	Brown	2	Rural	1,802	5	18
Early	Brown	2	Rural	2,712	5	14
Brownwood	Brown	2	Rural	20,407	0	13
Putnam	Callahan	2	Rural	78	5	16
Cross Plains	Callahan	2	Rural	1,059	5	16
Baird	Callahan	2	Rural	1,619	0	8
Clyde	Callahan	2	Rural	3,489	5	13
Jolly	Clay	2	Rural	191	5	10
Dean	Clay	2	Rural	363	5	11
Bellevue	Clay	2	Rural	396	5	13
Byers	Clay	2	Rural	511	5	10
Petrolia	Clay	2	Rural	822	5	13
Henrietta	Clay	2	Rural	3,364	5	11
Novice	Coleman	2	Rural	133	5	11
Santa Anna	Coleman	2	Rural	1,034	0	10
Coleman	Coleman	2	Rural	4,875	5	15
Gustine	Comanche	2	Rural	448	5	16
De Leon	Comanche	2	Rural	2,466	5	17
Comanche	Comanche	2	Rural	4,403	5	17
Paducah	Cottle	2	Rural	1,425	5	12

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Carbon	Eastland	2	Rural	237	5	13
Rising Star	Eastland	2	Rural	853	5	17
Gorman	Eastland	2	Rural	1,268	5	14
Ranger	Eastland	2	Rural	2,606	5	14
Eastland	Eastland	2	Rural	3,830	0	12
Cisco	Eastland	2	Rural	3,845	5	18
Roby	Fisher	2	Rural	703	5	12
Rotan	Fisher	2	Rural	1,583	5	14
Crowell	Foard	2	Rural	1,087	5	12
Chillicothe	Hardeman	2	Rural	769	5	14
Quanah	Hardeman	2	Rural	2,838	5	15
O'Brien	Haskell	2	Rural	128	5	12
Weinert	Haskell	2	Rural	204	5	16
Rochester	Haskell	2	Rural	392	5	17
Rule	Haskell	2	Rural	709	5	14
Haskell	Haskell	2	Rural	3,080	5	17
Bryson	Jack	2	Rural	516	5	12
Jacksboro	Jack	2	Rural	4,508	5	13
Lueders	Jones	2	Rural	284	5	16
Hawley	Jones	2	Rural	658	5	18
Hamlin	Jones	2	Rural	2,144	5	19
Anson	Jones	2	Rural	2,485	5	16
Stamford	Jones	2	Rural	3,529	5	18
Girard	Kent	2	Rural	61	5	10
Jayton	Kent	2	Rural	514	5	10
Benjamin	Knox	2	Rural	261	5	11
Goree	Knox	2	Rural	327	5	13
Knox City	Knox	2	Rural	1,174	5	13
Munday	Knox	2	Rural	1,483	5	15
Westbrook	Mitchell	2	Rural	205	5	10
Loraine	Mitchell	2	Rural	659	5	15
Colorado City	Mitchell	2	Rural	4,384	5	14
Sunset	Montague	2	Rural	337	5	13
St. Jo	Montague	2	Rural	977	5	13
Nocona	Montague	2	Rural	3,208	5	14
Bowie	Montague	2	Rural	5,448	5	16
Blackwell	Nolan	2	Rural	345	5	12
Roscoe	Nolan	2	Rural	1,300	5	16
Sweetwater	Nolan	2	Rural	10,848	5	17
Miles	Runnels	2	Rural	845	5	14
Winters	Runnels	2	Rural	2,846	5	18
Ballinger	Runnels	2	Rural	4,197	5	16
Hermleigh	Scurry	2	Rural	369	5	15
Snyder	Scurry	2	Rural	10,466	5	15
Moran	Shackelford	2	Rural	230	5	12
Albany	Shackelford	2	Rural	1,917	5	9
Breckenridge	Stephens	2	Rural	5,763	5	14
Aspermont	Stonewall	2	Rural	1,048	5	11
Impact	Taylor	2	Urban/Exurban	40	5	17
Trent	Taylor	2	Rural	304	5	14
Lawn	Taylor	2	Rural	325	5	14

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Buffalo Gap	Taylor	2	Rural	448	5	14
Tuscola	Taylor	2	Rural	721	5	14
Tye	Taylor	2	Urban/Exurban	1,175	5	19
Potosi	Taylor	2	Urban/Exurban	1,633	5	17
Merkel	Taylor	2	Rural	2,616	0	12
Abilene	Taylor	2	Urban/Exurban	114,729	0	13
Elbert	Throckmorton	2	Rural	51	5	9
Woodson	Throckmorton	2	Rural	267	5	9
Throckmorton	Throckmorton	2	Rural	811	5	10
Pleasant Valley	Wichita	2	Urban/Exurban	402	5	14
Electra	Wichita	2	Rural	3,150	5	18
Iowa Park	Wichita	2	Rural	6,442	5	15
Burkburnett	Wichita	2	Rural	11,018	5	15
Wichita Falls	Wichita	2	Urban/Exurban	104,901	0	12
Vernon	Wilbarger	2	Rural	11,293	0	7
Newcastle	Young	2	Rural	579	5	17
Olney	Young	2	Rural	3,406	5	17
Graham	Young	2	Rural	8,665	5	15
	2 Count	98				
Westminster	Collin	3	Rural	427	5	12
Lavon	Collin	3	Rural	454	5	12
Nevada	Collin	3	Rural	642	5	12
Weston	Collin	3	Urban/Exurban	663	5	12
St. Paul (Collin)	Collin	3	Rural	700	5	12
New Hope	Collin	3	Rural	726	5	12
Josephine	Collin	3	Rural	727	5	16
Blue Ridge	Collin	3	Rural	798	5	16
Anna	Collin	3	Rural	1,378	5	15
Lowry Crossing	Collin	3	Urban/Exurban	1,471	5	13
Parker	Collin	3	Urban/Exurban	1,684	5	17
Melissa	Collin	3	Urban/Exurban	1,761	5	13
Celina	Collin	3	Urban/Exurban	2,152	5	15
Prosper	Collin	3	Urban/Exurban	2,661	5	13
Lucas	Collin	3	Urban/Exurban	3,209	5	15
Fairview	Collin	3	Urban/Exurban	3,363	5	15
Farmersville	Collin	3	Rural	3,394	5	15
Princeton	Collin	3	Urban/Exurban	3,897	5	15
Murphy	Collin	3	Urban/Exurban	6,942	5	12
Wylie	Collin	3	Rural	20,243	5	13
Frisco	Collin	3	Urban/Exurban	49,138	5	15
Allen	Collin	3	Urban/Exurban	56,790	5	15
McKinney	Collin	3	Urban/Exurban	77,293	5	16
Plano	Collin	3	Urban/Exurban	241,701	5	13
Oak Ridge (Cooke)	Cooke	3	Rural	254	5	15
Callisburg	Cooke	3	Rural	383	5	13
Valley View	Cooke	3	Rural	772	5	13
Lindsay (Cooke)	Cooke	3	Rural	842	5	10
Muenster	Cooke	3	Rural	1,629	5	12
Lake Kiowa	Cooke	3	Rural	1,888	5	10
Gainesville	Cooke	3	Rural	16,089	0	10
Hutchins	Dallas	3	Urban/Exurban	2,838	5	18

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Sunnyvale	Dallas	3	Urban/Exurban	3,549	5	14
Wilmer	Dallas	3	Rural	3,712	5	19
Cockrell Hill	Dallas	3	Urban/Exurban	4,493	5	19
Glenn Heights	Dallas	3	Urban/Exurban	8,234	5	18
Highland Park	Dallas	3	Urban/Exurban	8,607	5	14
Seagoville	Dallas	3	Urban/Exurban	11,212	5	17
Sachse	Dallas	3	Urban/Exurban	14,619	5	14
Addison	Dallas	3	Urban/Exurban	14,718	5	17
Balch Springs	Dallas	3	Urban/Exurban	19,880	5	18
University Park	Dallas	3	Urban/Exurban	23,602	5	17
Lancaster	Dallas	3	Urban/Exurban	26,764	0	12
Farmers Branch	Dallas	3	Urban/Exurban	27,630	5	15
Duncanville	Dallas	3	Urban/Exurban	35,757	5	17
Cedar Hill	Dallas	3	Urban/Exurban	37,929	0	12
Coppell	Dallas	3	Urban/Exurban	38,964	5	15
DeSoto	Dallas	3	Urban/Exurban	39,345	5	17
Rowlett	Dallas	3	Urban/Exurban	50,437	5	15
Richardson	Dallas	3	Urban/Exurban	97,467	5	17
Mesquite	Dallas	3	Urban/Exurban	129,029	0	12
Grand Prairie	Dallas	3	Urban/Exurban	138,991	0	13
Irving	Dallas	3	Urban/Exurban	196,777	5	18
Garland	Dallas	3	Urban/Exurban	221,486	5	18
Dallas	Dallas	3	Urban/Exurban	1,216,720	0	14
Corral City	Denton	3	Rural	108	5	14
Lakewood	Denton	3	Rural	399	5	18
Marshall Creek	Denton	3	Rural	507	5	18
Lincoln Park	Denton	3	Rural	593	5	18
Hackberry	Denton	3	Urban/Exurban	629	5	15
Cross Roads	Denton	3	Rural	671	5	13
Ponder	Denton	3	Rural	686	5	13
Hebron	Denton	3	Urban/Exurban	975	5	13
Krugerville	Denton	3	Rural	1,044	5	18
Bartonville	Denton	3	Rural	1,220	5	13
Copper Canyon	Denton	3	Urban/Exurban	1,310	5	14
Northlake	Denton	3	Urban/Exurban	1,666	5	15
Shady Shores	Denton	3	Urban/Exurban	1,691	5	13
Aubrey	Denton	3	Rural	1,705	5	16
Oak Point	Denton	3	Rural	2,112	5	14
Justin	Denton	3	Rural	2,121	5	15
Krum	Denton	3	Rural	2,288	5	13
Hickory Creek	Denton	3	Urban/Exurban	2,432	5	14
Double Oak	Denton	3	Urban/Exurban	2,480	5	13
Argyle	Denton	3	Urban/Exurban	2,636	5	14
Roanoke	Denton	3	Urban/Exurban	3,515	5	14
Pilot Point	Denton	3	Rural	3,898	5	15
Sanger	Denton	3	Rural	4,989	5	15
Lake Dallas	Denton	3	Rural	6,847	5	15
Trophy Club	Denton	3	Urban/Exurban	7,236	5	14
Little Elm	Denton	3	Urban/Exurban	10,682	5	16
Highland	Denton	3	Urban/Exurban	13,402	5	13
Corinth	Denton	3	Urban/Exurban	14,991	5	13

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
The Colony	Denton	3	Urban/Exurban	33,533	5	13
Flower Mound	Denton	3	Urban/Exurban	58,779	5	14
Lewisville	Denton	3	Urban/Exurban	87,571	5	15
Denton	Denton	3	Urban/Exurban	91,302	0	13
Carrollton	Denton	3	Urban/Exurban	116,608	5	15
Alma	Ellis	3	Rural	324	5	13
Garrett	Ellis	3	Rural	476	5	16
Bardwell	Ellis	3	Rural	644	5	16
Milford	Ellis	3	Rural	715	5	14
Pecan Hill	Ellis	3	Rural	715	5	14
Maypearl	Ellis	3	Rural	774	5	12
Oak Leaf	Ellis	3	Rural	1,258	5	13
Palmer	Ellis	3	Rural	1,902	5	12
Italy	Ellis	3	Rural	2,116	5	12
Ferris	Ellis	3	Rural	2,284	5	13
Ovilla	Ellis	3	Urban/Exurban	3,640	5	16
Red Oak	Ellis	3	Urban/Exurban	5,734	5	13
Midlothian	Ellis	3	Urban/Exurban	9,820	5	12
Ennis	Ellis	3	Rural	18,246	5	14
Waxahachie	Ellis	3	Urban/Exurban	23,560	0	9
Dublin	Erath	3	Rural	3,761	5	15
Stephenville	Erath	3	Rural	14,902	0	10
Bailey	Fannin	3	Rural	202	5	16
Ravenna	Fannin	3	Rural	214	5	12
Windom	Fannin	3	Rural	243	5	11
Dodd City	Fannin	3	Rural	451	5	14
Ector	Fannin	3	Rural	600	5	11
Trenton	Fannin	3	Rural	679	5	14
Ladonia	Fannin	3	Rural	691	5	13
Savoy	Fannin	3	Rural	872	5	12
Honey Grove	Fannin	3	Rural	1,757	0	9
Leonard	Fannin	3	Rural	1,889	5	16
Bonham	Fannin	3	Rural	9,958	5	16
Dorchester	Grayson	3	Urban/Exurban	108	5	12
Knollwood	Grayson	3	Urban/Exurban	411	5	15
Sadler	Grayson	3	Rural	422	5	15
Tioga	Grayson	3	Rural	813	5	12
Tom Bean	Grayson	3	Rural	982	5	13
Southmayd	Grayson	3	Rural	1,083	5	12
Bells	Grayson	3	Rural	1,279	5	15
Collinsville	Grayson	3	Rural	1,297	5	13
Gunter	Grayson	3	Rural	1,435	5	14
Whitewright	Grayson	3	Rural	1,755	5	15
Pottsboro	Grayson	3	Rural	2,056	5	14
Van Alstyne	Grayson	3	Rural	2,578	5	13
Howe	Grayson	3	Urban/Exurban	2,679	5	15
Whitesboro	Grayson	3	Rural	3,879	5	15
Denison	Grayson	3	Urban/Exurban	23,085	5	15
Sherman	Grayson	3	Urban/Exurban	35,814	5	17
Lipan	Hood	3	Rural	461	5	10
Tolar	Hood	3	Rural	540	5	10

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Oak Trail Shores	Hood	3	Rural	2,674	5	13
Pecan Plantation	Hood	3	Rural	3,630	5	12
Granbury	Hood	3	Rural	6,540	5	13
Neylandville	Hunt	3	Rural	59	5	10
Hawk Cove	Hunt	3	Rural	467	5	10
Lone Oak	Hunt	3	Rural	550	5	13
Campbell	Hunt	3	Rural	758	5	14
Celeste	Hunt	3	Rural	837	5	13
Caddo Mills	Hunt	3	Rural	1,175	5	13
Quinlan	Hunt	3	Rural	1,368	5	15
West Tawakoni	Hunt	3	Rural	1,562	5	15
Wolfe City	Hunt	3	Rural	1,609	5	14
Commerce	Hunt	3	Rural	8,485	5	15
Greenville	Hunt	3	Urban/Exurban	24,977	5	15
Cross Timber	Johnson	3	Rural	303	5	14
Briaroaks	Johnson	3	Rural	487	5	10
Rio Vista	Johnson	3	Rural	694	5	11
Godley	Johnson	3	Rural	935	5	13
Grandview	Johnson	3	Rural	1,431	5	14
Venus	Johnson	3	Rural	2,501	5	14
Alvarado	Johnson	3	Rural	3,684	5	13
Joshua	Johnson	3	Urban/Exurban	4,853	5	11
Keene	Johnson	3	Rural	5,437	5	13
Burleson	Johnson	3	Urban/Exurban	24,019	5	13
Cleburne	Johnson	3	Urban/Exurban	28,423	5	15
Cottonwood	Kaufman	3	Rural	206	5	15
Grays Prairie	Kaufman	3	Rural	330	5	13
Rosser	Kaufman	3	Rural	400	5	13
Post Oak Bend City	Kaufman	3	Rural	443	5	10
Oak Ridge (Kaufman)	Kaufman	3	Rural	443	5	12
Oak Grove	Kaufman	3	Rural	756	5	10
Talty	Kaufman	3	Rural	1,105	5	10
Kemp	Kaufman	3	Rural	1,149	5	14
Combine	Kaufman	3	Rural	1,900	5	10
Mabank	Kaufman	3	Rural	2,421	5	14
Crandall	Kaufman	3	Rural	3,000	5	12
Forney	Kaufman	3	Rural	6,188	5	13
Kaufman	Kaufman	3	Rural	7,060	0	9
Terrell	Kaufman	3	Rural	14,589	0	10
Mustang	Navarro	3	Rural	53	5	10
Powell	Navarro	3	Rural	107	5	10
Emhouse	Navarro	3	Rural	163	5	10
Navarro	Navarro	3	Rural	194	5	15
Barry	Navarro	3	Rural	215	5	15
Goodlow	Navarro	3	Rural	268	5	13
Richland	Navarro	3	Rural	299	5	14
Retreat	Navarro	3	Rural	336	5	10
Angus	Navarro	3	Rural	349	5	14
Eureka	Navarro	3	Rural	350	5	10
Mildred	Navarro	3	Rural	422	5	15
Oak Valley	Navarro	3	Rural	430	5	13

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Frost	Navarro	3	Rural	657	5	14
Blooming Grove	Navarro	3	Rural	837	5	13
Dawson	Navarro	3	Rural	846	5	14
Rice	Navarro	3	Rural	856	5	15
Kerens	Navarro	3	Rural	1,704	5	15
Corsicana	Navarro	3	Rural	25,128	5	15
Mingus	Palo Pinto	3	Rural	249	5	13
Gordon	Palo Pinto	3	Rural	441	5	16
Graford	Palo Pinto	3	Rural	583	5	13
Strawn	Palo Pinto	3	Rural	741	5	13
Mineral Wells	Palo Pinto	3	Rural	17,315	0	11
Cool	Parker	3	Rural	173	5	15
Millsap	Parker	3	Rural	357	5	10
Annetta North	Parker	3	Rural	514	5	14
Sanctuary	Parker	3	Rural	586	5	12
Annetta South	Parker	3	Rural	603	5	10
Annetta	Parker	3	Rural	1,169	5	11
Hudson Oaks	Parker	3	Rural	1,784	5	12
Aledo	Parker	3	Rural	2,103	5	10
Springtown	Parker	3	Rural	2,240	0	9
Reno (Parker)	Parker	3	Rural	2,648	5	12
Willow Park	Parker	3	Rural	3,027	5	10
Weatherford	Parker	3	Rural	20,995	0	9
Mobile City	Rockwall	3	Rural	226	5	9
McLendon-Chisholm	Rockwall	3	Rural	987	5	13
Fate	Rockwall	3	Rural	995	5	11
Royse City	Rockwall	3	Rural	3,599	5	11
Heath	Rockwall	3	Urban/Exurban	5,301	5	9
Rockwall	Rockwall	3	Urban/Exurban	22,268	5	10
Glen Rose	Somervell	3	Rural	2,351	5	12
Westlake	Tarrant	3	Urban/Exurban	220	5	14
Westover Hills	Tarrant	3	Urban/Exurban	666	5	14
Lakeside (Tarrant)	Tarrant	3	Urban/Exurban	1,091	5	14
Haslet	Tarrant	3	Urban/Exurban	1,285	5	14
Pelican Bay	Tarrant	3	Rural	1,611	5	18
Westworth	Tarrant	3	Urban/Exurban	2,126	5	15
Pantego	Tarrant	3	Urban/Exurban	2,288	5	15
Dalworthington Gardens	Tarrant	3	Urban/Exurban	2,318	5	14
Blue Mound	Tarrant	3	Urban/Exurban	2,477	5	15
Edgecliff	Tarrant	3	Urban/Exurban	2,524	5	18
Sansom Park	Tarrant	3	Urban/Exurban	4,277	5	19
Lake Worth	Tarrant	3	Urban/Exurban	4,628	5	15
Briar	Tarrant	3	Rural	5,653	5	14
Everman	Tarrant	3	Urban/Exurban	5,942	5	18
Kennedale	Tarrant	3	Urban/Exurban	6,272	5	16
Eagle Mountain	Tarrant	3	Urban/Exurban	6,662	5	15
River Oaks	Tarrant	3	Urban/Exurban	7,080	5	18
Crowley	Tarrant	3	Urban/Exurban	8,072	5	16
Richland Hills	Tarrant	3	Urban/Exurban	8,140	5	16
Rendon	Tarrant	3	Urban/Exurban	9,362	5	15
Azle	Tarrant	3	Urban/Exurban	9,956	5	16

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Forest Hill	Tarrant	3	Urban/Exurban	13,326	5	19
White Settlement	Tarrant	3	Urban/Exurban	15,015	5	19
Saginaw	Tarrant	3	Urban/Exurban	15,906	5	16
Benbrook	Tarrant	3	Urban/Exurban	20,736	5	15
Colleyville	Tarrant	3	Urban/Exurban	20,877	5	14
Watauga	Tarrant	3	Urban/Exurban	23,579	5	15
Southlake	Tarrant	3	Urban/Exurban	24,088	5	15
Keller	Tarrant	3	Urban/Exurban	32,119	5	16
Mansfield	Tarrant	3	Urban/Exurban	32,340	5	15
Hurst	Tarrant	3	Urban/Exurban	37,074	5	18
Haltom City	Tarrant	3	Urban/Exurban	40,753	5	16
Grapevine	Tarrant	3	Urban/Exurban	45,428	5	15
Bedford	Tarrant	3	Urban/Exurban	48,278	5	15
Euless	Tarrant	3	Urban/Exurban	48,744	5	15
North Richland Hills	Tarrant	3	Urban/Exurban	58,715	5	15
Arlington	Tarrant	3	Urban/Exurban	354,230	5	18
Fort Worth	Tarrant	3	Urban/Exurban	577,306	0	14
Lake Bridgeport	Wise	3	Rural	386	5	11
Paradise	Wise	3	Rural	467	5	12
Rhome	Wise	3	Rural	679	5	13
Aurora	Wise	3	Rural	951	5	14
Newark	Wise	3	Rural	991	5	14
Chico	Wise	3	Rural	1,000	5	13
New Fairview	Wise	3	Rural	1,096	5	12
Alvord	Wise	3	Rural	1,117	5	13
Runaway Bay	Wise	3	Rural	1,138	5	11
Boyd	Wise	3	Rural	1,157	5	14
Pecan Acres	Wise	3	Rural	2,413	5	16
Bridgeport	Wise	3	Rural	4,499	0	11
Decatur	Wise	3	Rural	5,440	5	13
	3 Count	266				
Frankston	Anderson	4	Rural	1,240	5	13
Elkhart	Anderson	4	Rural	1,246	5	15
Palestine	Anderson	4	Rural	17,981	5	15
Leary	Bowie	4	Rural	595	5	14
Red Lick	Bowie	4	Rural	851	5	14
Redwater	Bowie	4	Rural	877	5	14
Maud	Bowie	4	Rural	1,014	5	16
De Kalb	Bowie	4	Rural	1,746	5	19
Nash	Bowie	4	Urban/Exurban	2,321	5	16
Hooks	Bowie	4	Rural	3,031	5	16
New Boston	Bowie	4	Rural	4,780	5	16
Wake	Bowie	4	Urban/Exurban	5,290	5	15
Texarkana	Bowie	4	Urban/Exurban	35,673	0	14
Rocky Mound	Camp	4	Rural	99	5	9
Pittsburg	Camp	4	Rural	4,548	5	14
Domino	Cass	4	Rural	54	5	10
Marietta	Cass	4	Rural	115	5	10
Douglassville	Cass	4	Rural	161	5	10
Bloomburg	Cass	4	Rural	371	5	12
Avinger	Cass	4	Rural	456	5	15

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Queen City	Cass	4	Rural	1,615	5	14
Hughes Springs	Cass	4	Rural	1,839	5	13
Linden	Cass	4	Rural	2,176	5	12
Atlanta	Cass	4	Rural	5,757	5	14
Cuney	Cherokee	4	Rural	146	5	18
Reklaw	Cherokee	4	Rural	361	5	17
Gallatin	Cherokee	4	Rural	392	5	15
Wells	Cherokee	4	Rural	767	5	18
New Summerfield	Cherokee	4	Rural	1,055	5	17
Alto	Cherokee	4	Rural	1,191	5	18
Rusk	Cherokee	4	Rural	5,110	5	17
Jacksonville	Cherokee	4	Rural	14,196	0	12
Pecan Gap	Delta	4	Rural	212	5	11
Cooper	Delta	4	Rural	2,170	5	14
Mount Vernon	Franklin	4	Rural	2,292	5	12
Warren City	Gregg	4	Rural	361	5	17
Easton	Gregg	4	Rural	568	5	15
Clarksville City	Gregg	4	Rural	818	5	15
Lakeport	Gregg	4	Rural	878	5	17
Liberty City	Gregg	4	Rural	1,969	5	15
White Oak	Gregg	4	Urban/Exurban	5,765	5	16
Gladewater	Gregg	4	Rural	6,079	5	20
Kilgore	Gregg	4	Rural	11,481	5	16
Longview	Gregg	4	Urban/Exurban	74,990	0	12
Uncertain	Harrison	4	Rural	147	5	13
Scottsville	Harrison	4	Rural	259	5	18
Nesbitt	Harrison	4	Rural	302	5	13
Waskom	Harrison	4	Rural	2,077	5	17
Hallsville	Harrison	4	Rural	2,792	5	13
Marshall	Harrison	4	Urban/Exurban	23,830	5	17
Coffee City	Henderson	4	Rural	184	5	14
Moore Station	Henderson	4	Rural	207	5	15
Caney City	Henderson	4	Rural	255	5	19
Poynor	Henderson	4	Rural	327	5	14
Enchanted Oaks	Henderson	4	Rural	376	5	15
Star Harbor	Henderson	4	Rural	403	5	14
Murchison	Henderson	4	Rural	606	5	15
Payne Springs	Henderson	4	Rural	694	5	14
Log Cabin	Henderson	4	Rural	784	5	19
Eustace	Henderson	4	Rural	820	5	14
Brownsboro	Henderson	4	Rural	843	5	18
Berryville	Henderson	4	Rural	917	5	17
Trinidad	Henderson	4	Rural	1,096	5	17
Seven Points	Henderson	4	Rural	1,186	5	19
Chandler	Henderson	4	Rural	2,169	5	14
Malakoff	Henderson	4	Rural	2,318	5	19
Tool	Henderson	4	Rural	2,343	5	17
Gun Barrel City	Henderson	4	Rural	5,375	5	15
Athens	Henderson	4	Rural	11,852	5	18
Tira	Hopkins	4	Rural	257	5	10
Cumby	Hopkins	4	Rural	620	5	13

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Como	Hopkins	4	Rural	657	5	13
Sulphur Springs	Hopkins	4	Rural	14,822	5	13
Sun Valley	Lamar	4	Rural	55	5	13
Toco	Lamar	4	Rural	86	5	18
Deport	Lamar	4	Rural	701	5	14
Roxton	Lamar	4	Rural	714	5	18
Blossom	Lamar	4	Rural	1,448	5	15
Reno (Lamar)	Lamar	4	Rural	2,937	5	13
Paris	Lamar	4	Rural	26,530	0	12
Jefferson	Marion	4	Rural	1,940	5	15
Omaha	Morris	4	Rural	999	5	13
Naples	Morris	4	Rural	1,413	5	14
Lone Star	Morris	4	Rural	1,616	5	13
Daingerfield	Morris	4	Rural	2,438	5	14
Gary City	Panola	4	Rural	321	5	10
Beckville	Panola	4	Rural	738	5	14
Carthage	Panola	4	Rural	6,716	0	6
East Tawakoni	Rains	4	Rural	857	5	10
Point	Rains	4	Rural	875	5	14
Emory	Rains	4	Rural	1,157	5	10
Annona	Red River	4	Rural	269	5	13
Avery	Red River	4	Rural	453	5	14
Detroit	Red River	4	Rural	765	5	14
Bogata	Red River	4	Rural	1,365	5	12
Clarksville	Red River	4	Rural	3,750	5	14
Mount Enterprise	Rusk	4	Rural	527	5	14
New London	Rusk	4	Rural	995	5	13
Tatum	Rusk	4	Rural	1,169	5	15
Overton	Rusk	4	Rural	2,358	5	15
Henderson	Rusk	4	Rural	11,174	0	8
Noonday	Smith	4	Rural	532	5	15
New Chapel Hill	Smith	4	Rural	572	5	14
Winona	Smith	4	Rural	613	5	14
Arp	Smith	4	Rural	941	5	14
Bullard	Smith	4	Rural	1,368	5	15
Troup	Smith	4	Rural	2,040	5	16
Lindale	Smith	4	Rural	3,495	5	15
Whitehouse	Smith	4	Rural	6,243	5	15
Tyler	Smith	4	Urban/Exurban	88,531	0	13
Miller's Cove	Titus	4	Rural	128	5	11
Winfield	Titus	4	Rural	517	5	15
Talco	Titus	4	Rural	566	5	15
Mount Pleasant	Titus	4	Rural	14,180	5	14
Union Grove	Upshur	4	Rural	346	5	12
East Mountain	Upshur	4	Rural	605	5	13
Ore City	Upshur	4	Rural	1,155	5	14
Big Sandy	Upshur	4	Rural	1,305	5	12
Gilmer	Upshur	4	Rural	4,884	5	14
Edom	Van Zandt	4	Rural	339	5	15
Fruitvale	Van Zandt	4	Rural	438	5	14
Edgewood	Van Zandt	4	Rural	1,366	5	14

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Van	Van Zandt	4	Rural	2,449	5	14
Grand Saline	Van Zandt	4	Rural	3,102	5	14
Canton	Van Zandt	4	Rural	3,358	5	11
Wills Point	Van Zandt	4	Rural	3,671	5	15
Yantis	Wood	4	Rural	349	5	12
Alba	Wood	4	Rural	468	5	14
Hawkins	Wood	4	Rural	1,332	5	14
Quitman	Wood	4	Rural	2,105	5	12
Winnsboro	Wood	4	Rural	3,689	5	14
Mineola	Wood	4	Rural	4,690	5	15
	4 Count	132				
Burke	Angelina	5	Rural	317	5	16
Zavalla	Angelina	5	Rural	649	5	18
Huntington	Angelina	5	Rural	2,110	5	17
Hudson	Angelina	5	Rural	3,968	5	15
Diboll	Angelina	5	Rural	5,606	5	17
Lufkin	Angelina	5	Rural	32,970	0	12
Rose Hill Acres	Hardin	5	Urban/Exurban	472	5	13
Pinewood Estates	Hardin	5	Rural	1,652	5	13
Sour Lake	Hardin	5	Rural	1,661	5	13
Kountze	Hardin	5	Rural	2,086	5	16
Silsbee	Hardin	5	Rural	6,292	5	15
Lumberton	Hardin	5	Rural	9,209	5	12
Latexo	Houston	5	Rural	276	5	11
Kennard	Houston	5	Rural	328	5	15
Lovelady	Houston	5	Rural	609	5	13
Grapeland	Houston	5	Rural	1,418	5	16
Crockett	Houston	5	Rural	7,230	0	11
Browndell	Jasper	5	Rural	228	5	14
Evadale	Jasper	5	Rural	1,426	5	14
Kirbyville	Jasper	5	Rural	2,090	5	16
Buna	Jasper	5	Rural	2,278	5	12
Jasper	Jasper	5	Rural	7,439	5	17
Nome	Jefferson	5	Rural	528	5	17
China	Jefferson	5	Rural	1,098	5	15
Bevil Oaks	Jefferson	5	Rural	1,343	5	15
Central Gardens	Jefferson	5	Rural	4,092	5	14
Port Neches	Jefferson	5	Urban/Exurban	13,481	5	14
Groves	Jefferson	5	Urban/Exurban	15,434	5	14
Nederland	Jefferson	5	Urban/Exurban	17,331	5	15
Port Arthur	Jefferson	5	Urban/Exurban	57,497	0	13
Beaumont	Jefferson	5	Urban/Exurban	113,651	0	13
Chireno	Nacogdoches	5	Rural	410	5	16
Appleby	Nacogdoches	5	Rural	448	5	13
Cushing	Nacogdoches	5	Rural	642	5	15
Garrison	Nacogdoches	5	Rural	833	5	16
Nacogdoches	Nacogdoches	5	Rural	30,332	0	13
South Toledo Bend	Newton	5	Rural	509	5	10
Deweyville	Newton	5	Rural	1,159	5	13
Newton	Newton	5	Rural	2,534	5	15
Rose City	Orange	5	Rural	519	5	15

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Pine Forest	Orange	5	Rural	625	5	13
Pinehurst (Orange)	Orange	5	Rural	2,238	5	15
Mauriceville	Orange	5	Rural	2,846	5	15
West Orange	Orange	5	Rural	4,064	5	15
Bridge City	Orange	5	Rural	8,799	5	15
Vidor	Orange	5	Rural	11,624	5	15
Orange	Orange	5	Rural	18,480	0	12
Seven Oaks	Polk	5	Rural	136	5	12
Goodrich	Polk	5	Rural	251	5	13
Onalaska	Polk	5	Rural	1,258	5	14
Corrigan	Polk	5	Rural	1,754	5	17
Livingston	Polk	5	Rural	5,849	5	15
West Livingston	Polk	5	Rural	6,752	5	14
Pineland	Sabine	5	Rural	967	5	15
Hemphill	Sabine	5	Rural	1,095	5	12
Milam	Sabine	5	Rural	1,299	5	10
Broaddus	San Augustine	5	Rural	207	5	16
San Augustine	San Augustine	5	Rural	2,511	5	15
Oakhurst	San Jacinto	5	Rural	223	5	16
Point Blank	San Jacinto	5	Rural	571	5	12
Coldspring	San Jacinto	5	Rural	719	5	14
Shepherd	San Jacinto	5	Rural	2,147	5	14
Huxley	Shelby	5	Rural	296	5	12
Joaquin	Shelby	5	Rural	958	5	16
Tenaha	Shelby	5	Rural	1,054	5	17
Timpson	Shelby	5	Rural	1,054	5	17
Center	Shelby	5	Rural	5,807	0	11
Groveton	Trinity	5	Rural	1,113	5	15
Trinity	Trinity	5	Rural	2,745	5	14
Chester	Tyler	5	Rural	276	5	11
Colmesneil	Tyler	5	Rural	655	5	13
Woodville	Tyler	5	Rural	2,384	5	15
	5 Count	72				
Industry	Austin	6	Rural	325	5	11
San Felipe	Austin	6	Rural	898	5	12
Wallis	Austin	6	Rural	1,233	5	10
Bellville	Austin	6	Rural	4,099	5	11
Sealy	Austin	6	Rural	5,697	0	7
Quintana	Brazoria	6	Rural	38	5	11
Bonney	Brazoria	6	Rural	407	5	11
Liverpool	Brazoria	6	Rural	412	5	12
Damon	Brazoria	6	Rural	534	5	15
Hillcrest	Brazoria	6	Urban/Exurban	731	5	12
Bailey's Prairie	Brazoria	6	Rural	735	5	11
Surfside Beach	Brazoria	6	Rural	786	5	14
Iowa Colony	Brazoria	6	Urban/Exurban	869	5	14
Holiday Lakes	Brazoria	6	Rural	1,141	5	14
Oyster Creek	Brazoria	6	Rural	1,276	5	15
Danbury	Brazoria	6	Rural	1,657	5	15
Brookside	Brazoria	6	Urban/Exurban	2,058	5	15
Jones Creek	Brazoria	6	Rural	2,225	5	12

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Wild Peach	Brazoria	6	Rural	2,578	5	14
Brazoria	Brazoria	6	Rural	2,851	5	14
Richwood	Brazoria	6	Urban/Exurban	3,136	5	12
Manvel	Brazoria	6	Urban/Exurban	3,151	5	11
Sweeny	Brazoria	6	Rural	3,744	5	12
West Columbia	Brazoria	6	Rural	4,327	5	16
Clute	Brazoria	6	Urban/Exurban	10,897	5	14
Freeport	Brazoria	6	Urban/Exurban	13,095	5	16
Angleton	Brazoria	6	Rural	18,752	5	14
Alvin	Brazoria	6	Urban/Exurban	22,272	5	15
Lake Jackson	Brazoria	6	Urban/Exurban	27,033	5	14
Pearland	Brazoria	6	Urban/Exurban	46,359	5	12
Cove	Chambers	6	Rural	343	5	11
Old River-Winfree	Chambers	6	Rural	1,475	5	11
Stowell	Chambers	6	Rural	1,677	5	11
Beach City	Chambers	6	Urban/Exurban	1,841	5	9
Anahuac	Chambers	6	Rural	2,376	5	12
Mont Belvieu	Chambers	6	Rural	2,547	5	11
Winnie	Chambers	6	Rural	3,128	5	12
Weimar	Colorado	6	Rural	1,951	5	13
Eagle Lake	Colorado	6	Rural	3,927	5	14
Columbus	Colorado	6	Rural	4,036	5	14
Thompsons	Fort Bend	6	Urban/Exurban	263	5	16
Orchard	Fort Bend	6	Rural	452	5	12
Kendleton	Fort Bend	6	Rural	508	5	14
Beasley	Fort Bend	6	Rural	667	5	14
Fairchilds	Fort Bend	6	Rural	741	5	12
Cumings	Fort Bend	6	Urban/Exurban	743	5	17
Simonton	Fort Bend	6	Rural	809	5	12
Fulshear	Fort Bend	6	Rural	893	5	17
Pleak	Fort Bend	6	Rural	1,041	5	14
Arcola	Fort Bend	6	Rural	1,174	5	16
Sienna Plantation	Fort Bend	6	Urban/Exurban	2,107	5	14
Fifth Street	Fort Bend	6	Urban/Exurban	2,355	5	17
Needville	Fort Bend	6	Rural	2,923	5	13
Four Corners	Fort Bend	6	Urban/Exurban	3,231	5	16
Meadows Place	Fort Bend	6	Urban/Exurban	5,326	0	7
Greatwood	Fort Bend	6	Urban/Exurban	7,425	5	12
Fresno	Fort Bend	6	Urban/Exurban	7,565	5	16
Cinco Ranch	Fort Bend	6	Urban/Exurban	11,978	5	14
Richmond	Fort Bend	6	Urban/Exurban	12,426	5	17
Pecan Grove	Fort Bend	6	Rural	15,107	5	12
New Territory	Fort Bend	6	Urban/Exurban	15,285	5	13
Stafford	Fort Bend	6	Urban/Exurban	18,497	5	14
Rosenberg	Fort Bend	6	Urban/Exurban	27,785	0	11
Mission Bend	Fort Bend	6	Urban/Exurban	33,252	5	14
Missouri City	Fort Bend	6	Urban/Exurban	61,058	5	13
Sugar Land	Fort Bend	6	Urban/Exurban	72,062	5	13
Tiki Island	Galveston	6	Urban/Exurban	1,095	5	14
Jamaica Beach	Galveston	6	Urban/Exurban	1,123	5	17
Clear Lake Shores	Galveston	6	Urban/Exurban	1,235	5	15

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Bayou Vista	Galveston	6	Rural	1,703	5	14
Kemah	Galveston	6	Urban/Exurban	2,428	5	16
Bolivar Peninsula	Galveston	6	Rural	3,777	5	17
San Leon	Galveston	6	Urban/Exurban	4,590	5	17
Hitchcock	Galveston	6	Urban/Exurban	7,332	5	17
Bacliff	Galveston	6	Urban/Exurban	7,395	5	19
Santa Fe	Galveston	6	Urban/Exurban	10,191	5	15
La Marque	Galveston	6	Urban/Exurban	13,775	5	17
Dickinson	Galveston	6	Urban/Exurban	18,405	5	17
Friendswood	Galveston	6	Urban/Exurban	31,613	5	15
Texas City	Galveston	6	Urban/Exurban	42,366	5	17
League City	Galveston	6	Urban/Exurban	52,451	5	15
Galveston	Galveston	6	Urban/Exurban	57,905	5	19
Morgan's Point	Harris	6	Urban/Exurban	324	5	14
Hilshire	Harris	6	Urban/Exurban	712	5	20
Shoreacres	Harris	6	Urban/Exurban	1,537	5	14
Southside Place	Harris	6	Urban/Exurban	1,594	5	17
Crosby	Harris	6	Rural	1,725	5	17
Sheldon	Harris	6	Rural	1,865	5	16
Hedwig	Harris	6	Urban/Exurban	2,270	5	16
Barrett	Harris	6	Rural	2,864	5	20
El Lago	Harris	6	Urban/Exurban	3,050	5	14
Piney Point	Harris	6	Urban/Exurban	3,336	5	14
Spring Valley	Harris	6	Urban/Exurban	3,577	5	14
Bunker Hill	Harris	6	Urban/Exurban	3,607	5	17
Taylor Lake	Harris	6	Urban/Exurban	3,640	5	17
Nassau Bay	Harris	6	Urban/Exurban	4,091	5	17
Hunters Creek	Harris	6	Urban/Exurban	4,336	5	14
Jersey	Harris	6	Urban/Exurban	7,080	5	14
Highlands	Harris	6	Urban/Exurban	7,136	5	16
Webster	Harris	6	Urban/Exurban	9,145	5	17
Tomball	Harris	6	Rural	9,779	5	17
Jacinto City	Harris	6	Urban/Exurban	10,370	0	13
Seabrook	Harris	6	Urban/Exurban	10,450	5	14
Galena Park	Harris	6	Urban/Exurban	10,623	5	20
Katy	Harris	6	Urban/Exurban	12,743	0	12
West University Place	Harris	6	Urban/Exurban	14,455	5	14
Aldine	Harris	6	Urban/Exurban	14,650	5	18
Humble	Harris	6	Urban/Exurban	15,227	0	13
Bellaire	Harris	6	Urban/Exurban	15,881	5	16
South Houston	Harris	6	Urban/Exurban	16,202	0	14
Cloverleaf	Harris	6	Urban/Exurban	24,625	5	20
Deer Park	Harris	6	Urban/Exurban	28,612	5	16
Channelview	Harris	6	Urban/Exurban	30,627	5	18
La Porte	Harris	6	Urban/Exurban	32,911	5	16
Atascocita	Harris	6	Urban/Exurban	35,738	5	16
Spring	Harris	6	Urban/Exurban	36,642	5	16
Baytown	Harris	6	Urban/Exurban	67,783	5	18
Pasadena	Harris	6	Urban/Exurban	147,303	5	18
Houston	Harris	6	Urban/Exurban	2,025,746	0	13
Dayton Lakes	Liberty	6	Rural	98	5	15

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
North Cleveland	Liberty	6	Rural	267	5	11
Devers	Liberty	6	Rural	429	5	15
Kenefick	Liberty	6	Rural	701	5	11
Hardin	Liberty	6	Rural	764	5	11
Plum Grove	Liberty	6	Rural	986	5	11
Daisetta	Liberty	6	Rural	1,098	5	14
Ames	Liberty	6	Rural	1,123	5	16
Dayton	Liberty	6	Rural	6,418	5	16
Cleveland	Liberty	6	Rural	8,091	5	16
Liberty	Liberty	6	Rural	8,233	5	14
Blessing	Matagorda	6	Rural	858	5	15
Markham	Matagorda	6	Rural	1,147	5	11
Van Vleck	Matagorda	6	Rural	1,393	5	14
Palacios	Matagorda	6	Rural	5,267	5	16
Bay City	Matagorda	6	Rural	18,476	0	10
Woodloch	Montgomery	6	Rural	254	5	12
Stagecoach	Montgomery	6	Rural	506	5	12
Montgomery	Montgomery	6	Rural	531	5	14
Magnolia	Montgomery	6	Rural	1,247	5	14
Cut and Shoot	Montgomery	6	Urban/Exurban	1,276	5	13
Woodbranch	Montgomery	6	Rural	1,342	5	13
Splendora	Montgomery	6	Rural	1,401	5	14
Patton	Montgomery	6	Rural	1,507	5	15
Shenandoah	Montgomery	6	Urban/Exurban	1,545	5	12
Porter Heights	Montgomery	6	Rural	1,576	5	12
Roman Forest	Montgomery	6	Rural	2,077	5	12
Panorama	Montgomery	6	Urban/Exurban	2,081	5	12
Oak Ridge North	Montgomery	6	Urban/Exurban	3,220	5	12
Pinehurst (Montgomery)	Montgomery	6	Rural	4,630	5	13
Willis	Montgomery	6	Rural	4,663	5	15
Conroe	Montgomery	6	Urban/Exurban	40,797	5	15
The Woodlands	Montgomery	6	Urban/Exurban	59,518	5	14
Riverside	Walker	6	Rural	442	5	16
New Waverly	Walker	6	Rural	982	5	16
Huntsville	Walker	6	Rural	36,410	0	11
Pattison	Waller	6	Rural	486	5	9
Pine Island	Waller	6	Rural	890	5	11
Waller	Waller	6	Rural	2,297	0	8
Brookshire	Waller	6	Rural	3,737	5	14
Prairie View	Waller	6	Rural	4,365	0	9
Hempstead	Waller	6	Rural	5,593	0	9
Hungerford	Wharton	6	Rural	636	5	11
Louise	Wharton	6	Rural	948	5	13
Boling-Iago	Wharton	6	Rural	1,317	5	13
East Bernard	Wharton	6	Rural	1,718	5	13
Wharton	Wharton	6	Rural	9,362	5	15
El Campo	Wharton	6	Rural	11,087	5	15
	6 Count	167				
Circle D-KC Estates	Bastrop	7	Rural	2,157	5	11
Wyldwood	Bastrop	7	Rural	2,489	5	11
Smithville	Bastrop	7	Rural	4,162	5	16

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Camp Swift	Bastrop	7	Rural	5,173	5	12
Elgin	Bastrop	7	Rural	6,019	0	11
Bastrop	Bastrop	7	Rural	6,047	5	14
Round Mountain	Blanco	7	Rural	120	5	9
Johnson City	Blanco	7	Rural	1,267	5	12
Blanco	Blanco	7	Rural	1,613	5	13
Highland Haven	Burnet	7	Rural	459	5	12
Cottonwood Shores	Burnet	7	Rural	932	5	16
Bertram	Burnet	7	Rural	1,182	5	14
Meadowlakes	Burnet	7	Rural	1,466	5	12
Granite Shoals	Burnet	7	Rural	2,233	5	16
Burnet	Burnet	7	Rural	5,041	0	10
Marble Falls	Burnet	7	Rural	5,300	5	16
Mustang Ridge	Caldwell	7	Rural	956	5	11
Martindale	Caldwell	7	Rural	1,016	5	15
Luling	Caldwell	7	Rural	5,360	5	16
Lockhart	Caldwell	7	Rural	12,370	5	16
Round Top	Fayette	7	Rural	73	5	10
Carmine	Fayette	7	Rural	231	5	11
Fayetteville	Fayette	7	Rural	275	5	11
Flatonia	Fayette	7	Rural	1,414	5	15
Schulenburg	Fayette	7	Rural	2,681	5	14
La Grange	Fayette	7	Rural	4,567	5	14
Hays	Hays	7	Rural	235	5	13
Bear Creek	Hays	7	Rural	372	5	16
Uhland	Hays	7	Rural	418	5	14
Niederwald	Hays	7	Rural	642	5	11
Mountain City	Hays	7	Rural	726	5	14
Woodcreek	Hays	7	Rural	1,335	5	15
Dripping Springs	Hays	7	Rural	1,651	5	15
Buda	Hays	7	Urban/Exurban	3,337	5	11
Wimberley	Hays	7	Rural	3,919	5	11
Kyle	Hays	7	Rural	9,766	0	9
San Marcos	Hays	7	Urban/Exurban	41,336	5	16
Lexington	Lee	7	Rural	1,227	5	14
Giddings	Lee	7	Rural	5,332	5	14
Sunrise Beach	Llano	7	Rural	751	5	15
Buchanan Dam	Llano	7	Rural	1,787	5	11
Horseshoe Bay	Llano	7	Rural	3,461	5	11
Llano	Llano	7	Rural	3,608	5	13
Kingsland	Llano	7	Rural	5,004	5	15
Creedmoor	Travis	7	Rural	206	5	15
San Leanna	Travis	7	Urban/Exurban	374	0	13
Sunset Valley	Travis	7	Urban/Exurban	467	5	17
Briarcliff	Travis	7	Rural	856	5	16
Bee Cave	Travis	7	Rural	1,008	5	16
Manor	Travis	7	Urban/Exurban	1,178	0	13
Rollingwood	Travis	7	Urban/Exurban	1,334	5	17
Barton Creek	Travis	7	Urban/Exurban	1,525	5	17
Garfield	Travis	7	Rural	1,655	5	17
The Hills	Travis	7	Rural	1,683	5	15

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Jonestown	Travis	7	Rural	1,715	5	18
Onion Creek	Travis	7	Urban/Exurban	2,014	5	15
Hudson Bend	Travis	7	Urban/Exurban	2,246	5	18
West Lake Hills	Travis	7	Urban/Exurban	2,999	5	15
Lost Creek	Travis	7	Urban/Exurban	4,513	5	16
Shady Hollow	Travis	7	Urban/Exurban	4,838	5	15
Lago Vista	Travis	7	Rural	5,098	5	20
Windemere	Travis	7	Urban/Exurban	6,826	5	18
Lakeway	Travis	7	Rural	8,028	5	17
Wells Branch	Travis	7	Urban/Exurban	11,249	5	16
Pflugerville	Travis	7	Urban/Exurban	23,699	5	16
Austin	Travis	7	Urban/Exurban	672,895	0	15
Weir	Williamson	7	Rural	659	5	13
Thrall	Williamson	7	Rural	797	5	18
Florence	Williamson	7	Rural	1,155	5	17
Granger	Williamson	7	Rural	1,384	5	17
Liberty Hill	Williamson	7	Rural	1,487	5	14
Bartlett	Williamson	7	Rural	1,746	5	18
Serenada	Williamson	7	Urban/Exurban	1,899	5	18
Hutto	Williamson	7	Rural	2,778	5	13
Anderson Mill	Williamson	7	Urban/Exurban	9,314	5	16
Leander	Williamson	7	Urban/Exurban	11,350	5	14
Taylor	Williamson	7	Rural	14,575	5	18
Brushy Creek	Williamson	7	Urban/Exurban	16,604	5	14
Jollyville	Williamson	7	Urban/Exurban	16,697	5	14
Georgetown	Williamson	7	Urban/Exurban	32,699	5	17
Cedar Park	Williamson	7	Urban/Exurban	36,968	0	11
Round Rock	Williamson	7	Urban/Exurban	74,959	5	16
	7 Count	82				
Holland	Bell	8	Rural	1,097	5	18
Rogers	Bell	8	Rural	1,182	5	15
Troy	Bell	8	Rural	1,371	5	14
Little River-Academy	Bell	8	Rural	1,622	5	15
Nolanville	Bell	8	Rural	2,237	5	15
Morgan's Point Resort	Bell	8	Rural	3,307	5	14
Salado	Bell	8	Rural	3,459	5	13
Belton	Bell	8	Urban/Exurban	15,119	5	16
Harker Heights	Bell	8	Urban/Exurban	18,432	5	14
Fort Hood	Bell	8	Urban/Exurban	33,064	5	13
Temple	Bell	8	Urban/Exurban	55,717	5	15
Killeen	Bell	8	Urban/Exurban	94,075	0	10
Cranfills Gap	Bosque	8	Rural	345	5	12
Iredell	Bosque	8	Rural	357	5	13
Morgan	Bosque	8	Rural	506	5	10
Walnut Springs	Bosque	8	Rural	779	5	14
Valley Mills	Bosque	8	Rural	1,162	5	10
Meridian	Bosque	8	Rural	1,508	5	10
Clifton	Bosque	8	Rural	3,660	5	10
Millican	Brazos	8	Rural	113	5	14
Wixon Valley	Brazos	8	Rural	228	5	14
Bryan	Brazos	8	Urban/Exurban	69,356	0	14

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
College Station	Brazos	8	Urban/Exurban	73,643	5	19
Snook	Burleson	8	Rural	576	5	14
Somerville	Burleson	8	Rural	1,737	5	15
Caldwell	Burleson	8	Rural	3,694	5	14
South Mountain	Coryell	8	Rural	405	5	13
Evant	Coryell	8	Rural	411	5	17
Oglesby	Coryell	8	Rural	443	5	14
Gatesville	Coryell	8	Rural	15,368	5	14
Copperas Cove	Coryell	8	Urban/Exurban	29,904	5	14
Golinda	Falls	8	Rural	463	5	10
Lott	Falls	8	Rural	712	5	14
Rosebud	Falls	8	Rural	1,474	5	14
Marlin	Falls	8	Rural	6,699	5	15
Kirvin	Freestone	8	Rural	132	5	10
Streetman	Freestone	8	Rural	206	5	10
Wortham	Freestone	8	Rural	1,114	5	14
Fairfield	Freestone	8	Rural	3,204	5	12
Teague	Freestone	8	Rural	4,731	5	11
Todd Mission	Grimes	8	Rural	162	5	16
Anderson	Grimes	8	Rural	262	5	10
Navasota	Grimes	8	Rural	7,160	5	16
Hico	Hamilton	8	Rural	1,397	5	12
Hamilton	Hamilton	8	Rural	2,953	5	12
Aquilla	Hill	8	Rural	137	5	14
Carl's Corner	Hill	8	Rural	140	5	13
Mertens	Hill	8	Rural	154	5	17
Penelope	Hill	8	Rural	229	5	13
Bynum	Hill	8	Rural	242	5	17
Malone	Hill	8	Rural	290	5	14
Covington	Hill	8	Rural	309	5	12
Abbott	Hill	8	Rural	315	5	12
Mount Calm	Hill	8	Rural	331	5	12
Blum	Hill	8	Rural	417	5	16
Itasca	Hill	8	Rural	1,568	5	14
Hubbard	Hill	8	Rural	1,640	5	16
Whitney	Hill	8	Rural	1,919	5	16
Hillsboro	Hill	8	Rural	8,717	0	12
Lometa	Lampasas	8	Rural	821	5	14
Kempner	Lampasas	8	Rural	1,046	5	12
Lampasas	Lampasas	8	Rural	7,246	5	13
Leona	Leon	8	Rural	182	5	10
Marquez	Leon	8	Rural	221	5	14
Oakwood	Leon	8	Rural	462	5	11
Normangee	Leon	8	Rural	743	5	11
Centerville	Leon	8	Rural	930	5	11
Jewett	Leon	8	Rural	934	5	14
Buffalo	Leon	8	Rural	1,897	5	14
Tehuacana	Limestone	8	Rural	324	5	10
Kosse	Limestone	8	Rural	507	5	15
Thornton	Limestone	8	Rural	531	5	13
Coolidge	Limestone	8	Rural	877	5	14

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Groesbeck	Limestone	8	Rural	4,403	5	14
Mexia	Limestone	8	Rural	6,862	5	15
Midway	Madison	8	Rural	288	5	10
Madisonville	Madison	8	Rural	4,221	5	12
Ross	McLennan	8	Rural	223	5	14
Leroy	McLennan	8	Rural	339	5	14
Hallsburg	McLennan	8	Rural	520	5	14
Crawford	McLennan	8	Rural	722	5	14
Gholson	McLennan	8	Rural	898	5	16
Riesel	McLennan	8	Rural	1,000	5	18
Moody	McLennan	8	Rural	1,405	5	18
Lorena	McLennan	8	Rural	1,475	5	14
Bruceville-Eddy	McLennan	8	Rural	1,497	5	16
Beverly Hills	McLennan	8	Urban/Exurban	2,133	5	17
Mart	McLennan	8	Rural	2,282	5	18
West	McLennan	8	Rural	2,720	5	17
McGregor	McLennan	8	Urban/Exurban	4,731	5	17
Lacy-Lakeview	McLennan	8	Urban/Exurban	5,820	5	16
Robinson	McLennan	8	Urban/Exurban	8,620	5	16
Woodway	McLennan	8	Urban/Exurban	8,687	5	14
Bellmead	McLennan	8	Urban/Exurban	9,408	5	18
Hewitt	McLennan	8	Urban/Exurban	11,870	5	14
Waco	McLennan	8	Urban/Exurban	116,419	0	14
Buckholts	Milam	8	Rural	387	5	15
Milano	Milam	8	Rural	414	5	11
Thorndale	Milam	8	Rural	1,318	5	11
Rockdale	Milam	8	Rural	5,651	5	12
Cameron	Milam	8	Rural	5,729	0	8
Mullin	Mills	8	Rural	172	5	15
Goldthwaite	Mills	8	Rural	1,820	5	14
Bremond	Robertson	8	Rural	857	5	13
Calvert	Robertson	8	Rural	1,424	5	16
Franklin	Robertson	8	Rural	1,512	5	14
Hearne	Robertson	8	Rural	4,652	5	16
Richland Springs	San Saba	8	Rural	346	5	9
San Saba	San Saba	8	Rural	2,659	5	13
Burton	Washington	8	Rural	363	5	10
Brenham	Washington	8	Rural	13,854	0	9
	8 Count	111				
Christine	Atascosa	9	Rural	462	5	18
Charlotte	Atascosa	9	Rural	1,701	5	17
Lytle	Atascosa	9	Rural	2,464	5	15
Poteet	Atascosa	9	Rural	3,405	5	18
Jourdanton	Atascosa	9	Rural	4,119	5	17
Pleasanton	Atascosa	9	Rural	8,967	5	18
Bandera	Bandera	9	Rural	990	5	13
Lakehills	Bandera	9	Rural	5,109	5	14
Grey Forest	Bexar	9	Rural	420	5	14
Elmendorf	Bexar	9	Rural	695	5	18
Hill Country	Bexar	9	Urban/Exurban	1,001	5	14
China Grove	Bexar	9	Rural	1,265	5	14

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Selma	Bexar	9	Urban/Exurban	1,527	5	16
Cross Mountain	Bexar	9	Urban/Exurban	1,549	5	14
Somerset	Bexar	9	Rural	1,642	5	17
St. Hedwig	Bexar	9	Rural	1,980	5	15
Olmos Park	Bexar	9	Urban/Exurban	2,336	5	14
Shavano Park	Bexar	9	Urban/Exurban	2,763	5	14
Hollywood Park	Bexar	9	Urban/Exurban	2,944	5	18
Balcones Heights	Bexar	9	Urban/Exurban	3,062	5	17
Scenic Oaks	Bexar	9	Urban/Exurban	3,321	5	14
Castle Hills	Bexar	9	Urban/Exurban	4,046	5	16
Windcrest	Bexar	9	Urban/Exurban	4,921	5	16
Terrell Hills	Bexar	9	Urban/Exurban	5,013	5	16
Fair Oaks Ranch	Bexar	9	Urban/Exurban	5,055	5	15
Helotes	Bexar	9	Urban/Exurban	5,122	5	14
Timberwood Park	Bexar	9	Urban/Exurban	6,028	5	15
Lackland AFB	Bexar	9	Urban/Exurban	7,096	5	14
Alamo Heights	Bexar	9	Urban/Exurban	7,334	5	15
Kirby	Bexar	9	Urban/Exurban	8,631	5	16
Leon Valley	Bexar	9	Urban/Exurban	9,148	0	11
Live Oak	Bexar	9	Urban/Exurban	9,804	5	15
Converse	Bexar	9	Urban/Exurban	12,205	5	15
Universal City	Bexar	9	Rural	15,174	5	15
San Antonio	Bexar	9	Urban/Exurban	1,208,350	0	12
Garden Ridge	Comal	9	Rural	2,069	5	13
Bulverde	Comal	9	Rural	4,010	5	13
Canyon Lake	Comal	9	Rural	17,586	5	14
New Braunfels	Comal	9	Urban/Exurban	41,904	5	15
Hilltop	Frio	9	Rural	304	5	14
Bigfoot	Frio	9	Rural	306	5	12
West Pearsall	Frio	9	Rural	349	5	15
North Pearsall	Frio	9	Rural	572	5	12
Moore	Frio	9	Rural	641	5	13
Dilley	Frio	9	Rural	3,820	5	15
Pearsall	Frio	9	Rural	7,215	0	10
Stonewall	Gillespie	9	Rural	493	5	13
Harper	Gillespie	9	Rural	1,026	5	13
Fredericksburg	Gillespie	9	Rural	9,292	5	13
Zuehl	Guadalupe	9	Rural	347	5	13
New Berlin	Guadalupe	9	Rural	495	5	13
Geronimo	Guadalupe	9	Urban/Exurban	643	5	13
Kingsbury	Guadalupe	9	Rural	676	5	13
Santa Clara	Guadalupe	9	Rural	912	5	18
Marion	Guadalupe	9	Rural	1,147	5	14
Northcliff	Guadalupe	9	Rural	1,851	5	18
McQueeney	Guadalupe	9	Urban/Exurban	2,699	5	13
Cibolo	Guadalupe	9	Rural	3,690	5	15
Redwood	Guadalupe	9	Rural	3,791	5	17
Schertz	Guadalupe	9	Urban/Exurban	23,121	5	14
Seguin	Guadalupe	9	Urban/Exurban	24,083	5	17
Falls City	Karnes	9	Rural	594	5	12
Runge	Karnes	9	Rural	1,087	5	16

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Kenedy	Karnes	9	Rural	3,521	5	14
Karnes City	Karnes	9	Rural	3,538	5	14
Comfort	Kendall	9	Rural	2,534	5	15
Boerne	Kendall	9	Rural	6,706	5	14
Ingram	Kerr	9	Rural	1,799	5	15
Kerrville	Kerr	9	Rural	21,404	5	16
LaCoste	Medina	9	Rural	1,334	5	14
Natalia	Medina	9	Rural	1,766	5	16
Castroville	Medina	9	Rural	2,747	5	13
Devine	Medina	9	Rural	4,192	5	14
Hondo	Medina	9	Rural	8,284	0	10
La Vernia	Wilson	9	Rural	973	5	14
Stockdale	Wilson	9	Rural	1,456	5	12
Poth	Wilson	9	Rural	1,940	5	14
Floresville	Wilson	9	Rural	6,212	5	14
	9 Count	78				
Fulton	Aransas	10	Rural	1,629	5	12
Rockport	Aransas	10	Rural	7,973	5	13
Tulsita	Bee	10	Rural	18	5	15
Normanna	Bee	10	Rural	126	5	10
Pawnee	Bee	10	Rural	202	5	12
Tuleta	Bee	10	Rural	277	5	10
Tynan	Bee	10	Rural	295	5	14
Pettus	Bee	10	Rural	583	5	10
Blue Berry Hill	Bee	10	Rural	992	5	15
Skidmore	Bee	10	Rural	998	5	15
Beeville	Bee	10	Rural	12,980	5	14
Airport Road Addition	Brooks	10	Rural	127	5	12
Flowella	Brooks	10	Rural	130	5	11
Encino	Brooks	10	Rural	178	5	10
Cantu Addition	Brooks	10	Rural	212	5	13
Falfurrias	Brooks	10	Rural	5,185	5	15
Point Comfort	Calhoun	10	Rural	762	5	12
Seadrift	Calhoun	10	Rural	1,389	5	15
Port Lavaca	Calhoun	10	Rural	12,266	5	13
Nordheim	DeWitt	10	Rural	325	5	11
Yorktown	DeWitt	10	Rural	2,269	5	15
Cuero	DeWitt	10	Rural	6,784	5	15
Concepcion	Duval	10	Rural	60	5	11
Realitos	Duval	10	Rural	208	5	15
Benavides	Duval	10	Rural	1,630	5	15
Freer	Duval	10	Rural	3,204	5	12
San Diego	Duval	10	Rural	4,701	5	15
Goliad	Goliad	10	Rural	2,003	5	12
Smiley	Gonzales	10	Rural	471	5	14
Waelder	Gonzales	10	Rural	970	5	13
Nixon	Gonzales	10	Rural	2,287	5	14
Gonzales	Gonzales	10	Rural	7,382	5	13
La Ward	Jackson	10	Rural	211	5	9
Vanderbilt	Jackson	10	Rural	422	5	11
Lolita	Jackson	10	Rural	555	5	9

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Ganado	Jackson	10	Rural	1,977	5	11
Edna	Jackson	10	Rural	5,970	5	12
Loma Linda East	Jim Wells	10	Rural	218	5	19
Westdale	Jim Wells	10	Rural	305	5	15
K-Bar Ranch	Jim Wells	10	Rural	360	5	17
Coyote Acres	Jim Wells	10	Rural	398	5	19
Sandia	Jim Wells	10	Rural	435	5	15
Alfred-South La Paloma	Jim Wells	10	Rural	469	5	14
Alice Acres	Jim Wells	10	Rural	504	5	14
Owl Ranch-Amargosa	Jim Wells	10	Rural	545	5	19
Orange Grove	Jim Wells	10	Rural	1,354	5	16
Rancho Alegre	Jim Wells	10	Rural	1,812	5	19
Premont	Jim Wells	10	Rural	2,773	5	19
Alice	Jim Wells	10	Rural	19,372	5	16
Kingsville	Kleberg	10	Rural	25,382	0	12
Moulton	Lavaca	10	Rural	942	5	11
Shiner	Lavaca	10	Rural	2,075	5	11
Hallettsville	Lavaca	10	Rural	2,326	5	11
Yoakum	Lavaca	10	Rural	5,916	5	12
Pernitas Point	Live Oak	10	Rural	281	5	10
Three Rivers	Live Oak	10	Rural	1,829	5	11
George West	Live Oak	10	Rural	2,533	5	9
Petronila	Nueces	10	Rural	75	5	15
La Paloma-Lost Creek	Nueces	10	Rural	303	5	20
Tierra Grande	Nueces	10	Rural	370	5	16
Sandy Hollow-Escondidas	Nueces	10	Rural	398	5	16
Rancho Banquete	Nueces	10	Rural	483	5	16
Spring Garden-Terra Verde	Nueces	10	Rural	685	5	20
Agua Dulce (Nueces)	Nueces	10	Rural	712	5	18
Driscoll	Nueces	10	Rural	857	5	17
North San Pedro	Nueces	10	Rural	913	5	17
Bishop	Nueces	10	Rural	3,311	5	16
Port Aransas	Nueces	10	Urban/Exurban	3,381	5	17
Robstown	Nueces	10	Rural	12,596	5	18
Corpus Christi	Nueces	10	Urban/Exurban	280,085	0	12
Austwell	Refugio	10	Rural	184	5	14
Bayside	Refugio	10	Rural	349	5	13
Woodsboro	Refugio	10	Rural	1,647	5	12
Refugio	Refugio	10	Rural	2,894	5	11
Tradewinds	San Patricio	10	Rural	164	5	19
Edgewater-Paisano	San Patricio	10	Rural	178	5	19
Falman-County Acres	San Patricio	10	Rural	284	5	18
Doyle	San Patricio	10	Urban/Exurban	286	5	14
San Patricio	San Patricio	10	Rural	299	5	14
Rancho Chico	San Patricio	10	Rural	311	5	18
Lakeside (San Patricio)	San Patricio	10	Rural	350	5	14
Edroy	San Patricio	10	Rural	405	5	14
Morgan Farm Area	San Patricio	10	Rural	456	5	16
Lake City	San Patricio	10	Rural	528	5	14
St. Paul (Patricio)	San Patricio	10	Rural	538	5	14
Ingleside on the Bay	San Patricio	10	Urban/Exurban	633	5	15

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Lakeshore Gardens-Hidden Acres	San Patricio	10	Rural	685	5	14
Del Sol-Loma Linda	San Patricio	10	Rural	704	5	15
Taft Southwest	San Patricio	10	Rural	1,689	5	18
Gregory	San Patricio	10	Rural	2,245	5	15
Odem	San Patricio	10	Rural	2,452	5	16
Taft	San Patricio	10	Rural	3,387	5	18
Mathis	San Patricio	10	Rural	5,180	5	19
Sinton	San Patricio	10	Rural	5,513	5	19
Aransas Pass	San Patricio	10	Rural	8,034	0	12
Ingleside	San Patricio	10	Urban/Exurban	9,402	0	10
Portland	San Patricio	10	Urban/Exurban	15,419	5	15
Inez	Victoria	10	Rural	1,812	5	13
Bloomington	Victoria	10	Rural	2,628	5	17
Victoria	Victoria	10	Urban/Exurban	61,213	0	10
	10 Count	100				
Yznaga	Cameron	11	Rural	99	5	14
Lasana	Cameron	11	Urban/Exurban	135	5	14
Villa del Sol	Cameron	11	Rural	141	5	17
Tierra Bonita	Cameron	11	Rural	167	5	14
La Feria North	Cameron	11	Rural	174	5	19
Rangerville	Cameron	11	Rural	208	5	14
Grand Acres	Cameron	11	Rural	216	5	14
Ratamosa	Cameron	11	Rural	246	5	14
El Camino Angosto	Cameron	11	Urban/Exurban	251	5	15
Del Mar Heights	Cameron	11	Rural	263	5	18
Lago	Cameron	11	Rural	268	5	19
Arroyo Alto	Cameron	11	Rural	328	5	18
Lozano	Cameron	11	Rural	348	5	14
Bixby	Cameron	11	Rural	369	5	15
Bayview	Cameron	11	Rural	379	5	19
La Paloma	Cameron	11	Rural	406	5	19
Villa Pancho	Cameron	11	Urban/Exurban	409	5	18
Chula Vista-Orason	Cameron	11	Rural	416	5	19
Solis	Cameron	11	Rural	556	5	14
Indian Lake	Cameron	11	Rural	581	5	14
Blue-Iglesia Antigua	Cameron	11	Rural	702	5	18
San Pedro	Cameron	11	Rural	709	5	14
Arroyo Gardens-La Tina Ranch	Cameron	11	Rural	772	5	14
Green Valley Farms	Cameron	11	Rural	773	5	17
Arroyo Colorado Estates	Cameron	11	Rural	799	5	15
Reid Hope King	Cameron	11	Urban/Exurban	868	5	19
Santa Maria	Cameron	11	Rural	921	5	17
South Point	Cameron	11	Rural	1,195	5	19
Los Indios	Cameron	11	Rural	1,223	5	17
Olmito	Cameron	11	Urban/Exurban	1,252	5	19
Palm Valley	Cameron	11	Urban/Exurban	1,358	5	14
Las Palmas-Juarez	Cameron	11	Rural	1,808	5	19
Rancho Viejo	Cameron	11	Urban/Exurban	1,837	5	14
Rio Hondo	Cameron	11	Rural	2,106	5	17
Laguna Heights	Cameron	11	Rural	2,161	5	18
Laguna Vista	Cameron	11	Rural	2,220	5	14

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Encantada-Ranchito El Calaboz	Cameron	11	Rural	2,286	5	15
South Padre Island	Cameron	11	Rural	2,590	5	15
Combes	Cameron	11	Urban/Exurban	2,709	5	14
Santa Rosa	Cameron	11	Rural	3,066	5	17
Laureles	Cameron	11	Rural	3,464	5	17
Primera	Cameron	11	Urban/Exurban	3,468	5	15
Los Fresnos	Cameron	11	Rural	4,893	5	17
Port Isabel	Cameron	11	Rural	5,305	5	15
Cameron Park	Cameron	11	Urban/Exurban	6,546	5	19
La Feria	Cameron	11	Rural	6,548	5	17
San Benito	Cameron	11	Urban/Exurban	25,085	5	17
Harlingen	Cameron	11	Urban/Exurban	64,971	5	15
Brownsville	Cameron	11	Urban/Exurban	152,623	0	13
Brundage	Dimmit	11	Rural	33	5	15
Catarina	Dimmit	11	Rural	124	5	10
Carrizo Hill	Dimmit	11	Rural	570	5	15
Big Wells	Dimmit	11	Rural	731	5	13
Asherton	Dimmit	11	Rural	1,368	5	11
Carrizo Springs	Dimmit	11	Rural	5,615	5	14
Rocksprings	Edwards	11	Rural	1,266	5	10
Cuevitas	Hidalgo	11	Rural	37	5	19
Relampago	Hidalgo	11	Rural	107	5	19
Laguna Seca	Hidalgo	11	Rural	249	5	18
Progreso Lakes	Hidalgo	11	Rural	253	5	14
Granjeno	Hidalgo	11	Urban/Exurban	314	5	16
Faysville	Hidalgo	11	Urban/Exurban	353	5	16
Los Ebanos	Hidalgo	11	Rural	402	5	19
Havana	Hidalgo	11	Rural	471	5	19
Villa Verde	Hidalgo	11	Urban/Exurban	917	5	14
San Manuel-Linn	Hidalgo	11	Rural	972	5	14
Citrus City	Hidalgo	11	Rural	988	5	16
Muniz	Hidalgo	11	Rural	1,143	5	19
Penitas	Hidalgo	11	Rural	1,211	5	15
La Villa	Hidalgo	11	Rural	1,362	5	18
Cesar Chavez	Hidalgo	11	Urban/Exurban	1,481	5	16
Heidelberg	Hidalgo	11	Rural	1,630	5	18
Monte Alto	Hidalgo	11	Rural	1,649	5	18
Midway South	Hidalgo	11	Urban/Exurban	1,759	5	19
Indian Hills	Hidalgo	11	Rural	2,127	5	18
North Alamo	Hidalgo	11	Urban/Exurban	2,145	5	18
Doolittle	Hidalgo	11	Urban/Exurban	2,434	5	16
La Blanca	Hidalgo	11	Rural	2,439	5	18
Olivarez	Hidalgo	11	Rural	2,531	5	18
San Carlos	Hidalgo	11	Rural	2,758	5	19
Scissors	Hidalgo	11	Rural	2,981	5	18
West Sharyland	Hidalgo	11	Rural	3,053	5	16
South Alamo	Hidalgo	11	Rural	3,215	5	19
Llano Grande	Hidalgo	11	Urban/Exurban	3,380	5	18
Midway North	Hidalgo	11	Urban/Exurban	4,066	5	16
Edcouch	Hidalgo	11	Rural	4,093	5	18
La Joya	Hidalgo	11	Rural	4,164	5	16

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Sullivan City	Hidalgo	11	Rural	4,267	5	18
Palmview	Hidalgo	11	Urban/Exurban	4,432	5	18
Doffing	Hidalgo	11	Rural	4,445	5	16
Lopezville	Hidalgo	11	Urban/Exurban	4,771	5	18
Palmhurst	Hidalgo	11	Urban/Exurban	5,179	5	18
Progreso	Hidalgo	11	Rural	5,221	5	19
Mila Doce	Hidalgo	11	Rural	5,224	5	19
Alton North	Hidalgo	11	Rural	5,244	5	19
Nurillo	Hidalgo	11	Urban/Exurban	5,274	5	16
Abram-Perezville	Hidalgo	11	Rural	5,739	5	18
Elsa	Hidalgo	11	Rural	5,952	5	18
Palmview South	Hidalgo	11	Urban/Exurban	6,354	5	18
Alton	Hidalgo	11	Rural	6,913	5	18
Hidalgo	Hidalgo	11	Rural	8,668	5	18
La Homa	Hidalgo	11	Urban/Exurban	11,142	5	19
Mercedes	Hidalgo	11	Rural	14,240	5	16
Donna	Hidalgo	11	Rural	15,554	5	18
Alamo	Hidalgo	11	Urban/Exurban	16,301	0	11
San Juan	Hidalgo	11	Urban/Exurban	29,070	5	18
Weslaco	Hidalgo	11	Urban/Exurban	29,397	5	16
Pharr	Hidalgo	11	Urban/Exurban	52,694	0	13
Mission	Hidalgo	11	Urban/Exurban	53,532	0	11
Edinburg	Hidalgo	11	Urban/Exurban	54,797	0	11
McAllen	Hidalgo	11	Urban/Exurban	115,350	0	10
Guerra	Jim Hogg	11	Rural	10	5	8
South Fork Estates	Jim Hogg	11	Rural	45	5	8
Las Lomitas	Jim Hogg	11	Rural	273	5	9
Hebbronville	Jim Hogg	11	Rural	4,524	5	9
Spofford	Kinney	11	Rural	76	5	10
Brackettville	Kinney	11	Rural	1,939	5	12
Fowlerton	La Salle	11	Rural	62	5	10
Encinal	La Salle	11	Rural	627	0	7
Cotulla	La Salle	11	Rural	3,573	5	11
Radar Base	Maverick	11	Rural	160	5	13
Quemado	Maverick	11	Rural	250	5	13
El Indio	Maverick	11	Rural	283	5	17
Elm Creek	Maverick	11	Rural	2,028	5	14
Las Quintas Fronterizas	Maverick	11	Rural	2,086	5	13
Rosita South	Maverick	11	Rural	2,647	5	15
Rosita North	Maverick	11	Rural	3,553	5	15
Eidson Road	Maverick	11	Rural	9,656	5	17
Eagle Pass	Maverick	11	Rural	23,291	5	14
Leakey	Real	11	Rural	416	5	11
Camp Wood	Real	11	Rural	816	5	10
Falcon	Starr	11	Rural	84	5	15
El Refugio	Starr	11	Rural	235	5	19
San Isidro	Starr	11	Rural	280	5	16
Salineno	Starr	11	Rural	316	5	14
Falcon Heights	Starr	11	Rural	348	5	16
Alto Bonito	Starr	11	Rural	598	5	17
Fronton	Starr	11	Rural	620	5	14

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Roma Creek	Starr	11	Rural	635	5	19
Santa Cruz	Starr	11	Rural	651	5	19
Los Villareales	Starr	11	Rural	973	5	15
La Grulla	Starr	11	Rural	1,260	5	15
Garceno	Starr	11	Rural	1,496	5	19
Los Alvarez	Starr	11	Rural	1,508	5	15
La Puerta	Starr	11	Rural	1,697	5	15
La Victoria	Starr	11	Rural	1,749	5	17
North Escobares	Starr	11	Rural	1,763	5	19
La Rosita	Starr	11	Rural	1,805	5	19
Escobares	Starr	11	Rural	1,981	5	19
La Casita-Garciasville	Starr	11	Rural	2,297	0	14
Las Lomas	Starr	11	Rural	2,816	5	19
Roma	Starr	11	Rural	10,385	0	14
Rio Grande City	Starr	11	Rural	12,704	0	12
Utopia	Uvalde	11	Rural	237	5	11
Knippa	Uvalde	11	Rural	738	5	11
Sabinal	Uvalde	11	Rural	1,564	5	12
Uvalde Estates	Uvalde	11	Rural	1,997	5	12
Uvalde	Uvalde	11	Rural	14,716	5	13
Box Canyon-Amistad	Val Verde	11	Rural	74	5	12
Lake View	Val Verde	11	Rural	167	5	12
Val Verde Park	Val Verde	11	Rural	1,995	5	12
Laughlin AFB	Val Verde	11	Rural	2,300	5	12
Cienegas Terrace	Val Verde	11	Rural	2,958	5	15
Del Rio	Val Verde	11	Rural	34,992	5	13
Botines	Webb	11	Rural	134	5	17
Oilton	Webb	11	Rural	306	5	14
Ranchitos Las Lomas	Webb	11	Rural	340	5	16
Bruni	Webb	11	Rural	409	5	14
Mirando City	Webb	11	Rural	499	5	16
La Presa	Webb	11	Rural	513	5	18
Ranchos Penitas West	Webb	11	Urban/Exurban	526	5	16
Larga Vista	Webb	11	Urban/Exurban	751	5	17
Laredo Ranchettes	Webb	11	Rural	1,861	5	19
El Cenizo	Webb	11	Rural	3,693	5	19
Rio Bravo	Webb	11	Urban/Exurban	5,767	5	19
Laredo	Webb	11	Urban/Exurban	196,064	0	12
Willamar	Willacy	11	Rural	14	5	10
Santa Monica	Willacy	11	Rural	79	5	10
Zapata Ranch	Willacy	11	Rural	86	5	10
Los Angeles Subdivision	Willacy	11	Rural	87	5	15
Bausell and Ellis	Willacy	11	Rural	109	5	13
Ranchette Estates	Willacy	11	Rural	134	5	11
Lyford South	Willacy	11	Rural	170	5	14
Port Mansfield	Willacy	11	Rural	403	5	11
San Perlita	Willacy	11	Rural	702	5	13
Lasara	Willacy	11	Rural	1,018	5	14
Sebastian	Willacy	11	Rural	1,869	5	10
Lyford	Willacy	11	Rural	1,999	5	11
Raymondville	Willacy	11	Rural	9,748	5	13

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Morales-Sanchez	Zapata	11	Rural	114	5	10
Lopeno	Zapata	11	Rural	160	5	11
New Falcon	Zapata	11	Rural	193	5	11
Falcon Mesa	Zapata	11	Rural	503	5	15
San Ignacio	Zapata	11	Rural	913	5	15
Falcon Lake Estates	Zapata	11	Rural	920	5	11
Siesta Shores	Zapata	11	Rural	948	5	10
Medina	Zapata	11	Rural	3,393	5	14
Zapata	Zapata	11	Rural	5,203	5	13
Las Colonias	Zavala	11	Rural	275	5	15
Chula Vista-River Spur	Zavala	11	Rural	406	5	10
Batesville	Zavala	11	Rural	1,267	5	15
La Pryor	Zavala	11	Rural	1,513	5	14
Crystal City	Zavala	11	Rural	7,084	0	9
	11 Count	203				
Andrews	Andrews	12	Rural	9,653	5	13
Bronte	Coke	12	Rural	1,098	5	12
Robert Lee	Coke	12	Rural	1,147	5	13
Paint Rock	Concho	12	Rural	326	5	11
Eden	Concho	12	Rural	2,520	5	12
Crane	Crane	12	Rural	2,939	5	11
Ozona	Crockett	12	Rural	3,492	5	13
Los Ybanez	Dawson	12	Rural	29	5	17
Ackerly	Dawson	12	Rural	232	5	13
Lamesa	Dawson	12	Rural	9,295	5	16
Goldsmith	Ector	12	Rural	266	5	15
Gardendale	Ector	12	Rural	1,212	5	15
West Odessa	Ector	12	Urban/Exurban	18,709	5	17
Odessa	Ector	12	Urban/Exurban	92,544	0	14
Seagraves	Gaines	12	Rural	2,385	5	17
Seminole	Gaines	12	Rural	5,770	5	13
Forsan	Howard	12	Rural	224	5	13
Coahoma	Howard	12	Rural	938	5	13
Big Spring	Howard	12	Rural	25,541	5	18
Mertzon	Irion	12	Rural	867	5	8
Junction	Kimble	12	Rural	2,642	5	13
Stanton	Martin	12	Rural	2,564	5	14
Mason	Mason	12	Rural	2,162	5	13
Melvin	McCulloch	12	Rural	151	5	17
Brady	McCulloch	12	Rural	5,540	5	17
Menard	Menard	12	Rural	1,642	5	16
Midland	Midland	12	Urban/Exurban	95,924	0	10
Coyanosa	Pecos	12	Rural	135	5	16
Imperial	Pecos	12	Rural	423	5	16
Iraan	Pecos	12	Rural	1,186	5	12
Fort Stockton	Pecos	12	Rural	7,658	5	15
Big Lake	Reagan	12	Rural	2,828	5	12
Toyah	Reeves	12	Rural	99	5	17
Lindsay (Reeves)	Reeves	12	Rural	393	5	16
Balmorhea	Reeves	12	Rural	513	5	17
Pecos	Reeves	12	Rural	9,197	5	16

Place	County	Region	Area Type	2003 Population Est.	Previous TDHCA Funding Adjustment	AHNS
Eldorado	Schleicher	12	Rural	1,925	5	12
Sterling City	Sterling	12	Rural	1,090	5	11
Sonora	Sutton	12	Rural	2,996	5	12
Sanderson	Terrell	12	Rural	757	5	14
Christoval	Tom Green	12	Rural	409	5	16
Grape Creek	Tom Green	12	Rural	3,055	5	17
San Angelo	Tom Green	12	Urban/Exurban	88,282	5	16
Rankin	Upton	12	Rural	800	5	11
McCamey	Upton	12	Rural	1,835	5	14
Pyote	Ward	12	Rural	123	5	12
Grandfalls	Ward	12	Rural	375	5	13
Barstow	Ward	12	Rural	410	5	17
Thorntonville	Ward	12	Rural	416	5	12
Wickett	Ward	12	Rural	447	5	17
Monahans	Ward	12	Rural	6,684	5	16
Wink	Winkler	12	Rural	867	5	10
Kermit	Winkler	12	Rural	5,550	5	12
	12 Count	53				
Study Butte-Terlingua	Brewster	13	Rural	267	5	12
Marathon	Brewster	13	Rural	445	5	12
Alpine	Brewster	13	Rural	6,035	5	14
Van Horn	Culberson	13	Rural	2,287	5	14
Butterfield	El Paso	13	Rural	57	5	19
Prado Verde	El Paso	13	Urban/Exurban	190	5	14
Morning Glory	El Paso	13	Rural	633	5	14
Agua Dulce (El Paso)	El Paso	13	Rural	740	5	17
Clint	El Paso	13	Rural	956	0	12
Tornillo	El Paso	13	Rural	1,681	5	18
Vinton	El Paso	13	Rural	1,986	5	17
Sparks	El Paso	13	Rural	3,061	5	19
Westway	El Paso	13	Urban/Exurban	3,886	5	19
Anthony	El Paso	13	Urban/Exurban	4,029	0	12
Homestead Meadows North	El Paso	13	Rural	4,306	5	15
Canutillo	El Paso	13	Urban/Exurban	5,329	5	18
Homestead Meadows South	El Paso	13	Rural	6,818	5	18
Horizon City	El Paso	13	Rural	7,196	0	10
Fabens	El Paso	13	Rural	8,312	5	19
Fort Bliss	El Paso	13	Urban/Exurban	8,484	5	14
San Elizario	El Paso	13	Urban/Exurban	11,370	5	18
Socorro	El Paso	13	Urban/Exurban	27,840	0	13
El Paso	El Paso	13	Urban/Exurban	582,324	0	12
Dell City	Hudspeth	13	Rural	427	5	14
Sierra Blanca	Hudspeth	13	Rural	559	5	13
Fort Hancock	Hudspeth	13	Rural	1,812	5	16
Valentine	Jeff Davis	13	Rural	175	5	11
Fort Davis	Jeff Davis	13	Rural	1,078	5	12
Redford	Presidio	13	Rural	129	5	18
Marfa	Presidio	13	Rural	2,142	5	15
Presidio	Presidio	13	Rural	4,649	5	17
	13 Count	31				
	Grand Count	1510				

ATTACHMENT C: 2004 HOME Affordable Housing Need Scores as Proposed for Final Board Approval

Place Level - Sorted by State Service Region, County, Population

Note: The "Previous TDHCA Funding Adjustment" component of the AHNS is subject to change until the application is submitted as TDHCA funding is recaptured or additional TDHCA awards are made.

Place	County	2003 Population Est.	Region	Area Type	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS	Previous TDHCA Funding Adj. for Rental Dvlp. Activity	Rent Dvlp. AHNS
Claude	Armstrong	1,313	1	Rural	5	9	9	9	5	9
Muleshoe	Bailey	4,530	1	Rural	5	14	14	14	5	15
Quitaque	Briscoe	432	1	Rural	5	16	16	16	5	16
Silverton	Briscoe	771	1	Rural	5	12	12	12	5	12
Groom	Carson	587	1	Rural	5	12	12	12	5	12
Skellytown	Carson	610	1	Rural	5	11	10	10	5	11
White Deer	Carson	1,060	1	Rural	5	11	10	10	5	11
Panhandle	Carson	2,589	1	Rural	5	11	10	10	5	11
Nazareth	Castro	356	1	Rural	5	11	12	12	5	12
Hart	Castro	1,198	1	Rural	5	12	13	13	5	13
Dimmitt	Castro	4,375	1	Rural	5	16	17	16	5	17
Childress	Childress	6,778	1	Rural	0	14	14	14	5	10
Whiteface	Cochran	465	1	Rural	5	13	13	13	5	13
Morton	Cochran	2,249	1	Rural	5	15	16	15	5	16
Quail	Collingsworth	33	1	Rural	5	11	11	11	5	11
Samnorwood	Collingsworth	39	1	Rural	5	11	11	11	5	11
Dodson	Collingsworth	115	1	Rural	5	16	16	16	5	16
Wellington	Collingsworth	2,275	1	Rural	5	14	14	14	5	15
Lorenzo	Crosby	1,372	1	Rural	5	18	18	17	5	17
Crosbyton	Crosby	1,874	1	Rural	5	18	18	17	5	17
Ralls	Crosby	2,252	1	Rural	5	18	18	17	5	17
Texline	Dallam	511	1	Rural	5	12	12	11	5	11
Dalhart	Dallam	7,237	1	Rural	5	13	13	12	5	12
Hereford	Deaf Smith	14,597	1	Rural	5	17	17	17	5	18
Dickens	Dickens	332	1	Rural	5	16	16	16	5	16
Spur	Dickens	1,088	1	Rural	5	14	13	13	5	13
Hedley	Donley	379	1	Rural	5	14	14	14	5	15
Howardwick	Donley	437	1	Rural	5	12	12	12	5	12
Clarendon	Donley	1,974	1	Rural	5	13	13	13	5	14
Lockney	Floyd	2,056	1	Rural	5	14	14	15	5	15
Floydada	Floyd	3,676	1	Rural	5	12	12	12	0	17
Post	Garza	3,708	1	Rural	5	15	16	16	5	16
Lefors	Gray	559	1	Rural	5	13	13	13	5	14
McLean	Gray	830	1	Rural	5	15	15	16	5	16
Pampa	Gray	17,887	1	Rural	5	15	15	16	5	16
Edmonson	Hale	123	1	Rural	5	14	15	14	5	15
Petersburg	Hale	1,262	1	Rural	5	17	17	16	5	17
Seth Ward	Hale	1,926	1	Rural	5	19	20	19	5	20
Hale Center	Hale	2,263	1	Rural	5	17	17	16	5	17
Abernathy	Hale	2,839	1	Rural	5	16	16	15	5	16
Plainview	Hale	22,336	1	Rural	5	18	18	18	5	18
Lakeview	Hall	152	1	Rural	5	16	16	16	5	16
Estelline	Hall	168	1	Rural	5	16	16	16	5	16
Turkey	Hall	494	1	Rural	5	15	15	14	5	15
Memphis	Hall	2,479	1	Rural	5	15	15	14	5	15

Place	County	2003 Population Est.	Region	Area Type	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS	Previous TDHCA Funding Adj. for Rental Dvlp. Activity	Rent Dvlp. AHNS
Morse	Hansford	172	1	Rural	5	12	12	12	5	12
Gruver	Hansford	1,162	1	Rural	5	13	13	13	5	13
Spearman	Hansford	3,021	1	Rural	5	13	13	13	5	13
Channing	Hartley	356	1	Rural	5	9	9	9	5	10
Hartley	Hartley	441	1	Rural	5	9	9	9	5	10
Canadian	Hemphill	2,233	1	Rural	5	11	11	12	5	12
Opdyke West	Hockley	188	1	Rural	5	17	17	17	5	17
Smyer	Hockley	480	1	Rural	5	17	17	17	5	17
Ropesville	Hockley	517	1	Rural	5	13	13	13	5	13
Anton	Hockley	1,200	1	Rural	5	14	15	14	5	15
Sundown	Hockley	1,505	1	Rural	5	14	15	14	5	15
Levelland	Hockley	12,866	1	Rural	5	17	17	17	5	17
Sanford	Hutchinson	203	1	Rural	5	17	17	17	5	17
Stinnett	Hutchinson	1,936	1	Rural	5	13	13	13	5	13
Fritch	Hutchinson	2,235	1	Rural	5	13	13	13	5	13
Borger	Hutchinson	14,302	1	Rural	0	15	14	14	5	10
Spade	Lamb	100	1	Rural	5	13	13	13	5	13
Springlake	Lamb	135	1	Rural	5	18	18	18	5	18
Amherst	Lamb	791	1	Rural	5	18	18	18	5	18
Sudan	Lamb	1,039	1	Rural	5	15	15	15	5	16
Earth	Lamb	1,109	1	Rural	5	18	18	18	5	18
Olton	Lamb	2,288	1	Rural	5	17	17	17	5	17
Littlefield	Lamb	6,507	1	Rural	5	12	12	12	0	17
Lipscomb	Lipscomb	44	1	Rural	5	11	10	10	5	11
Darrouzett	Lipscomb	303	1	Rural	5	13	13	13	5	14
Follett	Lipscomb	412	1	Rural	5	12	12	12	5	12
Higgins	Lipscomb	425	1	Rural	5	13	13	13	5	14
Booker	Lipscomb	1,315	1	Rural	5	13	13	13	5	14
Reese Center	Lubbock	42	1	Urban	5	15	14	14	5	15
Buffalo Springs	Lubbock	493	1	Rural	5	15	14	14	5	15
New Deal	Lubbock	708	1	Rural	5	12	12	12	0	17
Ransom Canyon	Lubbock	1,011	1	Rural	5	15	14	14	5	15
Shallowater	Lubbock	2,086	1	Rural	5	16	15	16	5	16
Idalou	Lubbock	2,157	1	Rural	5	15	14	14	5	15
Wolfforth	Lubbock	2,554	1	Rural	5	16	15	16	5	16
Slaton	Lubbock	6,109	1	Rural	5	20	19	19	5	20
New Home	Lynn	320	1	Rural	5	12	12	12	5	12
Wilson	Lynn	532	1	Rural	5	15	14	14	5	15
O'Donnell	Lynn	1,011	1	Rural	5	17	17	17	5	17
Tahoka	Lynn	2,910	1	Rural	5	16	16	16	5	16
Sunray	Moore	1,950	1	Rural	5	13	13	13	5	14
Cactus	Moore	2,538	1	Rural	5	16	16	16	5	16
Dumas	Moore	13,747	1	Rural	5	13	13	13	5	14
Roaring Springs	Motley	265	1	Rural	5	12	12	12	5	12
Matador	Motley	740	1	Rural	5	11	11	11	5	11
Perryton	Ochiltree	7,774	1	Rural	0	13	12	12	5	8
Adrian	Oldham	159	1	Rural	5	15	15	15	5	15
Vega	Oldham	936	1	Rural	5	11	11	11	5	11
Farwell	Parmer	1,364	1	Rural	5	17	17	17	5	18
Bovina	Parmer	1,874	1	Rural	5	16	16	16	5	16
Friona	Parmer	3,854	1	Rural	5	16	16	16	5	16

Place	County	2003 Population Est.	Region	Area Type	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS	Previous TDHCA Funding Adj. for Rental Dvlp. Activity	Rent Dvlp. AHNS
Bishop Hills	Potter	210	1	Rural	5	12	12	12	5	12
Palisades	Randall	352	1	Rural	5	14	14	14	5	15
Timbercreek Canyon	Randall	406	1	Rural	5	14	14	14	5	15
Lake Tanglewood	Randall	825	1	Rural	5	16	16	16	5	16
Canyon	Randall	12,875	1	Rural	5	18	18	18	5	19
Miami	Roberts	588	1	Rural	5	9	9	10	5	10
Texhoma	Sherman	371	1	Rural	5	12	12	12	5	12
Stratford	Sherman	1,991	1	Rural	5	11	11	11	5	11
Happy	Swisher	647	1	Rural	5	12	12	12	5	12
Kress	Swisher	826	1	Rural	5	14	14	14	5	15
Tulia	Swisher	5,117	1	Rural	5	14	14	14	5	15
Wellman	Terry	203	1	Rural	5	14	14	14	5	14
Meadow	Terry	658	1	Rural	5	13	13	13	5	13
Brownfield	Terry	9,488	1	Rural	5	17	17	17	5	17
Mobeetie	Wheeler	107	1	Rural	5	10	10	10	5	11
Wheeler	Wheeler	1,378	1	Rural	5	10	10	10	5	11
Shamrock	Wheeler	2,029	1	Rural	5	14	14	14	5	14
Plains	Yoakum	1,450	1	Rural	5	16	16	15	5	15
Denver City	Yoakum	3,985	1	Rural	5	16	16	15	5	15
Megargel	Archer	248	2	Rural	5	11	11	11	5	11
Scotland	Archer	438	2	Rural	5	11	11	11	5	11
Windthorst	Archer	440	2	Rural	5	12	12	12	5	12
Lakeside City (Archer)	Archer	984	2	Urban	5	11	11	11	5	11
Holliday	Archer	1,632	2	Rural	5	12	12	12	5	12
Archer City	Archer	1,848	2	Rural	5	12	12	12	5	12
Seymour	Baylor	2,908	2	Rural	5	13	13	13	5	13
Blanket	Brown	402	2	Rural	5	19	19	18	5	18
Bangs	Brown	1,620	2	Rural	5	19	19	18	5	18
Lake Brownwood	Brown	1,694	2	Rural	5	20	20	20	5	19
Early	Brown	2,588	2	Rural	5	16	16	16	5	16
Brownwood	Brown	18,813	2	Rural	0	15	15	15	0	14
Putnam	Callahan	88	2	Rural	5	16	16	17	5	16
Cross Plains	Callahan	1,068	2	Rural	5	16	16	17	5	16
Baird	Callahan	1,623	2	Rural	0	13	13	13	5	8
Clyde	Callahan	3,345	2	Rural	5	11	11	12	5	11
Jolly	Clay	188	2	Rural	5	9	9	9	5	10
Dean	Clay	341	2	Rural	5	11	11	11	5	11
Bellevue	Clay	386	2	Rural	5	11	11	11	5	11
Byers	Clay	517	2	Rural	5	9	9	9	5	10
Petrolia	Clay	782	2	Rural	5	13	13	13	5	13
Henrietta	Clay	3,264	2	Rural	5	11	11	11	5	11
Novice	Coleman	142	2	Rural	5	12	12	12	5	11
Santa Anna	Coleman	1,081	2	Rural	0	17	17	17	5	11
Coleman	Coleman	5,127	2	Rural	5	17	17	17	5	16
Gustine	Comanche	457	2	Rural	5	17	16	16	5	16
De Leon	Comanche	2,433	2	Rural	5	18	18	17	5	17
Comanche	Comanche	4,482	2	Rural	5	17	16	16	5	16
Paducah	Cottle	1,498	2	Rural	5	12	12	12	5	12
Carbon	Eastland	224	2	Rural	5	13	13	13	5	13
Rising Star	Eastland	835	2	Rural	5	17	17	17	5	17
Gorman	Eastland	1,236	2	Rural	5	16	16	16	5	15

Place	County	2003 Population Est.	Region	Area Type	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS	Previous TDHCA Funding Adj. for Rental Dvlp. Activity	Rent Dvlp. AHNS
Ranger	Eastland	2,584	2	Rural	5	16	16	16	5	15
Eastland	Eastland	3,769	2	Rural	0	16	16	16	5	10
Cisco	Eastland	3,851	2	Rural	5	18	18	18	5	18
Roby	Fisher	673	2	Rural	5	10	9	9	5	9
Rotan	Fisher	1,611	2	Rural	5	13	13	13	5	13
Crowell	Foard	1,141	2	Rural	5	11	11	12	5	12
Chillicothe	Hardeman	798	2	Rural	5	14	14	15	5	14
Quanah	Hardeman	3,022	2	Rural	5	14	14	15	5	14
O'Brien	Haskell	132	2	Rural	5	16	16	16	5	16
Weinert	Haskell	177	2	Rural	5	16	16	16	5	16
Rochester	Haskell	378	2	Rural	5	17	17	18	5	17
Rule	Haskell	698	2	Rural	5	14	14	14	5	14
Haskell	Haskell	3,106	2	Rural	5	17	17	18	5	17
Bryson	Jack	528	2	Rural	5	13	14	13	5	13
Jacksboro	Jack	4,533	2	Rural	5	13	14	13	5	13
Lueders	Jones	300	2	Rural	5	15	15	15	5	15
Hawley	Jones	646	2	Rural	5	15	15	15	5	15
Hamlin	Jones	2,248	2	Rural	5	18	17	17	5	18
Anson	Jones	2,556	2	Rural	5	18	17	17	5	18
Stamford	Jones	3,636	2	Rural	5	19	19	19	5	19
Girard	Kent	62	2	Rural	5	10	10	10	5	10
Jayton	Kent	513	2	Rural	5	10	10	10	5	10
Benjamin	Knox	264	2	Rural	5	11	11	11	5	11
Goree	Knox	321	2	Rural	5	16	16	16	5	16
Knox City	Knox	1,219	2	Rural	5	15	15	15	5	15
Munday	Knox	1,527	2	Rural	5	16	16	16	5	16
Westbrook	Mitchell	203	2	Rural	5	11	11	11	5	10
Loraine	Mitchell	656	2	Rural	5	16	16	16	5	15
Colorado City	Mitchell	4,281	2	Rural	5	14	14	14	5	14
Sunset	Montague	339	2	Rural	5	13	13	13	5	13
St. Jo	Montague	977	2	Rural	5	16	16	16	5	16
Nocona	Montague	3,198	2	Rural	5	14	14	14	5	14
Bowie	Montague	5,219	2	Rural	5	11	11	11	0	16
Blackwell	Nolan	360	2	Rural	5	13	13	12	5	12
Roscoe	Nolan	1,378	2	Rural	5	17	16	16	5	16
Sweetwater	Nolan	11,415	2	Rural	5	18	18	18	5	17
Miles	Runnels	850	2	Rural	5	15	16	15	5	15
Winters	Runnels	2,880	2	Rural	5	16	17	16	5	16
Ballinger	Runnels	4,243	2	Rural	5	16	17	16	5	16
Hermleigh	Scurry	393	2	Rural	5	15	15	15	5	15
Snyder	Scurry	10,783	2	Rural	5	15	15	15	5	15
Moran	Shackelford	233	2	Rural	5	14	14	14	5	14
Albany	Shackelford	1,921	2	Rural	5	9	9	9	5	9
Breckenridge	Stephens	5,868	2	Rural	5	14	14	14	5	14
Aspermont	Stonewall	1,021	2	Rural	5	12	12	12	5	12
Impact	Taylor	39	2	Urban	5	14	15	14	5	15
Trent	Taylor	318	2	Rural	5	12	12	12	5	12
Lawn	Taylor	353	2	Rural	5	14	15	14	5	15
Buffalo Gap	Taylor	463	2	Rural	5	13	13	13	5	13
Tuscola	Taylor	714	2	Rural	5	12	12	12	5	12
Tye	Taylor	1,158	2	Urban	5	17	17	17	5	17

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Potosi	Taylor	1,664	2	Urban	5	12	12	12	5	12
Merkel	Taylor	2,637	2	Rural	0	9	10	9	0	10
Elbert	Throckmorton	56	2	Rural	5	10	10	11	5	10
Woodson	Throckmorton	296	2	Rural	5	10	10	11	5	10
Throckmorton	Throckmorton	905	2	Rural	5	10	10	11	5	10
Pleasant Valley	Wichita	408	2	Urban	5	13	13	13	5	13
Electra	Wichita	3,168	2	Rural	5	17	17	17	5	17
Iowa Park	Wichita	6,431	2	Rural	5	13	13	13	5	13
Burkburnett	Wichita	10,927	2	Rural	5	13	13	13	5	13
Vernon	Wilbarger	11,660	2	Rural	0	12	12	12	5	7
Newcastle	Young	575	2	Rural	5	17	17	17	5	17
Olney	Young	3,396	2	Rural	5	17	17	17	5	17
Graham	Young	8,716	2	Rural	5	16	15	16	5	15
Lavon	Collin	387	3	Rural	5	14	14	14	5	13
Westminster	Collin	390	3	Rural	5	18	17	17	5	17
Nevada	Collin	563	3	Rural	5	9	9	9	0	13
Josephine	Collin	594	3	Rural	5	18	17	17	5	17
St. Paul (Collin)	Collin	630	3	Rural	5	14	14	14	5	13
Weston	Collin	635	3	Urban	5	15	15	15	5	15
New Hope	Collin	662	3	Rural	5	14	14	14	5	13
Blue Ridge	Collin	672	3	Rural	5	18	17	17	5	17
Anna	Collin	1,225	3	Rural	5	16	16	16	5	16
Lowry Crossing	Collin	1,229	3	Urban	5	15	15	15	5	15
Melissa	Collin	1,350	3	Urban	5	15	15	15	5	15
Parker	Collin	1,379	3	Urban	5	15	15	15	5	15
Celina	Collin	1,861	3	Urban	5	12	12	12	0	17
Prosper	Collin	2,097	3	Urban	5	16	16	16	5	16
Fairview	Collin	2,644	3	Urban	5	16	16	16	5	16
Lucas	Collin	2,890	3	Urban	5	14	14	14	5	13
Murphy	Collin	3,099	3	Urban	5	15	15	15	5	15
Farmersville	Collin	3,118	3	Rural	5	11	11	11	0	16
Princeton	Collin	3,477	3	Urban	5	16	16	16	5	16
Wylie	Collin	15,132	3	Rural	5	15	15	15	5	15
Frisco	Collin	33,714	3	Urban	5	10	10	10	0	15
Allen	Collin	43,554	3	Urban	5	15	15	15	5	15
McKinney	Collin	54,369	3	Urban	5	16	16	16	5	16
Oak Ridge (Cooke)	Cooke	224	3	Rural	5	17	17	17	5	17
Callisburg	Cooke	365	3	Rural	5	16	15	15	5	15
Valley View	Cooke	737	3	Rural	5	13	13	13	5	13
Lindsay (Cooke)	Cooke	788	3	Rural	5	12	12	12	5	12
Muenster	Cooke	1,556	3	Rural	5	13	13	13	5	13
Lake Kiowa	Cooke	1,883	3	Rural	5	13	13	13	5	13
Gainesville	Cooke	15,538	3	Rural	0	17	17	17	5	12
Corral City	Denton	89	3	Rural	5	16	16	16	5	16
Lakewood	Denton	342	3	Rural	5	16	16	16	5	16
Marshall Creek	Denton	431	3	Rural	5	19	19	19	5	19
Ponder	Denton	507	3	Rural	5	9	9	9	0	14
Lincoln Park	Denton	517	3	Rural	5	19	19	19	5	19
Hackberry	Denton	544	3	Urban	5	19	19	19	5	19
Cross Roads	Denton	603	3	Rural	5	14	14	14	5	14
Hebron	Denton	874	3	Urban	5	14	14	14	5	14

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Krugerville	Denton	903	3	Rural	5	14	14	14	5	14
Northlake	Denton	921	3	Urban	5	18	18	18	5	18
Bartonville	Denton	1,093	3	Rural	5	15	15	15	5	15
Copper Canyon	Denton	1,216	3	Urban	5	15	15	15	5	15
Shady Shores	Denton	1,461	3	Urban	5	15	15	15	5	15
Aubrey	Denton	1,500	3	Rural	5	16	16	16	5	16
Oak Point	Denton	1,747	3	Rural	5	15	15	15	5	15
Justin	Denton	1,891	3	Rural	5	16	16	16	5	16
Krum	Denton	1,979	3	Rural	5	14	14	14	5	14
Hickory Creek	Denton	2,078	3	Urban	5	14	14	14	5	14
Double Oak	Denton	2,179	3	Urban	5	15	15	15	5	15
Argyle	Denton	2,365	3	Urban	5	16	16	16	5	16
Roanoke	Denton	2,810	3	Urban	5	15	15	15	5	15
Pilot Point	Denton	3,538	3	Rural	5	18	18	18	5	18
Little Elm	Denton	3,646	3	Urban	5	19	19	19	5	19
Sanger	Denton	4,534	3	Rural	5	11	11	11	0	16
Lake Dallas	Denton	6,166	3	Rural	5	16	16	16	5	16
Corinth	Denton	11,325	3	Urban	5	14	14	14	5	14
Highland	Denton	12,173	3	Urban	5	14	14	14	5	14
The Colony	Denton	26,531	3	Urban	5	14	14	14	5	14
Flower Mound	Denton	50,702	3	Urban	5	14	14	14	5	14
Lewisville	Denton	77,737	3	Urban	5	16	16	16	5	16
Carrollton	Denton	109,576	3	Urban	5	15	15	15	5	15
Alma	Ellis	302	3	Rural	5	15	15	15	5	15
Garrett	Ellis	448	3	Rural	5	16	16	16	5	16
Bardwell	Ellis	583	3	Rural	5	17	17	17	5	17
Pecan Hill	Ellis	672	3	Rural	5	15	15	15	5	15
Milford	Ellis	685	3	Rural	5	12	12	12	0	17
Maypearl	Ellis	746	3	Rural	5	15	15	15	5	15
Oak Leaf	Ellis	1,209	3	Rural	5	13	13	14	5	14
Palmer	Ellis	1,774	3	Rural	5	15	15	15	5	15
Italy	Ellis	1,993	3	Rural	5	15	15	15	5	15
Ovilla	Ellis	3,405	3	Urban	5	13	13	14	5	14
Red Oak	Ellis	4,301	3	Urban	5	15	15	15	5	15
Midlothian	Ellis	7,480	3	Urban	5	13	13	14	5	14
Ennis	Ellis	16,045	3	Rural	5	16	16	16	5	16
Waxahachie	Ellis	21,426	3	Urban	0	16	16	16	5	11
Dublin	Erath	3,754	3	Rural	5	17	17	17	5	17
Stephenville	Erath	14,921	3	Rural	0	17	17	17	5	12
Bailey	Fannin	213	3	Rural	5	16	16	16	5	16
Ravenna	Fannin	215	3	Rural	5	12	12	12	5	12
Windom	Fannin	245	3	Rural	5	13	13	13	5	13
Dodd City	Fannin	419	3	Rural	5	16	16	16	5	16
Ector	Fannin	600	3	Rural	5	11	11	11	5	11
Trenton	Fannin	662	3	Rural	5	15	14	14	5	14
Ladonia	Fannin	667	3	Rural	5	16	16	16	5	16
Savoy	Fannin	850	3	Rural	5	12	12	12	5	12
Honey Grove	Fannin	1,746	3	Rural	0	15	14	14	5	9
Leonard	Fannin	1,846	3	Rural	5	15	14	14	5	14
Bonham	Fannin	9,990	3	Rural	5	11	11	11	0	16
Dorchester	Grayson	109	3	Urban	5	16	15	16	5	15

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Knollwood	Grayson	375	3	Urban	5	17	17	17	5	17
Sadler	Grayson	404	3	Rural	5	19	19	19	5	19
Tioga	Grayson	754	3	Rural	5	17	17	17	5	17
Tom Bean	Grayson	941	3	Rural	5	16	15	16	5	15
Southmayd	Grayson	992	3	Rural	5	16	15	16	5	15
Bells	Grayson	1,190	3	Rural	5	18	18	18	5	18
Gunter	Grayson	1,230	3	Rural	5	17	17	17	5	17
Collinsville	Grayson	1,235	3	Rural	5	17	17	17	5	17
Pottsboro	Grayson	1,579	3	Rural	5	17	17	17	5	17
Whitewright	Grayson	1,740	3	Rural	5	18	18	18	5	18
Howe	Grayson	2,478	3	Urban	5	18	18	18	5	18
Van Alstyne	Grayson	2,502	3	Rural	5	17	17	17	5	17
Whitesboro	Grayson	3,760	3	Rural	5	18	18	18	5	18
Denison	Grayson	22,773	3	Urban	5	18	18	18	5	18
Sherman	Grayson	35,082	3	Urban	5	19	19	19	5	19
Lipan	Hood	425	3	Rural	5	12	12	12	5	12
Tolar	Hood	504	3	Rural	5	12	12	12	5	12
Oak Trail Shores	Hood	2,475	3	Rural	5	17	17	17	5	17
Pecan Plantation	Hood	3,544	3	Rural	5	13	14	13	5	13
Granbury	Hood	5,718	3	Rural	5	16	16	16	5	16
Neylandville	Hunt	56	3	Rural	5	13	13	13	5	13
Hawk Cove	Hunt	457	3	Rural	5	8	8	8	0	13
Lone Oak	Hunt	521	3	Rural	5	16	16	16	5	17
Campbell	Hunt	734	3	Rural	5	16	16	16	5	17
Celeste	Hunt	817	3	Rural	5	11	11	11	0	17
Caddo Mills	Hunt	1,149	3	Rural	5	15	15	15	5	15
Quinlan	Hunt	1,370	3	Rural	5	18	18	18	5	18
West Tawakoni	Hunt	1,462	3	Rural	5	18	18	18	5	18
Wolfe City	Hunt	1,566	3	Rural	5	18	18	18	5	18
Commerce	Hunt	7,669	3	Rural	5	18	18	18	5	18
Greenville	Hunt	23,960	3	Urban	5	18	18	18	5	18
Cross Timber	Johnson	277	3	Rural	5	13	13	13	5	13
Briaroaks	Johnson	493	3	Rural	5	13	13	13	5	13
Rio Vista	Johnson	656	3	Rural	5	15	15	15	5	15
Godley	Johnson	879	3	Rural	5	15	15	15	5	15
Grandview	Johnson	1,358	3	Rural	5	17	17	17	5	16
Venus	Johnson	1,892	3	Rural	5	17	17	17	5	16
Alvarado	Johnson	3,288	3	Rural	5	17	17	17	5	16
Joshua	Johnson	4,528	3	Urban	5	14	14	14	5	14
Keene	Johnson	5,003	3	Rural	5	12	12	12	0	16
Burleson	Johnson	20,976	3	Urban	5	14	14	14	5	14
Cleburne	Johnson	26,005	3	Urban	5	17	17	17	5	16
Cottonwood	Kaufman	181	3	Rural	5	16	16	16	5	15
Grays Prairie	Kaufman	296	3	Rural	5	13	13	13	5	13
Rosser	Kaufman	379	3	Rural	5	16	16	16	5	15
Oak Ridge (Kaufman)	Kaufman	400	3	Rural	5	14	14	14	5	14
Post Oak Bend City	Kaufman	404	3	Rural	5	16	16	16	5	15
Oak Grove	Kaufman	710	3	Rural	5	13	13	13	5	13
Talty	Kaufman	1,028	3	Rural	5	13	13	13	5	13
Kemp	Kaufman	1,133	3	Rural	5	17	17	17	5	17
Combine	Kaufman	1,788	3	Rural	5	14	14	14	5	14

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Mabank	Kaufman	2,151	3	Rural	5	17	17	17	5	17
Crandall	Kaufman	2,774	3	Rural	5	13	13	13	5	13
Forney	Kaufman	5,588	3	Rural	5	16	16	16	5	15
Kaufman	Kaufman	6,490	3	Rural	0	18	18	18	5	13
Terrell	Kaufman	13,606	3	Rural	0	13	13	13	0	13
Mustang	Navarro	47	3	Rural	5	12	12	12	5	11
Powell	Navarro	105	3	Rural	5	14	14	14	5	14
Emhouse	Navarro	159	3	Rural	5	12	12	12	5	11
Navarro	Navarro	191	3	Rural	5	12	12	12	5	11
Barry	Navarro	209	3	Rural	5	14	14	14	5	14
Goodlow	Navarro	264	3	Rural	5	17	17	17	5	16
Richland	Navarro	291	3	Rural	5	16	16	15	5	15
Angus	Navarro	334	3	Rural	5	16	16	15	5	15
Retreat	Navarro	339	3	Rural	5	13	13	13	5	13
Eureka	Navarro	340	3	Rural	5	12	12	12	5	11
Oak Valley	Navarro	401	3	Rural	5	16	16	15	5	15
Mildred	Navarro	405	3	Rural	5	17	17	17	5	16
Frost	Navarro	648	3	Rural	5	16	16	15	5	15
Rice	Navarro	798	3	Rural	5	11	11	10	0	15
Blooming Grove	Navarro	833	3	Rural	5	16	16	15	5	15
Dawson	Navarro	852	3	Rural	5	12	12	12	0	16
Kerens	Navarro	1,681	3	Rural	5	17	17	17	5	16
Corsicana	Navarro	24,485	3	Rural	5	17	17	17	5	16
Mingus	Palo Pinto	246	3	Rural	5	14	15	15	5	15
Gordon	Palo Pinto	451	3	Rural	5	16	16	16	5	16
Graford	Palo Pinto	578	3	Rural	5	14	15	15	5	15
Strawn	Palo Pinto	739	3	Rural	5	16	16	16	5	16
Mineral Wells	Palo Pinto	16,946	3	Rural	0	17	17	17	5	12
Cool	Parker	162	3	Rural	5	18	18	17	5	17
Sanctuary	Parker	256	3	Rural	5	14	14	14	5	14
Millsap	Parker	353	3	Rural	5	13	13	12	5	12
Annetta North	Parker	467	3	Rural	5	15	15	15	5	15
Annetta South	Parker	555	3	Rural	5	13	13	12	5	12
Annetta	Parker	1,108	3	Rural	5	14	14	14	5	14
Hudson Oaks	Parker	1,637	3	Rural	5	15	15	15	5	15
Aledo	Parker	1,726	3	Rural	5	13	13	12	5	12
Springtown	Parker	2,062	3	Rural	5	17	16	16	5	16
Reno (Parker)	Parker	2,441	3	Rural	5	15	15	15	5	15
Willow Park	Parker	2,849	3	Rural	5	14	14	14	5	14
Weatherford	Parker	19,000	3	Rural	0	17	16	16	5	11
Mobile City	Rockwall	196	3	Rural	5	10	10	10	5	10
Fate	Rockwall	497	3	Rural	5	11	11	11	5	11
McLendon-Chisholm	Rockwall	914	3	Rural	5	10	10	10	5	10
Royse City	Rockwall	2,957	3	Rural	5	13	12	12	5	13
Heath	Rockwall	4,149	3	Urban	5	11	11	11	5	11
Rockwall	Rockwall	17,976	3	Urban	5	11	11	11	5	11
Glen Rose	Somervell	2,122	3	Rural	5	14	14	14	5	14
Lake Bridgeport	Wise	372	3	Rural	5	13	13	13	5	13
Paradise	Wise	459	3	Rural	5	15	15	15	5	16
Rhome	Wise	551	3	Rural	5	15	15	15	5	16
Aurora	Wise	875	3	Rural	5	15	15	15	5	16

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New Fairview	Wise	877	3	Rural	5	13	13	13	5	13
Chico	Wise	947	3	Rural	5	15	15	15	5	16
Alvord	Wise	1,007	3	Rural	5	13	13	13	5	13
Boyd	Wise	1,099	3	Rural	5	17	16	17	5	17
Runaway Bay	Wise	1,104	3	Rural	5	14	14	14	5	14
Pecan Acres	Wise	2,289	3	Rural	5	17	16	17	5	17
Bridgeport	Wise	4,827	3	Rural	0	17	16	17	5	12
Decatur	Wise	5,201	3	Rural	5	15	15	15	5	16
Frankston	Anderson	1,209	4	Rural	5	14	14	14	5	14
Elkhart	Anderson	1,215	4	Rural	5	17	17	17	5	17
Palestine	Anderson	17,598	4	Rural	5	12	12	12	0	17
Leary	Bowie	555	4	Rural	5	14	14	14	5	14
Red Lick	Bowie	853	4	Rural	5	14	14	14	5	14
Redwater	Bowie	872	4	Rural	5	10	10	10	0	15
Maud	Bowie	1,028	4	Rural	5	10	10	10	0	15
De Kalb	Bowie	1,769	4	Rural	5	19	19	19	5	19
Nash	Bowie	2,169	4	Urban	5	12	11	11	0	16
Hooks	Bowie	2,973	4	Rural	5	17	16	16	5	16
New Boston	Bowie	4,808	4	Rural	5	17	16	16	5	16
Wake	Bowie	5,129	4	Urban	5	15	15	15	5	15
Texarkana	Bowie	34,782	4	Urban	0	14	14	14	0	14
Rocky Mound	Camp	93	4	Rural	5	11	11	11	5	11
Pittsburg	Camp	4,347	4	Rural	5	16	16	16	5	16
Domino	Cass	52	4	Rural	5	12	12	12	5	12
Marietta	Cass	112	4	Rural	5	12	12	12	5	12
Douglassville	Cass	175	4	Rural	5	12	12	12	5	12
Bloomburg	Cass	375	4	Rural	5	12	12	12	5	12
Avinger	Cass	464	4	Rural	5	17	17	17	5	17
Queen City	Cass	1,613	4	Rural	5	16	16	15	5	15
Hughes Springs	Cass	1,856	4	Rural	5	16	16	15	5	15
Linden	Cass	2,256	4	Rural	5	15	15	14	5	14
Atlanta	Cass	5,745	4	Rural	5	16	16	15	5	15
Cuney	Cherokee	145	4	Rural	5	18	18	18	5	18
Reklaw	Cherokee	327	4	Rural	5	15	15	15	5	15
Gallatin	Cherokee	378	4	Rural	5	17	16	17	5	17
Wells	Cherokee	769	4	Rural	5	18	18	18	5	18
New Summerfield	Cherokee	998	4	Rural	5	18	18	18	5	18
Alto	Cherokee	1,190	4	Rural	5	18	18	18	5	18
Rusk	Cherokee	5,085	4	Rural	5	17	16	17	5	17
Jacksonville	Cherokee	13,868	4	Rural	0	18	18	18	5	13
Pecan Gap	Delta	214	4	Rural	5	13	13	13	5	13
Cooper	Delta	2,150	4	Rural	5	14	14	14	5	14
Mount Vernon	Franklin	2,286	4	Rural	5	12	12	12	5	12
Warren City	Gregg	343	4	Rural	5	13	13	13	5	13
Easton	Gregg	524	4	Rural	5	14	15	14	5	15
Clarksville City	Gregg	806	4	Rural	5	13	13	13	5	13
Lakeport	Gregg	861	4	Rural	5	13	13	13	5	13
Liberty City	Gregg	1,935	4	Rural	5	12	12	12	5	12
White Oak	Gregg	5,624	4	Urban	5	13	13	13	5	13
Gladewater	Gregg	6,078	4	Rural	5	16	16	16	5	16
Kilgore	Gregg	11,301	4	Rural	5	13	13	13	5	13

Place	County	2003 Population Est.	Region	Area Type	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS	Previous TDHCA Funding Adj. for Rental Dvlp. Activity	Rent Dvlp. AHNS
Uncertain	Harrison	150	4	Rural	5	16	16	16	5	16
Scottsville	Harrison	263	4	Rural	5	20	20	20	5	20
Nesbitt	Harrison	302	4	Rural	5	16	16	16	5	16
Waskom	Harrison	2,068	4	Rural	5	19	19	19	5	18
Hallsville	Harrison	2,772	4	Rural	5	15	15	15	5	15
Marshall	Harrison	23,935	4	Urban	5	19	19	19	5	18
Moore Station	Henderson	184	4	Rural	5	16	15	15	5	15
Coffee City	Henderson	193	4	Rural	5	17	17	17	5	17
Caney City	Henderson	236	4	Rural	5	19	19	19	5	19
Poynor	Henderson	314	4	Rural	5	14	14	14	5	14
Enchanted Oaks	Henderson	357	4	Rural	5	14	14	14	5	14
Star Harbor	Henderson	416	4	Rural	5	14	14	14	5	14
Murchison	Henderson	592	4	Rural	5	11	10	10	0	15
Payne Springs	Henderson	683	4	Rural	5	18	18	18	5	18
Log Cabin	Henderson	733	4	Rural	5	14	14	14	0	19
Brownsboro	Henderson	796	4	Rural	5	19	19	19	5	19
Eustace	Henderson	798	4	Rural	5	14	14	14	5	14
Berryville	Henderson	891	4	Rural	5	17	17	17	5	17
Trinidad	Henderson	1,091	4	Rural	5	16	15	15	5	15
Seven Points	Henderson	1,145	4	Rural	5	19	19	19	5	19
Chandler	Henderson	2,099	4	Rural	5	16	15	15	5	15
Malakoff	Henderson	2,257	4	Rural	5	19	19	19	5	19
Tool	Henderson	2,275	4	Rural	5	16	15	15	5	15
Gun Barrel City	Henderson	5,145	4	Rural	5	17	17	17	5	17
Athens	Henderson	11,297	4	Rural	5	18	18	18	5	18
Tira	Hopkins	248	4	Rural	5	11	12	11	5	11
Cumby	Hopkins	616	4	Rural	5	14	14	14	5	14
Como	Hopkins	621	4	Rural	5	14	14	14	5	14
Sulphur Springs	Hopkins	14,551	4	Rural	5	15	15	15	5	15
Sun Valley	Lamar	51	4	Rural	5	14	14	14	5	14
Toco	Lamar	89	4	Rural	5	19	20	19	5	19
Roxton	Lamar	694	4	Rural	5	19	20	19	5	19
Deport	Lamar	718	4	Rural	5	16	16	15	5	15
Blossom	Lamar	1,439	4	Rural	5	16	16	15	5	15
Reno (Lamar)	Lamar	2,767	4	Rural	5	14	14	14	5	14
Paris	Lamar	25,898	4	Rural	0	13	13	13	0	13
Jefferson	Marion	2,024	4	Rural	5	16	15	16	5	15
Omaha	Morris	999	4	Rural	5	16	16	16	5	16
Naples	Morris	1,410	4	Rural	5	11	11	11	0	16
Lone Star	Morris	1,631	4	Rural	5	16	16	16	5	16
Daingerfield	Morris	2,517	4	Rural	5	16	16	16	5	16
Gary City	Panola	303	4	Rural	5	10	10	10	5	10
Beckville	Panola	752	4	Rural	5	14	14	14	5	14
Carthage	Panola	6,664	4	Rural	0	11	12	12	5	6
East Tawakoni	Rains	775	4	Rural	5	9	9	9	5	9
Point	Rains	792	4	Rural	5	14	14	14	5	14
Emory	Rains	1,021	4	Rural	5	12	12	12	5	12
Annona	Red River	282	4	Rural	5	15	14	14	5	14
Avery	Red River	462	4	Rural	5	15	14	14	5	14
Detroit	Red River	776	4	Rural	5	15	14	14	5	14
Bogata	Red River	1,396	4	Rural	5	12	12	12	5	12

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Clarksville	Red River	3,883	4	Rural	5	10	9	9	0	14
Mount Enterprise	Rusk	525	4	Rural	5	18	18	18	5	18
New London	Rusk	987	4	Rural	5	14	14	14	5	14
Tatum	Rusk	1,175	4	Rural	5	18	18	18	5	18
Overton	Rusk	2,350	4	Rural	5	15	15	16	5	15
Henderson	Rusk	11,273	4	Rural	0	14	14	14	5	9
Noonday	Smith	515	4	Rural	5	14	14	14	5	14
New Chapel Hill	Smith	553	4	Rural	5	14	14	14	5	14
Winona	Smith	582	4	Rural	5	14	14	14	5	14
Arp	Smith	901	4	Rural	5	14	14	14	5	14
Bullard	Smith	1,150	4	Rural	5	14	14	14	5	14
Troup	Smith	1,949	4	Rural	5	17	16	16	5	16
Lindale	Smith	2,954	4	Rural	5	17	16	16	5	16
Whitehouse	Smith	5,346	4	Rural	5	14	14	14	5	14
Miller's Cove	Titus	120	4	Rural	5	15	14	14	5	14
Winfield	Titus	499	4	Rural	5	16	16	15	5	15
Talco	Titus	570	4	Rural	5	17	17	17	5	16
Mount Pleasant	Titus	13,935	4	Rural	5	12	12	12	0	16
Union Grove	Upshur	346	4	Rural	5	16	16	15	5	15
East Mountain	Upshur	580	4	Rural	5	13	13	13	5	13
Ore City	Upshur	1,106	4	Rural	5	16	16	15	5	15
Big Sandy	Upshur	1,288	4	Rural	5	14	14	14	5	14
Gilmer	Upshur	4,799	4	Rural	5	16	16	15	5	15
Edom	Van Zandt	322	4	Rural	5	14	14	14	5	14
Fruitvale	Van Zandt	418	4	Rural	5	15	15	15	5	15
Edgewood	Van Zandt	1,348	4	Rural	5	10	10	10	0	15
Van	Van Zandt	2,362	4	Rural	5	15	15	15	5	15
Grand Saline	Van Zandt	3,028	4	Rural	5	11	12	11	0	16
Canton	Van Zandt	3,292	4	Rural	5	14	14	14	5	14
Wills Point	Van Zandt	3,496	4	Rural	5	16	17	16	5	16
Yantis	Wood	321	4	Rural	5	15	15	15	5	15
Alba	Wood	430	4	Rural	5	15	15	15	5	15
Hawkins	Wood	1,331	4	Rural	5	15	15	15	5	15
Quitman	Wood	2,030	4	Rural	5	14	14	14	5	14
Winnsboro	Wood	3,584	4	Rural	5	14	14	14	5	14
Mineola	Wood	4,550	4	Rural	5	16	16	16	5	16
Burke	Angelina	315	5	Rural	5	16	16	16	5	16
Zavalla	Angelina	647	5	Rural	5	15	15	14	0	20
Huntington	Angelina	2,068	5	Rural	5	13	13	13	0	18
Hudson	Angelina	3,792	5	Rural	5	16	16	16	5	16
Diboll	Angelina	5,470	5	Rural	5	13	13	13	0	18
Lufkin	Angelina	32,709	5	Rural	0	12	12	12	0	12
Rose Hill Acres	Hardin	480	5	Urban	5	12	12	12	5	12
Pinewood Estates	Hardin	1,633	5	Rural	5	12	12	12	5	12
Sour Lake	Hardin	1,667	5	Rural	5	13	13	13	5	13
Kountze	Hardin	2,115	5	Rural	5	16	16	16	5	16
Silsbee	Hardin	6,393	5	Rural	5	15	14	14	5	15
Lumberton	Hardin	8,731	5	Rural	5	12	12	12	5	12
Latexo	Houston	272	5	Rural	5	12	12	12	5	12
Kennard	Houston	317	5	Rural	5	14	14	14	5	15
Lovelady	Houston	608	5	Rural	5	11	11	11	5	11

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Grapeland	Houston	1,451	5	Rural	5	13	13	13	5	13
Crockett	Houston	7,141	5	Rural	0	9	9	9	0	10
Browndell	Jasper	219	5	Rural	5	13	13	13	5	14
Evadale	Jasper	1,430	5	Rural	5	13	13	13	5	14
Kirbyville	Jasper	2,085	5	Rural	5	16	16	16	5	16
Buna	Jasper	2,269	5	Rural	5	13	13	13	5	14
Jasper	Jasper	7,657	5	Rural	5	12	12	12	0	17
Nome	Jefferson	515	5	Rural	5	16	15	15	5	15
China	Jefferson	1,112	5	Rural	5	14	14	14	5	14
Bevil Oaks	Jefferson	1,346	5	Rural	5	13	12	12	5	13
Central Gardens	Jefferson	4,106	5	Rural	5	13	12	12	5	13
Port Neches	Jefferson	13,601	5	Urban	5	13	12	12	5	13
Groves	Jefferson	15,733	5	Urban	5	13	12	12	5	13
Nederland	Jefferson	17,422	5	Urban	5	13	12	12	5	13
Chireno	Nacogdoches	405	5	Rural	5	17	17	17	5	17
Appleby	Nacogdoches	444	5	Rural	5	14	14	14	5	15
Cushing	Nacogdoches	637	5	Rural	5	16	15	15	5	16
Garrison	Nacogdoches	844	5	Rural	5	17	17	17	5	17
Nacogdoches	Nacogdoches	29,914	5	Rural	0	14	14	14	0	15
South Toledo Bend	Newton	576	5	Rural	5	9	9	9	5	9
Deweyville	Newton	1,190	5	Rural	5	11	11	10	5	10
Newton	Newton	2,459	5	Rural	5	14	14	14	5	14
Rose City	Orange	519	5	Rural	5	17	17	17	5	17
Pine Forest	Orange	632	5	Rural	5	14	15	14	5	15
Pinehurst (Orange)	Orange	2,274	5	Rural	5	16	16	15	5	16
Mauriceville	Orange	2,743	5	Rural	5	14	15	14	5	15
West Orange	Orange	4,111	5	Rural	5	16	16	15	5	16
Bridge City	Orange	8,651	5	Rural	5	16	16	15	5	16
Vidor	Orange	11,440	5	Rural	5	16	16	15	5	16
Orange	Orange	18,643	5	Rural	0	18	18	18	5	13
Seven Oaks	Polk	131	5	Rural	5	13	13	13	5	13
Goodrich	Polk	243	5	Rural	5	17	17	17	5	17
Onalaska	Polk	1,174	5	Rural	5	11	11	10	0	15
Corrigan	Polk	1,721	5	Rural	5	18	18	18	5	18
Livingston	Polk	5,433	5	Rural	5	17	17	17	5	17
West Livingston	Polk	6,612	5	Rural	5	16	16	15	5	15
Pineland	Sabine	980	5	Rural	5	13	13	13	5	14
Hemphill	Sabine	1,106	5	Rural	5	12	12	12	5	12
Milam	Sabine	1,329	5	Rural	5	9	9	9	5	10
Broaddus	San Augustine	189	5	Rural	5	15	15	15	5	15
San Augustine	San Augustine	2,475	5	Rural	5	9	9	9	0	14
Oakhurst	San Jacinto	230	5	Rural	5	13	13	13	5	13
Point Blank	San Jacinto	559	5	Rural	5	13	13	13	5	13
Coldspring	San Jacinto	691	5	Rural	5	14	14	14	5	14
Shepherd	San Jacinto	2,029	5	Rural	5	13	13	13	5	13
Huxley	Shelby	298	5	Rural	5	11	11	10	5	11
Joaquin	Shelby	925	5	Rural	5	14	15	14	5	15
Tenaha	Shelby	1,046	5	Rural	5	16	16	15	5	16
Timpson	Shelby	1,094	5	Rural	5	16	16	15	5	16
Center	Shelby	5,678	5	Rural	0	9	10	9	0	10
Groveton	Trinity	1,107	5	Rural	5	14	14	13	5	14

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Trinity	Trinity	2,721	5	Rural	5	9	9	8	0	14
Chester	Tyler	265	5	Rural	5	10	10	10	5	10
Colmesneil	Tyler	638	5	Rural	5	11	11	11	5	11
Woodville	Tyler	2,415	5	Rural	5	14	14	14	5	14
Industry	Austin	304	6	Rural	5	15	15	15	5	14
San Felipe	Austin	868	6	Rural	5	12	12	12	5	12
Wallis	Austin	1,172	6	Rural	5	12	12	12	5	12
Bellville	Austin	3,794	6	Rural	5	11	11	11	5	11
Sealy	Austin	5,248	6	Rural	0	13	14	14	5	8
Cove	Chambers	323	6	Rural	5	11	11	11	5	11
Old River-Winfree	Chambers	1,364	6	Rural	5	9	10	10	5	10
Stowell	Chambers	1,572	6	Rural	5	11	11	11	5	11
Beach City	Chambers	1,645	6	Urban	5	9	10	10	5	10
Mont Belvieu	Chambers	2,324	6	Rural	5	9	10	10	5	10
Winnie	Chambers	2,914	6	Rural	5	11	11	11	5	11
Weimar	Colorado	1,981	6	Rural	5	11	11	12	5	12
Eagle Lake	Colorado	3,664	6	Rural	5	9	9	10	0	14
Columbus	Colorado	3,916	6	Rural	5	13	13	13	5	13
Tiki Island	Galveston	1,016	6	Urban	5	16	16	16	5	16
Jamaica Beach	Galveston	1,075	6	Urban	5	16	16	16	5	16
Clear Lake Shores	Galveston	1,205	6	Urban	5	16	16	16	5	16
Bayou Vista	Galveston	1,644	6	Rural	5	14	15	15	5	15
Kemah	Galveston	2,330	6	Urban	5	17	17	17	5	17
Bolivar Peninsula	Galveston	3,853	6	Rural	5	17	17	17	5	17
San Leon	Galveston	4,365	6	Urban	5	18	19	18	5	18
Hitchcock	Galveston	6,386	6	Urban	5	18	19	18	5	18
Bacliff	Galveston	6,962	6	Urban	5	18	19	18	5	18
Santa Fe	Galveston	9,548	6	Urban	5	9	10	10	0	15
La Marque	Galveston	13,682	6	Urban	5	18	19	18	5	18
Dickinson	Galveston	17,093	6	Urban	5	12	12	12	0	17
Friendswood	Galveston	29,037	6	Urban	5	14	15	15	5	15
Texas City	Galveston	41,521	6	Urban	5	17	17	17	5	17
League City	Galveston	45,444	6	Urban	5	14	15	15	5	15
Dayton Lakes	Liberty	101	6	Rural	5	17	17	18	5	18
North Cleveland	Liberty	263	6	Rural	5	13	14	14	5	14
Devers	Liberty	416	6	Rural	5	17	17	18	5	18
Kenefick	Liberty	667	6	Rural	5	14	15	15	5	15
Hardin	Liberty	755	6	Rural	5	13	14	14	5	14
Plum Grove	Liberty	930	6	Rural	5	16	16	16	5	16
Daisetta	Liberty	1,034	6	Rural	5	14	15	15	5	15
Ames	Liberty	1,079	6	Rural	5	18	19	19	5	19
Dayton	Liberty	5,709	6	Rural	5	17	17	18	5	18
Cleveland	Liberty	7,605	6	Rural	5	13	14	14	0	19
Liberty	Liberty	8,033	6	Rural	5	16	16	16	5	16
Blessing	Matagorda	861	6	Rural	5	16	16	16	5	16
Markham	Matagorda	1,138	6	Rural	5	12	12	12	5	12
Van Vleck	Matagorda	1,411	6	Rural	5	12	12	12	5	12
Palacios	Matagorda	5,153	6	Rural	5	12	12	12	0	18
Bay City	Matagorda	18,667	6	Rural	0	10	10	10	0	10
Riverside	Walker	425	6	Rural	5	18	18	18	5	18
New Waverly	Walker	950	6	Rural	5	17	17	17	5	17

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Huntsville	Walker	35,078	6	Rural	0	13	13	13	0	13
Pattison	Waller	447	6	Rural	5	9	10	10	5	10
Pine Island	Waller	849	6	Rural	5	9	10	10	5	10
Brookshire	Waller	3,450	6	Rural	5	14	15	15	5	15
Prairie View	Waller	4,410	6	Rural	0	14	15	15	5	10
Hempstead	Waller	4,691	6	Rural	0	14	15	15	5	10
Hungerford	Wharton	645	6	Rural	5	13	14	13	5	13
Louise	Wharton	977	6	Rural	5	15	15	14	5	15
Boling-Iago	Wharton	1,271	6	Rural	5	15	15	14	5	15
East Bernard	Wharton	1,729	6	Rural	5	13	14	13	5	13
Wharton	Wharton	9,237	6	Rural	5	11	11	11	0	16
El Campo	Wharton	10,945	6	Rural	5	15	15	14	5	15
Circle D-KC Estates	Bastrop	2,010	7	Rural	5	12	12	12	5	12
Wyldwood	Bastrop	2,310	7	Rural	5	12	12	12	5	12
Smithville	Bastrop	3,901	7	Rural	5	12	12	12	0	17
Camp Swift	Bastrop	4,731	7	Rural	5	13	14	14	5	14
Bastrop	Bastrop	5,340	7	Rural	5	11	11	11	0	16
Elgin	Bastrop	5,700	7	Rural	0	17	18	18	5	12
Round Mountain	Blanco	111	7	Rural	5	9	9	10	5	9
Johnson City	Blanco	1,191	7	Rural	5	13	13	13	5	13
Blanco	Blanco	1,505	7	Rural	5	14	14	15	5	14
Highland Haven	Burnet	450	7	Rural	5	14	15	15	5	15
Cottonwood Shores	Burnet	877	7	Rural	5	14	15	15	5	15
Bertram	Burnet	1,122	7	Rural	5	14	15	15	5	15
Meadowlakes	Burnet	1,293	7	Rural	5	13	13	14	5	14
Granite Shoals	Burnet	2,040	7	Rural	5	17	17	17	5	18
Burnet	Burnet	4,735	7	Rural	0	12	12	12	0	12
Marble Falls	Burnet	4,959	7	Rural	5	12	12	12	0	18
Mustang Ridge	Caldwell	785	7	Rural	5	13	14	14	5	13
Martindale	Caldwell	953	7	Rural	5	16	16	16	5	16
Luling	Caldwell	5,080	7	Rural	5	12	12	12	0	17
Lockhart	Caldwell	11,615	7	Rural	5	12	12	12	0	17
Round Top	Fayette	77	7	Rural	5	12	12	12	5	12
Carmine	Fayette	228	7	Rural	5	13	14	14	5	14
Fayetteville	Fayette	261	7	Rural	5	14	15	15	5	15
Flatonia	Fayette	1,377	7	Rural	5	11	11	11	0	16
Schulenburg	Fayette	2,699	7	Rural	5	14	15	15	5	15
La Grange	Fayette	4,478	7	Rural	5	14	15	15	5	15
Hays	Hays	233	7	Rural	5	14	14	14	5	14
Bear Creek	Hays	360	7	Rural	5	13	13	13	5	13
Uhland	Hays	386	7	Rural	5	18	18	18	5	18
Niederwald	Hays	584	7	Rural	5	13	13	13	5	13
Mountain City	Hays	671	7	Rural	5	14	14	14	5	14
Woodcreek	Hays	1,274	7	Rural	5	16	15	15	5	15
Dripping Springs	Hays	1,548	7	Rural	5	17	17	16	5	16
Buda	Hays	2,404	7	Urban	5	13	13	13	5	13
Wimberley	Hays	3,797	7	Rural	5	14	14	14	5	14
Kyle	Hays	5,314	7	Rural	0	16	15	15	5	10
San Marcos	Hays	34,733	7	Urban	5	18	18	18	5	18
Lexington	Lee	1,178	7	Rural	5	13	13	14	5	14
Giddings	Lee	5,105	7	Rural	5	13	13	14	5	14

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Sunrise Beach	Llano	704	7	Rural	5	13	13	13	5	13
Buchanan Dam	Llano	1,688	7	Rural	5	14	15	14	5	15
Llano	Llano	3,325	7	Rural	5	14	15	14	5	15
Horseshoe Bay	Llano	3,337	7	Rural	5	14	15	14	5	15
Kingsland	Llano	4,584	7	Rural	5	15	16	16	5	16
Creedmoor	Travis	211	7	Rural	5	14	13	13	5	13
Sunset Valley	Travis	365	7	Urban	5	16	16	16	5	16
San Leanna	Travis	384	7	Urban	5	15	15	15	5	15
Bee Cave	Travis	656	7	Rural	5	16	16	16	5	16
Briarcliff	Travis	895	7	Rural	5	16	16	16	5	16
Manor	Travis	1,204	7	Urban	0	18	17	17	5	12
Rollingwood	Travis	1,403	7	Urban	5	14	13	13	5	13
The Hills	Travis	1,492	7	Rural	5	15	15	15	5	15
Barton Creek	Travis	1,589	7	Urban	5	18	17	17	5	17
Garfield	Travis	1,660	7	Rural	5	19	18	18	5	18
Jonestown	Travis	1,681	7	Rural	5	16	16	16	5	16
Onion Creek	Travis	2,116	7	Urban	5	15	15	15	5	15
Hudson Bend	Travis	2,369	7	Urban	5	16	16	16	5	16
West Lake Hills	Travis	3,116	7	Urban	5	14	13	13	5	13
Lago Vista	Travis	4,507	7	Rural	5	16	16	16	5	16
Lost Creek	Travis	4,729	7	Urban	5	15	15	15	5	15
Shady Hollow	Travis	5,140	7	Urban	5	14	13	13	5	13
Windemere	Travis	6,868	7	Urban	5	15	15	15	5	15
Lakeway	Travis	8,002	7	Rural	5	16	16	16	5	16
Wells Branch	Travis	11,271	7	Urban	5	16	16	16	5	16
Pflugerville	Travis	16,335	7	Urban	5	14	13	13	5	13
Weir	Williamson	591	7	Rural	5	14	14	15	5	14
Thrall	Williamson	710	7	Rural	5	19	19	20	5	19
Florence	Williamson	1,054	7	Rural	5	19	19	20	5	19
Hutto	Williamson	1,250	7	Rural	5	15	16	16	5	16
Granger	Williamson	1,299	7	Rural	5	19	19	20	5	19
Liberty Hill	Williamson	1,409	7	Rural	5	17	17	17	5	17
Bartlett	Williamson	1,675	7	Rural	5	19	19	20	5	19
Serenada	Williamson	1,847	7	Urban	5	14	14	15	5	14
Leander	Williamson	7,596	7	Urban	5	15	16	16	5	16
Anderson Mill	Williamson	8,953	7	Urban	5	17	17	17	5	17
Taylor	Williamson	13,575	7	Rural	5	18	18	18	5	18
Brushy Creek	Williamson	15,371	7	Urban	5	14	14	15	5	14
Jollyville	Williamson	15,813	7	Urban	5	14	14	15	5	14
Cedar Park	Williamson	26,049	7	Urban	0	15	16	16	5	11
Georgetown	Williamson	28,339	7	Urban	5	17	17	17	5	17
Round Rock	Williamson	61,136	7	Urban	5	15	16	16	5	16
Holland	Bell	1,102	8	Rural	5	14	14	14	0	19
Rogers	Bell	1,117	8	Rural	5	17	17	17	5	16
Troy	Bell	1,378	8	Rural	5	15	15	15	5	15
Little River-Academy	Bell	1,645	8	Rural	5	15	15	15	5	15
Nolanville	Bell	2,150	8	Rural	5	17	17	17	5	16
Morgan's Point Resort	Bell	2,989	8	Rural	5	14	14	14	5	14
Salado	Bell	3,475	8	Rural	5	14	14	14	5	14
Belton	Bell	14,623	8	Urban	5	13	13	13	0	18
Harker Heights	Bell	17,308	8	Urban	5	15	15	15	5	15

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Fort Hood	Bell	33,711	8	Urban	5	14	14	14	5	14
Temple	Bell	54,514	8	Urban	5	12	12	12	0	16
Cranfills Gap	Bosque	335	8	Rural	5	13	13	13	5	13
Iredell	Bosque	360	8	Rural	5	14	14	14	5	14
Morgan	Bosque	485	8	Rural	5	14	14	14	5	14
Walnut Springs	Bosque	755	8	Rural	5	16	16	15	5	15
Valley Mills	Bosque	1,123	8	Rural	5	12	12	12	5	12
Meridian	Bosque	1,491	8	Rural	5	13	13	13	5	13
Clifton	Bosque	3,542	8	Rural	5	12	12	12	5	12
Evant	Coryell	393	8	Rural	5	18	18	18	5	18
South Mountain	Coryell	412	8	Rural	5	13	13	13	5	13
Oglesby	Coryell	458	8	Rural	5	14	14	14	5	14
Gatesville	Coryell	15,591	8	Rural	5	15	15	15	5	15
Copperas Cove	Coryell	29,592	8	Urban	5	15	15	15	5	15
Golinda	Falls	423	8	Rural	5	11	11	11	5	12
Lott	Falls	724	8	Rural	5	10	10	10	0	15
Rosebud	Falls	1,493	8	Rural	5	15	15	15	5	15
Marlin	Falls	6,628	8	Rural	5	11	11	11	0	17
Kirvin	Freestone	122	8	Rural	5	12	12	12	5	12
Streetman	Freestone	203	8	Rural	5	12	12	12	5	12
Wortham	Freestone	1,082	8	Rural	5	15	16	16	5	16
Fairfield	Freestone	3,094	8	Rural	5	15	16	16	5	16
Teague	Freestone	4,557	8	Rural	5	9	10	10	0	14
Hico	Hamilton	1,341	8	Rural	5	14	15	15	5	15
Hamilton	Hamilton	2,977	8	Rural	5	13	13	13	5	14
Carl's Corner	Hill	134	8	Rural	5	16	16	16	5	16
Aquilla	Hill	136	8	Rural	5	13	13	13	5	13
Mertens	Hill	146	8	Rural	5	16	16	16	5	16
Penelope	Hill	211	8	Rural	5	14	15	14	5	14
Bynum	Hill	225	8	Rural	5	18	18	18	5	18
Malone	Hill	278	8	Rural	5	17	17	17	5	17
Covington	Hill	282	8	Rural	5	13	13	13	5	13
Abbott	Hill	300	8	Rural	5	13	13	13	5	13
Mount Calm	Hill	310	8	Rural	5	14	15	14	5	14
Blum	Hill	399	8	Rural	5	17	17	17	5	17
Itasca	Hill	1,503	8	Rural	5	16	16	16	5	16
Hubbard	Hill	1,586	8	Rural	5	18	18	18	5	18
Whitney	Hill	1,833	8	Rural	5	17	17	17	5	17
Hillsboro	Hill	8,232	8	Rural	0	13	13	13	0	13
Lometa	Lampasas	782	8	Rural	5	17	17	16	5	17
Kempner	Lampasas	1,004	8	Rural	5	13	13	13	5	13
Lampasas	Lampasas	6,786	8	Rural	5	16	16	15	5	16
Tehuacana	Limestone	307	8	Rural	5	12	12	12	5	12
Kosse	Limestone	497	8	Rural	5	17	17	17	5	16
Thornton	Limestone	525	8	Rural	5	15	14	14	5	14
Coolidge	Limestone	848	8	Rural	5	17	17	17	5	16
Groesbeck	Limestone	4,291	8	Rural	5	16	15	15	5	15
Mexia	Limestone	6,563	8	Rural	5	12	12	12	0	16
Ross	McLennan	228	8	Rural	5	15	14	14	5	14
Leroy	McLennan	335	8	Rural	5	16	16	16	5	16
Hallsburg	McLennan	518	8	Rural	5	15	14	14	5	14

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Crawford	McLennan	705	8	Rural	5	15	14	14	5	14
Gholson	McLennan	922	8	Rural	5	16	16	16	5	16
Riesel	McLennan	973	8	Rural	5	17	17	17	5	17
Moody	McLennan	1,400	8	Rural	5	18	18	18	5	18
Lorena	McLennan	1,433	8	Rural	5	15	14	14	5	14
Bruceville-Eddy	McLennan	1,490	8	Rural	5	17	17	17	5	17
Beverly Hills	McLennan	2,113	8	Urban	5	17	17	17	5	17
Mart	McLennan	2,273	8	Rural	5	18	18	18	5	18
West	McLennan	2,692	8	Rural	5	17	17	17	5	17
McGregor	McLennan	4,727	8	Urban	5	17	17	17	5	17
Lacy-Lakeview	McLennan	5,764	8	Urban	5	17	17	17	5	17
Robinson	McLennan	7,845	8	Urban	5	16	16	16	5	16
Woodway	McLennan	8,733	8	Urban	5	15	14	14	5	14
Bellmead	McLennan	9,214	8	Urban	5	13	13	13	0	18
Hewitt	McLennan	11,085	8	Urban	5	15	14	14	5	14
Buckholts	Milam	387	8	Rural	5	15	15	15	5	15
Milano	Milam	400	8	Rural	5	12	12	12	5	12
Thorndale	Milam	1,278	8	Rural	5	14	14	14	5	14
Rockdale	Milam	5,439	8	Rural	5	9	9	9	0	14
Cameron	Milam	5,634	8	Rural	0	15	15	15	5	10
Mullin	Mills	175	8	Rural	5	15	15	15	5	15
Goldthwaite	Mills	1,802	8	Rural	5	12	12	12	5	12
Richland Springs	San Saba	350	8	Rural	5	12	12	12	5	12
San Saba	San Saba	2,637	8	Rural	5	15	14	15	5	14
Christine	Atascosa	436	9	Rural	5	20	20	19	5	19
Charlotte	Atascosa	1,637	9	Rural	5	15	15	14	0	19
Lytle	Atascosa	2,383	9	Rural	5	17	17	17	5	17
Poteet	Atascosa	3,305	9	Rural	5	20	20	19	5	19
Jourdanton	Atascosa	3,732	9	Rural	5	12	12	12	0	17
Pleasanton	Atascosa	8,266	9	Rural	5	15	15	14	0	19
Bandera	Bandera	957	9	Rural	5	13	13	13	5	13
Lakehills	Bandera	4,668	9	Rural	5	12	12	12	5	12
Garden Ridge	Comal	1,882	9	Rural	5	14	14	14	5	14
Bulverde	Comal	3,761	9	Rural	5	14	14	14	5	14
Canyon Lake	Comal	16,870	9	Rural	5	15	15	15	5	15
New Braunfels	Comal	36,494	9	Urban	5	16	16	16	5	17
Hilltop	Frio	300	9	Rural	5	16	16	15	5	15
Bigfoot	Frio	304	9	Rural	5	14	13	13	5	13
West Pearsall	Frio	349	9	Rural	5	16	16	15	5	15
North Pearsall	Frio	561	9	Rural	5	11	11	10	5	10
Moore	Frio	644	9	Rural	5	12	12	12	5	12
Dilley	Frio	3,674	9	Rural	5	16	16	15	5	15
Pearsall	Frio	7,157	9	Rural	0	16	16	15	5	10
Stonewall	Gillespie	469	9	Rural	5	10	10	10	5	10
Harper	Gillespie	1,006	9	Rural	5	13	12	13	5	13
Fredericksburg	Gillespie	8,911	9	Rural	5	11	11	11	5	11
Zuehl	Guadalupe	346	9	Rural	5	14	14	14	5	14
New Berlin	Guadalupe	467	9	Rural	5	14	14	14	5	14
Geronimo	Guadalupe	619	9	Urban	5	14	14	14	5	14
Kingsbury	Guadalupe	652	9	Rural	5	14	14	14	5	14
Santa Clara	Guadalupe	889	9	Rural	5	16	15	15	5	15

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Marion	Guadalupe	1,099	9	Rural	5	14	14	14	5	14
Northcliff	Guadalupe	1,819	9	Rural	5	16	15	15	5	15
McQueeney	Guadalupe	2,527	9	Urban	5	14	14	14	5	14
Cibolo	Guadalupe	3,035	9	Rural	5	16	15	15	5	15
Redwood	Guadalupe	3,586	9	Rural	5	19	19	19	5	19
Schertz	Guadalupe	18,694	9	Urban	5	14	14	14	5	14
Seguin	Guadalupe	22,011	9	Urban	5	18	18	18	5	18
Falls City	Karnes	591	9	Rural	5	11	10	10	5	11
Runge	Karnes	1,080	9	Rural	5	9	9	9	0	14
Karnes City	Karnes	3,457	9	Rural	5	14	14	14	5	14
Kenedy	Karnes	3,487	9	Rural	5	8	8	8	0	13
Comfort	Kendall	2,358	9	Rural	5	14	14	13	5	14
Boerne	Kendall	6,178	9	Rural	5	9	9	8	0	14
Ingram	Kerr	1,740	9	Rural	5	16	16	16	5	16
Kerrville	Kerr	20,425	9	Rural	5	18	18	18	5	18
LaCoste	Medina	1,255	9	Rural	5	14	14	14	5	14
Natalia	Medina	1,663	9	Rural	5	18	17	17	5	18
Castroville	Medina	2,664	9	Rural	5	14	14	14	5	14
Devine	Medina	4,140	9	Rural	5	12	11	11	0	16
Hondo	Medina	7,897	9	Rural	0	12	11	11	0	11
La Vernia	Wilson	931	9	Rural	5	12	12	12	5	12
Stockdale	Wilson	1,398	9	Rural	5	14	14	13	5	14
Poth	Wilson	1,850	9	Rural	5	14	14	13	5	14
Floresville	Wilson	5,868	9	Rural	5	15	15	15	5	15
Fulton	Aransas	1,553	10	Rural	5	13	13	13	5	13
Rockport	Aransas	7,385	10	Rural	5	14	14	14	5	15
Tulsita	Bee	20	10	Rural	5	18	17	17	5	17
Normanna	Bee	121	10	Rural	5	13	12	12	5	12
Pawnee	Bee	201	10	Rural	5	18	17	17	5	17
Tuleta	Bee	292	10	Rural	5	13	12	12	5	12
Tynan	Bee	301	10	Rural	5	16	16	16	5	16
Pettus	Bee	608	10	Rural	5	14	14	13	5	14
Blue Berry Hill	Bee	982	10	Rural	5	18	17	17	5	17
Skidmore	Bee	1,013	10	Rural	5	18	17	17	5	17
Beeville	Bee	13,129	10	Rural	5	16	16	16	5	16
Airport Road Addition	Brooks	132	10	Rural	5	13	13	13	5	13
Flowella	Brooks	134	10	Rural	5	12	12	12	5	12
Encino	Brooks	177	10	Rural	5	13	13	13	5	13
Cantu Addition	Brooks	217	10	Rural	5	15	14	15	5	15
Falfurrias	Brooks	5,297	10	Rural	5	16	16	16	5	16
Point Comfort	Calhoun	781	10	Rural	5	12	12	12	5	12
Seadrift	Calhoun	1,352	10	Rural	5	15	15	15	5	15
Port Lavaca	Calhoun	12,035	10	Rural	5	15	15	15	5	15
Nordheim	DeWitt	323	10	Rural	5	12	12	12	5	12
Yorktown	DeWitt	2,271	10	Rural	5	15	15	15	5	15
Cuero	DeWitt	6,571	10	Rural	5	16	16	16	5	16
Concepcion	Duval	61	10	Rural	5	12	12	12	5	12
Realitos	Duval	209	10	Rural	5	16	16	16	5	16
Benavides	Duval	1,686	10	Rural	5	16	16	16	5	16
Freer	Duval	3,241	10	Rural	5	14	14	15	5	15
San Diego	Duval	4,753	10	Rural	5	16	16	16	5	16

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Goliad	Goliad	1,975	10	Rural	5	12	12	12	5	12
Smiley	Gonzales	453	10	Rural	5	16	16	15	5	15
Waelder	Gonzales	947	10	Rural	5	15	14	14	5	14
Nixon	Gonzales	2,186	10	Rural	5	16	16	15	5	15
Gonzales	Gonzales	7,202	10	Rural	5	10	9	9	0	14
La Ward	Jackson	200	10	Rural	5	11	11	10	5	11
Vanderbilt	Jackson	411	10	Rural	5	12	12	12	5	12
Lolita	Jackson	548	10	Rural	5	11	11	10	5	11
Ganado	Jackson	1,915	10	Rural	5	12	12	12	5	12
Edna	Jackson	5,899	10	Rural	5	13	13	13	5	13
Loma Linda East	Jim Wells	214	10	Rural	5	18	18	18	5	19
Westdale	Jim Wells	295	10	Rural	5	17	17	17	5	17
K-Bar Ranch	Jim Wells	350	10	Rural	5	17	17	17	5	17
Coyote Acres	Jim Wells	389	10	Rural	5	18	18	18	5	19
Sandia	Jim Wells	431	10	Rural	5	13	13	13	5	14
Alfred-South La Paloma	Jim Wells	451	10	Rural	5	13	13	13	5	14
Alice Acres	Jim Wells	491	10	Rural	5	17	17	17	5	17
Owl Ranch-Amargosa	Jim Wells	527	10	Rural	5	18	18	18	5	19
Orange Grove	Jim Wells	1,288	10	Rural	5	14	14	15	5	15
Rancho Alegre	Jim Wells	1,775	10	Rural	5	18	18	18	5	19
Premont	Jim Wells	2,772	10	Rural	5	13	13	13	0	19
Alice	Jim Wells	19,010	10	Rural	5	16	15	16	5	16
Kingsville	Kleberg	25,575	10	Rural	0	16	16	16	5	11
Moulton	Lavaca	944	10	Rural	5	12	12	12	5	12
Shiner	Lavaca	2,070	10	Rural	5	12	12	12	5	12
Hallettsville	Lavaca	2,563	10	Rural	5	12	12	12	5	12
Yoakum	Lavaca	5,731	10	Rural	5	13	13	13	5	13
Pernitas Point	Live Oak	269	10	Rural	5	10	10	10	5	10
Three Rivers	Live Oak	1,878	10	Rural	5	13	13	13	5	13
George West	Live Oak	2,524	10	Rural	5	11	11	12	5	11
Petronila	Nueces	83	10	Rural	5	13	13	13	5	13
La Paloma-Lost Creek	Nueces	323	10	Rural	5	18	18	18	5	18
Tierra Grande	Nueces	362	10	Rural	5	14	14	14	5	14
Sandy Hollow-Escondidas	Nueces	433	10	Rural	5	13	13	13	5	13
Rancho Banquete	Nueces	469	10	Rural	5	14	14	14	5	14
Spring Garden-Terra Verde	Nueces	693	10	Rural	5	18	18	18	5	18
Agua Dulce (Nueces)	Nueces	737	10	Rural	5	17	17	17	5	17
Driscoll	Nueces	825	10	Rural	5	16	16	15	5	15
North San Pedro	Nueces	920	10	Rural	5	17	17	17	5	17
Bishop	Nueces	3,305	10	Rural	5	14	14	14	5	14
Port Aransas	Nueces	3,370	10	Urban	5	16	16	15	5	15
Robstown	Nueces	12,727	10	Rural	5	17	17	17	5	17
Austwell	Refugio	192	10	Rural	5	16	16	15	5	16
Bayside	Refugio	360	10	Rural	5	13	13	13	5	13
Woodsboro	Refugio	1,685	10	Rural	5	12	12	12	5	12
Refugio	Refugio	2,941	10	Rural	5	12	12	12	5	12
Tradewinds	San Patricio	163	10	Rural	5	20	20	20	5	20
Edgewater-Paisano	San Patricio	182	10	Rural	5	20	20	20	5	20
Doyle	San Patricio	285	10	Urban	5	15	15	15	5	15
Falman-County Acres	San Patricio	289	10	Rural	5	19	19	19	5	19
Rancho Chico	San Patricio	309	10	Rural	5	19	19	19	5	19

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San Patricio	San Patricio	318	10	Rural	5	15	15	15	5	15
Lakeside (San Patricio)	San Patricio	333	10	Rural	5	18	17	17	5	18
Edroy	San Patricio	420	10	Rural	5	16	16	16	5	16
Morgan Farm Area	San Patricio	484	10	Rural	5	18	17	17	5	18
Lake City	San Patricio	526	10	Rural	5	15	15	15	5	15
St. Paul (Patricio)	San Patricio	542	10	Rural	5	15	15	15	5	15
Ingleside on the Bay	San Patricio	659	10	Urban	5	15	15	15	5	15
Lakeshore Gardens-Hidden Acres	San Patricio	720	10	Rural	5	15	15	15	5	15
Del Sol-Loma Linda	San Patricio	726	10	Rural	5	16	16	16	5	16
Taft Southwest	San Patricio	1,721	10	Rural	5	19	19	19	5	19
Gregory	San Patricio	2,318	10	Rural	5	11	11	11	0	16
Odem	San Patricio	2,499	10	Rural	5	16	16	16	5	16
Taft	San Patricio	3,396	10	Rural	5	19	19	19	5	19
Mathis	San Patricio	5,034	10	Rural	5	15	15	15	0	20
Sinton	San Patricio	5,676	10	Rural	5	14	14	14	0	19
Aransas Pass	San Patricio	8,138	10	Rural	0	18	17	17	5	12
Ingleside	San Patricio	9,388	10	Urban	0	16	16	16	5	11
Portland	San Patricio	14,827	10	Urban	5	15	15	15	5	15
Inez	Victoria	1,787	10	Rural	5	14	14	14	5	14
Bloomington	Victoria	2,562	10	Rural	5	18	18	18	5	18
Victoria	Victoria	60,603	10	Urban	0	11	10	11	0	10
Yznaga	Cameron	103	11	Rural	5	14	15	14	5	14
Villa del Sol	Cameron	132	11	Rural	5	17	17	17	5	17
Lasana	Cameron	135	11	Urban	5	14	15	14	5	14
Tierra Bonita	Cameron	160	11	Rural	5	14	15	14	5	14
La Feria North	Cameron	168	11	Rural	5	19	20	19	5	19
Rangerville	Cameron	203	11	Rural	5	17	17	17	5	17
Grand Acres	Cameron	203	11	Rural	5	14	15	14	5	14
Ratamosa	Cameron	218	11	Rural	5	14	15	14	5	14
Lago	Cameron	246	11	Rural	5	19	20	19	5	19
El Camino Angosto	Cameron	254	11	Urban	5	15	16	15	5	15
Del Mar Heights	Cameron	259	11	Rural	5	19	20	19	5	19
Arroyo Alto	Cameron	320	11	Rural	5	17	17	17	5	17
Bayview	Cameron	323	11	Rural	5	14	15	14	5	14
Lozano	Cameron	324	11	Rural	5	14	15	14	5	14
La Paloma	Cameron	354	11	Rural	5	19	20	19	5	19
Bixby	Cameron	356	11	Rural	5	18	18	18	5	18
Villa Pancho	Cameron	386	11	Urban	5	19	20	19	5	19
Chula Vista-Orason	Cameron	394	11	Rural	5	19	20	19	5	19
Indian Lake	Cameron	541	11	Rural	5	14	15	14	5	14
Solis	Cameron	545	11	Rural	5	14	15	14	5	14
San Pedro	Cameron	668	11	Rural	5	14	15	14	5	14
Blue-Iglesia Antigua	Cameron	692	11	Rural	5	18	18	18	5	18
Green Valley Farms	Cameron	720	11	Rural	5	19	20	19	5	19
Arroyo Gardens-La Tina Ranch	Cameron	732	11	Rural	5	15	16	15	5	15
Arroyo Colorado Estates	Cameron	755	11	Rural	5	15	16	15	5	15
Reid Hope King	Cameron	802	11	Urban	5	19	20	19	5	19
Santa Maria	Cameron	846	11	Rural	5	17	17	17	5	17
South Point	Cameron	1,118	11	Rural	5	18	18	18	5	18
Los Indios	Cameron	1,149	11	Rural	5	13	13	13	0	18
Olmito	Cameron	1,198	11	Urban	5	19	20	19	5	19

Place	County	2003 Population Est.	Region	Area Type	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS	Previous TDHCA Funding Adj. for Rental Dvlp. Activity	Rent Dvlp. AHNS
Palm Valley	Cameron	1,298	11	Urban	5	14	15	14	5	14
Laguna Vista	Cameron	1,658	11	Rural	5	14	15	14	5	14
Las Palmas-Juarez	Cameron	1,666	11	Rural	5	18	18	18	5	18
Rancho Viejo	Cameron	1,754	11	Urban	5	14	15	14	5	14
Rio Hondo	Cameron	1,942	11	Rural	5	17	17	17	5	17
Laguna Heights	Cameron	1,990	11	Rural	5	18	18	18	5	18
Encantada-Ranchito El Calaboz	Cameron	2,100	11	Rural	5	15	16	15	5	15
South Padre Island	Cameron	2,422	11	Rural	5	14	15	14	5	14
Combes	Cameron	2,553	11	Urban	5	10	11	10	0	15
Primera	Cameron	2,723	11	Urban	5	15	16	15	5	15
Santa Rosa	Cameron	2,833	11	Rural	5	12	12	12	0	17
Laureles	Cameron	3,285	11	Rural	5	17	17	17	5	17
Los Fresnos	Cameron	4,512	11	Rural	5	17	17	17	5	17
Port Isabel	Cameron	4,865	11	Rural	5	15	16	15	5	15
Cameron Park	Cameron	5,961	11	Urban	5	19	20	19	5	19
La Feria	Cameron	6,115	11	Rural	5	10	11	10	0	15
San Benito	Cameron	23,444	11	Urban	5	12	12	12	0	17
Brundage	Dimmit	31	11	Rural	5	16	17	16	5	16
Catarina	Dimmit	135	11	Rural	5	11	12	11	5	11
Carrizo Hill	Dimmit	548	11	Rural	5	15	15	15	5	15
Big Wells	Dimmit	704	11	Rural	5	10	10	10	0	15
Asherton	Dimmit	1,342	11	Rural	5	14	14	14	5	14
Carrizo Springs	Dimmit	5,655	11	Rural	5	9	9	9	0	14
Rocksprings	Edwards	1,285	11	Rural	5	12	12	11	5	12
Guerra	Jim Hogg	8	11	Rural	5	10	10	9	5	9
South Fork Estates	Jim Hogg	47	11	Rural	5	10	10	9	5	9
Las Lomitas	Jim Hogg	267	11	Rural	5	12	12	12	5	12
Hebbronville	Jim Hogg	4,498	11	Rural	5	11	11	11	5	11
Spofford	Kinney	75	11	Rural	5	10	11	11	5	11
Brackettville	Kinney	1,876	11	Rural	5	12	12	12	5	12
Fowlerton	La Salle	62	11	Rural	5	11	11	11	5	11
Encinal	La Salle	629	11	Rural	5	8	9	8	0	14
Cotulla	La Salle	3,614	11	Rural	5	12	12	12	5	12
Radar Base	Maverick	162	11	Rural	5	20	20	19	5	19
Quemado	Maverick	243	11	Rural	5	17	17	17	5	17
El Indio	Maverick	263	11	Rural	5	16	16	15	5	15
Elm Creek	Maverick	1,928	11	Rural	5	18	18	18	5	18
Las Quintas Fronterizas	Maverick	2,030	11	Rural	5	16	16	15	5	15
Rosita South	Maverick	2,574	11	Rural	5	17	17	17	5	17
Rosita North	Maverick	3,400	11	Rural	5	18	18	18	5	18
Eidson Road	Maverick	9,348	11	Rural	5	18	18	18	5	18
Eagle Pass	Maverick	22,413	11	Rural	5	12	12	12	0	17
Leakey	Real	387	11	Rural	5	12	12	11	5	12
Camp Wood	Real	822	11	Rural	5	12	12	11	5	12
Falcon	Starr	78	11	Rural	5	16	16	16	5	16
El Refugio	Starr	221	11	Rural	5	19	19	18	5	19
San Isidro	Starr	270	11	Rural	5	18	17	17	5	17
Salineno	Starr	304	11	Rural	5	20	20	19	5	20
Falcon Heights	Starr	335	11	Rural	5	20	20	19	5	20
Alto Bonito	Starr	569	11	Rural	5	20	20	19	5	20
Fronton	Starr	599	11	Rural	5	19	19	18	5	19

Place	County	2003 Population Est.	Region	Area Type	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS	Previous TDHCA Funding Adj. for Rental Dvlp. Activity	Rent Dvlp. AHNS
Roma Creek	Starr	610	11	Rural	5	20	20	19	5	20
Santa Cruz	Starr	630	11	Rural	5	20	20	19	5	20
Los Villareales	Starr	930	11	Rural	5	16	16	16	5	16
La Grulla	Starr	1,211	11	Rural	5	18	17	17	5	17
Los Alvarez	Starr	1,434	11	Rural	5	16	16	16	5	16
Garceno	Starr	1,438	11	Rural	5	20	20	19	5	20
La Puerta	Starr	1,636	11	Rural	5	18	17	17	5	17
La Victoria	Starr	1,683	11	Rural	5	20	20	19	5	20
North Escobares	Starr	1,692	11	Rural	5	20	20	19	5	20
La Rosita	Starr	1,729	11	Rural	5	20	20	19	5	20
Escobares	Starr	1,954	11	Rural	5	20	20	19	5	20
La Casita-Garciasville	Starr	2,177	11	Rural	0	20	20	19	5	15
Las Lomas	Starr	2,684	11	Rural	5	20	20	19	5	20
Roma	Starr	9,617	11	Rural	0	15	15	14	0	15
Rio Grande City	Starr	11,923	11	Rural	0	19	19	18	5	14
Utopia	Uvalde	241	11	Rural	5	13	13	13	5	13
Knippa	Uvalde	739	11	Rural	5	13	13	13	5	13
Sabinal	Uvalde	1,586	11	Rural	5	15	15	14	5	14
Uvalde Estates	Uvalde	1,972	11	Rural	5	13	13	13	5	13
Uvalde	Uvalde	14,929	11	Rural	5	10	10	9	0	14
Box Canyon-Amistad	Val Verde	76	11	Rural	5	13	13	13	5	13
Lake View	Val Verde	167	11	Rural	5	13	13	13	5	13
Val Verde Park	Val Verde	1,945	11	Rural	5	13	13	13	5	13
Laughlin AFB	Val Verde	2,225	11	Rural	5	13	13	13	5	13
Cienegas Terrace	Val Verde	2,878	11	Rural	5	16	17	17	5	17
Del Rio	Val Verde	33,867	11	Rural	5	14	14	14	5	14
Botines	Webb	132	11	Rural	5	16	16	16	5	16
Oilton	Webb	310	11	Rural	5	14	13	14	5	14
Ranchitos Las Lomas	Webb	334	11	Rural	5	15	15	15	5	15
Bruni	Webb	412	11	Rural	5	12	12	12	5	12
Mirando City	Webb	493	11	Rural	5	14	13	14	5	14
La Presa	Webb	508	11	Rural	5	15	15	15	5	15
Ranchos Penitas West	Webb	520	11	Urban	5	12	12	12	5	12
Larga Vista	Webb	742	11	Urban	5	15	15	15	5	15
Laredo Ranchettes	Webb	1,845	11	Rural	5	17	17	17	5	17
El Cenizo	Webb	3,545	11	Rural	5	17	17	17	5	17
Rio Bravo	Webb	5,553	11	Urban	5	17	17	17	5	17
Willamar	Willacy	15	11	Rural	5	13	13	13	5	13
Santa Monica	Willacy	78	11	Rural	5	13	13	13	5	13
Los Angeles Subdivision	Willacy	86	11	Rural	5	18	18	18	5	18
Zapata Ranch	Willacy	88	11	Rural	5	17	17	16	5	17
Bausell and Ellis	Willacy	112	11	Rural	5	16	16	15	5	15
Ranchette Estates	Willacy	133	11	Rural	5	16	16	15	5	15
Lyford South	Willacy	172	11	Rural	5	17	17	16	5	17
Port Mansfield	Willacy	415	11	Rural	5	14	15	14	5	14
San Perlita	Willacy	680	11	Rural	5	16	16	15	5	15
Lasara	Willacy	1,024	11	Rural	5	17	17	16	5	17
Sebastian	Willacy	1,864	11	Rural	5	13	13	13	5	13
Lyford	Willacy	1,973	11	Rural	5	14	15	14	5	14
Raymondville	Willacy	9,733	11	Rural	5	16	16	15	5	15
Morales-Sanchez	Zapata	95	11	Rural	5	14	14	14	5	14

Place	County	2003 Population Est.	Region	Area Type	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS	Previous TDHCA Funding Adj. for Rental Dvlp. Activity	Rent Dvlp. AHNS
Lopeno	Zapata	140	11	Rural	5	13	13	13	5	13
New Falcon	Zapata	184	11	Rural	5	14	14	14	5	14
Falcon Mesa	Zapata	506	11	Rural	5	12	12	11	5	12
Falcon Lake Estates	Zapata	830	11	Rural	5	13	13	13	5	13
San Ignacio	Zapata	853	11	Rural	5	17	17	16	5	17
Siesta Shores	Zapata	890	11	Rural	5	12	12	11	5	12
Medina	Zapata	2,960	11	Rural	5	15	16	15	5	15
Zapata	Zapata	4,856	11	Rural	5	14	14	14	5	14
Las Colonias	Zavala	283	11	Rural	5	17	17	16	5	17
Chula Vista-River Spur	Zavala	400	11	Rural	5	12	12	11	5	12
Batesville	Zavala	1,298	11	Rural	5	17	17	16	5	17
La Pryor	Zavala	1,491	11	Rural	5	14	14	14	5	14
Crystal City	Zavala	7,190	11	Rural	0	10	11	10	0	10
Andrews	Andrews	9,652	12	Rural	5	13	12	12	5	12
Bronte	Coke	1,076	12	Rural	5	12	12	12	5	12
Robert Lee	Coke	1,171	12	Rural	5	13	13	13	5	13
Paint Rock	Concho	320	12	Rural	5	10	10	10	5	10
Eden	Concho	2,561	12	Rural	5	13	13	13	5	13
Crane	Crane	3,191	12	Rural	5	10	9	9	5	9
Ozona	Crockett	3,436	12	Rural	5	13	13	13	5	13
Los Ybanez	Dawson	32	12	Rural	5	17	17	17	5	17
Ackerly	Dawson	245	12	Rural	5	16	15	15	5	16
Lamesa	Dawson	9,952	12	Rural	5	16	15	15	5	16
Goldsmith	Ector	253	12	Rural	5	9	9	9	0	14
Gardendale	Ector	1,197	12	Rural	5	14	14	14	5	14
West Odessa	Ector	17,799	12	Urban	5	16	16	16	5	16
Seagraves	Gaines	2,334	12	Rural	5	17	17	17	5	17
Seminole	Gaines	5,910	12	Rural	5	10	9	9	0	14
Forsan	Howard	226	12	Rural	5	13	13	13	5	13
Coahoma	Howard	932	12	Rural	5	8	8	8	0	13
Big Spring	Howard	25,233	12	Rural	5	17	17	17	5	17
Mertzon	Irion	839	12	Rural	5	8	8	8	5	8
Junction	Kimble	2,618	12	Rural	5	15	15	15	5	15
Stanton	Martin	2,556	12	Rural	5	10	10	9	0	15
Mason	Mason	2,134	12	Rural	5	13	13	13	5	13
Melvin	McCulloch	155	12	Rural	5	17	17	17	5	17
Brady	McCulloch	5,523	12	Rural	5	17	17	17	5	17
Menard	Menard	1,653	12	Rural	5	16	16	16	5	16
Midland	Midland	94,996	12	Urban	0	10	10	10	0	10
Coyanosa	Pecos	138	12	Rural	5	17	17	17	5	17
Imperial	Pecos	428	12	Rural	5	17	17	17	5	17
Iraan	Pecos	1,238	12	Rural	5	13	13	13	5	13
Fort Stockton	Pecos	7,846	12	Rural	5	16	15	15	5	16
Big Lake	Reagan	2,885	12	Rural	5	11	11	10	5	10
Toyah	Reeves	100	12	Rural	5	13	13	13	0	18
Lindsay (Reeves)	Reeves	394	12	Rural	5	18	18	18	5	18
Balmorhea	Reeves	527	12	Rural	5	18	18	18	5	18
Pecos	Reeves	9,501	12	Rural	5	18	18	18	5	18
Eldorado	Schleicher	1,951	12	Rural	5	15	14	14	5	14
Sterling City	Sterling	1,081	12	Rural	5	11	11	10	5	10
Sonora	Sutton	2,924	12	Rural	5	12	12	12	5	12

Place	County	2003 Population Est.	Region	Area Type	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS	Previous TDHCA Funding Adj. for Rental Dvlp. Activity	Rent Dvlp. AHNS
Sanderson	Terrell	861	12	Rural	5	15	14	14	5	14
Christoval	Tom Green	422	12	Rural	5	15	14	14	5	14
Grape Creek	Tom Green	3,138	12	Rural	5	13	13	13	5	13
Rankin	Upton	800	12	Rural	5	12	12	12	5	12
McCamey	Upton	1,805	12	Rural	5	13	13	13	5	13
Pyote	Ward	131	12	Rural	5	12	11	11	5	12
Grandfalls	Ward	391	12	Rural	5	15	14	14	5	14
Barstow	Ward	406	12	Rural	5	17	16	16	5	17
Thorntonville	Ward	442	12	Rural	5	12	11	11	5	12
Wickett	Ward	455	12	Rural	5	16	15	15	5	15
Monahans	Ward	6,821	12	Rural	5	13	13	13	5	13
Wink	Winkler	919	12	Rural	5	11	11	11	5	12
Kermit	Winkler	5,714	12	Rural	5	14	14	14	5	14
Study Butte-Terlingua	Brewster	267	13	Rural	5	12	12	12	5	12
Marathon	Brewster	455	13	Rural	5	13	13	13	5	13
Alpine	Brewster	5,786	13	Rural	5	14	14	14	5	14
Van Horn	Culberson	2,435	13	Rural	5	8	8	8	0	12
Butterfield	El Paso	61	13	Rural	5	19	19	19	5	19
Prado Verde	El Paso	200	13	Urban	5	14	14	14	5	14
Morning Glory	El Paso	627	13	Rural	5	14	14	14	5	14
Agua Dulce (El Paso)	El Paso	738	13	Rural	5	19	19	19	5	19
Clint	El Paso	980	13	Rural	0	15	15	15	5	10
Tornillo	El Paso	1,609	13	Rural	5	18	18	18	5	18
Vinton	El Paso	1,892	13	Rural	5	16	16	16	5	16
Sparks	El Paso	2,974	13	Rural	5	18	18	18	5	18
Westway	El Paso	3,829	13	Urban	5	18	18	18	5	18
Anthony	El Paso	3,850	13	Urban	0	16	16	16	5	11
Homestead Meadows North	El Paso	4,232	13	Rural	5	15	15	15	5	15
Canutillo	El Paso	5,129	13	Urban	5	18	18	18	5	18
Horizon City	El Paso	5,233	13	Rural	0	14	14	14	5	9
Homestead Meadows South	El Paso	6,807	13	Rural	5	16	16	16	5	16
Fabens	El Paso	8,043	13	Rural	5	19	19	19	5	19
Fort Bliss	El Paso	8,264	13	Urban	5	14	14	14	5	14
San Elizario	El Paso	11,046	13	Urban	5	19	19	19	5	19
Socorro	El Paso	27,152	13	Urban	0	13	13	12	0	13
Dell City	Hudspeth	413	13	Rural	5	13	13	13	5	13
Sierra Blanca	Hudspeth	533	13	Rural	5	12	12	12	5	11
Fort Hancock	Hudspeth	1,713	13	Rural	5	15	15	15	5	15
Valentine	Jeff Davis	187	13	Rural	5	9	10	10	5	10
Fort Davis	Jeff Davis	1,050	13	Rural	5	11	11	11	5	11
Redford	Presidio	132	13	Rural	5	18	18	19	5	18
Marfa	Presidio	2,121	13	Rural	5	9	10	10	0	15
Presidio	Presidio	4,167	13	Rural	5	17	17	17	5	17

ATTACHMENT C: 2004 HOME Affordable Housing Need Scores as Proposed for Final Board Approval

County Level - Sorted by State Service Region & County

Note: The "Previous TDHCA Funding Adjustment" component of the AHNS is subject to change until the application is submitted as TDHCA funding is recaptured or additional TDHCA awards are made.

County	Region	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS
Armstrong	1	5	9	9	9
Bailey	1	5	14	14	14
Briscoe	1	5	14	14	14
Carson	1	5	11	11	11
Castro	1	5	13	14	14
Childress	1	5	14	14	14
Cochran	1	5	14	14	14
Collingsworth	1	5	13	13	13
Crosby	1	5	18	18	17
Dallam	1	5	13	12	12
Deaf Smith	1	5	17	17	17
Dickens	1	5	15	14	14
Donley	1	5	13	13	13
Floyd	1	5	15	16	16
Garza	1	5	15	16	16
Gray	1	5	15	15	15
Hale	1	5	17	17	16
Hall	1	5	15	16	15
Hansford	1	5	13	13	13
Hartley	1	5	9	9	9
Hemphill	1	5	11	11	12
Hockley	1	5	15	16	15
Hutchinson	1	5	15	14	14
Lamb	1	5	17	16	16
Lipscomb	1	5	12	12	12
Lubbock	1	5	16	15	16
Lynn	1	5	15	15	15
Moore	1	5	14	14	14
Motley	1	5	12	11	11
Ochiltree	1	5	13	12	12
Oldham	1	5	13	13	13
Parmer	1	5	16	16	16
Potter	1	5	12	12	12
Randall	1	5	16	16	16
Roberts	1	5	9	9	10
Sherman	1	5	11	11	11
Swisher	1	5	14	13	13
Terry	1	5	15	15	14
Wheeler	1	5	12	12	12
Yoakum	1	5	16	16	15
1 Count	40				
Archer	2	5	12	12	12
Baylor	2	5	13	13	13
Brown	2	5	19	19	18
Callahan	2	5	14	14	14
Clay	2	5	11	11	11

County	Region	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS
Coleman	2	5	15	15	15
Comanche	2	5	17	17	16
Cottle	2	5	12	12	12
Eastland	2	5	16	16	16
Fisher	2	5	11	11	11
Foard	2	5	11	11	12
Hardeman	2	5	14	14	15
Haskell	2	5	16	16	16
Jack	2	5	13	14	13
Jones	2	5	17	17	17
Kent	2	5	10	10	10
Knox	2	5	14	14	15
Mitchell	2	5	14	14	14
Montague	2	5	15	15	15
Nolan	2	5	16	16	15
Runnels	2	5	16	16	16
Scurry	2	5	15	15	15
Shackelford	2	5	12	12	12
Stephens	2	5	14	14	14
Stonewall	2	5	12	12	12
Taylor	2	5	14	14	14
Throckmorton	2	5	10	10	11
Wichita	2	5	14	14	14
Wilbarger	2	5	12	12	12
Young	2	5	17	16	16
2 Count	30				
Collin	3	5	15	15	15
Cooke	3	5	14	14	14
Denton	3	5	16	16	16
Ellis	3	5	15	15	15
Erath	3	5	17	17	17
Fannin	3	5	14	14	14
Grayson	3	5	17	17	17
Hood	3	5	14	14	14
Hunt	3	5	16	16	16
Johnson	3	5	15	15	15
Kaufman	3	5	15	15	15
Navarro	3	5	15	15	15
Palo Pinto	3	5	15	16	16
Parker	3	0	10	10	9
Rockwall	3	5	11	11	11
Somervell	3	5	14	14	14
Wise	3	5	15	15	15
3 Count	17				
Anderson	4	5	16	16	16
Bowie	4	5	16	16	16
Camp	4	5	13	13	13
Cass	4	5	14	14	14
Cherokee	4	5	17	17	17
Delta	4	5	14	14	14
Franklin	4	5	12	12	12
Gregg	4	5	14	14	13

County	Region	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS
Harrison	4	5	18	18	17
Henderson	4	5	17	17	17
Hopkins	4	5	14	14	14
Lamar	4	5	17	17	16
Marion	4	5	16	15	16
Morris	4	5	16	16	16
Panola	4	5	12	12	12
Rains	4	5	12	12	12
Red River	4	5	14	14	14
Rusk	4	5	16	16	16
Smith	4	5	15	14	14
Titus	4	5	16	16	16
Upshur	4	5	15	15	15
Van Zandt	4	5	15	15	15
Wood	4	5	15	15	15
4 Count	23				
Angelina	5	5	17	18	17
Hardin	5	5	13	13	13
Houston	5	5	13	13	13
Jasper	5	5	15	15	14
Jefferson	5	5	14	13	13
Nacogdoches	5	5	17	16	16
Newton	5	5	11	11	11
Orange	5	5	16	16	16
Polk	5	5	16	16	16
Sabine	5	5	11	11	11
San Augustine	5	5	14	14	14
San Jacinto	5	5	13	14	13
Shelby	5	5	14	14	14
Trinity	5	5	14	14	13
Tyler	5	5	12	12	12
5 Count	15				
Austin	6	5	13	13	13
Chambers	6	5	10	10	10
Colorado	6	5	13	13	13
Galveston	6	5	16	17	16
Liberty	6	5	16	16	16
Matagorda	6	5	15	15	15
Walker	6	5	17	18	18
Waller	6	5	12	13	13
Wharton	6	5	14	15	14
6 Count	9				
Bastrop	7	5	14	15	15
Blanco	7	5	12	12	13
Burnet	7	5	15	15	16
Caldwell	7	5	16	16	16
Fayette	7	5	14	15	15
Hays	7	5	15	15	15
Lee	7	5	13	13	14
Llano	7	5	14	15	14
Travis	7	0	11	10	10
Williamson	7	5	16	17	17

County	Region	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS
7 Count	10				
Bell	8	5	16	16	16
Bosque	8	5	13	13	13
Coryell	8	5	15	15	15
Falls	8	5	15	14	15
Freestone	8	5	14	14	14
Hamilton	8	5	14	14	14
Hill	8	5	16	16	16
Lampasas	8	5	15	15	15
Limestone	8	5	16	15	15
McLennan	8	5	16	16	16
Milam	8	5	14	14	14
Mills	8	5	14	14	14
San Saba	8	5	13	13	13
8 Count	13				
Atascosa	9	5	19	19	18
Bandera	9	5	13	12	12
Comal	9	0	10	10	10
Frio	9	5	14	14	14
Gillespie	9	5	11	11	11
Guadalupe	9	0	10	10	10
Karnes	9	5	13	13	13
Kendall	9	5	14	14	13
Kerr	9	5	17	17	17
Medina	9	5	16	15	15
Wilson	9	5	14	14	13
9 Count	11				
Aransas	10	5	14	14	14
Bee	10	0	11	11	10
Brooks	10	5	14	14	14
Calhoun	10	5	14	14	14
DeWitt	10	5	14	14	14
Duval	10	5	15	15	15
Goliad	10	5	12	12	12
Gonzales	10	0	10	10	10
Jackson	10	5	12	12	11
Jim Wells	10	5	17	16	17
Kleberg	10	5	16	16	16
Lavaca	10	5	12	12	12
Live Oak	10	5	11	11	12
Nueces	10	5	16	16	15
Refugio	10	5	13	13	13
San Patricio	10	5	17	17	17
Victoria	10	5	16	16	16
10 Count	17				
Cameron	11	0	11	12	11
Dimmit	11	0	9	9	9
Edwards	11	5	12	12	11
Jim Hogg	11	5	11	10	10
Kinney	11	5	11	11	12
La Salle	11	0	7	8	7
Maverick	11	5	17	18	17

County	Region	Previous TDHCA Funding Adj. for Non Rental Dvlp. Activity	OOC AHNS	DPA AHNS	TBRA AHNS
Real	11	5	12	12	11
Starr	11	0	14	14	13
Uvalde	11	5	14	14	13
Val Verde	11	0	9	9	9
Webb	11	0	10	10	10
Willacy	11	5	15	15	15
Zapata	11	5	14	14	14
Zavala	11	5	15	15	15
11 Count	15				
Andrews	12	5	13	12	12
Coke	12	5	13	13	12
Concho	12	5	12	12	11
Crane	12	5	10	9	9
Crockett	12	5	13	13	13
Dawson	12	5	16	16	16
Ector	12	5	15	15	15
Gaines	12	5	16	16	15
Howard	12	5	15	14	14
Irion	12	5	8	8	8
Kimble	12	5	15	15	15
Martin	12	5	15	15	14
Mason	12	5	13	13	13
McCulloch	12	5	17	17	17
Menard	12	5	16	16	16
Midland	12	5	15	15	15
Pecos	12	5	16	15	15
Reagan	12	5	11	11	10
Reeves	12	5	18	18	18
Schleicher	12	5	15	14	14
Sterling	12	5	11	11	10
Sutton	12	5	12	12	12
Terrell	12	5	15	14	14
Tom Green	12	5	14	14	13
Upton	12	5	12	12	12
Ward	12	5	14	13	13
Winkler	12	5	13	12	12
12 Count	27				
Brewster	13	5	13	13	13
Culberson	13	0	8	8	8
El Paso	13	5	17	17	16
Hudspeth	13	5	13	13	13
Jeff Davis	13	5	10	10	10
Presidio	13	0	11	12	12
13 Count	6				
Grand Count	233				

MULTIFAMILY FINANCE PRODUCTION

BOARD ACTION REQUEST
November 14, 2003

Action Items

Final Housing Tax Credit Program Rules.

Required Action

1. Adoption of Repeal of Title 10, Part 1, Chapter 50

2. Adoption of New Title 10, Part 1, Chapter 50 – 2004 Housing Tax Credit Program Qualified Allocation Plan

Background

At the August 14, 2003 Board Meeting, the Board approved the Proposed New Title 10, Part 1, Chapter 50 – 2004 Draft Housing Tax Credit Program Qualified Allocation Plan. This was published in the *Texas Register* on August 29, 2003 for the public to provide comments. In order to receive additional comments on all proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

TO: TDHCA Board Members

FROM: Brooke Boston, Multifamily Finance Production Division

THROUGH: Edwina Carrington, Executive Director

SUBJECT: **2004 Qualified Allocation Plan – Responses to Public Comments**

DATE: November 6, 2003

On August 29, 2003, the proposed 2004 Housing Tax Credit Program Qualified Allocation Plan and Rules (QAP) were published in the *Texas Register*. The comment period commenced on August 29, 2003, and ended on October 10, 2003. In addition to publishing the document in the *Texas Register*, a copy of the QAP was published on the Department's web site and was made available to the public upon request. The Department held thirteen public hearings across the state to gather feedback on the draft QAP. The public was generally pleased with the draft QAP and with the Department's efforts.

Two different groups were established throughout 2003 to actively participate in the QAP revision. The first group was the 2004 QAP Working Group which was comprised of lender, advocates, developers, and other interested groups that represented both for profit and non-profit development, as well as rural and urban needs. This group met for six months to generate draft language and revision to the QAP. The second group was the Public Input Working Group. This group represents legislative staff, neighborhood organizations, advocates and developers and works towards improving the Department's role in public input. While this group was not designed to only deal with the QAP, they did actively discuss needed QAP revisions.

The Department received the majority of comments in writing by email, fax and mail. This memorandum provides the Department's response to all comments received. The comments and responses are summarized below by QAP section. Each QAP section has numerical references indicated that correspond to the individual or entity that made the comment(s). The list that identifies the entity associated with each number is found in Appendix A.

SUMMARY OF COMMENTS AND REASONED RESPONSE

§50.2 - Coordination with Rural Agencies -10, 48
Comment:
One comment requests that the phrase "capacity building efforts" relating to the rural allocation be revised to "development efforts" to emphasize that the Office of Rural Community Affairs (ORCA) is concerned with all development efforts in rural areas (10). Separate comment suggests that because of the elimination of the 5% USDA set-aside, referring to financing in cooperation with ORCA on rural developments is not consistent with other QAP language (48).
Department Response:
The Department does not agree that the word, "development" should be substituted for "capacity building" because §2306.6723 of Texas Government Code specifically utilizes the term "capacity building." All other language in this section is appropriate for the QAP revisions. No changes are proposed.

§50.3(1) - Proposed Definition of Administrative Deficiencies - 10

Comment:

The commenter suggests that Administrative Deficiencies should allow for a 10 day response period and that the definition be revised to provide for alternative dispute resolution as required by SB 264 (10).

Department Response:

The Department concurs that a 10 day response period is acceptable for Administrative Deficiencies, however that language will be added under §50.9(d)(3) where the process itself is more fully described.

§50.3(2) - Proposed Definition of Affiliate - 9,10,43,46

Comment:

Comment suggests that the Department expand the definition of Affiliate to include relatives so that the Department avoids the possibility of a person asserting that a relative or a spouse is not an affiliate (9)(10)(43). Other comment requests clarification as to whether the last sentence in the definition is intended to include only those General Partners and special Limited Partners who have at least a 10% ownership interest, or all General Partners and Special Limited Partners (46).

Department Response:

While the Department concurs with the importance of increased disclosure, staff cannot recommend that the definition of Affiliate include spouses, parents and children at this time because the change would affect individuals not affected by the proposed rule, possibly requiring further public comment; therefore, staff will recommend that this issue be addressed by the 2005 Working Group. Regarding the requested clarification as to whether the last sentence in the definition is intended to include only those General Partners and special Limited Partners who have at least a 10% ownership interest, or all General Partners and Special Limited Partners, the current language is explicit in its requirement to include all Principals of General and Special Limited Partners with a 10% ownership and this change is not recommended.

§50.3(12)(C) - Proposed Definition of At-Risk Development - 9,10,22,43

Comment:

Comment requests that the Department modify the definition to assure that the set-aside intended by the legislature to preserve affordable housing is not used for the new construction at a different location than the property that is presumably being preserved and recommended that HOPE VI be removed from the set-aside (9)(10)(43). Other comment commended the Department for including HOPE VI funding in the At-Risk set-aside (22). Comment was also received that it was unclear whether all affordability on the development needed to be at-risk of being lost, or whether one source could be expiring, but another source was still going to remain with the property.

Department Response:

The Department agrees that to qualify as At-Risk, the Development should be proposed for the same site as the property whose affordability is expiring. The Department recommends retaining the HOPE VI eligibility within the set-aside. While staff feels that the definition only permitted those developments actually losing affordability on the property, staff also recommends clarifying that the development must be at-risk of losing its affordability.

(C) An Application for a Development that includes the demolition of the existing Units which have received the financial benefit described in subparagraph (A) of this paragraph will not qualify as an At-Risk Development unless the redevelopment will include the same site, except that a Housing Authority proposing reconstruction of public housing, supplemented with HOPE VI funding, will be qualified as an At-Risk Development if it meets the requirements described in §50.7(b)(3) of this title. Redevelopment of any type must include the same site as the original development to qualify in this set-aside.

(D) Developments must be at risk of losing all affordability on the site. However, Developments that have an opportunity to retain or renew any of the financial benefit described in subparagraph (A) of this paragraph must retain or renew all possible financial benefit to qualify as an At-Risk Development.

§50.3(28)(A) - Proposed Definition of Development - 7

Comment:

One comment requests that the term "contiguous" be defined to include any parcels connected by public rights-of-way and easements (7)(26).

Department Response:

Staff does not feel that the concept of contiguity needs to be defined in the QAP. No further clarification is necessary and no change is proposed.

§50.3(47)(G) – Proposed Definition of Ineligible Building Types – 1,7,9,10, 16, 17,18,19,28,43,48

Comment:

Overwhelming opposition was voiced against the proposed restrictions of 1, 2, and 3 bedroom units. Comment suggests that a typical multi-family development, whether market rate or affordable, will demand a specific unit mix need that is truly determined by the local market and type of tenancy (elderly or transitional); these vary greatly throughout the state. Market dynamics in a particular submarket should be of paramount consideration in determining the appropriate unit mix for a Development; therefore the mix should not be proscribed by state rule. It was also commented that requiring all new construction developments to have at least 3 different sizes of bedrooms will be a major mistake and adversely affect the financial feasibility of future developments. It was also recommended that single-family style developments and transitional developments have an exception to this restriction (1)(7)(9)(10)(13)(16)(17)(28)(33)(43)(48).

Additional comment proposed that 4-bedroom units be re-instated. Comment suggests that by allowing 4-bedroom units as eligible units, it shows that TDHCA is sensitive to the needs of communities with large families, and also allows tax-credit developments to offer an alternative to traditional housing authority public housing that often offers up to 5 and 6 bedroom units along the border (7). Comment requests that a limit of 15% be placed on three bedroom units on elderly developments (18).

Comment also appreciates the specificity in the rule to prohibit any Development that is not in accord with the Department's policy supporting housing which integrates people with disabilities into the general population (19).

Department Response:

Staff concurs that market dynamics in a particular submarket should be the driving factor in determining the appropriate unit mix for a Development and recommends that the section be removed entirely. However, as an alternative option, staff recommends the following which is less restrictive than the language proposed in the draft QAP, but still retains some limitations, and also allows the exceptions requested for single family development and transitional housing:

(G) Any Development involving new construction (other than a Qualified Elderly Development, a single family development or a transitional housing development) in which any of the designs in clauses (i) through (iii) of this subparagraph are proposed. For purposes of this limitation, a den, study or other similar space that could reasonably function as a bedroom will be considered a bedroom.

(i) more than 60% of the total Units are one bedroom Units; or

(ii) more than 60% of the total Units are two bedroom Units; or

(iii) more than 40% of the total Units are three bedroom Units.

§50.3(53) - Proposed Definition of Person -10

Comment:

Comment critiqued the definition of Person and thought that the language was uncertain in meaning and was open to interpretation (10).

Department Response:

The Department is satisfied with the existing proposed definition. The current language was drafted from the input of the 2004 QAP working group which thoroughly researched the term and made the recommendations that accurately represent the group. No changes are proposed.

§50.3(54)(A)(iii) - Proposed Definition of Persons with Disabilities -19

Comment:

Comment indicates that there is a discrepancy between the definition of the persons with the disabilities in this section with the definitions found in other TDHCA documents. The functionality or ability of a person with a disability may be much improved by adequate housing. The Department of Housing and Urban Development (HUD) definition found in 24 CFR 5.403 offers the recommended wording (19).

Department Response:

Staff concurs and recommends adding the HUD definition to the existing definition.

"(54~~57~~) **Persons with Disabilities** - A person who:

(A) has a physical, mental or emotional impairment that:

(i) is expected to be of a long, continued and indefinite duration,

(ii) substantially impedes his or her ability to live independently, and

(iii) is of such a nature that the disability could be improved by more suitable housing conditions, or

(B) has a developmental disability, as defined in ~~Section 102(7) of~~ the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. Section 15002~~6001-6007~~), or

(C) has a disability, as defined in 24 CFR §5.403.

§50.3(57) - Proposed Definition of Principal - 9,10,43,46

Comment:

Comment suggested that, in the interest of full disclosure and having a transparent process, a principal should be defined as anyone with an ownership interest in the corporation or entity that will own the development (9)(10)(43). Additional comment suggests that, in order to clarify the definition as it relates to limited liability companies, the last phrase in the definition should be revised to cover professional managers who do not have ownership interest in the limited liability company, but do have the authority to act for the limited liability company (46).

Department Response:

Although staff does value transparency of the application process, the administrative burden of rule implementation must be considered. Staff recommends keeping the original change to 10% ownership and does not recommend that the definition cover professional managers.

(A) partnerships, Principals include all General Partners and Special LP and Principals with at least 10% ownership interest ~~regardless of their percentage interest~~;

§50.3(66) - Proposed Definition of Qualified Nonprofit Development - 10,46

Comment:

Comment recommends revising the definition to include developments where the nonprofit is the controlling entity instead of the sole entity (10). Additionally, comment recommends the definition include a development in which the General Partner is a limited liability company whose sole member is a Qualified Nonprofit Organization because most nonprofits that develop affordable housing are utilizing limited liability companies on a development-by-development basis (46).

Department Response:

Staff concurs with both recommendations.

(66)~~(69)~~ **Qualified Nonprofit Development** - A Development in which a Qualified Nonprofit Organization, (directly or through a partnership or wholly-owned subsidiary) holds a controlling interest, materially participates (within the meaning of the Code, §469(h), as it may be amended from time to time) in its development and operation throughout the Compliance Period, and otherwise meets the requirements of the Code, §42(h)(5). [WG] [2306.6729]

§50.3(77) - Proposed Definition of Third Party - 9,10,43

Comment:

Comment was received that suggests expanding the definition to include affiliates and others that will receive any portion of the developer fee. If a person receives some of the developer fee, then that person will be materially interested in the development and will not have a detached role (9)(10)(43).

Department Response:

Staff concurs with the recommended language.

~~77~~(80) **Third Party** – ~~a Person who is not an Affiliate, Related Party or Beneficial Owner of the Applicant, General Partner, Developer or General Contractor.Person(s) receiving a portion of the contractor fee.[WG] .~~ A Third Party is a Person who is not an:

(A) Applicant, General Partner, Developer, or General Contractor, or

(B) an Affiliate or a Related Party to the Applicant, General Partner, Developer or General Contractor, or

(C) Person(s) receiving any portion of the contractor fee or developer fee.

§50.3(81) - Proposed Definition of Unit - 9,10,31,43

Comment:

Comment requests clarification to ensure that a single family rent to own development will be an authorized unit (9)(10)(31)(43)

Department Response:

The current language is consistent with §2306.6702 as amended by SB264. Therefore, no change is proposed.

§50.3 - Proposed Definition of Exurban Regional Allocation - 10

Comment:

Comment recommends that a definition of Exurban Regional Allocation be added to clarify the regional allocations among exurban, rural and urban areas. Definitions were also recommended for "Rural Regional Allocation", "Urban City", and "Urban Regional Allocation" (10).

Department Response:

§2306.111(d) as revised by §9 of SB264 requires regional allocations among rural and urban/exurban areas. The current language is consistent with the legislative requirements of this section. No change is recommended.

§50.5 – Ineligibility - (9)(10)(43)
Comment:
It is recommended that a 10 day period be provided to allow for a cure in a deficiency for this section (9)(10)(43).
Department Response:
Staff concurs that the ineligibility section should permit a deficiency period as defined in the Administrative Deficiency Process section of the QAP.

(e) **Appeals and Administrative Deficiencies for Ineligibility, Disqualification and Debarment.** An Applicant or Person found ineligible, disqualified, debarred or otherwise terminated under subsections (a) through (d) of this section will first be notified in accordance with the Administrative Deficiency process described in §50.9(d)(3) of this title. They may also utilize the appeals process described in §50.18(b) of this title.

§50.5(a)(1-3) – Ineligibility - 9,10,43,46
Comment:
Comment suggests any contractor or other Person associated with the applicant that is on the HUD debarred list or that has been convicted of fraud be prevented from participating in the tax credit program because, as drafted, an applicant will be allowed to conduct business with a contractor or other person that is on the HUD debarred list or that has been previously convicted of fraud (9)(10)(43). Other comment indicates that subpart (3) should be revised in the interest of certainty since federal tax liens are inchoate (46).
Department Response:
The draft QAP, as proposed, adequately included those individuals and entities that the Department is best able to monitor and enforce. Staff does not agree that the liens must be final. No changes are proposed.

§50.5(a)(7) and (8) – Ineligibility - 9,10,16,21, 43
Comment:
Comment suggested that all of the other subparagraphs of §50.5(a) deal with the nature of the applicant or developer, and because this section and subparagraph (8) are related to the location of the development itself, they should be moved to §50.3(47) (16). Additionally, comment provided recommended language that further clarifies the intent of the provision from SB 264 by adding "has obtained prior approval of the Development from the governing body of the appropriate municipality or, if located outside of the municipality, the county…" to subparagraph (7) (21). Comment was also made that, to remove the ineligibility of properties proposed in a city that has twice the state average of units per capita, there is a requirement to obtain "prior approval" of the governing political body. It is recommended to clarify that the prior approval be in the form of a resolution or other document from the governing body and not be obtaining building permits (9)(10)(43).

Department Response:

Staff does not agree that subparagraphs (7) or (8) should be moved. Current language regarding location outside of a municipality is legislated as written by §2306.6703 as amended, and cannot be changed. Staff agrees that clarification of "prior approval" is merited and recommends the change in language below.

(A) has obtained prior approval of the Development from the governing body of the appropriate municipality or county containing the Development in the form of a resolution; and…

§50.5(a)(8)(A) – Ineligibility – One Mile Rule - 9,10,16,43

Comment:

Comment requested clarification of this subsection because it is confusing to the reader. It is recommended that the clause "regardless of whether the Developments serve families, elderly individuals, or another type of households" be stricken as being redundant (9)(10)(43)(16). Comment was received that it was unclear how ties between developments (both 9% and 4%) would be handled throughout the year and how the 3 year mark is determined.

Department Response:

Pursuant to §2306.6703, Texas Government Code, the language regarding types of families served can not be altered; no change is recommended. To ensure clarity in evaluating this section, a reference has been added to how "ties" will be handled on timing for this rule, the one mile in the same year rule and the capture rate.

(B) has received an allocation of Housing Tax Credits (including Tax Exempt Bond Developments) for new construction at any time during the three-year period preceding the date the application round begins (or for Tax Exempt Bond Developments the three-year period preceding the date the Volume I is submitted); and

[Adding as (8)(E)] "In determining the age of an existing development as it relates to the application of the three-year period, the development will be considered from the date the Board took action on approving the allocation of tax credits. For example, a Development whose credits were approved by the Board on March 15, 2002, could not have a new Development located within one mile until March 16, 2005. In dealing with ties between two or more Developments as it relates to this rule, refer to §50.9(h).

§50.5(b)(2) - Disqualification and Debarment - 9,10,43

Comment:

Comment recommends that this section be revised in the interest of protecting the program from undeserving participants. Comment suggests that disqualification is appropriate for entities that fail to place buildings in service or remove buildings from service. It is not appropriate to disqualify someone for failing to meet the artificial deadlines that do not have a meaningful effect on the prior allocation of credits. If someone previously had failed to meet the "deadline for commencement of substantial construction" while still meeting the schedule for completing construction, no credits have been lost and the housing provided within the time limits. Thus, there is no valid reason for disqualifying that person. Recommended language expands the entities under this subsection to include any Affiliate of the Applicant or the Development Owner that is active in the ownership control in one or more tax credit properties in the United States, not just Texas (9)(10)(43).

Department Response:

The Department does not concur with the comments regarding disqualification. Because the language allows an exception to ineligibility if a Department extension was granted, no Applicant will be unduly penalized – only those that do not adhere the Department's procedures. No changes are recommended.

§50.5(b) - Disqualification and Debarment - 9,10,43

Comment:

Comment provided suggested that language be added to emphasize the disqualification of (a) former Department board members and executives, (b) entities previously removed from transactions for failure to perform obligations, and (c) applicants violating terms of bond transaction (9)(10)(43).

Department Response:

Staff does not recommend any changes to this section because the language is explicit as drafted and the Department feels that the disqualification and debarment section is adequate.

§50.5(b)(3)&(4) - Disqualification and Debarment - 9,10,43

Comment:

Comment recommends change in this subparagraph to clarify and emphasize that a material violation of the LURA or other material noncompliance with program rules includes affiliates of the Applicant, Development Owner, Developer or Guarantor (9)(10)(43).

Department Response:

The definition for Applicant already includes Affiliates so by using the term Applicant, all affiliates are already included. No change is proposed.

§50.5(b)(5) - Disqualification and Debarment - 9,10,43

Comment:

Comment recommends that the failure to pay fees after 10 days notice that the fees are due should be a disqualification that includes affiliates of the Developer. One should not be able to avoid this prohibition by merely changing corporate names (9)(10)(43).

Department Response:

The current draft already includes disqualification after 10 days by having included the Administrative Deficiency process into this section of the QAP. The wording, emphasizing Applicant (which includes affiliates) would preclude mere corporate name changes to avoid the fee payment requirement. No further change is recommended.

§50.5(b)(6) - Disqualification and Debarment - 9,10,43

Comment:

For consistency of drafting for comment, the disqualification for a site deemed unacceptable is recommended to be relocated to §50.5(b)(9). (9)(10)(43).

Department Response:

Staff does not recommend a change in the location of this section because this change is unnecessary.

§50.5(c)(4) - Certain Applicant and Development Standards - 9,10,43

Comment:

Comment suggests that the section be modified to prohibit the Development Owner from contracting with any person on the HUD debarred list, not just the “Developer”. Good public policy demands that the Department do whatever is necessary to prevent individuals with a tarnished past from benefiting from the housing credit program (9)(10)(43).

Department Response:

While the Department concurs that good public policy demands that the Department prevent individuals with a tarnished past from benefiting from the housing credit program, the current language is verbatim from §2306.223 of Texas Government Code. No change is proposed.

§50.6(a) - Site and Development Restrictions, Floodplain - 9,10
Comment:
Comment suggests that, while the restriction on floodplain is generally appropriate, in the interest of preserving existing USDA and HUD properties, an exception should be made for rehabilitation properties receiving other federal assistance (9)(10).
Department Response:
In the interest of promoting federal funding obligations and to ensure that those properties are well maintained, staff recommends allowing the exception for properties with federal or state funding.

(a) **Floodplain.** Any Development <u>proposing new construction </u>located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. <u>No Developments proposing rehabilitation, with the exception of developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for new construction.</u>

§50.6(c) - Site and Development Restrictions, Scattered Site - 9,10
Comment:
It was recommended that staff amend this section to clarify that single family rent-to-own units are also an acceptable exception for utilizing scattered site (9)(10).
Department Response:
Section 42 dictates limitations on scattered site properties and the Department is unable to expand on those limitations. No change is proposed.

§50.6(d) - Site and Development Restrictions, Credit Amount - 9,10,15,43,49
Comment:
Comment suggests that, with the legislature increasing the maximum credit amount to one group of affiliated entities to $2 million, the exemption for a development consultant from the limitation is not justified. A development consultant should be subject to the same $2 million limitation as other entities (9)(10)(43). Additional comment suggested that in order to build capacity of developers in rural Texas, the credit cap should be prorated on those developments which have a joint venture in rural areas (15). Similarly, other comment suggests the complete exception of rural development deals from the $2 million cap, provided that proof of how the experience helps build capacity is provided in the Application (49).
Department Response:
The exemption for consultants allows experienced developer/consultants to aid new groups interested in entering the tax credit program; therefore to apply the cap to consultants would unduly harm new and small developers with limited experience. Staff concurs with the comment that, to build capacity in rural areas, adjusting the $2 million dollar limitation will allow for developers to help increase rural capacity.

(d) **Credit Amount.** The Department shall issue tax credits only in the amount needed for the financial feasibility and viability of a Development throughout the affordability period ~~Compliance Period~~. The issuance of tax credits or the determination of any allocation amount in no way represents or purports to warrant the feasibility or viability of the Development by the Department, or that the Development will qualify for and be able to claim such Housing Tax Credits. The Department will limit the allocation of tax credits to no more than $1.2 million per Development. The Department shall not allocate more than $2 million ~~1.6 million~~ of tax credits in any given Application Round to any Applicant, Developer, Related Party or Guarantor ~~entity that provides, or is anticipated to provide, for a fee, a guarantee to secure equity or financing for the transaction~~. In order to encourage the capacity enhancement of developers in rural areas, the Department will pro rate the credit amount allocated in situations where an Application is submitted in the Rural Regional Allocation and the Development has less than 76 Units. To be considered for this provision, a copy of a Joint Venture Agreement and narrative on how this builds the capacity of the inexperienced developers is required. Tax Exempt Bond Development Applications are not subject to these Housing Tax Credit limitations, and Tax Exempt Bond Developments will not count towards the total limit on tax credits per Applicant. The limitation does not apply:...

§50.6(f) - Site and Development Restrictions, Limitations on Developments - 13,16,21
Comment:

Comment suggests that the limitation in funding of two (or more) developments within one linear mile, should have an exception based on the same tests as in §50.5(a)(8)(D) whereby developments proposing rehabilitation or HOPE VI, or which are supported by the local governing body, are exempted from the one-mile rule (13). Opposition was also voiced to the provision as written because the writer does not believe it meets the intent or letter of SB 264 in that it advocates concentration in suburban and rural settings (21). Comment also raised concern that the timing of multiple bond deals violates this clause (16). Comment was received that it was unclear how ties between developments (both 9% and 4%) would be handled throughout the year and how the 3 year mark is determined.

Department Response:

The current language is consistent with SB 264 and staff does not have the latitude to alter the legislated language. To ensure clarity in evaluating this section, a reference has been added to how "ties" on timing for this rule, the one mile in the same year rule and the capture rate.

(f) Limitations on the Location of Developments. Staff will only recommend, and the Board may only allocate, housing tax credits to more than one Development in the same calendar year if the Developments are, or will be, located more than one linear mile apart as determined by the Department. This limitation applies only to communities contained within counties with populations exceeding one million (which for calendar year 2004 are Harris, Dallas, Tarrant and Bexar Counties). For Tax Exempt Bond Developments, the year of the Development is the calendar year in which the Board approves the housing tax credits for the Development. In dealing with ties between two or more Developments as it relates to this rule, refer to §50.9(h). [Section 23 of 264 – 2306.6711]

§50.7(a) - Regional Allocation Formula, Set Aside and Redistribution of Credit - 9,10,43
Comment:

One comment opposed the increased rural allocation (16). Comment recommended that this section be amended to move the TX-USDA-RHS allocation from a set-aside to an allocation within each region to ensure consistency with SB264. While this is not a substantive change, it makes the plan consistent by renaming the TX-RHS-USDA funding to an "allocation" rather than a set-aside (9)(10)(43).

Department Response:
Regarding the opposition to the rural allocation, the allocation is created in accordance with §2306.111(d) as revised by §9 of SB264. Actual feedback on the calculation of the formula is not handled in this rule. No changes are recommended. Regarding the USDA allocation, in order to ensure compliance with legislation, staff concurs that the TX-USDA-RHS funds should be counted as a regional allocation, as recommended as an addition to §50.7(a).

…Approximately 5% of each region's allocation for each calendar year shall be allocated to Developments which are financed through TX-USDA-RHS and that meet the definition of a Rural Development and do not exceed 76 Units if new construction. These Developments will be attributed to the Rural Regional Allocation in each region where they are located. Developments financed through TX-USDA-RHS's 538 Guaranteed Rural Rental Housing Program will not be considered under this set-aside.

§50.7(b) - Regional Allocation Formula, Set Aside and Redistribution of Credit - 10,48
Comment:
Comment suggests that a new section be added to require that awards to nonprofits be used to reduce all allocations to which it applies (10). Additional comment regarding this section opposes the elimination of the elderly set-aside because it will diminish the number of applicants that will submit in the urban/exurban or rural areas due to the fact that points which are used to obtain an elderly allocation are considerably less than other set-asides (48).
Department Response:
A new section regarding the nonprofit allocation is not necessary – all set-asides overlap and developments are already attributed to all set-asides for which they are eligible. Regarding the comment on an elderly set-aside, the Department believes that population type of the development should be market driven and determined by each applicant based on their site. No changes are suggested.

§50.7(b)(1) - Regional Allocation Formula, Set Aside and Redistribution of Credit - 45
Comment:
Comment received recommended that this section be revised to reflect that a non-profit organization participating in the non-profit set-aside not be required to receive at least 51% of the developer fee if that nonprofit organization is an instrumentality of the public housing authority (45).
Department Response:
While the Department supports the importance of nonprofit entities receiving a portion of the developer fee, it also feels that this should be dealt with in the partnership agreement. Staff therefore will be deleting the requirement that the nonprofit receive 51% of the developer fee.

> Additionally, a Qualified Nonprofit Development submitting an Application in the nonprofit set-aside must have the nonprofit entity or its nonprofit affiliate or subsidiary be the Developer or a co-Developer as evidenced in the development agreement. ~~and must receive at least 51% of the developer fee as stated in the development agreement.~~

§50.7(b)(2) - Regional Allocation Formula, Set Aside and Redistribution of Credit - 9,10,43
Comment:
Comment recommended revising the At-Risk set-aside to insure that preservation funding is being used solely for preserving housing and not new construction on a new site (9)(10)(43).
Department Response:

A clarifying sentence has already been added to the At-Risk Set-Aside definition discussed earlier.

§50.9(d)(3) - Evaluation Process, Administrative Deficiencies - 9,10,43
Comment:
Comment suggests that, while it is understandable that administrative deficiencies need to be corrected quickly, it is burdensome to require the developer to wait up to 2 months for a deficiency letter and then have a very limited turn-around time. It is requested that the Department allow 10 days rather than 5 to correct a deficiency, which will allow a prompt response to any deficiencies while not expecting the developer to wait for the deficiency letter for extended periods (9)(10)(43).
Department Response:
Staff recommends the suggested extension of the deficiency time period up to ten days in an effort to decrease the burden on the Applicant during the application process.

(3) Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within eight business days of the deficiency notice date, then five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within ten business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period.

§50.9(d)(4) - Evaluation Process, Subsequent Evaluation of Prioritized Applications - 9,10,43
Comment:
Comment recommends a revision to this section to complement the change made from the TX-USDA-RHS set-aside to the TX-USDA-RHS allocation. This is needed to distinguish between the mandated set-asides and the allocations (9)(10)(43).
Department Response:
Staff concurs that the suggested language be implemented, as recommended in §50.7.

(4) 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 Real Estate Analysis ~~credit underwriting~~ Division. This prioritization order will also be used in making recommendations to the Board. Assignments ~~for financial feasibility~~ will be determined by first selecting the Applications with the highest scores in ~~each~~ the Nonprofit Set-Aside statewide. Then selection will be made for the Applications with the highest scores in the At-Risk and TX-USDA-RHS Set-Asides~~and then~~ within each Uniform State Service Region. Remaining funds within each Uniform State Service Region will then be selected based on the highest scoring Developments, regardless of Set-Aside, in accordance with the requirements under §50.7(a) of this title for a Rural Regional Allocation and Urban/Exurban Regional Allocation. Selection for each of the Set-Asides will take precedence over selection for the

Rural Regional Allocation and Urban/Exurban Regional Allocation. Funds for the Rural Regional Allocation within a region, for which there are no eligible feasible applications, will go to the Urban/Exurban Regional Allocation for that region and will not be shifted to Rural Developments in another region. If the Department determines that an allocation recommendation would cause a violation of the $2 million limit described in §50.6(d) of this title, the Department will make its recommendation by selecting the Development(s) that most effectively satisfies(y) the Department's goals in meeting set-aside and regional allocation goals. 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 Commitment and Board consider~~ necessary to ensure that all available housing tax credits are allocated within the period required by law. [2306.6710(a), (b) and (d) as revised; 2306.111 as revised by Section 8 of 264.]

§50.9(e)(1)- Required Pre-Certification and Acknowledgement Procedures, Experience Certificate-13

Comment:

Comment supports the experience threshold requirement, but requests clarification as to whether the word "residential" refers to both single-family and multifamily residential (13).

Department Response:

Staff recommends clarification that both single and multifamily residential developments qualify as residential.

(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 one of the Development Owner's General Partners, ~~partner (or if Applicant is to be a limited liability company, the managing member),~~ the Developer or their Principals have a record of successfully constructing or developing residential units (single family or multifamily)~~or comparable commercial property (i.e. dormitory and hotel/motel)~~ in the capacity of owner, General Partner~~,~~ or 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 the individual requesting the certification was not the Development Owner, General Partner or Developer, but was the individual within one of those entities doing the work associated with the development of the units, the individual must show that the units were successfully developed as required below, and also provide written confirmation from the entity involved stating that the individual was the person responsible for the development. 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.

§50.9(e)(2) - Required Pre-Certification and Acknowledgement Procedures, Financial Statement - 9,10,43

Comment:

Consistent with other comments regarding an open and completely transparent application procedure, it is recommended that any person with an ownership interest in the Applicant submit a financial statement. Since the legislature requires penalties for individuals previously removed from an entity for malfeasance of duties, the Department will necessarily need to know all owners of an Applicant in order to determine previous compliance. Since the person is an owner that will obtain a benefit from the allocation of housing credits, all owners should submit financial statements. The exemption for board members of public housing authorities should not be expanded to include non-profit entities (9)(10)(43).

Department Response:

While Staff recognizes the importance of an open and transparent application cycle, the Department must balance the level of documentation required. The Department wants to be sure it is only gathering information which it truly needs and will evaluate. Ownership interests less than 10% will generally have a very small role in bearing the financial strength behind the development. Therefore, the Department does not feel that financial statements in these instances are necessary. Because the proposed change is not necessary to facilitate an open and transparent cycle, staff recommends no change.

§50.9(e)(3) and (4) - Required Pre-Certification and Acknowledgement Procedures, National and Previous Participation - 9,10,43

Comment:

Comment received recommends that previous participation certificates be obtained from all individuals that have any ownership interest or any ability to control the applicant. By excluding certain individuals from filing previous participation certificates, the Department appears to be making a judgment that either the board members effectively have no control over the nonprofit entity or that the past performance of the board members is insignificant based on the status of the entity. Comment contends that either assumption or judgment is invalid and not justifiable (9)(10)(43).

Department Response:

While Staff recognizes the importance of an open and transparent application cycle, the Department must balance the level of documentation required. The Department wants to be sure it is only gathering information which it truly needs and will evaluate. Ownership interests less than 10% will generally have a small role in the operation bearing the financial strength behind the development. Therefore, the Department does not feel that financial statements in these instances are necessary. Because the proposed change is not necessary to facilitate an open and transparent cycle, staff recommends no change.

§50.9(f)(4)(A) - Threshold Criteria- Certification on Property Amenities - 5,9,10,13,16,21,43,46

Comment:

Public comment suggests that the developer should be given the option to select certain amenities that are not discriminatory against rural or small properties and which allow the developer to meet the needs of the potential resident of the community. It is recommended that applications for larger developments be required to provide four basic amenities while rural and smaller properties have the option to select two of the six designated amenities (9)(10)(43). Extensive comment suggests that, in many areas, it is difficult to obtain public telephone, that they are not necessary for elderly developments, and that it is unnecessary to have full perimeter fencing particularly in rural areas (9)(10)(43)(5)(13)(16). Other comment suggests that this section be eliminated and add payphones, perimeter fencing, community laundry rooms and furnished community room to Section §50.9(g)(7)(D), which addresses Common Amenities. Further comment suggests that all Applications are required to meet a minimum threshold of points, based on development size and Applicants can compete for extra points by providing more common amenities than are required by threshold. Under the QAP, a development could achieve these 6 points to meet threshold by providing a barbecue area (1), two play areas (2), a business/computer center (2), and a service coordinator office (1). Both support (13) and opposition (21) was voiced to the recommendation to increase the Threshold Requirement by 2 points.

Department Response:
The Department does not want all amenity options moved to selection criteria as this may disincentivize applications in non-competitive set-asides or regions from doing even basic amenities. However, staff concurs that the Development should be given the option to select certain amenities. However, the Department maintains that pay phones, full perimeter fencing, and community rooms are amenities to tenants that the Department values. It is increasingly difficult to get pay phones installed, which makes them on par with many of the amenities listed. Therefore, staff does not support the deletion of any of these amenities. However, staff recommends adding language that includes: a business/computer center, and a service coordinator office to the list of threshold amenities. Staff recommends the following change to this section of the QAP.

(A) A certification~~description~~ of the ~~type of~~basic amenities selected~~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) a furnished community room;
(v) recreation facilities;
(vi) public telephone(s) available to tenants 24 hours a day;
(vii) a business/ computer center; or
(viii) a service coordinator office.
~~(vii) on-site day care, senior center, or community meals room; or~~
~~(viii) computer facilities including internet access.~~

§50.9(f)(4)(B) - Threshold Criteria – Certification on Unit Amenities - 9,10,43
Comment:
Comment suggested that the existing subsection (b) be stricken in its entirety and become part of the amenity section of the scoring component of the selection process. Rather than mandate that developments have certain features, the choice of basic amenities should be a developer decision based on the need of the location and the type of housing proposed (9)(10)(43).
Department Response:
Staff agrees that many amenity features should be selected on a case-by-case basis for each application and therefore has a substantial list of items in the selection criteria. However, the Department also believes that some unit amenities are so basic as to warrant their requirement in every tax credit property. Therefore, staff does not recommend any revisions to this section.

§50.9(f)(4)(E) - Threshold Criteria – Certification for Minority Owned Businesses - 16
Comment:

Comment suggests that judicial actions are increasingly holding that affirmative action and quotas are not enforceable, and this should be taken into consideration in drafting the revisions to the language (16).

Department Response:

This section is written in accordance with §2306.6734. Staff can not recommend the removal of this section.

§50.9(f)(4)(F) - Threshold Criteria – Certification on Section 504 - 19

Comment:

Comment supports ensuring that all developments include the visitability standards in the Texas Government Code §2306.514 (19).

Department Response:

The Department has ensured that the QAP includes all accessibility requirements of state legislation that apply to multifamily housing. However, §2306.514 refers to requirements on single family affordable housing only. To be clear, however, a clarifying sentence has been added to the end of subparagraph (F) regarding any single family development.

<u>Any Developments designed as single family structures must also satisfy the requirements of §2306.514, Texas Government Code.</u>

§50.9(f)(4)(G) - Threshold Criteria- Certification on Energy Saving Devices - 9,10,43

Comment:

Comment recommends that this existing section be removed from threshold. It is suggested that the Legislature desired that appropriate incentives be authorized for energy savings technology. However, an appropriate incentive is not the equal of mandating energy savings features in every property. To comply with the Legislature, it is best to relocate the energy features to a scoring component to insure that incentives may be given (9,10,43)

Department Response:

Because of the substantive revisions required to promulgate this change and the importance of ensuring energy efficiency for all tenants, staff suggests including this as an item for the 2005 QAP working group to discuss.

§50.9(f)(4)(I) - Threshold Criteria – Certification on Reserve Accounts - 9,10,11, 43

Comment:

Comment requests that this section be revised to comply with §13(1) of SB 264, where the Legislature determined that there is no need for the Department to require the replacement reserve account when a development is otherwise required to maintain a reserve account with Fannie Mae, HUD and USDA (11). Additional comment received is an amended version of the draft that addresses the reserve requirements for some properties. The amended language corrects two items in the section: (1) it specifically mentions that the reserve requirement is applicable only to properties where the Department is the sole first lien holder and a reserve account is not otherwise required by state or federal law, and (2) it recognizes that properties receiving financing from TX-USDA-RHS are exempt from the reserve requirement due to otherwise being required to maintain a reserve account under federal law (9,10,43).

Department Response:

The proposed rule is consistent with §2306.186 as added by SB264. No change is recommended.

§50.9(f)(5)(iv) - Threshold Criteria - Design Items - 10

Comment:

Comment suggests that the language be revised to remove the requirement of having floor plans that reflect accessibility and energy features.

Department Response:

No further comment supports this recommendation and there is no substantial reason given for the removal of this item. No change is recommended.

§50.9(f)(5)(B) - Threshold Criteria - Certifications, Boundary Survey - 5, 10

Comment:

Comment received requests more flexibility in requiring exact location of the development site as described by the metes and bounds legal description. Comment opposes the loss of pre-application points or termination because of a site change (5). Further comment suggests that a boundary survey should not be required due to cost when a city or county lot map is available (10).

Department Response:

Staff will consider site amendments and their impact on the pre-application points for the 2005 QAP Working Group, but does not recommend any further changes to this section for 2004 without further comment and discussion. No changes are proposed.

§50.9(f)(6)(D) - Threshold Criteria - QCT (52)

Comment:

Comment voiced concern that the 130% boost for developing in a QCT, in effect, promotes saturation in areas of the state (52)

Department Response:

Although the Department agrees that the policy does encourage growth in QCTs, the 130% boost is legislated in §42 and is therefore a requirement. No change at this time.

§50.9(f)(6)(E) - Threshold Criteria - Certifications, Property Conditions Assessment (9,10,43)

Comment:

Comment suggests that the proposed new requirement of a Property Condition Assessment ("PCA") is extremely troublesome. The PCA requested by the department is quite onerous and of very limited usefulness, and the requirement should be deleted in its entirety. If one is required, then it should be limited to those properties where the Department is the first lien holder. In addition, for TX-USDA-RHS properties, the Housing Quality Standards Checklist prepared by TX-USDA-RHS should be accepted in lieu of the costly PCA (9)(10)(43).

Department Response:

The Department does not agree with the proposed changes as a whole. As applications for rehabilitation developments increase each year, so does the administrative responsibility of ensuring that property conditions for these developments withstand the 30 year affordability period. Staff is requiring this item as a tool for the Department to monitor the conditions of proposed developments. While staff does not recommend the deletion of this item, staff does recommend that the Housing Quality Standards Checklist prepared by TX-USDA-RHS should be accepted in lieu of the PCA. It should be noted that the National Council of State Housing Agencies recommends in its Best Practices that all states require a third party capital needs assessment similar to the PCA required in this rule.

(E) Rehabilitation Developments must submit a Property Condition Assessment performed in accordance with §1.36 of this title, as proposed, Property Condition Assessment Guidelines~~. 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.~~ For Developments receiving financing from TX-USDA-RHS, a copy of the Housing Quality Standards Checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment.

§50.9(f)(7)(C)(iii) - Threshold Criteria – Gap Financing Documentation - 9,10,43
Comment:
Comment recommends that a sentence be added to provide that if the gap financing proposed in the Application fails to materialize, then the application be deemed infeasible and disqualified (9)(10)(43).
Department Response:
Staff recommends no change because this item is merely documentation for threshold and does not tie in any way to points. It is quite possible that a development would have gap financing evidence (non-point related) that does not materialize. If that development were still feasible, it would be inequitable to disqualify them for not having the funds.

§50.9(f)(8)(A) - Threshold Criteria - Public Notification - 9,10,13,21,43
Comment:
Comment suggested that with the increased public notice requirements mandated by the legislature, it appears unnecessary to require publication in two newspapers (9)(10)(43)(13). One commenter supported publication in both newspapers because many suburban readers now choose between the expanded local coverage in the metro daily or their local newspaper (21). A technical change is also proposed in the language of this section. While rehabilitation developments that are already serving low income households are not "required to provide this Exhibit", the language is silent whether the Notice must still be published. To clarify the intent, the exemption of publishing should be stated. (9)(10)(43).
Department Response:
The Department believes that residents of communities often take one of two papers and that to ensure adequate notification, both newspaper requirements should be retained. Staff recommends the language change to clarify intent.

(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 must ~~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 publish this Notice or provide this exhibit.

§50.9)(f)(8)(B)(ii)(I) -Threshold Criteria - Public Notification - 13,21,25
Comment:
Comment suggests that notice to neighborhood organizations based on information from city and county clerks will not be workable and suggests that applicants inquire of "knowledgeable individuals within the community", such as school staff, PTA and civic organizations to identify neighborhood organizations (25). Change is suggested to require a developer to notify only those groups on record that would be deemed to be a neighborhood association serving the area or an organization that could be considered to play a role in housing and/or supportive services for the community. Additionally, it is recommended that TDHCA take a more proactive approach to fulfilling this requirement. A statewide database/registry

of housing-related or neighborhood organizations would be far more efficient than 200 applicants scrambling to contact city and county clerks who often have no idea what the applicants are talking about. Comment also recommends staff confirm with state legislators that no representative organization has been overlooked (13). One commenter challenged the view that the notice requirement is a difficult and arduous undertaking and supported the requirements (21). Another comment requested adding a boundary for the distance in which neighborhood organization's should be notified, at least for larger cities.

Department Response:
The Department encourages applicants to use any reasonable means to identify neighborhood organizations and to engage groups in constructive dialog. §2306.6704, however, requires notice to neighborhood organizations "on record with the state or county…and whose boundaries contain the proposed development site". Implementation and enforcement of this provision requires a specific, verifiable process. The Department has determined that, while imperfect, the best source of information on neighborhood organizations "on record with the state or county" is the city and county clerks. The Department has researched possible state records for this information and not found a workable source. No change is recommended. The Department will research the feasibility of a statewide database/registry, as well as the concept of a boundary, for 2005.

§50.9(f)(8)(B)(ii)(IV-VII) - Threshold Criteria- Public Notification - 13,27
Comment:
Comment received suggested that notification to city and county governments should be consolidated so that a single letter to the City Council or a single letter to the County Commission would suffice to meet this requirement. Alternatively, a letter should be sent to each of the elected officials within the jurisdiction and only a single letter to the other body (13). It was also recommended by one commenter that a developer should be required to host a town hall meeting in a city for each application submitted (27).
Department Response:
2306.6705 is explicit in its requirement that applicants notify all elected members of the city and county. While staff does not recommend a town hall meeting as a requirement, it should be noted that the QAP does include points for having a public meeting with the community. No changes are recommended.

§50.9(f)(8)(C) - Threshold Criteria - Public Notification - 5,9,10,13,18,21,43,40,41,42,44
Comment:
Significant comment suggests that the requirement for signage should be removed. With the other notice requirements, it is unnecessary to require a large sign on a property that is generally not owned by the applicant. According to the commenter, considering that the Legislature mandated increased notice of various types and to different entities, it is reasonable to assume that the Legislature did not believe a large sign was necessary, or even advisable, for adequate public notice. Since the Legislature did not deem it necessary, there is no reason for the Department to adopt mandatory site sign requirements. There is already more than sufficient notification requirements within the QAP and points awarded for a developer initiated forum (9)(10)(13)(43). Other comment suggests that sign size be reduced to 3'x5' (18). Comment suggests that, while it is recommended that this provision is removed, if staff keeps the language, it needs further clarification. During this first-year trial period, the "default" notification range should be 250 feet, not 1,000 feet – since taken from each boundary, this is still a wide notification area. Also, it needs to be clear that the sign is located on the property itself and it may be in some instances that it cannot be placed within 20 feet of the main road facing the site (13). Additional comment requests that the Department consider taking out the mailing of public notifications because it is difficult for TDHCA to verify and monitor (5) and because signage is the best method of notifying the community

about a development (21). Further comment suggests that Housing Finance Corporations already provide sufficient notice to achieve the intent of this section, and should therefore be exempt from this section if the applicant is seeking the approval of 4% credits and the local housing finance corporation is issuing the associated private activity bonds, or the language be entirely deleted (40)(41)(42)(44).

Department Response:
Comment both supports and opposes the rules requiring notification by sign on the proposed development site or a mailing to adjacent property owners. The Department believes that signage and mailings ensure broad notice to interested persons and organizations near the site. Broad public notice is supported by the notice requirements of SB264 and strong input from the Department's Public Input Working Group. Signage or mailing also serves to remedy difficulties of mailing notices to neighborhood organizations caused by a lack of quality records on neighborhood organizations at the state, county or city. Comment also suggests a 250 foot area for mailings. The Department disagrees. 250 feet from a development site may extend barely across adjacent roads and reaches too few adjacent properties. Staff does not recommend the deletion of the section or exemption for applicants applying for Bonds and 4% credits because of the importance of notice.

§50.9(f)(8)(E) - Threshold Criteria - Public Notification - 9,10,43
Comment:
Comment suggests that the requirement of providing proof of sending a letter to a Public Housing Authority is unnecessary and should be deleted. Having the developer certify that it will consider as potential tenants holders of Section 8 vouchers or certificates or other tenant based rental assistance programs is more appropriate (9,10,43).

Department Response:
Staff concurs with the comment and suggests language that will allow for a certification in lieu of proof of notice.

(E)~~(D)~~ The Development Owner shall certify to the Department that it shall consider as potential tenants holders of Section 8 vouchers or certificates or other tenant based rental assistance programs. ~~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 thesaid 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.~~

§50.9(f)(10) - Threshold Criteria - Income and Operating Expenses - 9,10,43
Comment:
Comment suggests that the 30 year pro form should be changed to an eighteen year pro forma. According to the commenter, eighteen years is the original compliance period and a thirty year pro forma is not of value (9)(10)(43).
Department Response:
Staff does not recommend any changes to the current language because the affordability period of 30 years is reflected in the requirement.

§50.9(f)(11)(B)(v) - Threshold Criteria - Nonprofit GP and Developments - 45
Comment:
Comment recommends that this section be revised to reflect that a nonprofit organization participating in the nonprofit set-aside is not required to receive at least 51% of the developer fee if that nonprofit organization is an instrumentality of the public housing authority (45).
Department Response:
As noted earlier, staff concurs and the 51% requirement is being removed.

(v) a certification that the Qualified Nonprofit Development will have the nonprofit entity or its nonprofit affiliate or subsidiary be the Developer or co-Developer as evidenced in the development agreement ~~and that it will receive at least 51% of the developer fee as stated in the development agreement~~. [WG]

§50.9(g) - Selection Criteria - In General - 9,10,43
Comment:
Comment suggests that the draft version of the selection criteria does not comply with the scoring criteria mandated by Chapter 2306 of the Texas Government Code, especially the revisions contained in Section 22 of Senate Bill 264. It is asserted that the scoring component must also comply with the various provisions of Chapter 2306 of the Texas Government Code that requires scoring preferences, priorities or incentives to various specific activities. Based on the language of 2306.6710(b), as amended by Section 22 of SB 264, the scoring feature of the selection plan should rank, in descending order of priority, the nine items mentioned with any other scoring preferences or priorities mentioned in Chapter 2306 having points no higher than the lower items in the designated scoring priorities of 2306.6710(b). Selection criteria was provided that, according to comment, complies with the legislative requirements (9)(10))(43).
Department Response:
The Department disagrees. Chapter 2306, as well as §42, direct the Department to score a number of criteria other than the nine located in 2306.6710. §2306.6710 does not state that all other criteria must be scored below the nine listed in §2306.6710. The Department seeks to fulfill the purposes of 2306 and §42, and to harmonize the statutory language from all sources. The Department's application of the law also is more reasonable. For instance, consideration and scoring for the housing needs of a location (§42) would generally be viewed as a more important criteria, and should be scored higher, than the detail of services provided to tenants (§2306.6710, social events, community garden, etc.). The commenter also violates their own recommendation by scoring several other criteria above the lower of the nine criterion in §2306.6710.

§50.9(g)(1) - Selection Criteria - Financial Feasibility - 9,10,31,43
Comment:
Comment suggests using 50 points as the maximum allowable points for financial feasibility. The recommended revision also insures that the financial pro forma is submitted by an entity that is in the business of making real estate loans. Comment suggests that the language be modified to specifically state that the TX-USDA-RHS Source and Uses Comprehensive Evaluation meet the requirement for submitting a pro forma from a real estate entity. As part of financial feasibility, the issue of deferred developer fees was addressed requiring a deduction of 10 points for a deferral of greater than 50% of the developer's fees (9)(10)(43). Other comment reminds the Department of the importance of financial feasibility and suggest that it be kept as the top priority of the Department (31)

Department Response:

The Department, through the original number of points recommended, has already made financial feasibility the highest priority. The Department does not recommend the 50 point maximum. The 10 point deduction for a deferral of greater than 50% of the developer's fees is not legislated as part of financial feasibility. Staff does recommend that the current language be modified to specifically state that the TX-USDA-RHS Source and Uses Comprehensive Evaluation meet the requirement for submitting a pro forma from a real estate entity.

(1) Development Financial Feasibility. Applications will receive points based on the supporting financial data provided behind this exhibit in addition to the commitment letter required under subsection (f)(7)(C) of this section. The supporting financial data shall include a thirty year pro forma prepared by the permanent or construction lender specifically identifying each of the first ten years and every fifth year thereafter. The commitment letter must include the anticipated total operating expenses, net operating income and debt service for the first year of stabilized operation as reflected in the pro forma. The pro forma must indicate, and the commitment letter must confirm, that the development pro forma maintains a 1.10 debt coverage ratio throughout the initial thirty years proposed. In addition, the commitment letter must state that the lenders assessment finds that the Development will be feasible for thirty years. Points will be awarded if these criteria are met. No partial points will be awarded. For developments receiving financing from TX-USDA-RHS, the form entitled "Sources and Uses Comprehensive Evaluation for Multi-Family Housing Loans" shall meet the requirements of this section. (28 points). [§22 of SB264- 2306.6710(b)(1)]

§50.9(g)(2) - Selection Criteria- Quantifiable Community Participation - 9,10,13,21,31,43

Comment:

Comments suggest that the scoring for community support proposed by the Department does not comply with the language of SB 264 or its intent in that the Department's proposal allows for 12 points for Quantifiable Community Participation (QCP) but 18 for amenities and 25 for transitional housing (9)(10)(43). Other comment suggests that the language is hostile, threatening, and appears to be intentionally designed to "scare off" neighborhood organizations from providing input. It was noted that no where else in the QAP other than the "community participation" heading is there a provision where a person or entity is specifically threatened with legal action for misrepresentation or false statements (21). Other comment recommends that the Department consider this section as the second priority in point scoring, as required by SB 264 (31)

Department Response:

Comment interprets the rule to score only 12 points for QCP and states that this is incorrectly lower than 18 points for amenities and suggests a scoring system with two tiers of positive points and a zero point level. The rule proposes a 24 point score for QCP, from +12 to -12. Relative to other point items, this 24 possible point differential properly ranks above the 18 points for amenities. The use of positive and negative points for community support and opposition will be more understandable because it is more intuitive that opposition will yield negative points rather than fewer positive points.

§50.9(g)(2)(A) - Selection Criteria- Quantifiable Community Participation - 9,10,43

Comment:

Comment suggest that the Applicant be permitted to include letters in the Application and receive points for these and not be at the mercy of a slow mail system (9)(10)(43).

Department Response:

The Department will accept letters with the Application or separately via mail. Change to the language to include the acceptance of letters at Application is recommended to facilitate the receipt of letters that are available at the time of Application. By way of administrative clarification, staff also recommends change to clarify that letters will be provided for the Board's consideration and to clarify when information should be provided for Board consideration.

(A) Receipt of Input. Letters must be received by the Department no later than April 30, 2004, and only, for scoring purposes, directly from neighborhood organizations or with the Application. Letters must be addressed to the Texas Department of Housing and Community Affairs, "Attention: Director of Multifamily Finance Production Division (Neighborhood Input)". Letters received after April 30, 2004 will be summarized and provided for the Board's information and consideration, but will not affect the score for the Application. Separate from scoring, the Department urges all persons and organizations that wish to provide input to the Department to do so well before (and, preferably earlier than ten days before) the day of a Board meeting when a final decision must be made so the input may be carefully considered. Board decisions often cannot be delayed and late input is difficult for the Board and Department to fully consider.

§50.9(g)(2)(B) - Selection Criteria - Quantifiable Community Participation - 9,10,43

Comment:

Comment recommends that the definition of neighborhood organization include the requirement that the organization must be on record with the county or state as of December 31 of the year before the application is submitted. The purpose of this change is to allow a specific date when the developer needs to check the records for a listing of community organization (9)(10)(43).

Department Response:

Staff concurs that a specific date is of use for the neighborhood organization's eligibility, but established a date of the Application Submission Due Date of March 1st instead of the recommended date of December 31, 2003. This ensures that interested neighborhood groups have time after the pre-application to get themselves organized.

(B) Neighborhood Organizations. For the purposes of the scoring of this exhibit, neighborhood organizations are organizations that are on record with the county or state in which the development is proposed to be located as of March 1 of the application year and that have a primary purpose of working to affect matters related to the welfare of the neighborhood that contains the proposed development site, not including governmental entities.

§50.9(g)(2)(C)- Selection Criteria- Scoring and Evaluation of Input- 13,16,18,21, 25

Comment:

Comment states that having the Executive Award Review and Advisory Committee (EARAC) determine the score of neighborhood organization letters is too subjective (13)(21)(25). Other comment opposes scoring the content of the letters (21)(25)(18) and states that a letter of opposition suggests the developer has not successfully addressed neighborhood concerns and that the process of developer-neighborhood exchange failed, and that is as important as the "reasons why" (25). Other comment expresses concern that input letters include "specific evidence."(21)(16).

Department Response: §2306.6710 requires the Department to score and rank applications using a point system that prioritizes criteria on quantifiable community participation based on written statements from neighborhood organizations. The word, "quantifiable", as well as a fair and reasoned application of the statutory language, requires the Department measure or weigh the merits of the content of the letters. Clearly, no weight should be given to input that evidences unlawful discrimination, no reason for the position asserted, or false or inaccurate reasons for the position taken. The unknown content of letters at this time and its likely variability also preclude a more detailed rule on how to score the content of the letters. That is why careful consideration and scoring of input letters by the Department's top managers on EARAC is proposed. EARAC's scoring of letters will permit the Department to carefully consider each letter and the merits expressed, and to consistently score the merits of each letter.

§50.9(g)(2)(C)(i) - Selection Criteria- Scoring and Evaluation of Input - 9,10,13,43
Comment:
Comment suggests that to provide parity to areas where no neighborhood organizations exist (possible rural areas) and to arguably assist in deconcentration, applications in areas where there are no neighborhood organizations on record should receive maximum points. Comment also suggests that applicants provide written verification by the presiding officer of local government or "his certified representative" that there are "no known chartered organizations on record" (9)(10)(43). Other comment would delete §50.9(g)(2)(C)(i) which provides that an application from an area from which no neighborhood organization letters are received and which has no neighborhood organizations on record will receive the higher of zero points or the average points received by all applications for this exhibit. Instead, comment suggest a clause that attempts to minimize the scoring impact of an area that may not have any neighborhood organizations (13).
Department Response:
The Department disagrees with the comments and believes that zero or average points provides the fairer parity treatment for applications from areas from which no neighborhood organization letters are received, rather than giving them the maximum points. If maximum points were automatically given to applications from areas with no neighborhood organizations, those applications would receive an unfair advantage. Regarding the proposal for written verification by the presiding officer of local government or "his certified representative" that there are "no known chartered organizations on record", the Department believes this suggestion is cumbersome and insufficiently adds to the required certification from the applicant, the lack of the letters received, and information requested from city and county clerks, to justify the additional burden.

§50.9(g)(2)(C)(ii) - Selection Criteria - Scoring and Evaluation of Input - 25
Comment:
Comment suggest that the maximum score assigned to community participation does not reflect the legislative intent of Section 22 of SB 264 and that the intent of SB 264 was to give "quantifiable community participation" a weight of about 25%, second only to the financial feasibility of the development, which was to receive a weight of 30% (25).
Department Response:
While the Department agrees that §2306.6710(b) requires that nine criteria be ranked in descending order, the legislation does not assign any number of points or proportion of points to any of the nine criteria. No changes recommended.

§50.9(g)(2)(D) - Selection Criteria - Scoring and Evaluation of Input - 16,21
Comment:
Comment supports that letters that are discriminatory against persons protected by the Fair Housing Act should be disqualified. It is also encouraged that the Board add a provision that disqualifies any letter written by a person or entity that is being compensated by a member of the development team or related party (21). Comment requests that the template that TDHCA provides of the notice includes this provision informing the potential parties providing input on the application of the need for their comments to be "proper" and not violate fair housing laws (16).
Department Response:

The scoring of letters will be determined on a case-by-case basis and each letter will be reviewed under the rule as currently written.

§50.9(g)(3)- Selection Criteria- Development Location Characteristics-9,10,43
Comment:
Comment recommends revision to the draft that allows for 5 points if the development is located in any of the areas in subsection (A) through (D) with an additional five points if it is located in a census tract with no other tax credit developments. Subsections (A) through (D) are revised based on the requirement of section 2306.127 to give a priority for certain developments located in certain areas. Subsection E is revised based on §2306.6725(b)(2) that requires an appropriate incentive for a development in a census tract with no other developments receiving tax credits. It is suggested that the Department delete the draft QAP's inclusion of points for a development located in a census tract with a median income higher than that of the county (9)(10)(43)

Department Response:
Staff believes that the points, as originally drafted, adequately support location characteristics that promote the Department's goals and follow legislation.

§50.9(g)(3)(D) - Selection Criteria- Development Location Characteristics -16,25,3,4
Comment: Comment requested clarification on what the term "median income" is referring to. Additionally, clarification on how to pick between the county, MSA or PMSA in which the Census Tract is located (3). Comment also provided language for clarification (25)(16).
Department Response:
Staff concurs that clarification was merited and suggests that the census tract numbers be adjusted by a factor that corresponds to the change in HUD's county MFI estimates over the time period that has elapsed since the census number was published. It is also suggested that the MSA/PMSA reference be removed as the MSA/PMSA data applies to each of the counties in the MSA.

(D) the Development is located in a census tract which has a median family income (MFI), as published by the United States Bureau of the Census (U.S. Census), that is higher than the MFI for the county in which the census tract is located, as established by HUD. This comparison shall be made using the most recent data available from both sources as of as of October 1 of the year preceding the applicable program year. In those years when the U.S. Census does not publish median family income information at the census tract level, the most recent U.S. Census MFI available for the tract shall be multiplied by the change between HUD's published data for the county MFI as of the year in which the Census MFI was published and the county MFI as of October 1 of the year preceding the applicable program year. Developments eligible for these points must submit evidence documenting the median income for both the census tract and the county.

§50.9(g)(3)(E)- Selection Criteria- Development Location Characteristics-9,10,16,25,43
Comment:
Comment suggests that the location characteristic of "a census tract in which there are no other existing developments" is too narrow. We agree that developments should be encouraged in locations where there are no concentration issues. However, we feel that a two-mile radius should be the standard for evaluating concentration, rather than the boundaries of a census tract (25). Comment also questioned if this section applies to Tax Exempt Bond Developments (16). Comment stated: The draft QAP's

including points for a development located in a census tract with a median income higher than that of the county should be deleted. If points were given for such a location, then the Legislative mandated preferences and priorities of the section noted above would be effectively nullified (9)(10)(43).

Department Response:

SB 264 specifies that this analysis is to be done at the tract level. Therefore, staff cannot recommend the suggestion made in comment. Because the tax credit applications for developments that have Tax Exempt Bond developments are not scored, this section does not apply. Staff disagrees that points for a development in a census tract with a higher median income nullifies legislative priorities. On the contrary, it supports the Department's goals of dispersion, deconcentration, and furthering fair housing. No change is recommended at this time.

§50.9(g)(3)(G)- Selection Criteria- Development Location Characteristics-13

Comment:

Comment requests that "Incorporated city" be substituted for "community" in the first sentence to provide greater clarification (13).

Department Response:

Department staff concurs with the recommendation and recommends the following change:

(G) the Development is located in an incorporated city that is not a Rural Area but has a population no greater than 100,000 based on the most current available information published by the United States Bureau of the Census as of October 1 of the year preceding the applicable program year. The Development can not exceed 100 Units to qualify for these points. (10 points)

§50.9(g)(4)(A)- Selection Criteria- Site Location Characteristics-5

Comment:

Comment requests that transportation be listed an item in (i) through (xii) as a choice (5).

Department Response:

Transportation to the different amenities is already addressed in the introductory text of this item.

§50.9(g)(4)(B) - Selection Criteria - Site Location Characteristics - 5,16

Comment:

Comment points to the difficulty of determining the slope of the site and whether or not it exceeds 15% in any location (5)(16). For negative amenities, questions were asked about how case by case issues would be handled. Additionally, comment questioned why only Interstate highways are considered a nuisance and not state highways? Clarification was requested to define "heavy industrial use" and "high voltage transmission power line" (16).

Department Response:

Staff concurs that the slope percentage would be difficult to monitor. Staff recommends this section be deleted. For negative amenities, issues will be handled on a case-by-case basis.

~~(vii) Developments where the overall existing slope of site in any location exceeds 15% will have 1 point deducted from their score. [WG]~~

§50.9(g)(6)(B) - Selection Criteria - Support and Consistency with Local Planning - 13,16,21,22,25

Comment:
Comment states that public meetings should be encouraged, but they should not be cost prohibitive and that having a transcript of the meeting requires the expense of having a court reporter present (13)(16)(21). Further comment requests the deletion of the section because the meetings, in effect, damage the development of housing rather than build community support (22). Comment also strongly supports the use of neighborhood meetings between the developer, TDHCA, and neighborhood organizations to educate the local community about need for affordable housing, and to address the community's concerns (25).
Department Response:
In an effort to ensure transparency in the application process, it is necessary to document this scoring item. Because these are open meetings and there is no formal process for minutes, the Department believes that the transcript is necessary. However, it should be noted that the QAP does not require that the transcript be provided by a court reporter. Therefore, no change is recommended.
§50.9(g)(6)(C) - Selection Criteria - Support and Consistency with Local Planning - 9,10,13,16,18,21,30,33,36,43
Comment:
Comments states that TDHCA should reinstate the provision of the 2003 QAP which provides points for letters 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 (13)(21)(18)(30)(33). Comment also requests that a template written by TDHCA be provided in the Application for this letter and that it provide the provision informing the potential parties providing input on the application of the need for their comments to be "proper" and not violate fair housing laws (16). Lastly, comment suggests that the points from state elected officials should be consistent with §2306.6710(b)(1)(F) and 2306.6710(f) (9)(10)(43) and the state officials should be from where the development is located, as written (36).
Department Response:
Following the language and intent of §2306.6710, staff cannot recommend that the letters from the Mayor, County Judge, City Council Member or County Commissioner be counted as a point item in this section. Additionally, staff does not recommend that a template be provided for this letter because the Department prefers to grant each applicant flexibility in wording the notification. Points for this item are consistent with all legislation.

§50.9(g)(6)(D) - Selection Criteria - Support and Consistency with Local Planning - 8
Comment:
Comment suggests that there be notification provisions to individuals and organizations who might need or want to live in housing or who would otherwise support development of housing. Comment recommends that points be awarded to advocacy organizations, social service agencies, civil rights organizations, tenant organizations, as well as others who may have an interest in securing the development of affordable housing (8).
Department Response:
The Department concurs that notifying these entities would be beneficial. However, the Department will be adding this item to §50.11.

§50.9(g)(7)(B) - Selection Criteria - Development Characteristics - Cost Per Square Foot - 5,13,9,10,18,33,37
Comment:
It is recommended that if the total development cost does not exceed 95% of the average per square foot cost of developments in the Service Region based on prior cost certifications as adjusted for inflation, then the development would be entitled to 8 points. If the costs, based on the same standards are less than

100%, but greater than 95%, then the development would be entitled to 2 points (9)(10)(43). Comment also states that the provision is not equitable to senior or transitional housing because of additional costs characteristic of housing elderly and transitional populations such as elevators, corridors, stairwells, clubhouses, common space for supportive services (5)(33)(37). It is recommended that the base limit be increased from $60 to $62. A separate base be established for senior housing in recognition of the added costs Since in its bond underwriting, TDHCA has a range for senior housing that is 17.3% higher than garden style apartments, we recommend that this adjustment be extended to the 9% program. This would take the senior base to $73. This same base should be considered for Single Family housing as well. The use of Net Rentable Area as the denominator in calculating cost per square foot rather than Gross Square footage unfairly penalizes developers who put more common amenities into their developments. TAAHP recommends that the accurate approach to determining cost per square foot is to use Gross Square Footage as the denominator rather than the Net Rentable (13).

Department Response:

Staff concurs with the recommendation to increase the base limit to $62 and the senior base to $73. Staff does not agree with use of Net Rentable Area as the denominator in calculating cost per square foot rather than Gross Square footage because at the Application stage, it is difficult to verify without detailed building plans.

(B) Cost per Square Foot. For this exhibit, ~~hard~~ costs shall be defined as construction costs, including site work, contingency, 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 $73 per square foot for Qualified Elderly and Transitional Developments, and $62 for all other Developments~~$60 per square foot~~. (9~~1~~ points). [§22 of SB264- 22306.6710(b)(1)]

§50.9(g)(7)(C)(i-ii) - Selection Criteria - Development Characteristics – Amenities - 9,10,13,18,37,43

Comment:

It is recommended that a maximum of 25 points be available for providing the developer a list of amenities to select from in order to achieve up to the maximum points allowable (9)(10(43). Comment recommends moving the threshold items for full perimeter fencing, public telephones, community laundry room and/or laundry hookups and furnished community room to this section for points(13). Comment also states that the current list of amenities has the effect of encouraging applicants to include amenities that are unjustified by market requirements (37). Comment: Senior Communities have expensive covered breezeways that should be included in the amenities (18).

Department Response:

Staff does not concur with the recommendation to change the point value of these amenities because they represent the recommendations of the 2004 QAP working group and are within the legislated requirements for points. Staff suggests that other revisions to this item be revisited by the 2005 QAP working group.

§50.9(g)(7)(C)(xvii) - Selection Criteria - Development Characteristics – Amenities - 7,24,47

Comment:

Comment suggests the need for points for evaporative coolers in dry climates (7). Additional comment strongly suggests that, according to 2 HVAC companies/ engineers, 13 and 14 SEER A/C's evaporative coil operates warmer than a 12 and causes costly problems. It is recommended that points are not offered (24)(47).

Department Response:

Delete “14 SEER” and add “12 SEER HVAC or evaporative coolers in dry climates.

(xvii) 12 SEER HVAC or evaporative coolers in dry climates(3 points);

§50.9(g)(7)(D)(iiii) - Selection Criteria - Development Characteristics - 19

Comment:

Comment supports accessible walkways throughout the development to ensure that people with mobility impairments may access all parts of the complex (19).

Department Response:

The Department recognizes the need for accessibility and will continue to enforce all legislated requirements surrounding the issue.

§50.9(g)(8) - Selection Criteria - Sponsor Characteristics – Experience - 9,10,12,13,43,48,51

Comment:

Comment request the elimination of points proposed for developers because they have received tax credits in prior years. To penalize new entrants into the tax credit allocation process by awarding points to those developers who have already been successful seems to reject the Department’s desire to enable capacity building (12)(48). Other comment suggests that a maximum of 5 points be allowed for applicants with experience (9)(10)(43). Other comment states that since it is common to have delays in the issuance of 8609s of six to nine months following completion, the documentation to meet this requirement should be either a Certificate of Occupancy (or equivalency) or an affidavit from the Developer affirming that the development completed construction and that 8609s are in process (13). Other comment suggests that General Contractor be added to the language (51).

Extensive comment also requests the reinstatement of the three (3) points for HUB participation under §49.9(F)(5)(A) of the 2003 QAP. Comment support the points because it opens the door for qualified minorities to participate in a meaningful way in the program and will train other interested parties as a mentoring process (6)(12)(37)(48).

Department Response:

Due to the strong public opposition to this section and Department concern that individuals will be unduly excluded, staff recommends the deletion. Therefore, no other comments will be implemented. Based on public support and the Department’s support of minority enterprise, staff recommends the reinstatement of three points for HUB participation. Staff recommends the same language as was used in the 2003 QAP.

~~(8) Sponsor Characteristics. Applicants or Developer with previous experience in the development and ownership of housing tax credit developments will receive points based on experience. Applicants must provide an IRS Form 8609 from the Department or any other state housing agency. Only one Form 8609 per development is required. The Form 8609 and any accompanying evidence must clearly indicate that the names on the Form 8609 tie back to the Development Owner’s General Partner, Developer or their Principals as listed in the Application (maximum of 2 points).~~

~~(A) Evidence that one of the Development Owner’s General Partners, the Developer or a Principal, has developed at least three tax credit developments that cumulatively contain at least three times the number of housing units in the proposed Development. To qualify, the units must have been placed in service on or prior to the application date. (2 points)~~

~~(B) Evidence that one of the Development Owner's General Partners, the Developer or a Principal, has developed at least two tax credit developments that cumulatively contain at least two times the number of housing units in the proposed Development. To qualify, the units must have been placed in service on or prior to the application date. (1 points)~~ [WG]

(8) Sponsor Characteristics. Evidence that a HUB, as certified by the Texas Building and Procurement 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 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, 2004 and renewable after that date. [WG]

§50.9(g)(9) - Selection Criteria - Developments Targeting Tenant Populations with Children - 9,10,13,16,43

Comment:

Comment requests that a maximum of 5 points be awarded to properties that will have a 50% or more of total units in the development have 2 or more bedrooms (9)(10)(43). Other comment points to the fact that the "35% or more" test for 3 bedroom units as currently written in §50.3(47)(G) conflicts with the unit description which only allows up to 30% 3 Bedroom units, as currently written. Additionally, since 4 bedrooms are allowed for Single Family, then this needs to read, "three of more" bedrooms (13)(16).

Department Response:

Staff concurs that the reference to four bedroom units in single family designed homes is necessary.

(9~~6~~) Developments Targeting Tenant Populations of Individuals with Children. The Rent Schedule of the Application must show that 35~~50~~% [WG] or more of the Units in the Development have more than 2 bedrooms (1 point).

§50.9(g)(10) - Selection Criteria - Development Provides Supportive Services to Tenants - 9,10,43

Comment:

Comment suggests modification of the current point structure so that 3 points are awarded for this item and require that the services be provided at no cost to the household (9)(10)(43).

Department Response:

While the Department does not support the point adjustment, staff does concur that clarification is needed that supportive services can not be charged to the household.

(B) The Applicant~~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 subparagraph. No fees may be charged to the tenants for any of the services. Services must be provided on-site or transportation to off-site services must be provided (maximum of 6 points).

§50.9(g)(11)(F)(ii) - Selection Criteria - Tenant Characteristics - 5,9,10,43

Comment:

One commenter indicated that transitional points are not feasible for the elderly developments because it is not realistic to have a transitional elderly development (5). Comment also suggest that this section be taken out entirely because the legislature did not prioritize transitional housing. Instead of this section, comment recommends 3 points for both elderly and senior populations (9)(10)(43),

Department Response:

Staff values transitional housing for the homeless and will continue to provide incentives for its construction when possible in policy. This is consistent with §42 and Ch. 2306. However, the maximum points are being reduced to 22 points.

(F) Points will be awarded as follows:

(i) If all Units in the Development are designed solely for transitional housing for homeless persons, 22 points will be awarded; or

(ii) If at least 25% of the Units in the Development are designed for transitional housing for homeless persons, 15 points will be awarded.

§50.9(g)(11) - Preservation of existing low income housing - 9,10,43

The Draft QAP does not address points for preserving existing affordable housing. However, Section 2306.008(b)(2) requires the "prioritizing available funding and financing resources for affordable housing preservation activities." Thus, five points should be allowed if the application involves preserving existing affordable housing. The At Risk Set-aside is restricted to basically troubled properties while 2306.008.(b)(2) speaks to "affordable housing" (9)(10)(43).

Department Response:

The Department amply meets the requirements of 2306.008 which requires prioritizing funds for preservation. The At-Risk Set-Aside is designed specifically to preserve housing at risk of losing its affordability. Additionally, the Department utilizes its HOME funds for preservation activities and also has a Jr. Lien Housing Preservation Incentives Program. No changes are recommended.

§50.9(g)(12)(A) and (B)- Selection Criteria - Low Income Targeting - 2,7,9,10,13,16,43

Comment: Comment indicated that clarification is needed in the QAP language to indicate if 30% AMGI Units are included in the total number of low income targeted units. Comment also indicated that the graph and the corresponding points to Low Income Targeting should be clearer in the handling of 30% units. It is proposed that the second line in the graph be changed to read "40% and 30% units" instead of the current "40%." (2)(7)(13)(16). Other comment stated: Based on interpretation of amended 2306.6710(b)(C) and 2306.6710(e)(1), it is recommended that point structure be revised (9)(10)(43). Comment also support current cap of 40% at 50% AMGI. A typographical error was pointed out in paragraph (13).

Department Response: Staff does not concur with the legislative interpretation that point structure needs revision. While staff believes it may be possible to split this section out into separate categories for rents and incomes, the Department is concerned about a major revision such as this; therefore, staff will recommend that this issue be addressed by the 2005 Working Group. Staff notes that rent level and income are most meaningful when considered together. Staff concurs that clarification is needed and will be more clear in specifically excluding 30% units for point eligibility in this section. To address the typographical error, staff recommends adding the word "not" before the figure 35.05%.

"(A) No more than 40% ~~50%~~ of the total number of low income units (including Units at 60% and 30% 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% and~~,~~ 40% ~~and 30%~~ AMGI categories. No more than 15%~~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 30% and 60% of AMGI are also included.

(B) ~~For purposes of calculating points~~ In the table below no Unit may be counted twice in determining point eligibility. Use normal rounding to the hundredth to calculate the percentages, points and "Total Points" for 40% and 50% Units. In calculating the percentages, the denominator includes every low income Unit in the Development, not just the 40% and 50% Units. Normal rounding disregards all digits that are more than one decimal place past the digit rounded; therefore, the thousandths place must not be rounded prior to rounding to the hundredth, e.g. 35.0449% equals 35.04%, not 35.05%. To calculate "Rounded Total Points" disregard the hundredth place in "Total Points" and round normally, eg. 7.50 equals 8 and 7.49 equals 7. The final total points requested must be a whole number consistent with this rounding methodology.

(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)	Percentage ~~Portion~~ of Rent Restricted Units (a/b)		Weight A	OR	Weight B	Points
50%	(a)	~~(c)~~	X	~~5~~10		~~10~~15	
40%	(a)	~~(c)~~	X	~~15~~20		~~20~~30	
~~30%~~	~~(a)~~	~~(c)~~	~~X~~	~~30~~		~~40~~	
						TOTAL POINTS=	
TOTAL LI TARGETED UNITS*	(b)					ROUNDED TOTAL POINTS =	

*Includes all Low Income Units ~~at 60% of AMGI~~

§50.9(g)(13) and (14) - Selection Criteria - Low Income Targeting and Leveraging - 13,16,23

Comment:

Comment points to the fact that the provision in the draft QAP is inconsistent with the §42(m)(1)(B)(ii) of IRS Code regarding the treatment of developments in the Qualified Census Tracts (QCTs). Specifically, the provision assigns fewer points to developments in QCT's for providing the same or even more units at 30% AMGI than those outside QCTs (16,23,13). The simplest answer is to do away with this preferential scoring and simply have QCT location be a tie breaker (16).

Comment received also indicates that the number of points awarded for the production of housing affordable to families between 0% and 30% of AMI be increased (8) and one comment suggested the points be equal (7). The 2004 QAP Working Group recommended fewer points in this category than in 13 in order to reward applicants that get outside funding and then use this funding to produce 30% units. In the draft, the points are higher for Paragraph 14 than they are 13 and this should be reversed. Even though the Applicants are getting points for leveraging, they are not required to have the $12,500 to $25,000 per unit amount needed to support 30% units. It is recommended that the points go from 6/10/14 to 3/6/9. It was the intent of the QAP Working Group that entities willing to commit funds to get 30% units should get more points than entities just using funds as leveraging for greater affordability (13). Comment indicated a discrepancy between terminology of the sections as it relates to subsidy sources (5). Comment also encourages that local HOME funds continue to receive points for leveraging (31). A typographical error was also pointed out (13).

Also since leveraging implies bringing outside funds to the table the exemption for identity of interest voucher funding from a PHA should be eliminated. A PHA can take the same vouchers to low income targeting (Paragraph 13) and create 30% units. Additionally, it appears the HUD Section 202 and HUD Section 811 Capital Advance Programs were inadvertently left out after "….Affordable Housing Program from the Federal Home Loan Bank or Tax Increment Financing, and must be in the form of a grant or a forgivable loan." (13). It is recommended that to qualify for the points at least 20% of the total development costs be provided, whether by grant, contribution or loan, from a non-related political entity. Since most rural areas are non participating jurisdictions, rural developments would qualify for these points if funding was provided by TDHCA's HOME or Housing Trust Fund (9)(10)(43). Comment also seeks clarification as to whether or not the Department intended that HOPE VI not to qualify for these points, or is it an oversight (37). To require the developer to secure soft money funds is a burdensome requirement (48).

Department Response:
The Department recognizes the inadvertent inconsistency with §42 and recommends a change in language that does away with the dichotomy between QCTs and non-QCTs for this scoring item. Also, as noted later in this document, QCT location has been added as a tie breaker. While one comment was made that points be equal, §22 of SB264 is explicit in its requirements to prioritize 30% units. Staff concurs with the suggested changes that corrects the typographical error, allows for the priority of points to 30% units by reducing points for leveraging, to reduce the current $25,000 per unit to $12,500, and the clarification of language between the 2 sections**.**

Staff does not agree that the exemption for identity of interest voucher funding from a PHA should be eliminated because staff values any leveraging. Staff does not recommend the suggested requirement that to qualify for points at least 20% of the total development costs be provided, whether by grant, contribution or loan, from a non-related political entity. The addition of HOPE VI, HUD 811 and an exception for state HOME funds for non-Participating Jurisdictions has been added.

(13) Low Income Targeting Points for Serving Residents at 30% of AMGI (up to 12 points). Applications that propose Units with rents set at 30% AMGI and reserved for occupancy by extremely low-income (those earning annual gross incomes of 30% or less of the AGMI) ~~will be awarded up to 12 points.~~ Developments must have a source of financing for the 30% units. Applicant must submit evidence that the proposed Development has either received development -based rental assistance from a governmental or non-governmental entity, which does not have an identity of interest with the Applicant (with the exception of Applications involving Public Housing Authorities); or received an allocation of funds for on-site Development costs from a local unit of government or a nonprofit organization, which is not related to the Applicant. Such funds can include Community Development Block Grant funds, HOPE VI, local HOME (not funded from the Department), a local housing trust, Affordable Housing Program from the Federal Home Loan Bank or Tax Increment Financing, HUD Section 202, HUD Section 811 and HUD Section 8 and must be in the form of a grant or a forgivable loan (with the exception of Applications involving Public Housing Authorities).

Points will be determined on a sliding scale based on the percentage of 30% units. The Development must have already applied for funding from the funding entity. Evidence at the application stage shall include a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from TDHCA's HOME (with the exception of non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. In order to qualify for these points, the Applicant must provide a 5 year rental assistance contract for development-based vouchers for each 30% Unit or grant funds of $12,500 per 30% Unit. Use normal rounding.

(A) 3% to 5% of total Development Units at 30% AMGI receives 8 points; or

(B) 6% to 8% of total Development Units at 30% AMGI receives 10 points; or

(C) 9% to 10% of total Development Units at 30% AMGI receives 12 points [WG] [2306.6725(a)(3); 2306.111(g)(2) and (3)(B)/(D); 2306.6710(b)(1) (C) and (G); 2306.6710(e) as revised]

(14) Leveraging from local and private resources. An Application may qualify for points under only one of subparagraphs (A) or (B) of this paragraph. However, if an Applicant has requested points under paragraph 13 of this section, the Application is not eligible to receive points under this paragraph. (maximum of 9 points)[WG] [§22 of SB264-22306.6710(b)(1)(E)]

(A) Evidence that the proposed Development has received an allocation of funds for on-site development costs from a local unit of government or a nonprofit organization, which is not related to the Applicant. Such funds can include Community Development Block Grant funds, HOPE VI, local HOME (not funded from the Department), a local housing trust, Affordable Housing Program from the Federal Home Loan Bank or Tax Increment Financing, HUD Section 202 , HUD Section 811 and HUD Section 8 and must be … normal rounding. No funds from TDHCA's HOME (with the exception of non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. (up to 9 points).

(i) A contribution of $500 to $1,000 per Low Income Unit receives 3 points; or

(ii) A contribution of $1,001 to $3,500 per Low Income Unit receives 6 points; or

(iii) A contribution of $3,501 to $6,000 per Low Income Unit receives 9 points; or [WG]

(B) Evidence that the proposed Development is partially funded by development-based Housing Choice or rental assistance vouchers from a governmental or non-governmental entity for a minimum of five years. Such entity cannot have an identity of interest with the Applicant with the exception of Applications involving Public Housing Authorities. Evidence … feasibility. No funds from the Department's HOME or Housing Trust Fund sources will qualify under this category. Use normal rounding. (up to 9 points).

(i) Development-Based Vouchers for 3% to 5% of the total Units receives 3 points; or

(ii) Development-Based Vouchers for 6% to 8% of the total Units receives 6 points; or

(iii) Development-Based Vouchers for 9% to 10% of the total Units receives 9 points. [WG]

§50.9(g)(15) - Selection Criteria-Length of Affordability Period - 9,10,43

Comment:

One point should be allowed for 5 additional years and 2 points for 10 years. The points should be consistent with the Legislative rankings in SB 264 and a maximum of 2 points is sufficient to satisfy the policy (9)(10)(43).

Department Response:

Legislation does not prohibit the current structure. Staff recommends no change.

§50.9(g)(15) - Senior or Homeless Populations - 9,10,43

Comment:

It is recommended that three points should be allowed for developments serving elderly or homeless populations. Again, the legislature has determined the priority of developments and these populations were not ranked. While it could be argued that they could qualify for up to 5 points, it is recommended that 3 points be used (9)(10(43).

Department Response:

The Department disagrees. Chapter 2306, as well as §42, IRC, direct the Department to score a number of criteria other than the nine located in 2306.6710. §2306.6710 does not state that all other criteria must be scored below the nine listed in §2306.6710. The Department seeks to fulfill the purpose of CH 2306 and §42, and to harmonize the statutory language from all sources. No changes are recommended.

§50.9(g)(16) - Selection Criteria - Right of First Refusal - 9,10,43

Comment:

It is recommended that two points should be granted for providing a right of first refusal to those entities listed in §2306.6725(b)(1) and only such entities. Since the Legislature has required appropriate incentives for executing an agreement to provide a right of first refusal to specified entities, the legislative requirement would be violated by expanding the list of eligible organizations or entities (9)(10)(43).

Department Response:

Staff suggests establishing this as an item for the 2005 QAP Working Group. Staff recommends no change at this time and believes the provision is consistent with §42 and Ch. 2306.

§50.9(g)(16) - Notice to PHA of accepting Section 8 waiting list - 9,10,43

It is proposed that one point be awarded for committing to a PHA that it will accept tenants from its waiting list (9)(10)(43).

Staff Response:

Staff makes a certification regarding this threshold item. Having it be moved to selection is unnecessary.

§50.9(g)(17) - Selection Criteria - Pre-Application Points - 9,10,43,36

Comment:

It is recommended that five points should be available for all applications filed during the pre-application period (9)(10)(43). Other comment suggests that it is difficult to predict points for support and opposition and the item should be deleted from the self-score (36). Comment also noted that a typographical error existed in the reference to the support and opposition letters.

Department Response:

The Department believes, after discussion in the 2004 QAP Working Group that the current number of points is acceptable and supported. The exemption of support and opposition points from the pre-application was already mentioned in the QAP and will remain there. The typographical error is remedied below.

(D) be awarded by the Department ~~achieve~~ an Application score that is not more than 5% greater or less than the number of points awarded by the Department ~~requested~~ at Pre-Application, with the exclusion of points for support and opposition under subsections (g)(2) and (g)(3)(C) of this title. An Applicant must choose, at the time of Application either clause (i) or (ii) of this subparagraph:

§50.9(g)(18) - Selection Criteria - Point Reductions - 7,9,10,43

Comment:

One person recommended stronger point penalties for items already on the ineligibility list (7). Comment suggests that point reductions should be imposed on only meaningful transgressions such as missing carryover or failure to close the construction loan within the applicable time period for new construction. It is further recommended that substantial penalties be imposed for an applicant that submits false information especially for non-disclosure of previous removal for failure to perform its obligations. Additionally, it is recommended that a penalty of 5 points be imposed on an application that exceeds by 10% the average of tax credits requested per unit of all other applicant's in the region. Public policy demands the efficient use of tax credits. (9)(10)(43).

Department Response:

Because of the substantive revisions required to promulgate these suggested changes, and the adverse effects these changes could cause to individuals who were not affected by the rule as proposed, staff suggests establishing this as an item for the 2005 QAP Working Group. Staff recommends no change at this time.

§50.9(h) – Tie Breaker Factors – 16,23,13

Comment:

Comment also suggested that for consistency with the §42 requirement regarding QCTs, a tie breaker factor should be reinstated for developments in QCT's (16,23,13). Comment was received that it was unclear how ties between developments (both 9% and 4%) would be handled throughout the year for the one mile rule (both the three year and the one year) and for application of the capture rate evaluation.

Department Response:

The Department concurs that this change is necessary for compliance with §42. The following language is proposed to be added as (h)(5). Staff also has added language that identifies how ties for the one mile rule and capture rate evaluation will be handled. This requires some renumbering of the section.

~~(5) (E) to give preference to a Development that is located in a QCT or a difficult to Develop Area as specifically designated by HUD, and which also contributes to a concerted community revitalization plan.~~

New language: “(2) This clause identifies how ties will be handled when dealing with the restrictions on location identified in §50.5(a)(8) and §50.6(f), and in dealing with any issues relating to capture rate calculation. When two Tax Exempt Bond Developments would violate one of these restrictions, and only one Develoment can be selected, the Department will utilize the lot number issued during the Bond Review Board lottery in making its determination. When two competitive Housing Tax Credits Applications in the Application Round would violate one of these restrictions, and only one Development can be selected, the Department will utilize the tie breakers identified in (h)(1) of this subsection. When a Tax Exempt Bond Development and a competitive Housing Tax Credit Application in the Application Round would both violate one of these restrictions, the following determination will be used:

(A) Tax Exempt Bond Developments that have received their reservation from the Bond Review Board prior to April 30, 2004 will take precedence over the Housing Tax Credit Application in the 2004 Application Round; and

(B) Housing Tax Credit Applications in the 2004 Application Round will take percendence over the Tax Exempt Bond Developments that have received their reservation from the Bond Review Board between May 1, 2004 and July 31, 2004; and

(C) After July 31, 2004, a Tax Exempt Bond Development with a reservation from the Bond Review Board will take precedence over any Housing Tax Credit Application from the 2004 Application Round on the Waiting List. However, if no reservation has been issued, then the Waiting List Application will be eligible for its allocation first.

§50.10(a)(2)(K) - Board Decisions - 8,39

Comment:

Comment suggests that while it recognizes the scoring constraints in legislation and the Department’s sensitivity and efforts to support fair housing, the Department should include an “affirmatively furthering fair housing” factor in scoring (8)(39).

Department Response:

The Department currently includes fair housing law as a specific discretionary factor that the Board may apply in making allocation decisions. The Board is authorized to not rely solely on points but may consider this and other named discretionary factors. To clarify the scope of fair housing law, staff recommends amending the rule to add, “…including affirmatively furthering fair housing.” For the 2005 QAP, further input and discussion on how this item may be specifically scored will be sought.

(K) laws relating to fair housing, including affirmatively furthering fair housing;

§50.11 - Required Notifications - 9,10,43

Comment:

If the Department receives an opposition notice from the presiding officer of a community to a development, it would be beneficial for the department to notify the applicant of the opposition (9)10)(43). As noted earlier, comment suggested that there should be notification provisions to individuals and organizations who might need or want to live in housing or who would otherwise support development of housing. Comment recommends that points be awarded for advocacy organizations, social service agencies, civil rights organizations, tenant organizations, as well as others who may have an interest in securing the development of affordable housing (8).

Department Response:

Staff concurs and suggests the following language change to provide notice. The Department concurs that notifying these entities would be beneficial. However, the Department will be adding this item to §50.11. The QAP already indicates that Applicants will be notified of any opposition.

[Added as 50.11(a)(3)(B)(ix)]
<u>(ix) Advocacy organizations, social service agencies, civil rights organizations, tenant organizations, or others who may have an interest in securing the development of affordable housing.</u>

§50.14(a)(4) -Carryover, 10% Test - 9,10,43,48
Comment:
It is recommended that the Fair Housing Training be required if the Development Owner and the Architect have not previously attended such training until such time as there is a change in the fair housing laws (9)(10(43)(48).
Department Response:
Staff recommends no changes because of the importance of this training and possible new developments.

§50.15 - Closing of the Construction Loan - 9,10,13,43
Comment:
It is recommended that §50.15(a) be amended to provide for the reality of the inherent delays in obtaining construction loan documents for those developments relying on the Department for construction financing. Thus, the deadline for such properties would be the later of June 1 or 15 days after the construction loan is closed (9)(10(43). Additionally, clarification was requested for the difference between 9% and 4% programs by adding, for tax exempt bond transactions, the evidence must be submitted not later than one year from the date of the Determination notice (13).
Department Response:
Because of the time constraints put on staff and legislative requirements, staff recommends no date changes for 9% tax credits at this time. The department concurs with the recommendation for tax exempt bond transactions and recommends the following language:

(a) **Closing of the Construction Loan.** The Development Owner must submit evidence of having closed the construction loan. <u>The evidence must be submitted</u> no later than <u>June 1</u>~~the second Friday in June~~ of the year after the execution of the Carryover Allocation Document<u>, and no later than 14 days after the closing of the construction loan for Tax Exempt Bond Developments,</u> with the possibility of an extension as described in §50.21 of this title. At the time of submission of the documentation, the Development Owner must also submit a Management Plan and an Affirmative Marketing Plan as further described in the Carryover Allocation Procedures Manual. The Carryover Allocation will automatically be terminated if the Development Owner fails to meet the aforementioned closing deadline (taking into account any extensions), and has not had an extension approved, and all credits previously allocated to that Development will be recovered and become a part of the State Housing Credit Ceiling for the applicable year. <u>Owners of Tax Exempt Bond Developments will be fined $2,500 if this requirement is not fulfilled.</u>

§50.17(g) - Housing Credit Allocations - 9,10,43
Comment:

It is recommended that the Department accept the inspections performed by TX-USDA-RHS for properties receiving financing from that governmental entity. See also companion revisions to §50.19(b) and §50.21(h) (9)(10)(43).

Department Response:

Staff concurs with the recommendation and suggests the following changes:

(g) Development inspections shall be required to show that the Development is built or rehabilitated according to required plans and specifications. At a minimum, all Development inspections must include an inspection for quality during the construction process while defects can reasonably be corrected and a final inspection at the time the Development is placed in service. All such Development inspections shall be performed by the Department or by an independent, ~~third party~~ Third Party inspector acceptable to the Department. The Development Owner shall pay all fees and costs of said inspections as described in §~~49~~50.21 of this title. For properties receiving financing through TX-USDA-RHS, the Department shall accept the inspections performed by TX-USDA-RHS in lieu of having other Third party Inspections.

§50.18(b) - Appeals Process - 27

Comment:

Comment request a change in the current appeals process so that a board decision can be appealed if it is a "bad decision."

Department Response:

The appeals policy, as integrated into the QAP, is a legislative directive that can not be altered.

§50.18(e) - Sale of Certain Tax Credit Properties - 9,10,43

Comment:

It is recommended that the procedure for the sale of certain tax credit properties to selected entities be revised to conform with the right of first refusal to tenant organizations or a qualified nonprofit entity 9)(10)(43).

Department Response:

This section is consistent with §2306.6726 of the Texas Government Code. Staff recommends no changes.

§50.18(h) – Alternative Dispute Resolution – 10

Comment:

As noted under §50.3(1), it was recommended that the definition of Administrative Deficiency be revised to provide for alternative dispute resolution (ADR) as required by SB 264 (10). Comment also recommended the addition of ADR at other points in the tax credit process.

Department Response:

As one step in implementing a policy to encourage the use of appropriate ADR procedures pursuant to §2306.082, the Department is recommending that a policy regarding ADR be added to this section of the QAP. (This section responds to any mention of ADR in any public comment and should be considered a response for the entire document):

(h)-**Alternative Dispute Resolution Policy.** In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution

Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.

§50.19(b) - Housing Credit Allocations - 9,10,43
Comment:
It is recommended that the Department accept the inspections performed by TX-USDA-RHS for properties receiving financing from RHS. See also companion revisions to §50.17(g) and §50.21(h). (9)(10)(43)
Department Response:
The QAP already was drafted to accept the TX-USDA-RHS inspections in this section of the QAP. No changes are recommended.

§50.21(h) - Housing Credit Allocations - 9,10,43
Comment:
It is recommended that the Department accept the inspections performed by TX-USDA-RHS for properties receiving such financing from RHS (9)(10)(43).
Department Response:
Staff concurs with the recommendation and suggests the following changes:

(h) **Building Inspection Fee**. The Building Inspection Fee must be paid at the time the Commitment Fee is paid. The Building Inspection Fee for all Developments is $750. ~~$500~~ Inspection fees in excess of $750 may be charged to the Development Owner not to exceed an additional $250 per Development. Developments receiving financing through TX-USDA-RHS that will not have construction inspections performed through the Department will be exempt from the payment of an inspection fee.

§50.21(k) - Extension Requests - 13
Comment:
The initial extension should be an automatic one approved at the staff level since generally a Developer does not know until the last minute that a closing has fallen through (13).
Department Response:
Because the Board has been clear in its interest in keeping track of all extensions, no change to the current language is recommended.

No Section (Proposed) - Migrant Housing Needs - 8
Comment:

Comment requests that migrant housing be categorized as a "special need". Additionally, it is recommended that the Department establish, through the scoring criteria and appropriate set asides, sufficient funds to allow for the rehabilitation or demolition and reconstruction of existing substandard migrant labor housing and to undertake a statewide assessment of migrant housing needs (8).
Department Response:
Because of the substantive revisions required to promulgate this change, staff suggests establishing this as an item for the 2005 QAP Working Group. Staff recommends no change at this time.

No Section (Proposed) - Minimum Threshold Score - 13
Recommendation: Comment would like TDHCA staff to consider establishing a minimum score for an application to be eligible for an allocation. The TDHCA Board mentioned this concept once at a meeting and it made good sense. A score in the vicinity of 50 - 60 would be appropriate.
Department Response:
Staff does not agree with the proposed suggestion to establish a minimum score for an application to be eligible for an application for 2004. Because of the substantive revisions required to promulgate this change, staff suggests establishing this as an item for the 2005 QAP Working Group. Staff recommends no change at this time.

No Section (Proposed) Selection Criteria-28
Recommendation: Award points for leveraging funds with the 514 and 538 programs (28)
Department Response:
The Department is interested in looking into this idea, but to ensure appropriate comment regarding the leveraging, staff will need more time to research this. Staff will suggest this as an item for the 2005 QAP Working Group. Staff recommends no change at this time.

Appendix A

Tab Number	From
1	Brent Stewart
2	Bob Sherman/ NuRock Development West
3	Bob Voelker
4	Steve Schottman/ TDHCA
5	Kenneth Mitchell, P.C.
6	Sam Tijerina
7	Bobby Bowling/ Tropicanna Building Corporation
8	John Hennenberger/ LI Housing Info Service
9	Neal Sox Johnson/ RRHA
10	John Pitts/ Texas Affordable Housing Congress
11	Albert Magil, III/ Magil Dev. Corporation
12	Margie Bingham
13	TAAHP
14	Michael Bodaken/ National Housing Trust
15	Donna Chatham/ ARCIT
16	Bob Voelker
17	Joy Horak-Brown/ New Hope
18	Brad Forslund/ Tony Sisk/ Churchill Residential
19	Susan Maxwell/ Texas Council for Developmental Disabilities
20	Eric Hartzell/ Grantworks, Inc.
21	Cindy Evens
22	Tim Lott / Dallas Housing Authority
23	Cherno M. Njie/ Songhai Development, LLC
24	Sally Gaskin/ SGI Ventures, Inc.
25	Judith McGlaughlin
26	El Paso Demetrio Jimenez/ Tropicana
27	Anthony Cobos/ City of El Paso Mayor Pro Tem
28	Tom Andrews/ El Paso Public Comment
29	N/A
30	Ritta Foretier
31	Dan Markson
32	N/A
33	Margaret Starkey/ Tamea Odula/ David Spaaden Seton Home
34	N/A

35	N/A
36	Mark Caldwell
37	John Barineau
38	N/A
39	Elizabeth K. Julian
40	Dionne Bagsby/ Tarant County HFA
41	Jim Shaw/ Capital Area HFA
42	Paul Hilgers, Austin Housing Finance Corporation
43	Patrick Barbolla
44	Jeanne Talerico/ Texas Association of Local Housing Finance Agencies
45	Kent R. Hance
46	Barry Palmer
47	Brent Stewart
48	Ronnie Hodges/ Valentine Realtors
49	Cloy A Richards/ City Manager of Merkel
50	David Wieland
51	Vaughn Mitchell
52	David Clark

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Multifamily Finance Production Division

2004 Housing Tax Credit Program

Draft Qualified Allocation Plan and Rules

§~~49~~50.1. Purpose, Program Statement, Allocation Goals.

(a) **Purpose.** The Rules in this chapter apply to the allocation by the Texas Department of Housing and Community Affairs (the Department) of Housing Tax Credits authorized by applicable federal income tax laws. The Internal Revenue Code of 1986, §42, as amended, provides for credits against federal income taxes for owners of qualified low income rental housing Developments. That section provides for the allocation of the available tax credit amount by state housing credit agencies. Pursuant to Executive Order AWR-92-3~~91-4~~ (March 4, 1992~~June 17, 1991~~), the Department was authorized to make Housing Credit Allocations for the State of Texas. As required by the Internal Revenue Code, §42(m)(1), the Department developed this~~a~~ Qualified Allocation Plan (QAP) which is set forth in §§~~49~~50.1 through ~~49~~50.24 of this title. Sections in this chapter establish procedures for applying for and obtaining an allocation of Housing Tax Credits, along with ensuring that the proper threshold criteria, selection criteria, priorities and preferences are followed in making such allocations.

(b) **Program Statement.** The Department shall administer the program to encourage the development and preservation of appropriate types of rental housing for households that have difficulty finding suitable, accessible, affordable rental housing in the private marketplace; maximize the number of suitable, accessible, affordable residential rental units added to the state's housing supply; prevent losses for any reason to the state's supply of suitable, accessible, affordable residential rental units by enabling the rehabilitation of rental housing or by providing other preventive financial support; and provide for the participation of for-profit organizations and provide for and encourage the participation of nonprofit organizations in the acquisition, development and operation of accessible affordable housing developments in rural and urban communities. [2306.6701]

(c) **Allocation Goals.** It shall be the goal of this Department and the Board, through these provisions, to encourage diversity through broad geographic allocation of tax credits within the state, and in accordance with the regional allocation formula, and to promote maximum utilization of the available tax credit amount. The processes and criteria utilized to realize this goal are described in §§~~49~~50.8 and ~~49~~50.9 of this title, without in any way limiting the effect or applicability of all other provisions of this title.

§~~49~~50.2. 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 Regional Allocation~~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 Regional Allocation~~Set-Aside~~. The Criteria will be approved by that Agency. To ensure that the Rural Regional Allocation~~Set-Aside~~ receives a sufficient volume of eligible Applications, the Department and ORCA shall jointly implement outreach, training, and rural area capacity building efforts. [2306.6723]

§~~49~~50.3. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) **Administrative Deficiencies** - The absence of information or a documents~~s~~ from the Application which is~~are~~ important~~essential~~ to a review and scoring of the Application~~Development~~ and is required under §§50.8(d) and 50.9(e), (f) and (g) of this title. ~~If an Application contains deficiencies which, in the determination of the Department staff, require clarification of information submitted at the time of the Application, the Department staff shall request correction of such Administrative Deficiencies. The Department staff shall provide this in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request~~

~~has been transmitted. If such Administrative Deficiencies are not corrected to the satisfaction of the Department within three business days of the deficiency notice date, then five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains uncorrected. If such deficiencies are not corrected within five business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period.~~

(2) **Affiliate** - An individual, corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, ~~control~~Controls, is ~~control~~Controlled by, or is under common Control with any other Person, and specifically shall include parents or subsidiaries. Affiliates also include all General Partners, Special Limited Partners and Principals with at least a 10% ownership interest.

(3) **Agreement and Election Statement** - A document in which the Development Owner elects, irrevocably, to fix the Applicable Percentage with respect to a building or buildings, as that in effect for the month in which the Department and the Development Owner enter into a binding agreement as to the housing credit dollar amount to be allocated to such building or buildings.

(4) **Applicable Fraction** - The fraction used to determine the Qualified Basis of the qualified low income building, which is the smaller of the Unit fraction or the floor space fraction, all determined as provided in the Code, §42(c)(1).

(5) **Applicable Percentage** - The percentage used to determine the amount of the Housing Tax Credit, as defined more fully in the Code, §42(b).

(A) For purposes of the Application, the Applicable Percentage will be projected at 10 basis points above the greater of:

(~~A~~i) the current applicable percentage for the month in which the Application is submitted to the Department, or

(~~B~~ii) the trailing 1-year, 2-year or 3-year average rate in effect during the month in which the Application is submitted to the Department.

(B) For purposes of making a credit recommendation at any other time, the Applicable Percentage will be based in order of priority on:

(i) The percentage indicated in the Agreement and Election Statement, if executed; or

(ii) The actual applicable percentage as determined by the Code, §42(b), if all or part of the Development has been placed in service and for any buildings not placed in service the percentage will be the actual percentage as determined by Code, §42(b) for the most current month; or

(iii) The percentage as calculated in subparagraph (A) of this paragraph if the Agreement and Election Statement has not been executed and no buildings have been placed in service.

(6) **Applicant** - Any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a Housing Credit Allocation. ~~For purposes hereof, the Applicant is sometimes referred to as the "housing sponsor."~~ [2306.6702]

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

(8) **Application Acceptance Period** - That period of time during which Applications for ~~either~~ a Housing Credit Allocation from the State Housing Credit Ceiling ~~or a Determination Notice for Tax Exempt Bond Developments~~ may be submitted to the Department as more fully described in §§~~49~~50.9(a) and ~~49~~50.22 of this title. For Tax Exempt Bond Developments this period is that period of time prior to the deadline stated in §50.12 of this title.

(9) **Application Round** - The period beginning on the date the Department begins accepting Applications for the State Housing Credit Ceiling and continuing until all available Housing Tax Credits from the State Housing Credit Ceiling (as stipulated by the Department) are allocated, but not extending past the last day of the calendar year. [2306.6702]

(10) **Application Submission Procedures Manual** - The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for the filing of Pre-Applications and Applications for Housing Tax Credits.

(11) **Area Median Gross Income (AMGI)** – Area median gross household income, as determined for all purposes under and in accordance with the requirements of the Code, §42.

(12) **At-Risk Development** – a Development that:

(A) has received~~receives~~ the benefit of a subsidy in the form of a below-market interest rate loan, interest rate reduction, equity incentive, rental subsidy, Section 8 housing assistance payment, rental supplement payment, ~~or~~ rental assistance payment, or equity incentive under the following federal laws, as applicable:

(i) Sections 221(d)(3), (4) and (5), National Housing Act (12 U.S.C. Section 1715l);
(ii) Section 236, National Housing Act (12 U.S.C. Section 1715z-1);
(iii) Section 202, Housing Act of 1959 (12 U.S.C. Section 1701q);
(iv) Section 101, Housing and Urban Development Act of 1965 (12 U.S.C. Section 1701s);
(v) any project-based assistance authority pursuant to Section 8 of the U.S. Housing Act of 1937;
(vi) Sections 514, 515, 516, and 538 Housing Act of 1949 (42 U.S.C. Sections 1484, 1485, and 1486); ~~or~~and
(vii) Section 42, of the Internal Revenue Code of 1986 (26 U.S.C. Section 42), and
(B) is subject to the following conditions:
(i) the stipulation to maintain affordability in the contract granting the subsidy is nearing expiration (expiration will occur within two calendar years of July 31 of the year the Application is submitted); or
(ii) the federally insured mortgage on the Development is eligible for prepayment or is nearing the end of its mortgage term (the term will end within two calendar years of July 31 of the year the Application is submitted).
(C) An Application for a Development that includes the demolition of the existing Units which have received the financial benefit described in subparagraph (A) of this paragraph will not qualify as an At-Risk Development unless the redevelopment will include the same site, except that a Housing Authority proposing reconstruction of public housing, supplemented with HOPE VI funding, will be qualified as an At-Risk Development if it meets the requirements described in §50.7(b)(3) of this title. Redevelopment of any type must include the same site as the original development to qualify in this set-aside."
(D) Developments must be at risk of losing all affordability on the site. However, Developments that have an opportunity to retain or renew any of the financial benefit described in subparagraph (A) of this paragraph must retain or renew all possible financial benefit to qualify as an At-Risk Development.
[2306.6702]

(13) **Bedroom** – A portion of a Unit set aside for sleeping which is no less than 100 square feet; has no width or length less than 8 feet; has at least one window that provides exterior access; and has at least one closet that is not less than 2 feet deep and 3 feet wide and high enough to accommodate 5 feet of hanging space.

~~(14) **Beneficial Owner** - A "Beneficial Owner" means:~~
~~(A) Any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares;~~
~~(i) voting power which includes the power to vote, or to direct the voting as any other Person or the securities thereof; and/or~~
~~(ii) investment power which includes the power to dispose, or direct the disposition of, any Person or the securities thereof.~~
~~(B) Any Person who, directly or indirectly, creates or uses a trust, proxy, power of attorney, pooling arrangement or any other contract, arrangement or device with the purpose or effect of divesting such Person of Beneficial Ownership (as defined herein) of a security or preventing the vesting of such Beneficial Ownership as part of a plan or scheme to evade inclusion within the definitional terms contained herein; and~~
~~(C) Any Person who has the right to acquire Beneficial Ownership during the Compliance Period, including but not limited to any right to acquire any such Beneficial Ownership:~~
~~(i) through the exercise of any option, warrant or right,~~
~~(ii) through the conversion of a security,~~
~~(iii) pursuant to the power to revoke a trust, discretionary account or similar arrangement, or~~
~~(iv) pursuant to the automatic termination of a trust, discretionary account, or similar arrangement.~~
~~(D) Provided, however, that any Person who acquires a security or power specified in clauses (i), (ii) or (iii) of subparagraph (C) of this paragraph, with the purpose or effect of changing or influencing the control of any other Person, or in connection with or as a participant in any transaction having such purpose or effect, immediately upon such acquisition is deemed to be the Beneficial Owner of the securities which may be acquired through the exercise or conversion of such security or power. Any securities not outstanding which are subject to options, warrants, rights or conversion privileges as deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such Person but are not deemed to be outstanding for the purpose of computing the percentage of the class by any other Person.~~ [WG].

(14~~15~~) **Board** - The governing Board ~~of Directors~~ of the Department. [2306.004]

(15~~16~~) **Carryover Allocation** - An allocation of current year tax credit authority by the Department pursuant to the provisions of the Code, §42(h)(1)(E) and Treasury Regulations, §1.42-6.

(16~~17~~) **Carryover Allocation Document** - A document issued by the Department, and executed by the Development Owner,~~ to a Development Owner~~ pursuant to §~~49~~50.14 of this title.

(17~~18~~) **Carryover Allocation Procedures Manual** - The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for filing Carryover Allocation requests.

(18~~19~~) **Code** - The Internal Revenue Code of 1986, as amended from time to time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued thereunder by the United States Department of the Treasury or the Internal Revenue Service.

(19~~20~~) **Colonia** – A geographic area located in a county some part of which is within 150 miles of the international border of this state and that:

(A) has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under §17.921, Water Code; or

(B) has the physical and economic characteristics of a colonia, as determined by the Texas Water Development Board.~~Department.~~

(20~~21~~) **Commitment Notice** - A notice issued by the Department to a Development Owner pursuant to §~~49~~50.13 of this title and also referred to as the "commitment."

(21~~22~~) **Compliance Period** - With respect to a building, the period of 15 taxable years, beginning with the first taxable year of the Credit Period pursuant to the Code, §42(i)(1).

(22~~23~~) **Control** - (including the terms "~~control~~Controlling," "~~control~~Controlled by", and/or "under common ~~control~~Control with") the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of voting securities, by contract or otherwise, including specifically ownership of more than 50% of the General Partner interest in a limited partnership, or designation as a managing General Partner~~ or the managing member~~ of a limited liability company.

(23~~24~~) **Cost Certification Procedures Manual** - The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for filing requests for IRS Form(s) 8609 for Developments placed in service under the ~~Low Income~~ Housing Tax Credit Program.

(24~~25~~) **Credit Period** - With respect to a building within a Development, the period of ten taxable years beginning with the taxable year the building is placed in service or, at the election of the Development Owner, the succeeding taxable year, as more fully defined in the Code, §42(f)(1).

(25~~26~~) **Department** – The Texas Department of Housing and Community Affairs, an agency of the State of Texas, established by~~at~~ Chapter 2306, Texas Government Code, including Department employees and/or the Board. [2306.004]

(26~~27~~) **Determination Notice** - A notice issued by the Department to the Development Owner of a Tax Exempt Bond Development which states that the Development may be eligible to claim Housing Tax Credits without receiving an allocation of Housing Tax Credits from the State Housing Credit Ceiling because it satisfies the requirements of this QAP; sets forth conditions which must be met by the Development before the Department will issue the IRS Form(s) 8609 to the Development Owner; and specifies the Department's determination as to the amount of tax credits necessary for the financial feasibility of the Development and its viability as a rent restricted Development throughout the affordability period.~~Credit Period.~~

(27~~28~~) **Developer** – Any Person entering into a contract with the Development Owner to provide development services with respect to the Development and receiving a fee for such services (which fee cannot exceed 15% of the Eligible Basis) and any other Person receiving any portion of such fee, whether by subcontract or otherwise.

(28~~29~~) **Development** – A proposed qualified low income housing project~~Development~~, for new construction or rehabilitation, ~~for purposes of the~~as defined by the Code, §42(g), that consists of one or more buildings containing multiple Units, and that, if the Development shall consist of multiple buildings, is financed under a common plan and is owned by the same Person for federal tax purposes, and the buildings of which are either:

(A) located on a single site or contiguous site; or

(B) located on scattered sites and contain only rent-restricted units. [2306.6702]

(29~~30~~) **Development Consultant** - Any Person (with or without ownership interest in the Development) who provides professional services relating to the filing of an Application, Carryover Allocation Document, and/or cost certification documents.

(30~~31~~) **Development Owner** – Any Person, General Partner, or Affiliate of a Person who owns or proposes a Development or expects to acquire ~~control~~Control of a Development under a purchase contract approved by the Department. [2306.6702]

(31~~32~~) **Development Team** - All Persons or Affiliates thereof that~~which~~ play~~(s)~~ a role in the development, construction, rehabilitation, management and/or continuing operation of the subject Property, which will include any Development Consultant and Guarantor.~~anyone who provides, or is anticipated to provide, a guarantee to secure equity or financing for the transaction for a fee.~~ [WG]

(32~~33~~) **Economically Distressed Area** – Consistent with §17.921 of Texas Water Code, an area in which:

(A) water supply or sewer services are inadequate to meet minimal needs of residential users as defined by Texas Water Development Board~~board~~ rules;

(B) financial resources are inadequate to provide water supply or sewer services that will satisfy those needs; and

(C) an established residential subdivision was located on June 1, 1989, as determined by the Texas Water Development Board.

(33~~34~~) **Eligible Basis** - With respect to a building within a Development, the building's Eligible Basis as defined in the Code, §42(d).

(34~~35~~) **Executive Award and Review Advisory Committee** ("The Committee") – A Departmental committee that will make funding and commitment recommendations to the Board based upon the evaluation of an Application in accordance with the housing priorities as set forth in Chapter 2306 of the Texas Government Code, and as set forth herein, and the ability of an Applicant to meet those priorities. [2306.6702]

(35~~36~~) **Extended ~~Low Income~~ Housing Commitment** - An agreement between the Department, the Development Owner and all successors in interest to the Development Owner concerning the extended ~~low income~~ housing use of buildings within the Development throughout the extended use period as provided in the Code, §42(h)(6). The Extended ~~Low Income~~ Housing Commitment with respect to a Development is expressed in the LURA applicable to the Development.

(36~~37~~) **General Contractor** - One who contracts for the construction or rehabilitation of an entire ~~building or~~ Development, rather than a portion of the work. The General Contractor hires subcontractors, such as plumbing contractors, electrical contractors, etc., coordinates all work, and is responsible for payment to the ~~said~~ subcontractors. This party may also be referred to as the "contractor."

~~(38) **General Developments** - Any Development which is not a Qualified Nonprofit Development or is not under consideration in the Rural, At-Risk Development or Elderly Set-Asides as such terms are defined by the Department.~~

(37~~39~~) **General Partner** – That partner, or collective of partners, identified as the general partner of the partnership that is the Development Owner and that has general liability for the partnership. In addition, unless the context shall clearly indicate ~~to~~ the contrary, if the Development Owner~~entity~~ in question is a limited liability company, the term "General Partner" shall also mean the managing member or other party with management responsibility for the limited liability company.

~~(40) **General Pool** - The pool of Housing Tax Credits that have been returned or recovered from prior years' allocations or the current year's Commitment Notices after the Board has made its initial commitment of the current year's available State Housing Credit Ceiling. General Pool Housing Tax Credits will be used to fund Applications on the waiting list.~~

(38~~41~~) **Governmental Entity** - Includes federal or state agencies, departments, boards, bureaus, commissions, authorities, and political subdivisions, special districts and other similar entities.

(39) Guarantor – Means any Person that provides, or is anticipated to provide, a guaranty for the equity or debt financing for the Development. [WG]

(40~~42~~) **Historic Development** – A residential Development that has received a historic property designation by a federal, state or local government entity.

(41~~43~~) **Historically Underutilized Businesses (HUB)** – Any entity defined as ~~an~~a historically underutilized business with its principal place of business in the State of Texas in accordance with Chapter 2161, Texas Government Code.

(42~~44~~) **Housing Credit Agency** - A Governmental Entity charged with the responsibility of allocating Housing Tax Credits pursuant to the Code, §42. For the purposes of this title, the Department is the sole "Housing Credit Agency" of the State of Texas.

(43~~45~~) **Housing Credit Allocation** - An allocation by the Department to a Development Owner of Housing Tax Credit in accordance with the provisions ~~§49.17~~ of this title.

(44~~46~~) **Housing Credit Allocation Amount** - With respect to a Development or a building within a Development, that amount the Department determines to be necessary for the financial feasibility of the Development and its viability as a Development throughout the affordability period~~Compliance Period~~ and which it allocates to the Development.

(45~~47~~) **Housing Tax Credit** ("tax credits") – A tax credit allocated, or for which a Development may qualify, under the ~~Low Income~~ Housing Tax Credit Program, pursuant to the Code, §42. [2306.6702]

(46~~48~~) **HUD** - The United States Department of Housing and Urban Development, or its successor.

(47~~49~~) **Ineligible Building Types** - Those ~~buildings or facilities~~Developments which are ineligible, pursuant to this QAP, for funding under the ~~Low Income~~ Housing Tax Credit Program, as follows:

(A) Hospitals, nursing homes, trailer parks, ~~and~~ dormitories (or other buildings that will be predominantly occupied by students) or other facilities which are usually classified as transient housing (other than certain specific types of transitional housing for the homeless and single room occupancy units, as provided in the Code, §§42(i)(3)(B)(iii) and (iv)) are not eligible. However, structures formerly used as hospitals, nursing homes or dormitories are eligible for Housing Tax Credits if the Development involves the conversion of the building to a non-transient multifamily residential development.

(B) Any Qualified Elderly Development of two stories or more that does not include elevator service for any Units or living space above the first floor.

(C) Any Qualified Elderly Development with any Units having more than two bedrooms.

(D~~C~~) Any Development with building(s) with four or more stories that does not include an elevator.

(E~~D~~) Any Development proposing new construction, other than a Development (new construction or rehabilitation) composed entirely of single-family dwellings, having any Units with four or more bedrooms.

(F) Any Development that violates the Integrated Housing Policy of the Department.

(G) Any Development involving new construction (other than a Qualified Elderly Development, a single family development or a transitional housing development) in which any of the designs in clauses (i) through (iii) of this subparagraph are proposed. For purposes of this limitation, a den, study or other similar space that could reasonably function as a bedroom will be considered a bedroom.

(i) more than 60% of the total Units are one bedroom Units; or

(ii) more than 60% of the total Units are two bedroom Units; or

(iii) more than 40% of the total Units are three bedroom Units.

(48~~50~~) **IRS** - The Internal Revenue Service, or its successor.

(49~~51~~) **Land Use Restriction Agreement** (LURA) - An agreement between the Department and the Development Owner which is binding upon the Development Owner's successors in interest, that encumbers the Development with respect to the requirements of this chapter, Chapter 2306, Texas Government Code,~~title~~ and the requirements of the Code, §42. [2306.6702]

~~(52) **Material Deficiencies** - Deficiencies that are not eligible to be remedied pursuant to paragraph (1) of this subsection. Deficiencies caused by the omission of Threshold Criteria documentation specifically required by §49.9(e) of this title shall automatically be considered Material Deficiencies and shall be cause for termination.~~

(50~~53~~) **Material Non-Compliance** - A property located within the state of Texas will be classified by the Department as being in material non-compliance status if the non-compliance score for such property is equal to or exceeds 30 points in accordance with the provisions of §~~49~~50.5(b)(3)~~(6)~~ of this title and under the methodology and point system set forth in Chapter 60 of this title, to be proposed.~~§49.19 of this title.~~ A property located outside the state of Texas will be classified by the Department as being in Material Non-compliance status if the non-compliance score for such property is equal to or exceeds 30 points in accordance with the provisions of §~~49~~50.5(b)(4)~~(7)~~ of this title and under the methodology and point system set forth in Chapter 60 ~~§49.19~~ of this title, to be proposed.

(51~~54~~) **Minority Owned Business** - A business entity at least 51% of which is owned by members of a minority group or, in the case of a corporation, at least 51% of the shares of which are owned by members of a minority group, and that is managed and ~~control~~Controlled by members of a minority group in its daily operations. Minority group includes women, African Americans, American Indians, Asian Americans, and Mexican Americans and other Americans of Hispanic origin. [2306.6734]

(52~~55~~) **ORCA** – Office of Rural Community Affairs, as established by Chapter 487 of Texas ~~Local~~ Government Code. [2306.6702]

(53~~56~~) **Person** - Means, without limitation, any natural person, corporation, partnership, limited partnership, joint venture, limited liability company, trust, estate, association, cooperative, government, political subdivision, agency or instrumentality or other organization or entity of any nature whatsoever and shall include any group of Persons acting in concert toward a common goal, including the individual members of the group.

(54~~57~~) **Persons with Disabilities** - A person who:

(A) has a physical, mental or emotional impairment that:

(i) is expected to be of a long, continued and indefinite duration,

(ii) substantially impedes his or her ability to live independently, and

(iii) is of such a nature that the disability could be improved by more suitable housing conditions, ~~or~~

(B) has a developmental disability, as defined in ~~Section 102(7) of~~ the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. Section 15002~~6001-6007~~), or~~.~~

(C) has a disability, as defined in 24 CFR §5.403.

(55~~58~~) **Pre-Application** – A preliminary application, in a form prescribed by the Department, filed with the Department by an Applicant prior to submission of the Application, including any required exhibits or other supporting material, as more fully described in §§~~49~~50.8 and ~~49~~50.22 of this title.

(56~~59~~) **Pre-Application Acceptance Period** - That period of time during which Pre-Applications for a Housing Credit Allocation from the State Housing Credit Ceiling may be submitted to the Department.

(57~~60~~) **Principal** – the term Principal is defined as Persons that will ~~have an ownership interest in, or that will~~ exercise ~~Control~~Control over~~,~~ a partnership, corporation, limited liability company, trust, or any other ~~public or~~ private entity. ~~and their Affiliates that will have an ownership interest in, or that will exercise Control over, the Applicant.~~ In the case of:

(A) partnerships, Principals include all General Partners and Special LP and Principals with at least 10% ownership interest ~~regardless of their percentage interest~~;

(B) corporations, Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer and all other executive officers, ~~who are directly responsible to the board of directors or any equivalent governing body as well as all directors~~ and each stock holder having a ten percent or more interest in the corporation; and

(C) limited liability companies, Principals include all ~~members, regardless of their percentage~~ managing members, members having a ten percent or more interest in the limited liability company or any officer authorized to act on behalf of the limited liability company.

(58~~61~~) **Prison Community** – A city or town which is located outside of a Metropolitan Statistical Area (MSA) or Primary Metropolitan Statistical Area (PMSA) and was awarded a state prison within the past five years.

(59~~62~~) **Property** - The real estate and all improvements thereon which are the subject of the Application (including all items of personal property affixed or related thereto), whether currently existing or proposed to be built thereon in connection with the Application.

(60~~63~~) **Qualified Allocation Plan** (QAP) – [2306.6702 - §17 of SB264] A plan adopted by the Board, and approved by the Governor, under this title, and as provided in the Code, § 42(m)(1) ~~(specifically including preference for Developments located in Qualified Census Tracts and the development of which contributes to a concerted community revitalization plan)~~ and as further provided in §§~~49~~50.1 through ~~49~~50.24 of this title, that:

(A) provides the threshold and scoring, and underwriting process based on housing priorities of the Department that are appropriate to local conditions; and

(B) consistent with §2306.6710(e), Texas Government Code, gives preference in Housing Credit Allocations to Developments that, as compared to other Developments:

(i) when practicable and feasible based on documented, committed, and available Third-Party funding sources, serve the lowest income tenants per housing tax credit; and

(ii) produce ~~are affordable to qualified tenants~~ for the longest economically feasible period the greatest number of high quality Units committed to remaining affordable to any tenants who are income-eligible under the Housing Tax Credit Program; and

(C) provides a procedure for the Department, the Department's agent, or ~~another~~ private contractor of the Department to use in monitoring compliance with the Qualified Allocation Plan, notifying the IRS of noncompliance, and monitoring for noncompliance with habitability standards through regular site visits.

(61~~64~~) **Qualified Basis** - With respect to a building within a Development, the building's Eligible Basis multiplied by the Applicable Fraction, within the meaning of the Code, §42(c)(1).

(62~~65~~) **Qualified Census Tract** - Any census tract which is so designated by the Secretary of HUD in accordance with the Code, §42(d)(5)(C)(ii).

(63~~66~~) **Qualified Elderly Development** – A Development which meets the requirements of the federal Fair Housing Act and:

(A) is intended for, and solely occupied by, individuals 62 years of age or older; or

(B) is intended and operated for occupancy by at least one individual 55 years of age or older per Unit, where at least 80% of the total housing Units are occupied by at least one individual who is 55 years of age or older; and where the Development Owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older. (See 42 U.S.C. Section 3607(b)).

(64~~67~~) **Qualified Market Analyst** - A real estate appraiser certified or licensed by the Texas Appraiser or Licensing and Certification Board or a real estate consultant or other professional currently active in the subject property's market area who demonstrates competency, expertise, and the ability to render a high quality written report. The individual's performance, experience, and educational background will provide the general basis for determining competency as a Market Analyst. ~~Such determination~~Competency will be determined~~at the sole discretion of~~ by the Department, in its sole discretion. The Qualified Market Analyst must be a Third Party.

(65~~68~~) **Qualified Nonprofit Organization** - An organization that is described in the Code, §501(c)(3) or (4), as these cited provisions may be amended from time to time, that is exempt from federal income taxation under the Code, §501(a), that is not ~~A~~affiliated with or ~~Control~~Controlled by a for profit organization, and includes as one of its exempt purposes the fostering of low income housing within the meaning of the Code, §42(h)(5)(C). A Qualified Nonprofit Organization may select to compete in one or more of the Set-Asides, including, but not limited to, the nonprofit Set-Aside,~~ the rural developments Set-Aside, ~~the At-Risk Development Set-Aside and the ~~general~~ TX-USDA-RHS Set-Aside.

(66~~69~~) **Qualified Nonprofit Development** - A Development in which a Qualified Nonprofit Organization (directly or through a partnership or wholly-owned subsidiary) holds a controlling interest, materially participates (within the meaning of the Code, §469(h), as it may be amended from time to time) in its development and operation throughout the Compliance Period, and otherwise meets the requirements of the Code, §42(h)(5). [WG] [2306.6729]

(67~~70~~) **Reference Manual** - That certain manual, and any amendments thereto, produced by the Department which sets forth reference material pertaining to the ~~Low Income~~ Housing Tax Credit Program.

(68~~71~~) **Related Party** – As defined,

(A) The following individuals or entities:

(i) the brothers, sisters, spouse, ancestors, and descendants of a person within the third degree of consanguinity, as determined by Chapter 573, ~~of the~~ Texas Government Code;

(ii) a person and a corporation, if the person owns more than 50 percent of the outstanding stock of the corporation;

(iii) two or more corporations that are connected through stock ownership with a common parent possessing more than 50 percent of:

(I) the total combined voting power of all classes of stock of each of the corporations that can vote;

(II) the total value of shares of all classes of stock of each of the corporations; or

(III) the total value of shares of all classes of stock of at least one of the corporations, excluding, in computing that voting power or value, stock owned directly by the other corporation;

(iv) a grantor and fiduciary of any trust;

(v) a fiduciary of one trust and a fiduciary of another trust, if the same person is a grantor of both trusts;

(vi) a fiduciary of a trust and a beneficiary of the trust;

(vii) a fiduciary of a trust and a corporation if more than 50 percent of the outstanding stock of the corporation is owned by or for:

(I) the trust; or

(II) a person who is a grantor of the trust;

(viii) a person or organization and an organization that is tax-exempt under the Code, §501(a), and that is controlled by that person or the person's family members or by that organization;

(ix) a corporation and a partnership or joint venture if the same persons own more than:

(I) 50 percent of the outstanding stock of the corporation; and

(II) 50 percent of the capital interest or the profits' interest in the partnership or joint venture;

(x) an S corporation and another S corporation if the same persons own more than 50 percent of the outstanding stock of each corporation;

(xi) an S corporation and a C corporation if the same persons own more than 50 percent of the outstanding stock of each corporation;

(xii) a partnership and a person or organization owning more than 50 percent of the capital interest or the profits' interest in that partnership; or

(xiii) two partnerships, if the same person or organization owns more than 50 percent of the capital interests or profits' interests.

~~(B) As a note to Applicants, n~~Nothing in this definition is intended to constitute the Department's determination as to what relationship might cause entities to be considered "related" for various purposes under the Code.

(69~~72~~) **Rules** - The Department's ~~Low Income~~ Housing Tax Credit Qualified Allocation Plan and Rules as presented in this title.

(70~~73~~) **Rural Area** – An area that is located:

(A) outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area;

(B) within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 20,000 or less and does not share a boundary with an urban area; or

(C) in an area that is eligible for new construction or rehabilitation funding by TX-USDA-RHS. [2306.6702]

(71~~74~~) **Rural Development** - A Development located within a Rural Area and for which the Applicant applies for tax credits under the ~~Rural~~ Rural Regional Allocation~~Set-Aside~~.

(72~~75~~) **Selection Criteria** - Criteria used to determine housing priorities of the State under the ~~Low Income~~ Housing Tax Credit Program as specifically defined in §~~49~~50.9(g)~~(f)~~ of this title.

(73~~76~~) **Set-Aside** – A reservation of a portion of the available Housing Tax Credits to provide financial support for specific types of housing or geographic locations or serve specific types of Applicants as permitted by the Qualified Allocation Plan on a priority basis.~~ as permitted by the Qualified Allocation Plan.~~ [2306.6702]

(74~~77~~) **State Housing Credit Ceiling** - The limitation imposed by the Code, §42(h), on the aggregate amount of Housing Credit Allocations that may be made by the Department during any calendar year, as determined from time to time by the Department in accordance with the Code, §42(h)(3).

(75~~78~~) **Student Eligibility** - Per the Code, §42(i~~l~~)(3)(D), "A unit shall not fail to be treated as a low-income unit merely because it is occupied:

(A) by an individual who is:

(i) a student and receiving assistance under Title IV of the Social Security Act (42 U.S.C. §§ 601 et seq.), or

(ii) enrolled in a job training program receiving assistance under the Job Training Partnership Act (29 USCS §§ 1501 et seq., generally; for full classification, consult USCS Tables volumes) or under other similar Federal, State, or local laws, or

(B) entirely by full-time students if such students are:

(i) single parents and their children and such parents and children are not dependents (as defined in section 152) of another individual, or

(ii) married and file a joint return."

(76~~79~~) **Tax Exempt Bond Development** - A Development which receives a portion of its financing from the proceeds of tax exempt bonds which are subject to the state volume cap as described in the Code, §42(h)(4)~~(B)~~, such that the Development does not receive an allocation of tax credit authority from the State Housing Credit Ceiling.

(77~~80~~) **Third Party** – ~~a Person who is not an Affiliate, Related Party or Beneficial Owner of the Applicant,~~ A Third Party is a Person who is not an:~~General Partner, Developer or General Contractor.Person(s) receiving a portion of the contractor fee.~~[WG]

(A) Applicant, General Partner, Developer, or General Contractor, or

(B) an Affiliate or a Related Party to the Applicant, General Partner, Developer or General Contractor, or

(C) Person(s) receiving any portion of the contractor fee or developer fee.

(78~~81~~) **Threshold Criteria** - Criteria used to determine whether the Development satisfies the minimum level of acceptability for consideration as specifically defined in §~~49~~50.9(f)~~(e)~~ of this title. [2306.6702]

(79~~82~~) **Total Housing Development Cost** - The total of all costs incurred or to be incurred by the Development Owner in acquiring, constructing, rehabilitating and financing a Development, as determined by the Department based on the information contained in the ~~Applicant's~~ Application. Such costs include reserves and any expenses attributable to commercial areas. Costs associated with the sale or use of Housing Tax Credits to raise equity capital shall also be included in the Total Housing Development Cost. Such costs include but are not limited to syndication and partnership organization costs and fees, filing fees, broker commissions, related attorney and accounting fees, appraisal, engineering, and the environmental site assessment.

(80~~83~~) **TX-USDA-RHS** - The Rural Housing Services (RHS) of the United States Department of Agriculture (USDA) serving the State of Texas (formerly known as TxFmHA) or its successor.

(81~~84~~) **Unit** - Any residential rental unit in a Development consisting of an accommodation including a single room used as an accommodation on a non-transient basis, that contains ~~separate and~~ complete physical facilities and fixtures for living, sleeping, eating, cooking and sanitation. [2306.6702 as amended by SB264]

§~~49~~50.4. State Housing Credit Ceiling.

The Department shall determine the State Housing Credit Ceiling for each calendar year as provided in the Code, §42(h)(3)(C), using such information and guidance as may be made available by the Internal Revenue Service. The Department shall publish each such determination in the *Texas Register* within 30 days after the receipt of such information as is required for that purpose by the Internal Revenue Service. The aggregate amount of commitments of Housing Credit Allocations made by the Department during any calendar year shall not exceed the State Housing Credit Ceiling for such year as provided in the Code, §42. Housing Credit Allocations made to Tax Exempt Bond Developments are not included in the State Housing Credit Ceiling.

§~~49~~50.5. Ineligibility, Disqualification and Debarment, Applicant Standards, Representation by Former Board Member or Other Person.

(a) **Ineligibility.** An Application will be ineligible if:

(1) The Applicant, Development Owner, Developer or Guarantor ~~A member of the Development Team~~ has been or is barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs; or,

(2) The Applicant, Development Owner, Developer or Guarantor ~~A member of the Development Team~~ has been ~~or is~~ convicted of~~, under indictment for, or on probation for~~ a state or federal crime involving fraud, bribery, theft, misrepresentations of material facts, misappropriation of funds, or other similar criminal offenses within fifteen years preceding the Application deadline; or,

(3) The Applicant, Development Owner, Developer or Guarantor at the time of Application is: ~~A member of the Development Team has been or is~~ subject to an enforcement action under state or federal securities law;~~,~~ is subject to a federal tax lien; or is the subject of an enforcement proceeding with any Governmental Entity; or ~~unless such action has been concluded and no adverse action or finding (or entry into a consent order) has been taken with respect to such member; or~~

(4) The Applicant, Development Owner, Developer or Guarantor ~~A member of the Development Team~~ with any past due audits has not submitted those past due audits to the Department in a satisfactory format on or before the close of the Application Acceptance Period. A Person is not eligible to receive a commitment of Housing Tax Credits from the Department if any audit finding or questioned or disallowed cost is unresolved as of June 1 of each year, or for Tax Exempt Bond Developments is unresolved as of the date the Application is submitted; or~~.~~

(5) [2306.6703 as amended] At the time of Application or at any time during the two-year period preceding the date the Application Round begins (or for Tax Exempt Bond Developments any time during the two-year period preceding the date the Application is submitted to the Department), the Applicant or a Related Party is or has been:

(A) a member of the Board; or

(B) the Executive Director, a Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Portfolio Management and Compliance, the Director of Real Estate Analysis, or a manager over housing tax credits employed by the Department.

(6) [2306.6703 as amended] The Applicant proposes to replace in less than 15 years any private activity bond financing of the Development described by the Application, unless:

(A) the Applicant proposes to maintain for a period of 30 years or more 100 percent of the Development Units supported by Housing Tax Credits as rent-restricted and exclusively for occupancy by individuals and families earning not more than 50 percent of the Area Median Gross Income, adjusted for family size; and

(B) at least one-third of all the units in the Development are public housing units or Section 8 Development-based units; or,

(7) The Development is located in a municipality or, if located outside a municipality, a county, that has more than twice the state average of units per capita supported by Housing Tax Credits or private activity bonds unless the Applicant:

(A) has obtained prior approval of the Development from the governing body of the appropriate municipality or county containing the Development in the form of a resolution; and

(B) has included in the Application a written statement of support from that governing body referencing this rule and authorizing an allocation of housing tax credits for the Development; or

(8) The Applicant proposes to construct a new Development that is located one linear mile (measured by a straight line on a map) or less from a Development that:

(A) serves the same type of household as the new Development, regardless of whether the Developments serve families, elderly individuals, or another type of household;

(B) has received an allocation of Housing Tax Credits (including Tax Exempt Bond Developments) for new construction at any time during the three-year period preceding the date the application round begins (or for Tax Exempt Bond Developments the three-year period preceding the date the Volume I is submitted); and

(C) has not been withdrawn or terminated from the Housing Tax Credit Program.

(D) An Application is not ineligible under this paragraph if:

(i) the Development is using federal HOPE VI funds received through the United States Department of Housing and Urban Development; locally approved funds received from a public improvement district or a tax increment financing district; funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Section 12701 et seq.); or funds provided to the state and participating jurisdictions under the Housing and Community Development Act of 1974 (42 U.S.C. Section 5301 et seq.); or

(ii) the Development is located in a county with a population of less than one million; or

(iii) the Development is located outside of a metropolitan statistical area; or

(iv) the local government where the Development is to be located has by vote specifically allowed the construction of a new Development located within one linear mile or less from a Development described under subparagraphs (A) through (C) of this paragraph. [[2306.6703 as amended by SB264 and HB2308.]

(E) In determining the age of an existing development as it relates to the application of the three-year period, the development will be considered from the date the Board took action on approving the allocation of tax credits. For example, a Development whose credits were approved by the Board on March 15, 2002, could not have a new Development located within one mile until March 16, 2005. In dealing with ties between two or more Developments as it relates to this rule, refer to §50.9(h).

(b) **Disqualification and Debarment.** ~~Additionally, t~~The Department will disqualify an Application, and/or debar a Person (see §2306.6721, Texas Government Code), if it is determined by the Department that those issues identified in paragraphs (1) through (6~~10~~) of this subsection exist. ~~A Person debarred by the Department from participation in the Low Income Housing Tax Credit Program, or an Applicant whose Application has been disqualified, may appeal the debarment or disqualification to the Board.~~ The Department shall debar a Person for the longer of, one year from the date of debarment, or until the violation causing the debarment has been remedied. Causes for disqualification and debarment include: [2306.6721]

(1) The provision of fraudulent information, knowingly false documentation, or other intentional or negligent material misrepresentation ~~has been provided~~ in the Application or other information submitted to the Department ~~. The aforementioned policy will apply~~ at any stage of the evaluation or approval process; or,

~~(2) at the time of Application or at any time during the two-year period preceding the date the application round begins (or for Tax Exempt Bond Developments any time during the two-year period preceding the date the Application is submitted to the Department), the Applicant or a Related Party is or has been:~~

~~(A) a member of the Board; or~~

~~(B) the executive director, the deputy executive director for programs, the deputy executive director for housing operations, the director of multifamily finance production, the director of portfolio management and compliance or the director of real estate analysis employed by the Department.~~

~~(3) the Applicant, the Development Owner, or the General Contractor, or any Affiliate of the Applicant, the Development Owner, or the General Contractor that is active in the ownership or control of one or more other tax credit properties in the state of Texas who received a commitment of tax credits in the 2001 or 2002 Application Round but did not close the construction loan, or meet the deadlines for the commencement of substantial construction as required under the Carryover Allocation (including any extension period granted by the Board) except for instances where an extension has been approved by the Board.~~

~~(4) the Applicant proposes to replace in less than 15 years any private activity bond financing of the Development described by the Application, unless:~~

~~(A) the Applicant proposes to maintain for a period of 30 years or more 100 percent of the Development Units supported by Housing Tax Credits as rent-restricted and exclusively for occupancy by individuals and families earning not more than 50 percent of the Area Median Gross Income, adjusted for family size; and~~

~~(B) at least one-third of all the units in the Development are public housing units or Section 8 Development-based units; or,~~

(2~~5~~) ~~The Applicant, Development Owner, Developer or Guarantor the Applicant, the Development Owner, or the General Contractor, or any Affiliate of the Applicant, the Development Owner, or the General Contractor that is active in the ownership or cControl of one or more other tax credit properties in the state of Texas for which credits were allocated (Carryover Allocation or issuance of 8609's) has failed to close the construction loan, failed to meet the deadline for the commencement of substantial construction, or failed to place in service buildings or removed from service buildings for which credits were allocated (either Carryover Allocation or issuance of 8609s) within the past five years, except for instances where an extension has been approved by the Department or the Board. The Department may consider the facts and circumstances on a case-by-case basis, including whether the credits were returned prior to the expiration date for re-issuance of the credits, in its sole determination of Applicant eligibility; or,~~ [WG]

(2) at the time of Application or at any time during the two-year period preceding the date the application round begins (or for Tax Exempt Bond Developments any time during the two-year period preceding the date the Application is submitted to the Department), the Applicant or a Related Party is or has been:

(A) a member of the Board; or

(B) the executive director, the deputy executive director for programs, the deputy executive director for housing operations, the director of multifamily finance production, the director of portfolio management and compliance or the director of real estate analysis employed by the Department.

(3~~6~~) The Applicant, Development Owner, Developer or Guarantor ~~the Applicant, the Development Owner, or the General Contractor, or any Affiliate of the Applicant, the Development Owner, or the General Contractor~~ that is active in the ownership or ~~control~~Control of one or more other rent restricted~~low income~~ rental housing properties in the state of Texas funded by the Department is in Material Non-Compliance with the LURA (or any other document containing an Extended ~~Low Income~~ Housing Commitment) or the program rules in effect for such property on the date the Application Round closes or upon the date of filing Volume I of the Application for a Tax Exempt Bond Development, and such Material-Noncompliance is not corrected as provided herein. Any corrective action documentation affecting the Material Non-Compliance status score for Applicant's competing in the 2004~~2003~~ Application Round must be received by the Department no later than 30 days prior to the close of the Application Acceptance Period~~February 1, 2003~~, and any corrective action documentation affecting the Material Non-Compliance status score for Applicants with a Tax Exempt Bond Development must be received by the Department no later than 30 days prior to the submission of Volumes I and II. The Department may take into consideration the representations of the Applicant regarding compliance violations described in §~~49~~50.9(f)(9)~~(e)(8)~~(C) and (D) of this title; however, the records of the Department are ~~control~~Controlling; or, [WG]

(4~~7~~) The Applicant, Development Owner, Developer or Guarantor ~~the Applicant, the Development Owner, or the General Contractor, or any Affiliate of the Applicant, the Development Owner, or the General Contractor~~ that is active in the ownership or ~~control~~Control of one or more other rent restricted~~low income~~ rental housing properties outside of the state of Texas has an incidence of non-compliance with the LURA or the program rules in effect for such tax credit property as reported on the Uniform Application Previous Participation Certification and/or as determined by the state regulatory authority for such state and such non-compliance is determined to be Material Non-Compliance by the Department using methodology as set forth in Chapter 60 of this title, to be proposed~~§49.19 of this title~~; or, [WG]

(5~~8~~) The Applicant or the Development Owner ~~the Applicant, the Development Owner, or the General Contractor, or any Affiliate of the Applicant, the Development Owner, or the General Contractor~~ that is active in the ownership or ~~control~~Control of one or more ~~other~~ tax credit properties in the state of Texas has failed to pay in full any fees billed by the Department after the due date has passed, as further described in §~~49~~50.21 of this title; or [WG]

~~(9) the Development is located on a site that has been determined to be "unacceptable" by the Department staff; or~~

(~~10~~6) the Applicant or a Related Party, the Development Owner, or the General Contractor, or any Affiliate of ~~the Applicant, the Development Owner, or~~ the General Contractor that is active in the ownership or ~~control~~Control of the Development, or individual employed as a lobbyist or in another capacity on behalf of the Development, communicates with any Board member ~~or member of the Committee~~ with respect to the Development during the period of time starting with the time an Application is submitted until the time the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application. Communication with Department staff must be in accordance with §50.9(b) of this title; violation of the communication restrictions of §50.9(b) is also a basis for disqualification and/or debarment. [2306.1113 as revised by §10 of SB264]

(7) It is determined by the Department's General Counsel that there is evidence that establishes probable cause to believe that an Applicant, Development Owner, Developer, or any of their employees or agents has violated a state revolving door or other standard of conduct or conflict of interest statute, including Section 2306.6733, Texas Government Code, or a section of Chapter 572, Texas Government Code, in making, advancing, or supporting the Application.

(c) **Certain Applicant and Development Standards.** Notwithstanding any other provision of this section, the Department may not allocate tax credits to a Development proposed by an Applicant if the Department determines that: [2306.223]

(1) the Development is not necessary to provide needed decent, safe, and sanitary housing at rental~~s or~~ prices that individuals or families of low and very low income or families of moderate income can afford;

(2) the ~~housing sponsor~~Development Owner undertaking the proposed Development will not supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income;

(3) the ~~housing sponsor~~Development Owner is not financially responsible;

(4) the ~~housing sponsor~~Development Owner has contracted, or will ~~enter into a~~ contract for the proposed Development with, a Developer~~Person~~ that:

(A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development;

(B) has breached a contract with a public agency and failed to cure that breach; or

(C) misrepresented to a subcontractor the extent to which the Developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the Developer's participation in contracts with the agency and the amount of financial assistance awarded to the Developer by the agency;

(5) the financing of the housing Development is not a public purpose and will not provide a public benefit; and

(6) the Development will be undertaken outside the authority granted by this chapter to the ~~multifamily finance production division~~Department and the ~~housing sponsor~~Development Owner. (See §2306.223, Texas Government Code).

(d) **Representation by Former Board Member or Other Person.** [2306.6733]

(1) A former Board member or a former executive director, deputy executive director, ~~for programs, deputy executive director for housing operations,~~ director of multifamily finance production, director of portfolio management and compliance, ~~or~~ director of real estate analysis or manager over housing tax credits previously employed by the Department may not:

(A) for compensation, represent an Applicant or one of its Related Parties for an allocation of tax credits before the second anniversary of the date that the Board member's, director's, or manager's service in office or employment with the Department cease~~s~~d;

(B) represent any Applicant or a Related Party of an Applicant or receive compensation for services rendered on behalf of any Applicant or Related Party regarding the consideration of an Application in which the former board member, director, or manager participated during the period of service in office or employment with the Department, either through personal involvement or because the matter was within the scope of the board member's, director's, or manager's official responsibility; or for compensation, communicate directly with a member of the legislative branch to influence legislation on behalf of an Applicant or Related Party before the second anniversary of the date that the board member's, director's, or manager's service in office or employment with the Department cease~~s~~d.

(2) A Person commits an offense if the Person violates this section. An offense under this section is a Class A misdemeanor. (See §2306.6733, Texas Government Code).

(e) **Appeals and Administrative Deficiencies for Ineligibility, Disqualification and Debarment.** An Applicant or Person found ineligible, disqualified, debarred or otherwise terminated under subsections (a) through (d) of this section will first be notified in accordance with the Administrative Deficiency process described in §50.9(d)(3) of this title. They may also utilize the appeals process described in §50.18(b) of this title.

§~~49~~50.6. Site and Development Restrictions: Floodplain, Ineligible Building Types, Scattered Site Limitations, Credit Amount, Limitations on the Size of Developments, Rehabilitation Costs.

(a) **Floodplain.** Any Development proposing new construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No Developments proposing rehabilitation, with the exception of developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for new construction.

(b) **Ineligible Building Types**. Applications involving Ineligible Building Types as defined in §~~49~~50.3(4~~9~~7) of this title will not be considered for allocation of tax credits. ~~under this QAP and the Rules.~~

(c) **Scattered Site Limitations.** Consistent with §~~49~~50.3(~~29~~28) of this title, a Development must be financed under a common plan, be owned by the same Person for federal tax purposes, and the buildings may be either located on a single site or contiguous site, or be located on scattered sites and contain only rent-restricted units.

(d) **Credit Amount.** The Department shall issue tax credits only in the amount needed for the financial feasibility and viability of a Development throughout the affordability period. ~~Compliance Period.~~ The issuance of tax credits or the determination of any allocation amount in no way represents or purports to warrant the feasibility or viability of the Development by the Department, or that the Development will qualify for and be able to claim ~~such~~ Housing Tax Credits. The Department will limit the allocation of tax credits to no more than $1.2 million per Development. The Department shall not allocate more than $2 million~~$1.6 million~~ of tax credits in any given Application Round to any Applicant, Developer, Related Party or Guarantor. ~~entity that provides, or is anticipated to provide, for a fee, a guarantee to secure equity or financing for the transaction.~~ In order to encourage the capacity enhancement of developers in rural areas, the Department will pro rate the credit amount allocated in situations where an Application is submitted in the Rural Regional Allocation and the Development has less than 76 Units. To be considered for this provision, a copy of a Joint Venture Agreement and narrative on how this builds the capacity of the inexperienced developers is required. Tax Exempt Bond Development Applications are not subject to these Housing Tax Credit limitations, and Tax Exempt Bond Developments will not count towards the total limit on tax credits per Applicant. The limitation does not apply [2306.6711(b) as revised]:

(1) to an entity which raises or provides equity for one or more Developments, solely with respect to its actions in raising or providing equity for such Developments (including syndication related activities as agent on behalf of investors);

(2) to the provision by an entity of "qualified commercial financing" within the meaning of the Code (without regard to the 80% limitation thereof);

(3) to a Qualified Nonprofit Organization or other not-for-profit entity, to the extent that the participation in a Development by such organization consists only of the provision of loan funds, grants or social services; and

(4) to a Development Consultant with respect to the provision of consulting services, ~~.~~ provided the Development Consultant fee received for such services does not exceed 10% of the fee to be paid to the Developer (or 20% for Qualified Nonprofit Developments), or $150,000, whichever is greater. [WG]

(e) **Limitations on the Size of Developments.**

(1) The minimum Development size will be 16 Units.

(2) Rural Developments involving new construction will be limited to 76 Units unless the Market Analysis clearly documents that larger developments are consistent with the comparables in the community and that there is significant demand for additional Units. ~~Rural Developments exceeding 76 Units based on the Market Analysis will be ineligible for the Rural Set-Aside~~ Rural Developments involving only rehabilitation do not have a size limitation. [WG]

(3) ~~Developments involving new construction, that are not Tax Exempt Bond Developments, will be limited to 250 Units. Tax Exempt Bond Developments will be limited to 280 Units. For the 2004 Application Round,~~ Developments involving new construction, that are not Tax Exempt Bond Developments, will be limited to 250 Units, wherein the maximum rent restricted Units will be limited to 200 Units. ~~For Applicants competing in the 2004 Texas Bond Review Board Multifamily Lottery,~~ Tax Exempt Bond Developments will be limited to 250 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions. For those Developments which are a second phase or are otherwise adjacent to an existing tax credit Development unless such proposed Development is being constructed to provide replacement of previously existing affordable multifamily units on its site (in a number not to exceed the original units being replaced) or that were originally located within a one mile radius from the proposed Development, the combined Unit total for the Developments may not exceed the maximum allowable Development size, unless the first phase has been completed and has attained Sustaining Occupancy (as defined in §1.31 of this title) for at least six months.

(f) Limitations on the Location of Developments. Staff will only recommend, and the Board may only allocate, housing tax credits to more than one Development in the same calendar year if the Developments are, or will be, located more than one linear mile apart as determined by the Department. This limitation applies only to communities contained within counties with populations exceeding one million (which for calendar year 2004 are Harris, Dallas, Tarrant and Bexar Counties). For Tax Exempt Bond Developments, the year of the Development is the calendar year in which the Board approves the housing tax credits for the Development. In dealing with ties between two or more Developments as it relates to this rule, refer to §50.9(h). [Section 23 of 264 – 2306.6711]

(g~~f~~) **Rehabilitation Costs.** Rehabilitation Developments must establish that the rehabilitation will substantially improve the condition of the housing and will involve at least $6,000 per Unit in direct hard costs.

(h) **Unacceptable Sites.** Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department.

§~~49~~50.7. Regional Allocation Formula, Set-Asides, Redistribution of Credits.

(a) **Regional Allocation Formula.** [2306.111(d) as revised by §9 of SB264] As required by §2306.111, ~~of the~~ Texas Government Code, the Department ~~will~~ uses a regional distribution formula developed by the Department to distribute credits from the State Housing Credit Ceiling to all urban/exurban areas and rural areas. The formula is~~will be~~ based on the need for housing assistance, and the availability of housing resources in those urban/exurban areas and rural areas, and the Department ~~will~~ uses the information contained in the Department's annual state low income housing plan and other appropriate data to develop the formula. This formula ~~will~~ establishes separate targeted tax credit amounts for rural areas and urban/exurban areas within each of the Uniform State Service Regions. Each Uniform State Service Region's targeted tax credit amount will be published in the *Texas Register* and on the Department's web site. ~~concurrently with the publication of the QAP.~~ The regional allocation for rural areas is referred to as the Rural Regional Allocation and the regional allocation for urban/exurban areas is referred to as the Urban/Exurban Regional Allocation. Developments qualifying for the Rural Regional Allocation must meet the Rural Development definition or be located in a Prison Community. Approximately 5% of each region's allocation for each calendar year shall be allocated to Developments which are financed through TX-USDA-RHS and that meet the definition of a Rural Development and do not exceed 76 Units if new construction. These Developments will be attributed to the Rural Regional Allocation in each region where they are located. Developments financed through TX-USDA-RHS's 538 Guaranteed Rural Rental Housing Program will not be considered under this set-aside.

(b) **Set-Asides.** ~~The regional credit distribution amounts are additionally subject to the factors presented in paragraphs (1) through (5) of this subsection.~~ An Applicant may elect to compete in as many of the following Set-Asides for which the proposed Development ~~would~~ qualifies~~y~~:

(1) At least 10% of the State Housing Credit Ceiling for each calendar year shall be allocated to Qualified Nonprofit Developments which meet the requirements of the Code, §42(h)(5). Qualified Nonprofit Organizations must have the~~a control~~ Controlling interest in the Qualified Nonprofit Development applying for this Set-Aside. If the organization's Application is filed on behalf of a limited partnership, the Qualified Nonprofit Organization must be the sole managing General Partner. If the organization's Application is filed on behalf of a limited liability company, the Qualified Nonprofit Organization must be the sole Managing Member. Additionally, a Qualified Nonprofit Development submitting an Application in the nonprofit set-aside must have the nonprofit entity or its nonprofit affiliate or subsidiary be the Developer or a co-Developer as evidenced in the development agreement. [WG] [2306.6729 and 2306.6706(b)]

(2) ~~At least 15% of the State Housing Credit Ceiling for each calendar year shall be allocated to Developments which meet the Rural Development definition or are located in Prison Communities. Rural Developments applying for greater than 76 Units will be ineligible for the Rural Set-Aside. Of this 15% allocation, 25%~~ Approximately 5% of the State Housing Credit Ceiling for each calendar year shall be allocated to Developments which are ~~will be set aside for Developments~~ financed through TX-USDA-RHS, meet the definition of a Rural Development, and do not exceed 76 Units if new construction. However, these Developments will be attributed to the Rural Regional Allocation in each region where they are located. Developments financed through TX-USDA-RHS's 538 Guaranteed Rural Rental Housing Program will not be considered under this set-aside.~~the 25% portion. Should there not be sufficient qualified Applications submitted for the TX-USDA-RHS Set-Aside, then the credits would revert to Developments that meet the Rural Development definition or are located in Prison Communities.~~

(3) At least 15% of the allocation to each Uniform State Service Region ~~the State Housing Credit Ceiling~~ will be set aside for allocation under the At-Risk Development Set-Aside. Through this Set-Aside, the Department, to the extent possible, shall allocate credits to Applications involving the preservation of developments designated as At-Risk Developments as defined in §~~49~~50.3(12) of this title and in both urban/exurban and rural communities in approximate proportion to the housing needs of each Uniform State Service Region. [2306.6714]. A Housing Authority proposing reconstruction of public housing supplemented with HOPE VI funding will be eligible to participate in this set-aside. In order to qualify for this set-aside, the housing authority providing the HOPE VI funding must provide evidence that it received a HOPE VI grant from HUD and made a commitment that HOPE VI funds will be provided to the Development. To qualify as an At-Risk Development, the Applicant must provide evidence that it either is not eligible to renew, retain or preserve any portion of the financial benefit described in §50.3(12)(A) of this title, or provide evidence that it will renew, retain or preserve the financial benefit described in §50.3(12)(A) of this title.[WG]

~~(4) At least 60% of the State Housing Credit Ceiling will be allocated to General Set-Aside.~~

~~(5) At least 15% of the State Housing Credit Ceiling for each calendar year shall be allocated to Qualified Elderly Developments.~~

(c) **Redistribution of Credits.** [2306.111(d) as revised by SB264] If any amount of housing tax credits remain after the initial commitment of housing tax credits among the Rural Regional Allocation and Urban/Exurban Regional Allocation within each Uniform State Service Region~~s~~ and among the Set-Asides, the Department may redistribute the credits amongst the different regions and Set-Asides depending on the quality of Applications submitted as evaluated under the factors described in §~~49~~50.9(c) of this title and the level of demand exhibited in the Uniform State Service Regions during the Allocation Round. However as described in subsection~~paragraph~~ (b)(1) of this section, no more than 90% of the State's Housing Credit Ceiling for the calendar year may go to Developments which are not Qualified Nonprofit Developments. If credits will be transferred from a Uniform State Service Region which does not have enough qualified Applications to meet its regional credit distribution amount, then those credits will be apportioned to the other Uniform State Service Regions.

§~~49~~50.8. Pre-Application: Submission, Evaluation Process, Threshold Criteria and Review, Results. [2306.6704]

(a) **Pre-Application Submission**. Any Applicant requesting a Housing Credit Allocation may submit a Pre-Application to the Department during the Pre-Application Acceptance Period along with the required Pre-Application Fee as described in §~~49~~50.21 of this title. Only one Pre-Application may be submitted by an Applicant for each site under the State Housing Credit Ceiling. The Pre-Application submission is a voluntary process. While the Pre-Application Acceptance Period is open, Applicants may withdraw their Pre-Application and subsequently file a new Pre-Application utilizing the original Pre-Application Fee that was paid as long as no evaluation was performed by the Department.~~along with the required Pre-Application Fee.~~ The Department is authorized to request the Applicant to provide additional information it deems relevant to clarify information contained in the Pre-Application or to submit documentation for items it considers to be ~~an~~ Administrative Deficienc~~y~~ies. The rejection of a Pre-Application shall not preclude an Applicant from submitting an Application with respect to a particular Development or site at the appropriate time.

(b) **Communication with the Department.** Applicants that submit a Pre-Application are restricted from communication with Department staff as provided in §50.9(b) of this title. [SB264 - §2306.1113]

(c~~b~~) **Pre-Application Evaluation Process.** Eligible Pre-Applications will be evaluated for Pre-Application Threshold Criteria, and ~~as~~if requested by the Applicant, evaluated in regard~~s~~ to the inclusive capture rate as restricted under §1.32(g)(2) of this title.~~the Department's concentration policy.~~ Any Application from a TX-USDA-RHS 515 Development (including new construction and rehabilitation) is exempted from the Pre-Application Evaluation Process and is~~are~~ not eligible to receive points for submission of a Pre-Application. An Application that has not received confirmation from the state office of RHS of its financing from TX-USDA-RHS may qualify for Pre-Application points, but such points shall be withdrawn upon the Development's receipt of TX-USDA-RHS financing. Pre-Applications that are found to have Administrative Deficiencies will be handled in accordance with §50.9(d)(3) of this title.

(d~~c~~) **Pre-Application Threshold Criteria and Review**. Applicants submitting a Pre-Application will be required to submit information demonstrating their satisfaction of the Pre-Application Threshold Criteria. The Pre-Applications not meeting the Pre-Application Threshold Criteria will be terminated and the Applicant will receive a written notice to the effect that the Pre-Application Threshold Criteria have not been met. The Department shall not be responsible for the Applicant's failure to meet the Pre-Application Threshold Criteria and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Pre-Application Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled. The Pre-Application Threshold Criteria include:

(1) Submission of a "Pre-Application Submission Form" and "Pre-Application Self-Scoring Form," and

(2) Evidence of site ~~control~~control as evidenced by the documentation required under §~~49~~50.9(f)(7)(A)~~(e)(6)(A)~~ of this title.

(3) Consistent with §50.9(f)(8)(B) of this title, evidence that all of the notifications required under that section have been made prior to the close of the Pre-Application Acceptance Period. [2306.6704 revised by §19 of SB264]

(e~~d~~) **Pre-Application Results**. Only Pre-Applications which have satisfied all of the Pre-Application Threshold Criteria requirements set forth in subsection (c) of this section and §50.9(g)(18) of this title, will be eligible for Pre-Application points. The order and scores of those Developments released on the Pre-Application Submission ~~l~~Log do not represent a commitment on the part of the Department or the Board to allocate tax credits to any Development and the Department bears no liability for decisions made by Applicants based on the results of the Pre-Application Submission Log. Inclusion of a Development on the Pre-Application Submission Log does not ensure that an Applicant will receive points for a Pre-Application. ~~To receive points an Applicant must meet the requirements of §49.9(f)(12) of this title.~~

§~~49~~50.9. 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~~50.21 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 utilizing the original Pre-Application Fee that was paid as long as no evaluation was performed by the Department.~~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. [2306.6708] An Applicant may not change or supplement an Application in any manner after the filing deadline, except in response to~~as it relates to~~ a direct request from the Department to remedy an Administrative Deficiency as further described in §~~49~~50.3(1) of this title or to the amendment of an Application after a commitment or allocation of tax credits as further described in §~~49~~50.18 of this title.

(b) **Communication with the Department.** Applicants that submit a Pre-Application or Application are restricted from communication with Department staff as described in this subsection. The Applicant or a Related Party, the Development Owner, or the General Contractor, or any Affiliate of the General Contractor, that is active in the ownership or Control of the Development, or individual employed as a lobbyist or in another capacity on behalf of the Development, may communicate with an employee of the Department with respect to the Development so long as that communication satisfies the conditions established under paragraphs (1) through (5) of this subsection. §50.5(b)(6) of this title applies to all communication with Board members. Communications with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.

(1) The communication must be restricted to technical or administrative matters directly affecting the Application;

(2) The communication must occur or be received on the premises of the Department during established business hours;

(3) Communication with the Executive Director, the Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Single Family Finance Production, the Director of Portfolio Management and Compliance, and the Director of Real Estate Analysis of the Department must only be in written form which includes electronic communication through the Internet; and

(4) Communication with other Department staff may be oral or in written form which includes electronic communication through the Internet; and

(5) a record of the communication must be maintained by the Department and included with the Application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication. [§10 of SB264, §2306.1113]

(c~~b~~) **Adherence to Obligations.** [2306.6720] 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 enforceable even if not 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.

(d~~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 may~~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 (g~~f~~) of this section. Where a particular scoring criterion involves multiple points, the Department will award points to the proportionate 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 ranked~~ing~~ order by score.

(3) Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within eight business days of the deficiency notice date, then five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within ten business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period.

(4~~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 Real Estate Analysis ~~credit underwriting d~~Division. This prioritization order will also be used in making recommendations to the Board. Assignments ~~for financial feasibility~~ will be determined by first selecting the Applications with the highest scores in ~~each~~the Nonprofit Set-Aside statewide. Then selection will be made for the Applications with the highest scores in the At-Risk ~~Set-Aside~~ and TX-USDA-RHS Set-Asides ~~and then~~ within each Uniform State Service Region. Remaining funds within each Uniform State Service Region will then be selected based on the highest scoring Developments, regardless of Set-Aside, in accordance with the requirements under §50.7(a) of this title for a Rural Regional Allocation and Urban/Exurban Regional Allocation. Selection for each of the Set-Asides will take precedence over selection for the Rural Regional Allocation and Urban/Exurban Regional Allocation. Funds for the Rural Regional Allocation within a region, for which there are no eligible feasible applications, will go to the Urban/Exurban Regional Allocation for that region and will not be shifted to Rural Developments in another region. If the Department determines that an allocation recommendation would cause a violation of the $2 million limit described in §50.6(d) of this title, the Department will make its recommendation by selecting the Development(s) that most effectively satisfies(y) the Department's goals in meeting set-aside and regional allocation goals. 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. [2306.6710(a), (b) and (d) as revised; 2306.111 as revised by Section 8 of 264.]

(5~~4~~) Underwriting Evaluation and Criteria. The Department shall underwrite an Application to determine the financial feasibility of the Development and an appropriate level of housing tax credits. In determining an appropriate level of housing tax credits, the Department shall, at a minimum, evaluate the cost of the Development based on acceptable cost parameters as adjusted for inflation and as established by historical final cost certifications of all previous housing tax credit allocations for the county in which the Development is to be located; if certifications are unavailable for the county, then the metropolitan statistical area in which the Development is to be located; or if certifications are unavailable under the county or the metropolitan statistical area, then the Uniform State Service Region in which the Development is to be located. 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 rent restricted~~low income~~ housing property. In making this determination, the Department will use the Underwriting Rules and Guidelines, ~~10 TAC~~ §1.32 of this title.

Receipt of feasibility points under §50.9(g)(1) of this title does not ensure that an Application will be considered feasible during the feasibility evaluation by the Real Estate Analysis Division and conversely, a Development may be found feasible during the feasibility evaluation by the Real Estate Analysis Division even if it did not receive points under §50.9(g)(1) of this title. [2306.6711(b); 2306.6710(d) as revised at Section 22 of 264]

(A) The Department may have an external ~~outside third~~ party perform the underwriting evaluation to the extent it determines appropriate. The expense of any external~~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 ~~t~~Third ~~p~~Party estimates in support of the costs proposed by any Applicant.

(6~~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 Portfolio Management and ~~c~~Compliance ~~d~~Division, in accordance with Chapter 60 of this title.~~§49.19 of this title.~~

(7~~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 may~~might~~ adversely affect the health and safety of the residents. For Developments applying under the TX-USDA-RHS Set-Aside, the Department may~~will~~ rely on the physical site inspection performed by TX-USDA-RHS.

(~~d~~e) **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 one of the Development Owner's General Partners,~~ partner (or if Applicant is to be a limited liability company, the managing member),~~ the Developer or their Principals have a record of successfully constructing or developing residential units (single family or multifamily) ~~or comparable commercial property (i.e. dormitory and hotel/motel)~~ in the capacity of owner, General Partner~~,~~ or 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 the individual requesting the certification was not the Development Owner, General Partner or Developer, but was the individual within one of those entities doing the work associated with the development of the units, the individual must show that the units were successfully developed as required below, and also provide written confirmation from the entity involved stating that the individual was the person responsible for the development. 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. [WG]

(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 ~~r~~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 satisfactory to the Department 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 General Partner, Developer or Guarantor and any Person that has 10% or more ownership interest in the Development Owner, ~~with an ownership interest in the~~ General Partner, ~~(or Managing Member), interest in the Applicant, or the~~ Developer, or Guarantor. ~~anticipated to provide guarantees to secure necessary financing..~~ Nonprofit entities, public housing authorities and publicly traded corporations are only required to submit documentation for the entities involved; documentation for individual board members and executive directors is not required for this exhibit. [WG] 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 with their Application that this is the case.

(3) Previous Participation. Upon receipt of the evidence required under this paragraph, an acknowledgement from the Portfolio Management and Compliance Division will be provided to the Applicant for inclusion in their Application(s). A completed and executed "Previous Participation and Background Certification Form" as provided in the Application must be provided for each entity shown on an organizational chart as described in subsection (f)(9)(A) of this section that has 10% or more ownership interest in the Development Owner, Developer or Guarantor. Nonprofit entities, public housing authorities and publicly traded corporations are only required to submit documentation for the entities involved; documentation for individual board members and executive directors is not required for this exhibit. Any Person receiving more than 10% of the Developer fee will also be required to submit documents for this exhibit. The 2004 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 Person. All participation in any TDHCA funded or monitored activity, including non-housing activities, must be disclosed.

(4) National Previous Participation. Upon receipt of the evidence required under this paragraph, an acknowledgement from the Portfolio Management and Compliance Division will be provided to the Applicant for inclusion in their Application(s). If the Development Owner or any of its Affiliates shown on the organizational chart described in subsection (f)(9)(A) of this section that have 10% or more ownership interest in the Development Owner 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 must be submitted 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. Nonprofit entities and public housing authorities are only required to submit documentation for the entity itself; documentation for board members and executive directors is not required for this exhibit. Any Person receiving more than 10% of the Developer fee will also be required to submit documents for this exhibit. This form is only necessary when the Developments involved are outside 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 the agency.

(f~~e~~) **Threshold Criteria.** The following Threshold Criteria listed in paragraphs (1) through (15~~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. [2306.1111]

(2) Completion and submission of the Site Packet (Volume 2) 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~~ confirming the following items:~~and supporting documents. This exhibit will provide:~~

(A) A certification ~~description~~ of the ~~type of~~ basic amenities selected~~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 (iv~~iii~~) 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 (~~i~~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) a furnished community room;

(v) recreation facilities;

(vi) public telephone(s) available to tenants 24 hours a day;

(vii) a business/ computer center; or

(viii) a service coordinator office.

~~(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 have all of the following Unit Amenities. If fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to complete this exhibit. 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) Computer line/phone jack available in all bedrooms (only one phone line needed);

(ii) Mini blinds or window coverings for all windows;

(iii) Dishwasher and Disposal (not required for TX-USDA-RHS Developments);

(iv) Refrigerator;

(v) Oven/Range;

(vi) Exhaust/vent fans in bathrooms;

(vii) Ceiling fans in living areas and bedrooms; and

(viii) be designed in accordance with International Building Code. [WG]

(~~B~~C) 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 Codes or other locally adopted building codes.~~ as it relates to access, lighting and life safety issues.~~

(~~C~~D) 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.) [2306.257; 2306.6705(a)(7)]

(~~D~~E) 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 a report at least once in each 90-day period following the date of the Commitment Notice until the Cost Certification is submitted~~ 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. [2306.6734]

(~~E~~F) 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~~some Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) 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. Any Developments designed as single family structures must also satisfy the requirements of §2306.514, Texas Government Code. [2306.6722 and 2306.6730]

(G~~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. [2306.6725(b)]

(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 insulated~~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% AFUE 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 w~~Water heaters to have an energy factor ~~greater than~~no less than .93 for electric or greater than .62 for gas; [WG]

(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. [WG]

(H~~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~~7(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.

(I) A certification that the Development Owner agrees to establish a reserve account consistent with §2306.186 Texas Government Code and as further described in Chapter 60 of this title~~, to be proposed~~. [Section 2306.186 as revised by SB264]

(5) Design Items. This exhibit will provide:

(A~~H~~) All of the architectural drawings identified in clauses (i) through (iv) 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 (iv) of this subparagraph. For Developments involving rehabilitation for which the Unit configurations are not being altered, only the items identified in clauses (i) and~~,~~ (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;~~

(i~~i~~) 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~~,~~ and common buildings and amenities; and

(III) clearly delineates the flood plain boundary lines and ~~other~~all easements shown in the site survey;

(i~~i~~i) floor plans for each type of residential building and each type of common area building;

(iii~~v~~) 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; and

(iv) 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. For purposes of completing the Rent Schedule for loft or studio type Units (which still must meet the definition of Bedroom), a Unit with 650 square feet or less is considered not more than a one-bedroom Unit, a Unit with 651 to 900 square feet is considered not more than a two-bedroom Unit and a Unit with greater than 900 square feet is considered not more than a three-bedroom Unit; and

(B) A boundary survey of the proposed Development site and of the property purchased. In cases where more property is purchased than the proposed site of the Development, the survey or plat must show the survey calls for both the larger site and the subject site. The survey does not have to be recent; but it must show the property purchased and the property proposed for development. In cases where the site of the Development is only a part of the site being purchased, the depiction or drawing of the Development portion may be professionally compiled and drawn by an architect, engineer or surveyor.

(C~~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.

(6~~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. [2306.6705(a)(1)]

(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 Development Owner ~~Applicant~~, including pay-in schedules, syndicator consulting fees and other syndication costs. No syndication costs should be included in the Eligible Basis. [2306.6705(a)(2) and (3)]

(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 a Property Condition Assessment performed in accordance with §1.36 of this title, Property Condition Assessment Guidelines. ~~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.~~ For Developments receiving financing from TX-USDA-RHS, a copy of the Housing Quality Standards Checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment.

(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.

(7~~6~~) Evidence of readiness to proceed as evidenced by at least one of the items under each of subparagraphs (A) through (D~~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 at the time of Application (not required at Pre-Application). One of the following items described in clauses (i) through (iii) of this subparagraph must be provided:

(i) a recorded warranty deed; or

(ii) a contract for sale or lease (the minimum term of the lease must be at least 45 years) which is valid 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. [2306.6705(a)(5)]

(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 applies~~y~~ 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, 2004~~3~~ (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 it~~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, 2004~~3~~, 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, or Determination Notice 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.~~

(C~~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 and/or expressly allows the transfer to 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, [WG]

(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~~ [WG] 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 and any required Guarantors. 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 e~~Evidence of application for funding from another Department~~TDHCA~~ program is not required except as indicated on the Uniform Application, as long as the Department funding is on a concurrent funding period with the Application submitted and the Applicant ~~must~~ clearly indicates 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 n~~No later than 14~~10~~ days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will be reevaluated for financial feasibility; if determined to be feasible the Department may proceed with an allocation recommendation~~Carryover Allocation Document is due to the Department~~; or [WG]

(iv) if the Development will be financed through Development Owner contributions, provide a letter from an Third Party CPA verifying the capacity of the Development Owner~~Applicant~~ to provide the proposed financing with funds that are not otherwise committed together with a letter from the Development Owner's~~Applicant's~~ bank or banks confirming that sufficient funds are available to the Development Owner~~Applicant~~. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(D~~E~~) ~~A copy of the full legal description and~~Provide the documents in clause (i) of this subparagraph and either of the documents described in clauses (ii) and (iii) of this subparagraph, and satisfying the requirements of clause (iv~~iii~~) of this subparagraph, if applicable:

(i) a copy of the full legal description

(ii) 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 Development Owner~~Applicant, or entities which comprise the Applicant~~; or [WG]

(iii) a copy of a current title commitment with the proposed insured matching exactly the name of the Development Owner~~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. [WG]

(iv~~ii~~) 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.

(8~~7~~) Evidence of all of the notifications described in subparagraphs (A) through (E~~D~~) of this paragraph. Such notices must be prepared in accordance with the "Public Notifications" statement 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 must~~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 publish this notice or provide this exhibit.

(B) Evidence of notification meeting the requirements identified in clause (i) of this subparagraph to all of the individuals and entities identified in clause (ii) of this subparagraph.~~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 notifications shall include a copy of the exact letter and other materials ~~which at a minimum contains a copy of the public notice~~ that were sent to the individual or entity~~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 must~~should~~ not be older than three months from the first day of the Application Acceptance Period.[2306.6704 revised by §19 of SB264] If evidence of these notifications was submitted with the Pre-

Application Threshold for the same Application and satisfied the Department's review of Pre-Application Threshold, then no additional notification is required at Application.

(i) Each such notice must include, at a minimum, all of the following:

(I) The Applicant's name, address, individual contact name and phone number;

(II) The Development name, address, city and county;

(III) A statement informing the entity or individual being notified that the Applicant is submitting a request for Housing Tax Credits with the Texas Department of Housing and Community Affairs;

(IV) Statement of whether the Development proposes new construction or rehabilitation;

(V) The type of Development being proposed (single family homes, duplex, apartments, townhomes, highrise etc.);

(VI) The total number of Units and total number of low income Units;

(VII) The percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the percentage of Units that are market rate;

(VIII) The number of Units and proposed rents (less utility allowances) for the low income Units and the number of Units and proposed rents for any market rate Units; and

(IX) The expected completion date if credits are awarded.

(ii) Notification must be sent to all of the following individuals and entities. Officials to be notified are those officials in office at the time the Application is submitted.

(I) City and County Clerks and Neighborhood Organizations. Evidence must be provided that a letter requesting information on neighborhood organizations and meeting the requirements of "Clerk Notification" as outlined in the Application was sent no later than January 15, 2004 to the city clerk and county clerk for the city and county where the Development is proposed to be located. A copy of the reply letter from the city and county clerks must be provided. All entities identified in the letters from the city and county clerks must be provided with written notification and evidence of that notification must be provided. If the Applicant can provide evidence that the proposed Development is not located within the boundaries of an entity on a list from the clerk(s), then such evidence in lieu of notification may be acceptable. If no reply letter is received from the city or county clerk by February 25, 2004, then the Applicant must submit a statement attesting to that fact. If an Applicant has knowledge of any neighborhood organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site, the Applicant must notify those organizations. If the Applicant has no knowledge of neighborhood organizations within whose boundaries the Development is proposed to be located, the Applicant must attest to that fact.

(II) Superintendent of the school district containing the Development;

(III) Presiding officer of the board of trustees of the school district containing the Development;

(IV) Presiding officer of the governing body of any municipality containing the Development;

(V) All elected members of the governing body of any municipality containing the Development;

(VI) Presiding officer of the governing body of the county containing the Development;

(VII) All elected members of the governing body of the county containing the Development;

(VIII) State senator of the district containing the Development; and

(IX) State representative of the district containing the Development.

(C) Signage on Property or Alternative. A Public Notification Sign shall be installed on the Development site prior to the date the Application is submitted. Evidence submitted with the Application must include photographs of the site with the installed sign and invoice receipt confirming installation from the entity that installed the sign. The sign must be at least 4 feet by 8 feet in size and located within twenty feet of, and facing, the main road adjacent to the site. The sign shall be continuously maintained on the site until the day that the Board takes final action on the Application for the development. The information and lettering on the sign must meet the requirements identified in the Application. As an alternative to installing a Public Notification Sign and at the same required time, the Applicant may instead, at the Applicant's Option, mail written notification to those addresses described in either clause (i) or (ii) of this subparagraph. This written notification must include the information otherwise required for the sign as provided in the Application. If the Applicant chooses to provide this mailed notice in lieu of signage, the final Application must include a map of the proposed Development site and mark the distance required by clause (i) or (ii) of this subparagraph, up to 1,000 feet, showing street names and addresses; a list of all addresses the notice was mailed to; an exact copy of the notice that was mailed; and a certification that the notice was mailed through the U.S. Postal Service and stating the date of mailing. If the option in clause (i) of this subparagraph is used, then evidence must be provided affirming the local zoning notification requirements.

(i) all addresses required for notification by local zoning notification requirements. For example, if the local zoning notification requirement is notification to all those addresses within 200 feet, then that would be the distance used for this purpose; or

(ii) for Developments located in communities that do not have zoning, communities that do not require a zoning notification, or those located outside of a municipality, all addresses located within 1,000 feet of any part of the proposed Development site.

(D~~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 photograph~~picture~~ of this posted notice must be provided with this exhibit. When the Department's public hearing schedule for comment on submitted Applications becomes available, a copy of the schedule must also be posted until such hearings are completed. Compliance with these requirements shall be confirmed during the Department's site inspection.

(E~~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.~~The Development Owner shall certify to the Department that it shall consider as potential tenants holders of Section 8 vouchers or certificates or other tenants based rental assistance programs.

(9~~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) Chart~~s~~ which clearly illustrates the complete organizational structure of the final proposed Development Owner and of any Developer or Guarantor, providing the names and ownership percentages of all Persons having an ownership interest in the Development Owner or the Developer or Guarantor, as applicable, whether directly or through one or more subsidiaries. [WG]

(B) Each entity shown on an organizational chart as described in subparagraph (A) of this paragraph that has 10% or more ownership interest in the Development Owner, Developer or Guarantor, shall provide the following documentation, as applicable: [WG]

(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 or ~~and~~ from the state in which the entity is to be formed if different from Texas; and

(II) ~~an~~ executed letter(s) of intent to organize signed by a representative of each organization that is a party to the proposal or a copy of the draft organizational documents for the entity to be formed including Articles of Incorporation, Articles of Organization or Partnership Agreement with a signed notation from a representative of each organization acknowledging intent to organize.

(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 a Certificate of Organization from the Secretary of State;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~~Control ~~of the Applicant,~~ and that those ~~p~~Persons signing the Application constitute all ~~p~~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. [WG]

(C) Evidence that ~~E~~each entity shown on an the organizational chart ~~as~~ described in subparagraph (A) of this paragraph that has 10% or more ownership interest in the Development Owner, Developer or Guarantor, has~~shall~~ provided a copy of the completed and executed Previous Participation and Background Certification Form to the Department. Evidence must be a certification from the Department for each of those Persons required to submit these documents as further described under §50.9(e)(3) of this title. Applicants must request this certification at least seven days prior to the close of the Application Acceptance Period. Applicants must ensure that the Person whose name is on the certification is the appropriate Person appearing in the organizational chart provided in subparagraph (A) of this paragraph. ~~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) Evidence that, I~~I~~f the Development Owner or ~~the Developer or~~ any of ~~their~~its Affiliates shown on the organizational chart ~~as~~ described in subparagraph (A) of this paragraph that have 10% or more ownership interest in the Development Owner ~~(other than the Development Owner's limited partner)~~ have, or have had, ownership or ~~control~~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 submitted the appropriate ~~sent the~~ "National Previous Participation and Background Certification Form" to the Department. Evidence must be a certification from the Department for each of those Persons required to submit these documents as further described under §50.9(e)(4) of this title. Applicants must request this certification at least seven days prior to the close of the Application Acceptance Period. Applicants must ensure that the Person whose name is on the certification is the appropriate Person appearing in the organizational chart provided in subparagraph (A) of this paragraph~~, 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.~~ [WG]

(E) Evidence, in the form of a certification, that one of the Development Owner's General Partners, the Developer or their Principals ~~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 in the capacity of owner, General Partner or Developer. ~~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 subsection ~~§49.9~~(~~d~~e)(1) of this section~~title~~. Applicants must request this certification at least seven days prior to the close of the Application Acceptance Period. Applicants must~~should~~ ensure that the ~~individual~~Person whose name is on the certification appears in the organizational chart provided in subparagraph (A) of this paragraph. [WG]

(10~~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. [2306.6705(a))4)]

(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~~ii~~) of this clause are required unless the current property owner is unwilling to provide the required documentation. In that case, submit a signed statement as to its~~their~~ inability to provide all documentation as described. ~~unwillingness to do so.~~

(I) Submit at least one of the following:

(-a-) historical monthly operating statements of the subject Development for 12 consecutive months ending not more than 3 months from ~~45 days prior to~~ the first day of the Application Acceptance Period;~~.~~

(-b-) ~~In lieu of the monthly operating statements,~~ The two most recent consecutive annual operating statement summaries; ~~may be provided.~~

(-c-) the most recent consecutive six months of operating statements and the most recent available annual operating summary;

(-d-) all monthly or annual operating summaries available and a written statement from the seller refusing to supply any other summaries or expressing the inability to supply any other summaries, and ~~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 first 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; [2306.6705(a)(6)]

(iii) a relocation plan outlining relocation requirements and a budget with an identified funding source; and [2306.6705(a)(6)]

(iv) if applicable, evidence that the relocation plan has been submitted to the appropriate legal agency. [2306.6705(a)(6)]

(11~~10~~) Applications involving Nonprofit General Partners and Qualified Nonprofit Developments.

(A) All Applications~~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) and (ii)~~through (iii)~~ of this subparagraph:~~ which confirm that the Applicant is a Qualified Nonprofit Organization pursuant to Code, §42(h)(5)(C):~~ [WG]

(i) an IRS determination letter which states that the ~~Qualified N~~nonprofit ~~O~~organization is a 501(c)(3) or (4) entity; and

~~(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;~~

(~~i~~ii) the "Nonprofit Participation Exhibit."~~; and~~

(B) Additionally, all Applications~~nts~~ applying under the Nonprofit Set-Aside, established under §4~~9~~50.7(b)(1) of this title, must also provide the following information with respect to the Qualified Nonprofit Organization as described in clauses (i) through (vi) of this subparagraph.

(i) copy of the page from the articles of incorporation or bylaws indicating~~evidence~~ that one of the exempt purposes of the nonprofit organization is to provide low income housing;

(ii) copy of the page from the articles of incorporation or bylaws indicating~~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 ~~control~~ 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 non-profit organization ~~control~~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 sole~~managing~~ General Partner ~~(or Managing Member)~~; and otherwise meet the requirements of the Code, §42(h)(5); [WG]

(iv) a copy of the nonprofit organization's most recent audited financial statement; and

(v) a certification that the Qualified Nonprofit Development will have the nonprofit entity or its nonprofit affiliate or subsidiary be the Developer or co-Developer as evidenced in the development agreement. [WG]

(vi) evidence, in the form of a certification, that a majority of the members of the nonprofit organization's board of directors principally reside:

(I) in this state, if the Development is located in a rural area; or

(II) not more than 90 miles from the Development, if the Development is not located in a rural area.

(12~~11~~) Applicants applying for acquisition credits or affiliated with the seller, that will be evaluated in accordance with §1.32(e)(1) of this title, 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 first day of 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 which require an appraisal from ~~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 and may be provided from TX-USDA-RHS. The appraisal may be submitted as a Supplemental Threshold Report consistent with the timelines and submission documentation requirements identified in paragraph (14)(D) of this subsection. 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 Applicant or the Development Owner ~~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 seller's~~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 [WG]

(D) "Acquisition of Existing Buildings Form."

(13~~12~~) Evidence of an "Acknowledgement of Receipt of Financial Statement and Authorization to Release Credit Information" must be provided for any ~~p~~Person that has 10% or more ownership interest in the Development Owner or ~~with an ownership interest in the~~ General Partner, ~~(or Managing Member), interest in the Applicant, or~~ the Developer, or Guarantor, ~~anticipated to provide guarantees to secure necessary financing,~~ as required under §~~49~~50.9(e)(2)~~(d)~~ of this title. 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 with their Application that this is the case in lieu of submitting the Acknowledgement. [WG]

(14~~13~~) Supplemental Threshold Reports. Documents under subparagraph (A) and (B) of this paragraph must be submitted as further stated~~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 Applicant~~Development Owner~~ must supply the Department with an updated letter or updated report dated at least three months prior to the first day of the Application Acceptance Period from the Person or organization which prepared the initial assessment confirming that the site has been reinspected and reaffirming the conclusions of the initial report or identifying the changes since the initial report; ~~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 Applicants~~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 Applicant's~~Development Owner's~~ expense by a disinterested Qualified Market Analyst approved by the Department in accordance with the approval process outlined in the Market Analysis Rules and Guidelines, §1.33 of this title. The Market Analysis must be prepared in accordance with the methodology prescribed in the Market Analysis Rules and Guidelines, §1.33 of this title. In the event that a Market Analysis on the Development is older than 6 months as of the first day of the Application Acceptance Period~~day the Application Acceptance Period closes~~, the Applicant~~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 first day of the Application Acceptance Period.~~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 (12~~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. [2306.67055 as added Section 21 of 2306]

(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 is~~shall~~ not ~~be~~ bound by any ~~such~~ opinion expressed in ~~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, 2004~~3~~. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, March 31, 2004~~3~~. 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.

(15~~14~~) Self-Scoring. Applicant's self-score must be completed on the "Application Self-Scoring Form."

(g~~f~~) **Selection Criteria.** All Applications will be evaluated and ranking points will be assigned according to the Selection Criteria listed in paragraphs (1) through (18~~13~~) of this subsection.

(1) Development Financial Feasibility. Applications will receive points based on the supporting financial data provided behind this exhibit in addition to the commitment letter required under subsection (f)(7)(C) of this section. The supporting financial data shall include a thirty year pro forma prepared by the permanent or construction lender specifically identifying each of the first ten years and every fifth year thereafter. The commitment letter must include the anticipated total operating expenses, net operating income and debt service for the first year of stabilized operation as reflected in the pro forma. The pro forma must indicate, and the commitment letter must confirm, that the development pro forma maintains a 1.10 debt coverage ratio throughout the initial thirty years proposed. In addition, the commitment letter must state that the lenders assessment finds that the Development will be feasible for thirty years. Points will be awarded if these criteria are met. No partial points will be awarded. For developments receiving financing from TX-USDA-RHS, the form entitled "Sources and Uses Comprehensive Evaluation for Multi-Family Housing Loans" shall meet the requirements of this section. (28 points). [§22 of SB264- 2306.6710(b)(1)]

(2) Quantifiable Community Participation from Neighborhood Organizations. [§22 of SB264- 22306.6710(b)(1); 2306.6725(a)(2)] Points will be awarded based on written statements of support or opposition from neighborhood organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site.

(A) Receipt of Input. Letters must be received by the Department no later than April 30, 2004, and only, for scoring purposes, directly from neighborhood organizations or with the Application. Letters must be addressed to the Texas Department of Housing and Community Affairs, "Attention: Director of Multifamily Finance Production Division (Neighborhood Input)". Letters received after April 30, 2004 will be summarized and provided for the Board's information and consideration, but will not affect the score for the Application. Separate from scoring, the Department urges all persons and organizations that wish to provide input to the Department to do so well before (and, preferably earlier than ten days before) the day of a Board meeting when a final decision must be made so the input may be carefully considered. Board decisions often cannot be delayed and late input is difficult for the Board and Department to fully consider.

(B) Neighborhood Organizations. For the purposes of the scoring of this exhibit, neighborhood organizations are organizations that are on record with the county or state in which the development is proposed to be located as of March 1 of the application year and that have a primary purpose of working to affect matters related to the welfare of the neighborhood that contains the proposed development site, not including governmental entities.

(C) Scoring of Input. For scoring purposes, each neighborhood organization may submit one letter that represents the organization's input. The letter must identify the specific Development and be signed by the chairman of the board, chief executive office or comparable head of the organization and include the signer's address and phone number. The letter must state and provide documentation which shows that it is from a neighborhood organization; that it is on record with the state or county in which the Development is proposed to be located; and that the organization's boundaries contain the proposed Development site. The letter must also provide the total number of members of the organization and a brief description of the process used to determine the members' position. To be accurately scored, the letter must clearly and concisely state each reason for the organization's support for or opposition to the proposed Development and provide specific evidence supporting that input. It is possible for points to be awarded or deducted based on written statements from organizations that were not identified by the city and county clerks under subsection (f)(8)(B)(ii)(I) of this section, if the organization provides evidence that the proposed Development site is within the organization's boundaries and that it is on record with the county or state. It is also possible that neighborhood organizations that were initially identified as appropriate organizations for purposes of the notification requirements will subsequently be determined by the Department not to meet the requirements for scoring.

(i) Applicants that accurately certify that they do not know of any neighborhood organizations that are on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development, and for which no letters were received, will be awarded the higher of zero points or the average number of points received by all Applications for this exhibit.

(ii) The score for this exhibit will range from a maximum of +12 points to -12 points and the number of points to be allocated to each organization's letter will be determined by the Executive Award and Review Advisory Committee based on the factual basis of the written statements and evidence from the neighborhood organizations. The Department may investigate a matter and contact the Applicant and neighborhood organizations for more information.

(D) Evaluation of Basis of Input. The Department highly values quality public input addressed to the merits of a Development. Input that points out possible errors in the Department's analysis and matters that are specific to the neighborhood, the proposed site, the proposed Development, or Developer are valued. If a proposed Development is permitted by the existing or pending zoning or absence of zoning, concerns addressed by the allowable land use that are related to any multifamily development may generally be considered to have been addressed at the local level through the land use planning process. Input that evidences unlawful discrimination against classes of persons protected by Fair Housing law will not be considered. To protect the integrity of the Department's processes and decisions, evidence of false statements or misrepresentations from applicant representatives, neighborhood representatives, or other persons will be considered for appropriate action, including possible referral to local district and county attorneys. 2306.6725(a)(2)

(3~~1~~) Development Location Characteristics. [2306.6725(a)(4)] 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~~F) of this paragraph. Areas qualifying under any one of the subparagraphs (A) through (F~~D~~) of this paragraph will receive 5 points. An Application ~~Development~~ may only receive points under one of the subparagraphs (A) through (F~~D~~) of this paragraph. An Application ~~Development~~ may receive an additional ten points pursuant to subparagraph (G~~E~~) of this paragraph in addition to any points awarded in subparagraphs (A) through (F~~D~~) of this paragraph.

(A) A geographical area which is:

(i) an ~~Targeted Texas County (TTC) or~~ Economically Distressed Area; or [WG]

(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 first day of 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) the Development is located in a census tract in which has a median family income (MFI), as published by the United States Bureau of the Census (U.S. Census), that is higher than the MFI for the county in which the census tract is located, as established by HUD. This comparison shall be made using the most recent data available from both sources as of as of October 1 of the year preceding the applicable program year. In those years when the U.S. Census does not publish median family income information at the census tract level, the most recent U.S. Census MFI available for the tract shall be multiplied by the change between HUD's published data for the county MFI as of the year in which the Census MFI was published and the county MFI as of

October 1 of the year preceding the applicable program year. Developments eligible for these points must submit evidence documenting the median income for both the census tract and the county. [WG]

(E) the Development is located in a census tract in which there are no other existing developments supported by housing tax credits. [2306.6725 – Section 26 of SB264]

(F) the Development is located in a county that has received an award as of November 15, 2003, within the past three years, from the Texas Department of Agriculture's Rural Municipal Finance Program or Real Estate Development and Infrastructure Program. Cities which have received one of these awards are categorized as awards to the county as a whole so Developments located in a different city than the city awarded, but in the same county, will still be eligible for these points.

(G) the Development is located in an incorporated city that is not a Rural Area but has a population no greater than 100,000 based on the most current available information published by the United States Bureau of the Census as of October 1 of the year preceding the applicable program year. The Development can not exceed 100 Units to qualify for these points. (10 points)

~~(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.~~ [WG]

(~~2~~5) Housing Needs Characteristics. Each Application~~Development~~, dependent on the city or county where the Development~~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). [2306.6725(a)(4)]

(~~3~~6) Support and Consistency with Local Planning. All documents must not be older than 6 months from the first day of ~~close of~~ the Application Acceptance Period. Points may be received under any of ~~both~~ subparagraphs (A) through (C)~~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 (3~~6~~ points).

(B) Evidence that the Applicant has hosted a public meeting to which the neighborhood and other interested persons have been invited. Evidence must include copies of the method of notification used and a transcript of the meeting, as well as a list of meeting attendees. (6 points).

(C~~B~~) Community Support from State Elected Officials. Points will be awarded based on the written statements of support or opposition 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 clearly state support or opposition of the specific Development at the proposed location. This documentation will be accepted with the Application or through delivery to the Department from the Applicant or official no later than May 31, 2004. Letters received after May 31, 2004 will be summarized for the Board in the board summary provided by staff, but will not affect the score of the Application. Officials to be considered are those officials in office at the time the Application is submitted. ~~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 or opposition as identified in clauses (i) and~~through~~ (ii~~iv~~) of this subparagraph, not to exceed a total of 6 points.~~:~~ Neutral letters, or letters that do not specifically refer to the Development, will receive neither positive nor negative points. [Based on §22 of SB264- 22306.6710(b)(1); [2306.6725(a)(2)]]

~~(i) from United States Representative or Senate Member (3 points each, maximum of 6 points)~~

(~~i~~i) Letter of support from State of Texas Representative or Senator~~e Member~~ (3~~2~~ points each, maximum of 6~~4~~ points); and

(ii) Letter of opposition from State of Texas Representative or Senator (-3 points each, maximum of -6 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~~7~~) Development Characteristics. Applications~~Developments~~ may receive points under as many of the following subparagraphs as are applicable; however to qualify for points under this ~~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 Applications~~Developments~~ involving rehabilitation, ~~or~~ Developments receiving funding from TX-USDA-RHS, or Developments proposing single room occupancy.

(A) Unit Size. [§22 of SB264- 22306.6710(b)(1)] The square feet of all of the ~~u~~Units in the Development, for each type of ~~u~~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; and

(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, contingency, 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 $73 per square foot for Qualified Elderly and Transitional Developments, and $62 for all other Developments~~$60 per square foot~~. (9~~1~~ points). [§22 of SB264- 22306.6710(b)(1)]

(C) Unit Amenities and Quality. [2306.111(g)(3)(A) and 2306.6710(b)(1)] ~~Developments~~ Applications in which Developments provide~~ing~~ 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 (xviii) of this subparagraph, not to exceed 12~~10~~ points in total. Applications~~Developments~~ involving rehabilitation or proposing single room occupancy will double the points listed for each item, not to exceed 12~~10~~ points in total.

(i) Covered entries (1 point);

(ii) Nine foot ceilings (1 point);

(iii) Microwave ovens (1 point);

(iv) Self-cleaning or continuous cleaning ovens (1 point);

(v) Ceiling fixtures in all rooms (globe with ceiling fan in all bedrooms) (1 point);

(vi) Refrigerator with icemaker (1 point);

~~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);~~

(vii) Laundry connections (1 point);

(viii) Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets (1 point);

(ix~~vii~~) Laundry equipment (washers and dryers) in units (3 points);

(x~~viii~~) Thirty~~Twenty-five~~ year architectural shingle roofing (1 point);

(~~i~~xi) Covered patios or covered balconies (1 point);

(xii) Covered parking (including garages) of at least one covered space per Unit (2 points);

~~(xi) Garages, which do not also qualify as covered parking (3 points);~~

(xiii) 100% masonry on exterior, which can include stucco and cementious board products, excluding efis (3 points);

(xiv) Greater than 75% masonry on exterior, which can include stucco and cementious board products, excluding efis ~~, but that excludes cementious board or efis products~~ (~~3~~1 points);

(xv~~xiii~~) Use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20 (3 points).

(xvi) R-15 Walls / R-30 Ceilings (rating of wall system) (3 points);

(xvii) 12 SEER HVAC or evaporative coolers in dry climates (3 points);

(vxiii) Energy Star or equivalently rated Kitchen Appliances (2 points) [WG]

(D) Common Amenities. To receive points for this exhibit, Developments must first provide a minimum number of common amenities in relation to the Development size being proposed. The amenities selected must be selected from clause (iii) of this subparagraph and made available for the benefit of all tenants. If fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to complete this exhibit. [2306.111(g)(3)(A) and 2306.6710(b)(1)]

(i) Applications must meet a minimum threshold of points (based on the total number of Units in the Development) prior to accruing actual points for this exhibit, as follows:

(I) Total Units are less than 40, 3 points are required to meet Threshold;

(II Total Units are between 40 and 76, 6 points are required to meet Threshold;

(III Total Units are between 77 and 99, 9 points are required to meet Threshold;

(IV) Total Units are between 100 and 149, 12 points are required to meet Threshold;

(V) Total Units are between 150 and 199, 15 points are required to meet Threshold;

(VI) Total Units are more than 200, 18 points are required to meet Threshold.

(ii) Points for additional amenities. Developments providing additional amenities beyond the threshold identified in clause (i) of this subparagraph will be awarded points based on the point structure below, not to exceed 6 points. The Applicant will total its points for amenities and then subtract the threshold requirement in order to come up with the point total. (For example, a 200-unit Development would have to accumulate 24 points in Common Amenities in order to net a score of 6, but a 36-Unit Development would only have to accumulate 9 points in order to net a score of 6.) Developments proposing rehabilitation or proposing Single Room Occupancy will receive double points for each item. Any future changes in these amenities, or substitution of these amenities, must be approved by the Department in accordance with §50.18(c) of this title and may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in the cancellation of a Commitment Notice or Carryover Allocation if all of the Common Amenities claimed are no longer met.

(iii) Amenities for selection include those items listed in subclauses (I) through (XX) of this clause. Both Developments designed for families and Qualified Elderly Developments can earn points for providing each identified amenity unless the item is specifically restricted to one type of Development. All amenities must meet accessibility standards as further described in §50.9(f)(4)(D) of this title. An Application can only count an amenity once, therefore combined functions (a library which is part of a community room) only count under one category. Items selected are in addition to threshold amenities being provided under subsection (f)(4)(A) of this section. Spaces for activities must be sized appropriately to serve the anticipated population.

(I) Full perimeter fencing with controlled gate access (3 points)

(II) Gazebo w/sitting area (1 point)

(III) Accessible walking path (1 point)

(IV) Community gardens (1 point)

(V) Barbecue grills and picnic tables – at least one for every 50 Units (1 point)

(VI) Covered pavilion w/barbecue grills and tables (2 points)

(VII) Swimming pool (3 points)

(VIII) Furnished fitness center (2 points)

(IX) Equipped Business Center (computer and fax machine) (2 points)

(X) Game/TV room (1 point)

(XI) Library (separate from the community room) (1 point)

(XII) Enclosed sun porch or covered community porch/patio (2 points)

(XIII) Service coordinator office in addition to leasing offices (1 point)

(XIV) Senior Activity Room (Arts and Crafts, Health Screening, etc.) – Only Qualified Elderly Developments Eligible (2 points)

(XV) Secured Entry (elevator buildings only) - (1 point)

(XVI) Horseshoe or Shuffleboard Court – Only Qualified Elderly Developments Eligible (1 point)

(XVII) Community Dining Room w/full or warming kitchen - Only Qualified Elderly Developments Eligible (3 points)

(XVIII) Two Children's Playground Equipped for 5 to 12 year olds, two Tot Lots, or one of each - Only Family Developments Eligible (2 points)

(XIX) Sport Court (Tennis, Basketball or Volleyball) - Only Family Developments Eligible (2 points)

(XX) Furnished and staffed Children's Activity Center - Only Family Developments Eligible (3 points) [WG]

(E~~D~~) The Development is an existing Residential Development without maximum rent limitations or set-asides for affordable housing and~~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 first day of the Application Acceptance Period~~date of Application to the Department~~ (4 points).

(F~~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: [2306.6710(b)(1)(C); 2306.111(g)(3)(E)]

(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).~~ [WG]

(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).~~ [WG]

~~(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).~~ [WG]

~~(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.~~ [WG]

~~(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.~~ [WG]

~~(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.~~ [WG]

(8) Sponsor Characteristics. Evidence that a HUB, as certified by the Texas Building and Procurement 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 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, 2004 and renewable after that date. [WG]

(9~~6~~) Developments Targeting Tenant Populations of Individuals with Children. The Rent Schedule of the Application must show that 35~~50~~% [WG] or more of the Units in the Development have more than 2 bedrooms (1 point).

(10~~7~~) Development Provides Supportive Services to Tenants. Points may be received under both subparagraphs (A) and (B) of this paragraph. [2306.254 and 2306.6725(a)(1) and 2306.6710(b)(1) and Rider 6 of Appropriations]

(A) ~~An~~ Applicants 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 Applicant~~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 subparagraph. No fees may be charged to the tenants for any of the services. Services must be provided on-site or transportation to off-site services must be provided (maximum of 6 points).

(i) Applications~~Applicants~~ will be awarded points for selecting services listed in clause (ii) of this subparagraph based on the following scoring range:

(I) Two points will be awarded for providing one of the services; or

(II) Four points will be awarded for providing two of the services; or

(III) Six points will be awarded for providing three of the services.

(ii) Service options include child care; transportation; basic adult education; legal assistance; counseling services; GED preparation; English as a second language classes; vocational training; home buyer education; credit counseling; financial planning assistance or courses; health screening services; health and nutritional courses; organized team sports programs, 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.

(11~~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 the homeless 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. Points will be awarded consistent with subparagraph (F) of this paragraph:

(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).~~

(F) Points will be awarded as follows:

(i) If all Units in the Development are designed solely for transitional housing for homeless persons, 22 points will be awarded; or

(ii) If at least 25% of the Units in the Development are designed for transitional housing for homeless persons, 15 points will be awarded.

(12~~9~~) Low Income Targeting Points for Serving Residents at 40% and 50% of AMGI (up to 8 points). An Application~~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. [WG] [2306.6725(a)(3); 2306.111(g)(2)and (3)(B); 2306.6710(b)(1)(C) and (G); 2306.6710(e)]

(A) No more than 40%~~50%~~ of the total number of low income units (including Units at 60% and 30% 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% and~~,~~ 40% ~~and 30%~~ AMGI categories. No more than 15%~~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 30% and 60% of AMGI are also included. [WG]

(B) ~~For purposes of calculating points~~ In the table below no Unit may be counted twice in determining point eligibility. Use normal rounding to the hundredth to calculate the percentages, points and "Total Points" for 40% and 50% Units. In calculating the percentages, the denominator includes every low income Unit in the Development, not just the 40% and 50% Units. Normal rounding disregards all digits that are more than one decimal place past the digit rounded; therefore, the thousandths place must not be rounded prior to rounding to the hundredth, e.g. 35.0449% equals 35.04%, not 35.05%. To calculate "Rounded Total Points" disregard the hundredth place in "Total Points" and round normally, eg. 7.50 equals 8 and 7.49 equals 7. The final total points requested must be a whole number consistent with this rounding methodology.

(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)	Percentage ~~Portion~~ of Rent Restricted Units (a/b)		Weight A	OR	Weight B	Points
50%	(a)	~~(c)~~	X	~~5~~10		~~10~~15	
40%	(a)	~~(c)~~	X	~~15~~20		~~20~~30	
~~30%~~	~~(a)~~	~~(c)~~	~~X~~	~~30~~		~~40~~	
						TOTAL POINTS=	
TOTAL LI TARGETED UNITS*	(b)					ROUNDED TOTAL POINTS =	

*Includes all Low Income Units ~~at 60% of AMGI~~

(13) Low Income Targeting Points for Serving Residents at 30% of AMGI (up to 12 points). Applications that propose Units with rents set at 30% AMGI and reserved for occupancy by extremely low-income (those earning annual gross incomes of 30% or less of the AGMI) will be awarded up to 12 points. Developments must have a source of financing for the 30% units. Applicant must submit evidence that the proposed Development has either received development -based rental assistance from a governmental or non-governmental entity, which does not have an identity of interest with the Applicant (with the exception of Applications involving Public Housing Authorities); or received an allocation of funds for on-site Development costs from a local unit of

government or a nonprofit organization, which is not related to the Applicant. Such funds can include Community Development Block Grant funds, HOPE VI, local HOME (not funded from the Department), a local housing trust, Affordable Housing Program from the Federal Home Loan Bank or Tax Increment Financing, HUD Section 202, HUD Section 811 and HUD Section 8, and must be in the form of a grant or a forgivable loan (with the exception of Applications involving Public Housing Authorities). Points will be determined on a sliding scale based on the percentage of 30% units. The Development must have already applied for funding from the funding entity. Evidence at the application stage shall include a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from TDHCA's HOME (with the exception of non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. In order to qualify for these points, the Applicant must provide a 5 year rental assistance contract for development-based vouchers for each 30% Unit or grant funds of $12,500 per 30% Unit. Use normal rounding.

(A) 3% to 5% of total Development Units at 30% AMGI receives 8 points; or

(B) 6% to 8% of total Development Units at 30% AMGI receives 10 points; or

(C) 9% to 10% of total Development Units at 30% AMGI receives 12 points [WG] [2306.6725(a)(3); 2306.111(g)(2) and (3)(B)/(D); 2306.6710(b)(1) (C) and (G); 2306.6710(e) as revised]

(14) Leveraging from local and private resources. An Application may qualify for points under only one of subparagraphs (A) or (B) of this paragraph. However, if an Applicant has requested points under paragraph 13 of this section, the Application is not eligible to receive points under this paragraph. (maximum of 9 points)[WG] [§22 of SB264- 22306.6710(b)(1)(E)]

(A) Evidence that the proposed Development has received an allocation of funds for on-site development costs from a local unit of government or a nonprofit organization, which is not related to the Applicant. Such funds can include Community Development Block Grant funds, HOPE VI, local HOME (not funded from the Department), a local housing trust, Affordable Housing Program from the Federal Home Loan Bank or Tax Increment Financing, HUD Section 202 , HUD Section 811 and HUD Section 8 and must be in the form of a grant or a forgivable loan. In-kind contributions such as donation of land or waivers of fees such as building permits, water and sewer tap fees, or similar contributions that benefit the Development will be acceptable to qualify for these points. Points will be determined on a sliding scale based on the amount per Unit from outside sources. The Development must have already applied for funding from the funding entity. Evidence to be submitted with the Application must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from the Department's HOME or Housing Trust Fund sources will qualify under this category. Use normal rounding. No funds from TDHCA's HOME (with the exception of non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. (up to 9 points).

(i) A contribution of $500 to $1,000 per Low Income Unit receives 3 points; or

(ii) A contribution of $1,001 to $3,500 per Low Income Unit receives 6 points; or

(iii) A contribution of $3,501 to $6,000 per Low Income Unit receives 9 points; or [WG]

(B) Evidence that the proposed Development is partially funded by development-based Housing Choice or rental assistance vouchers from a governmental or non-governmental entity for a minimum of five years. Such entity cannot have an identity of interest with the Applicant with the exception of Applications involving Public Housing Authorities. Evidence at the time the Application is submitted must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from the Department's HOME or Housing Trust Fund sources will qualify under this category. Use normal rounding. (up to 9 points).

(i) Development-Based Vouchers for 3% to 5% of the total Units receives 3 points; or

(ii) Development-Based Vouchers for 6% to 8% of the total Units receives 6 points; or
(iii) Development-Based Vouchers for 9% to 10% of the total Units receives 9 points. [WG]

(15~~10~~) Length of Affordability Period. [2306.6725(a)(5); 2306.111(g)(3)(C); 2306.185(a)(1); and § 22 of 2306.6710(e)] 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. Development Owners~~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 (3~~8~~ points); or

(B) Add 10 years of affordability after the extended use period for a total affordability period of 40 years (6~~12~~ points)

(16~~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). [2306.6725(b)]

(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) through (iii)~~, (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) through ~~, (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 the 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. [WG]

(17~~12~~) Pre-Application Points. [2306.6704] ~~Developments~~ Applications which submitted 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) be awarded by the Department ~~achieve~~ an Application score that is not more than 5% greater or less than the number of points awarded by the Department~~requested~~ at Pre-Application, with the exclusion of points for support and opposition under subsections (g)(2) and (g)(3)(C) of this title. An Applicant must choose, at the time of Application either clause (i) or (ii) of this subparagraph:

(i) to request the Pre-Application points and have the Department cap the Application score at no greater than the 5% increase regardless of the total points accumulated in the scoring evaluation. This allows an Applicant to avoid penalty for changing the point structure outside the 5% range from Pre-Application to Application; or

(ii) to request that the Pre-Application points be forfeited and that the Department evaluate the Application as requested in the self-scoring sheet.

(18~~13~~) Point Reductions.

(A) [2306.6710(b)(2)] Penalties will be imposed on an Application if ~~Applicant if~~ the Applicant ~~or any of its Affiliates who~~ has~~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 are those extensions related to the submission of the carryover and the closing of the construction loan as ~~include all types of extensions~~ identified in §~~49~~50.21 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~~50.21(k) of this title and will receive a 2 point deduction for not meeting the Carryover deadline and a 5 point deduction for not meeting the closing of the construction loan deadline. Subsequent extension requests after the first extension request made for each development from the preceding round for these two deadlines will not result in a further point reduction than already described. No penalty points will be deducted for extensions that were requested on developments that involved rehabilitation or in which the Department is the primary lender. [WG]

(B) Penalties will be imposed on an Application if the Developer or Principal of the Applicant has been removed by the lender, equity provider, or limited partners in the past five years for its failure to perform its obligations under the loan documents or limited partnership agreement. An affidavit will be provided by the Applicant and the Developer certifying that they have not been removed as described, or requiring that they disclose each instance of removal with a detailed description of the situation. If an Applicant or Developer submits the affidavit, and the Department learns at a later date that a removal did take place as described, then the Application will be terminated and any Allocation made will be rescinded. The Applicant, Developers or Principals of the Applicant that are in court proceedings at the time of Application, must disclose this information and the situation will be evaluated on a case-by-case basis. 3 points will be deducted for each instance of removal.

(h~~g~~) **Tie Breaker Factors~~Evaluation Factors~~.** [2306.185(a)(1) and (b)]

(1) In the event that two or more Applications receive the same number of points in any given Set-Aside category, Rural Regional Allocation or Urban/Exurban Regional Allocation, or ~~and~~ Uniform State Service Region, and are both practicable and economically feasible, the Department will utilize the factors in paragraphs (1)

through (5~~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:~~

(A) The number of points awarded for amenities under subsection (g)(4)(C) of this section;

(B) The number of points awarded for amenities under subsection (g)(4)(D) of this section;

(C) The number of rentable square feet per credit amount requested; and

(D) The length of time the Development will be kept affordable.

~~(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;~~

(E~~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.~~

(2) This clause identifies how ties will be handled when dealing with the restrictions on location identified in §50.5(a)(8) and §50.6(f), and in dealing with any issues relating to capture rate calculation. When two Tax Exempt Bond Developments would violate one of these restrictions, and only one Develoment can be selected, the Department will utilize the lot number issued during the Bond Review Board lottery in making its determination. When two competitive Housing Tax Credits Applications in the Application Round would violate one of these restrictions, and only one Development can be selected, the Department will utilize the tie breakers identified in (h)(1) of this subsection. When a Tax Exempt Bond Development and a competitive Housing Tax Credit Application in the Application Round would both violate one of these restrictions, the following determination will be used:

(A) Tax Exempt Bond Developments that have received their reservation from the Bond Review Board prior to April 30, 2004 will take precedence over the Housing Tax Credit Application in the 2004 Application Round; and

(B) Housing Tax Credit Applications in the 2004 Application Round will take percendence over the Tax Exempt Bond Developments that have received their reservation from the Bond Review Board between May 1, 2004 and July 31, 2004; and

(C) After July 31, 2004, a Tax Exempt Bond Development with a reservation from the Bond Review Board will take precedence over any Housing Tax Credit Application from the 2004 Application Round on the Waiting List. However, if no reservation has been issued, then the Waiting List Application will be eligible for its allocation first.

(i~~h~~) **Staff Recommendations**. [2306.1112 and 2306.6731] 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~~subsection (g) of this section~~title~~ that were used in making this determination.

§~~49~~50.10 Board Decisions; Waiting List; Forward Commitments

(a) **Board Decisions.** The Board's decisions shall be based upon the Department's and the Board's~~its~~ evaluation of the proposed Developments' consistency with the criteria and requirements set forth in this~~e~~ QAP and ~~the~~ Rules.

(1) On awarding tax credits, the Board shall document the reasons for each Application's selection, including any discretionary factors used in making its determination, and the reasons for any decision that conflicts with the recommendations made by Department staff. The Board may not make, without good cause, a

commitment decision that conflicts with the recommendations of Department staff. Good cause includes the Board's decision to apply discretionary factors. [2306.6725(c) and 2306.6731]

(2~~1~~) In making a determination to allocate tax credits, the Board shall be authorized to not ~~to~~ rely solely on the number of points scored by an Application~~Applicant~~. It shall in addition, be entitled to take into account, as it deems appropriate, the discretionary factors listed in this paragraph. ~~described in §49.9(g) of this title.~~ The Board may also apply these discretionary factors to its consideration of Tax Exempt Bond Developments. If the Board disapproves or fails to act upon an~~the~~ Application, the Department shall issue to the Applicant~~Development Owner~~ a written notice stating the reason(s) for the Board's disapproval or failure to act. In making tax credit decisions (including those related to Tax Exempt Bond Developments), the Board, in its discretion, may evaluate, consider and apply any one or more of the following discretionary factors: [2306.111(g)(3)]

(A) the market study;

(B) the proposed location of the Development, including supporting broad geographic dispersion;

(C) the compliance history of the Applicant and/or Developer;

(D) the Applicant and/or Developer's efforts to engage the neighborhood;

(E) the financial feasibility of the Development;

(F) the Development's proposed size and configuration;

(G) the housing needs of the community in which the Development will be located and the needs of the community, area, region and state;

(H) the Development's proximity to other rent restricted developments, including avoiding overconcentration;

(I) the availability of adequate public and private facilities and services;

(J) the anticipated impact on local school districts, giving due consideration to the authorized land use;

(K) laws relating to fair housing including affirmatively furthering fair housing;

(L) the efficient use of the tax credits;

(M) consistency with local needs, including consideration of revitalization or preservation needs;

(N) the allocation of credits among many different entities without diminishing the quality of the housing;

(O) meeting a compelling housing need;

(P) providing integrated, affordable housing for individuals and families with different levels of income;

(Q) any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes and the policies of Chapter 2306, Texas Government Code; or

(R) other good cause as determined by the Board.

(2) Before the Board approves any ~~Development~~ Application, the Department shall assess the compliance history of the Applicant ~~and any Affiliate of the Applicant~~ with respect to all applicable requirements; and the compliance issues associated with the proposed Development, including compliance information provided by the Texas State Affordable Housing Corporation. [Section 4 of SB284] The Committee shall provide to the Board a written report regarding the results of the assessments. The written report will be included in the appropriate Development file for Board and Department review. The Board shall fully document and disclose any instances in which the Board approves a Development Application despite any noncompliance associated with the Development~~,~~ or Applicant. ~~or Affiliate.~~ [2306.057]

~~(3) On awarding a tax credit commitment, the Board shall document the reasons for each Development's selection, including an explanation of all discretionary factors used in making its determination, and the reasons for any decision that conflicts with the recommendations made by Department staff. The Board may not make, without good cause, a commitment decision that conflicts with the recommendations of The Committee. [2306.6725(c) and 2306.6731]~~

(b) **Waiting List.** [2306.6711(c) and (d)] If the entire State Housing Credit Ceiling for the applicable calendar year has been committed or allocated in accordance with this chapter, the Board shall generate, concurrently with the issuance of commitments, a waiting list of additional Applications ranked by score in descending order of priority based on Set-Aside categories and regional allocation goals. The Board may also apply discretionary factors in determining the Waiting List. If at any time prior to the end of the Application Round, one or more Commitment Notices expire and a sufficient amount of the State Housing Credit Ceiling becomes available, the Board shall issue a Commitment Notice to Applications on the waiting list subject to the amount of returned credits, the regional allocation goals and the Set-Aside categories, including the 10% Nonprofit Set-Aside allocation required under the Code, §42(h)(5). At the end of each calendar year, all Applications which have not received a Commitment Notice shall be deemed terminated. The Applicant may re-apply to the Department during the next Application Acceptance Period.

(c) **Forward Commitments. T**he Board may determine to issue commitments of tax credit authority with respect to Developments from the State Housing Credit Ceiling for the calendar year following the year of issuance (each a "forward commitment"). The Board will utilize its discretion in determining the amount of credits to be allocated as forward commitments and the reasons for those commitments considering score and discretionary factors.~~in meeting compelling housing needs.~~ The Board may utilize the forward commitment authority to allocate credits to TX-USDA-RHS Developments which are experiencing foreclosure or loan acceleration at any time during the ~~2003~~2004 calendar year.

(1) Unless otherwise provided in the Commitment Notice with respect to a Development selected to receive a forward commitment, actions which are required to be performed under this chapter by a particular date within a calendar year shall be performed by such date in the calendar year of the anticipated commitment rather than in the calendar year of the forward commitment.

(2) Any forward commitment made pursuant to this section shall be made subject to the availability of State Housing Credit Ceiling in the calendar year with respect to which the forward commitment is made. If a forward commitment shall be made with respect to a Development placed in service in the year of such commitment, the forward commitment shall be a "binding commitment" to allocate the applicable credit dollar amount within the meaning of the Code, §42(h)(1)(C).

(3) If tax credit authority shall become available to the Department ~~later~~ in a calendar year in which forward commitments have been awarded, the Department may allocate such tax credit authority to any eligible Development which received a forward commitment, in which event the forward commitment shall be canceled with respect to such Development.

§~~49~~50.11. Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants; Viewing of Pre-Applications and Applications; Confidential Information.

(a) **Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants.**

(1) Within approximately seven business days after the close of the Pre-Application Acceptance Period, the Department shall publish a Pre-Application Submission Log on its web site. Such log shall contain the Development name, address, Set-Aside, number of units, requested credits, owner contact name and phone number. [2306.6717(a)(1)]

(2) Approximately 30 days before the close of the Application Acceptance Period, the Department will release the evaluation and assessment of the Pre-Applications on its web site.

(3) ~~Within approximately 15 business days after the close of the Application Acceptance Period~~Not later than 14 days after the close of the Pre-Application Acceptance Period, or Application Acceptance Period for Applications for which no Pre-Application was submitted, the Department shall: [§11 of 264, §2306.1114]

(A) publish an Application submission log on its web site.

(B) give notice of a proposed Development in writing that provides the information required under clause (i) of this subparagraph to all of the individuals and entities described in clauses (ii) through (viii) of this subparagraph.~~:~~ [2306.6718(a) through (c)]

(i) The following information will be provided in these notifications:

(I) The relevant dates affecting the Application including the date on which the Application was filed, the date or dates on which any hearings on the Application will be held and the date by which a decision on the Application will be made;

(II) A summary of relevant facts associated with the Development;

(III) A summary of any public benefits provided as a result of the Development, including rent subsidies and tenant services; and

(IV) The name and contact information of the employee of the Department designated by the director to act as the information officer and liaison with the public regarding the Application.

(ii) Presiding officer of the governing body of the political subdivision containing the Development (mayor or county judge) ~~mayor or other equivalent chief executive officer of the municipality, if the Development or a part thereof is located in a municipality; otherwise the Department shall notify the chief executive officer of the county in which the Development or a part thereof is located,~~ to advise such individual that the Development, or a part thereof, will be located in his/her jurisdiction and request any comments which such individual may have concerning such Development. If the presiding officer of the governing body ~~local municipal authority~~ expresses opposition to the Development, the Department will give consideration to the objections raised and will visit the proposed site or Development within 30 days of notification to conduct a physical inspection of the Development site and consult with the presiding officer of the governing body~~mayor or county judge~~ before the Application is scored, if opposition is received prior to scoring being completed. The

Department will obtain reimbursement from the Applicant for the necessary travel and expenses at rates consistent with the state authorized rate [Rider 4 of Appropriations Bill]; ~~and~~

(iii) Any member of the governing body of a political subdivision who represents the area containing the Development. If the governing body has single-member districts, then only that member of the governing body for that district will be notified, however if the governing body has at-large districts, then all members of the governing body will be notified;

(~~i~~iv) state representative and state senator who representing~~ing~~ the community~~area~~ where the~~a~~ Development is proposed to ~~would~~ be located. If ~~T~~the state representative or senator ~~may~~ hold a community meeting, ~~at which~~ the Department shall provide appropriate representation.

(v) United States representative who represents the community containing the Development;

(vi) Superintendent of the school district containing the Development;

(vii) Presiding officer of the board of trustees of the school district containing the Development;

(viii) Any Neighborhood Organizations on record with the city or county in which the Development is to be located and whose boundaries contain the proposed Development site, based on the letters obtained by the Applicant from the city and county clerks under §50.9(f) of this title or otherwise known to the Applicant or Department and on record with the state or county.

(ix) Advocacy organizations, social service agencies, civil rights organizations, tenant organizations, or others who may have an interest in securing the development of affordable housing.

(C) The elected officials identified in ~~clauses (i) and (ii) of~~ subparagraph (B) of this paragraph will be provided an opportunity to comment on the Application during the Application evaluation process.

(4) The Department shall hold at least three public hearings in different Uniform State Service Regions of the state to receive comment on the submitted Applications and on other issues relating to the ~~Low Income~~ Housing Tax Credit Program. [2306.6717(c)]

(5) The Department shall make available on the Department's website~~provide notice of and~~ information regarding the Housing Tax Credit Program including ~~regarding~~ notice of public hearings, ~~Board~~ meetings, ~~and~~ Application Round opening and closing dates, submitted Applications, and Applications approved for underwriting and recommended to the Board, and shall provide that information ~~relative to housing tax credits~~ to locally affected community groups, local and state elected officials, local housing departments, ~~to~~ any appropriate newspapers of general or limited circulation that serve the community in which a proposed Development is to be located, ~~to~~ nonprofit and for-profit organizations, ~~to~~ on-site property managers of occupied ~~d~~Developments that are the subject of Applications for posting in prominent locations at those Developments, and ~~to~~ any other interested persons including community groups, who request the information. ~~and shall post all such information to its web site.~~ [2306.6717(b) as revised in §25 of 264 and 2306.6732]

(6) Approximately forty days prior to the date of the July Board meeting at which the issuance of Commitment Notices shall be discussed, the Department will notify each Applicant of the receipt of any opposition received by the Department relating to his or her Development at that time.

(7) Not later than the third working day after the date of completion~~the relevant determinations, the results~~ of each stage of the Application process, including the results of the Application scoring and underwriting phases and the commitment phase, the results will be posted to the Department's web site. [2306.6717(a)(3)]

(8) At least thirty days prior to the date of the July Board meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed, the Department will:

(A) provide the Application scores to the Board;

(B) if feasible, post to the Department's web site the entire Application, including all supporting documents and exhibits, the Application Log as further described in §~~49~~50.20(b) of this title, a scoring sheet providing details of the Application score, and any other documents relating to the processing of the Application. [2306.6711(a) and 2306.6717(a)(2)]

(9) A summary of comments received by the Department on specific Applications shall be part of the documents required to be reviewed by the Board under this subsection if it is received 30 business days prior to the date of the Board Meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. Comments received after this deadline will not be part of the documentation submitted to the Board. However, a public comment period will be available prior to the Board's decision, at the Board meeting where tax credit commitment decisions will be made.

(10) Not later than the 120th day after the date of the initial issuance of Commitment Notices for housing tax credits, the Department shall provide an Applicant who did not receive a commitment for housing tax credits with an opportunity to meet and discuss with the Department the Application's deficiencies, scoring and underwriting. [2306.6711(e)]

(b) **Viewing of Pre-Applications and Applications.** Pre-Applications and Applications for tax credits are public information and are available upon request after the Pre-Application and Application Acceptance Periods close, respectively. All Pre-Applications and Applications, including all exhibits and other supporting materials, except Personal Financial Statements and Social Security numbers, will be made available for public disclosure after the Pre-Application and Application periods close, respectively. The content of Personal Financial Statements may still be made available for public disclosure upon request if the Attorney General's office deems it is not protected from disclosure by the Texas Public Information Act.

(c) **Confidential Information.** The Department may treat the financial statements of any Applicant as confidential and may elect not to disclose those statements to the public. A request for such information shall be processed in accordance with §552.305 of the Government Code. [2306.6717(d)]

§~~49~~50.12. Tax Exempt Bond Developments: Filing of Applications, Applicability of Rules, Supportive Services, Financial Feasibility Evaluation, Satisfaction of Requirements.

(a) **Filing of Applications for Tax Exempt Bond Developments.** Applications for a Tax Exempt Bond Development may be submitted to the Department as described in paragraphs (1) and (2) of this subsection:

(1) Applicants which receive advance notice of a Program Year ~~2003~~2004 reservation as a result of the Texas Bond Review Board's (TBRB) lottery for the private activity volume cap must file a complete Application not later than 60 days after the date of the TBRB lottery. Such filing must be accompanied by the Application fee described in §~~49~~50.21 of this title.

(2) Applicants which receive advance notice of a Program Year ~~2003~~2004 reservation after being placed on the waiting list as a result of the TBRB lottery for private activity volume cap must submit Volume 1 and Volume 2 of the Application and the Application fee described in §~~49~~50.21 of this title prior to the Applicant's bond reservation date as assigned by the TBRB. Any outstanding documentation required under this section must be submitted to the Department at least ~~45~~60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made.

(b) **Applicability of Rules for Tax Exempt Bond Developments.** Tax Exempt Bond Development Applications are subject to all rules in this title, with the only exceptions being ~~to~~ the following sections: §~~49~~50.4 of this title (regarding State Housing Credit Ceiling), §~~49~~50.7 of this title (regarding Regional Allocation and Set-Asides), §~~49~~50.8 of this title (regarding Pre-Application), §~~49~~50.9(d~~c~~)(2) and (4~~3~~) of this title (regarding Selection Criteria Review and Prioritization), §~~49~~50.9(g~~f~~) of this title (regarding Selection Criteria), §~~49~~50.10(b) and (c) of this title (regarding Waiting List and Forward Commitments), ~~§49.11(a)~~ and §~~49~~50.14 of this title (regarding Carryover and 10% Test)~~of this title~~. Such Developments requesting a Determination Notice in the current calendar year must meet all Threshold Criteria requirements stipulated in §~~49~~50.9(f~~e~~) of this title. Such Developments which received a Determination Notice in a prior calendar year must meet all Threshold Criteria requirements stipulated in the QAP and Rules in effect for the calendar year in which the Determination Notice was issued; provided, however, that such Developments shall comply with all procedural requirements for obtaining Department action in the current QAP and Rules; and such other requirements of the QAP and Rules as the Department determines applicable. At the time of Application, Developments must demonstrate the Development's consistency with the bond issuer's consolidated plan or other similar planning document. Consistency with the local municipality's consolidated plan or similar planning document must also be demonstrated in those instances where the city or county has a consolidated plan. Applicants will be required to meet all conditions of the Determination Notice by the time the construction loan is closed unless otherwise specified in the Determination Notice. Applicants must meet the requirements identified in §50.15(a) of this title.

(c) **Supportive Services for Tax Exempt Bond Developments.** [2306.254] Tax Exempt Bond Development Applications must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of these services will be included in the LURA. Acceptable services as described in paragraphs (1) through (3) of this subsection~~paragraph~~ include:

(1) the services must be in at least one of the following categories: child care, transportation, basic adult education, legal assistance, counseling services, GED preparation, English as a second language classes, vocational training, home buyer education, credit counseling, financial planning assistance or courses, health screening services, health and nutritional courses, organized team sports programs, youth programs, scholastic tutoring, social events and activities, community gardens or computer facilities; or

(2) any other program described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families, or

(3) any other services approved in writing by the Issuer. The plan for tenant supportive services submitted for review and approval of the Issuer must contain a plan for coordination of services with state workforce development and welfare programs. The coordinated effort will vary depending upon the needs of the tenant profile at any given time as outlined in the plan.

(d) **Financial Feasibility Evaluation for Tax Exempt Bond Developments.** Code §42(m)(2)(D) requires the bond issuer (if other than the Department) to ensure~~make sure~~ that a Tax Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period. Treasury Regulations prescribe the occasions upon which this determination must be made. In light of the requirement, issuers may either elect to underwrite the Development for this purpose in accordance with the QAP and the Underwriting Rules and Guidelines, ~~10 TAC~~ §1.32 of this title or request that the Department perform the function. If the issuer underwrites the Development, the Department will, nonetheless, review the underwriting report and may make such changes in the amount of credits which the Development may be allowed as are appropriate under the Department's guidelines. The Determination Notice issued by the Department and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the Development is determined to be eligible in accordance with this subsection~~paragraph~~, and the amount of tax credits reflected in the IRS Form 8609 may be greater or less than the amount set forth in the Determination Notice, based upon the Department's and the bond issuer's determination as of each building's placement in service. Any increase of tax credits, from the amount specified in the Determination Notice, at the time of each building's placement in service will only be permitted if it is determined by the Department, as required by Code §42(m)(2)(D), that the Tax Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period, and upon approval by the Board. ~~deemed that causes for the increased Eligible Basis were beyond the control of the Development Owner, were not foreseeable by the Development Owner at the time of Application and were not preventable during the construction of the Development, as determined by the Board.~~ [WG]

(e) **Satisfaction of Requirements for Tax Exempt Bond Developments.** If the Department staff determines that all requirements of this QAP and Rules~~section~~ have been met, the Department will recommend that the Board authorize the issuance of a Determination Notice. The Board, however, may~~shall~~ utilize the discretionary factors identified in §50.10(a) of this title in determining if they will authorize the Department to issue a Determination Notice to the Development Owner~~Applicant~~. The Determination Notice, if authorized by the Board, will confirm that the Development satisfies the requirements of the QAP and Rules in accordance with the Code, §42(m)(1)(D).

§~~49~~50.13 Commitment and Determination Notices; Agreement and Election Statement.

(a) **Commitment and Determination Notices.** If the Board approves an Application, the Department will:

(1) if the Application is for a commitment from the State Housing Credit Ceiling, issue a Commitment Notice to the Development Owner which shall:

(A) confirm that the Board has approved the Application; and

(B) state the Department's commitment to make a Housing Credit Allocation to the Development Owner ~~Applicant~~ in a specified amount, subject to the feasibility determination described at §~~49~~50.17 of this title, and compliance by the Development Owner with the remaining requirements of this chapter and any other terms and conditions set forth therein by the Department. This commitment shall expire on the date specified therein unless the Development Owner indicates acceptance of the commitment by executing the Commitment Notice or Determination Notice, pays the required fee specified in §~~49~~50.21 of this title, and satisfies any other conditions set forth therein by the Department. A Development Owner may request an extension of the Commitment Notice expiration date by submitting an extension request and associated extension fee as described in §~~49~~50.21 of this title. In no event shall the expiration date of a Commitment Notice be extended beyond the last business day of the applicable calendar year.

(2) if the Application regards~~is with respect to~~ a Tax Exempt Bond Development, issue a Determination Notice to the Development Owner which shall:

(A) confirm the Board's determination that the Development satisfies the requirements of this QAP; and

(B) state the Department's commitment to issue IRS Form(s) 8609 to the Development Owner~~Applicant~~ in a specified amount, subject to the requirements set forth at §~~49~~50.12 of this title and compliance by the Development Owner with all applicable requirements of this title and any other terms and conditions set forth therein by the Department. The Determination Notice shall expire on the date specified therein unless the Development Owner indicates acceptance by executing the Determination Notice and paying the required fee specified in §~~49~~50.21 of this title. The Determination Notice shall also expire unless the

Development Owner satisfies any conditions set forth therein by the Department within the applicable time period.

(3) notify, in writing, the mayor or other equivalent chief executive officer of the municipality in which the Property is located informing him/her of the Board's issuance of a Commitment Notice or Determination Notice, as applicable.

(4) A Commitment or Determination Notice shall not be issued with respect to any Development for an unnecessary amount or where the cost for the total development, acquisition, construction or rehabilitation exceeds the limitations established from time to time by the Department and the Board, unless the Department staff make a recommendation to the Board based on the need to fulfill the goals of the ~~Low Income~~ Housing Tax Credit Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.

(5) A Commitment or Determination Notice shall not be issued with respect to any Development in violation of the calculation relating to the inclusive capture rate as restricted under §1.32(g)(2) of this title,~~the Concentration Policy~~, unless The Committee makes a recommendation to the Board based on the need to fulfill the goals of the ~~Low Income~~ Housing Tax Credit Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.

(6) A Commitment or Determination Notice shall not be issued with respect to the Applicant, the Development Owner, ~~or~~ the General Contractor, or any Affiliate of ~~the Applicant, the Development Owner, or~~ the General Contractor that is active in the ownership or ~~control~~Control of one or more other low income rental housing properties in the state of Texas funded by the Department, or outside the state of Texas, that is in Material Non-Compliance with the LURA (or any other document containing an Extended Low Income Housing Commitment) or the program rules in effect for such property as of June 30 of each year~~, 2003~~ (or for Tax Exempt Bond Developments as of 10 business days prior to the Board's vote to allocate credits. Any corrective action documentation affecting the Material Non-Compliance status score for Applicants must be received by the Department no later than May 15 of each year~~, 2003~~ (or for Tax Exempt Bond Developments no later than 20 business days prior to the Board's vote to allocate credits).

(b) **Agreement and Election Statement.** Together with ~~or following~~ the Development Owner's acceptance of the Carryover Allocation~~commitment or determination~~, the Development Owner may execute an Agreement and Election Statement, in the form prescribed by the Department, for the purpose of fixing the Applicable Percentage for the Development as that for the month in which the Carryover Allocation~~Commitment~~ was accepted (or the month the bonds were issued for Tax Exempt Bond Developments), as provided in the Code, §42(b)(2). Current Treasury Regulations, §1.42-8(a)(1)(v), suggest that in order to permit a Development Owner to make an effective election to fix the Applicable Percentage for a Development, the Carryover Allocation Document must be executed by the Department and the Development Owner within the same month. The Department staff will cooperate with a Development Owner, as possible or reasonable~~needed~~, to assure that the Carryover Allocation Document~~Commitment Notice~~ can be so executed.

§~~49~~50.14. Carryover, 10% Test.

(a) **Carryover.** All Developments which received a Commitment Notice, and will not be placed in service and receive IRS Form 8609 in the year the Commitment Notice was issued, must submit the Carryover documentation to the Department no later than November 1 of the year in which the Commitment Notice is issued. Developments involving acquisition/rehabilitation must submit the Carryover documentation to the Department no later than December 1 of the year in which the Commitment Notice is issued, however they will be ineligible for extensions beyond that date. [WG] Commitments for credits will be terminated if the Carryover documentation, or an approved extension, has not been received by this deadline. In the event that a Development Owner intends to submit the Carryover documentation in any month preceding November~~October~~ of the year in which the Commitment Notice is issued, in order to fix the Applicable Percentage for the Development in that month~~October~~, it must be submitted no later than the first Friday in the preceding month~~October~~. [WG] If the financing structure, syndication rate, amount of debt or syndication proceeds are revised at the time of Carryover from what was proposed in the original Application, applicable documentation of such changes must be provided and the Development may be reevaluated by the Department. The Carryover Allocation format must be properly completed and delivered to the Department as prescribed by the Carryover Allocation Procedures Manual. All Carryover Allocations will be contingent upon the following, in addition to all other conditions placed upon the Application in the Commitment Notice:

(1) The Development Owner must have purchased the property for the Development.

(2~~1~~) A current original plat or survey of the land, prepared by a duly licensed Texas Registered Professional Land Surveyor. Such survey shall conform to standards prescribed in the Manual of Practice for Land

Surveying in Texas as promulgated and amended from time to time by the Texas Surveyors Association as more fully described in the Carryover Procedures Manual.

(3~~2~~) A review of information provided by the IRS as permitted pursuant to IRS Form 8821, Tax Information Authorization, for the release of tax information relating to non-disclosure or recapture issues. Each Development Owner, General Partner and Principal ~~Applicant~~ must execute and provide to the Department Form 8821 within ten business days of the issuance of a Commitment Notice or Determination Notice. ~~The form must be signed and executed on behalf of the Development Owner.~~ Any information provided by the IRS will be evaluated by the Department ~~in accordance with §4950.3(53) of this title~~ and may be utilized by the Board to determine if a Carryover Allocation will be made. [WG]

(4~~3~~) Attendance of the Development Owner and Development architect at eight hours of Fair Housing training on or before the closing of the construction loan.

(5) For all Developments involving new construction, evidence of the availability of all necessary utilities/services to the Development site must be provided. 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.

(6) Development Owners must provide evidence to the Department that they have notified the District office of the Texas Department of Transportation of their proposed property consistent with the template provided in the Carryover Allocation Procedures Manual.

(b) **10% Test.** No later than six months from the date the Carryover Allocation Document is executed by the Department and the Development Owner, more than 10% of the Development Owner's reasonably expected basis must~~has to~~ have been incurred pursuant to §42(h)(1)(E)(i) and (ii) of the Internal Revenue Code and Treasury Regulations, §1.42-6. The evidence to support the satisfaction of this requirement must be submitted to the Department no later than June 30 of the year following the execution of the Carryover Allocation Document in a format prescribed by the Department. [WG]

§49.15. Closing of the Construction Loan, Commencement of Substantial Construction.

(a) **Closing of the Construction Loan.** The Development Owner must submit evidence of having closed the construction loan. The evidence must be submitted no later than June 1~~the second Friday in June~~ of the year after the execution of the Carryover Allocation Document, and no later than 14 days after the closing of the construction loan for Tax Exempt Bond Developments, with the possibility of an extension as described in §4~~9~~50.21 of this title. At the time of submission of the documentation, the Development Owner must also submit a Management Plan and an Affirmative Marketing Plan as further described in the Carryover Allocation Procedures Manual. The Carryover Allocation will automatically be terminated if the Development Owner fails to meet the aforementioned closing deadline (taking into account any extensions), and has not had an extension approved, and all credits previously allocated to that Development will be recovered and become a part of the State Housing Credit Ceiling for the applicable year. Owners of Tax Exempt Bond Developments will be fined $2,500 if this requirement is not fulfilled. [WG]

(b) **Commencement of Substantial Construction**. The Development Owner must submit evidence of having commenced and continued substantial construction activities. The evidence must be submitted not later than December 1~~the second Friday in November~~ of the year after the execution of the Carryover Allocation Document with the possibility of an extension as described in §4~~9~~50.21 of this title. The minimum activity necessary to meet the requirement of substantial construction for new Developments will be defined as having expended 10% of the construction contract amount for the Development, adjusted for any change orders, and as documented by both the most recent construction contract application for payment and the inspecting architect. ~~having poured foundations for at least 50% of all of the buildings in the Development.~~ [WG]The minimum activity necessary to meet the requirement of substantial construction for rehabilitation Developments will be defined as having expended 10% of the construction budget as documented by the inspecting architect. Evidence of such activity shall be provided in a format prescribed by the Department.

§4~~9~~50.16. Cost Certification, LURA.

(a) **Cost Certification.** If a Carryover Allocation was not requested and received, Developments ~~that will~~must be placed in service by December 31 of the year the Commitment Notice was issued. Developments receiving a Carryover Allocation must be placed in service by December 31 of the second year following the year the

Carryover Allocation Agreement was executed. Developments~~and~~ requesting IRS Forms 8609 ~~in the year the Commitment Notice was issued~~ must submit the required Cost Certification documentation ~~and the compliance and monitoring fee~~ no later than April 1 of the year following the date the buildings were placed in service. Any Developments issued a Commitment Notice or Determination Notice that fails to submit its Cost Certification documentation by this time will be reported to the IRS. ~~to the Department by the second Friday in November of that same year.~~ The Department will perform an initial evaluation of the Cost Certification documentation within 45 days from the date of receipt of the Cost Certification documentation and notify the Owner in a deficiency letter of all additional required documentation. Once the Department has determined that all required documents have been received, ~~T~~the Department will issue IRS Forms 8609 no later than 90 days from the date of receipt of those final documents. ~~the Cost Certification documentation, so long as all subsequent documentation requested by the Department related to the processing of the Cost Certification documentation has been provided on or before the seventy-fifth day from the date of receipt of the original Cost Certification documentation.~~ Any deficiency letters issued to the Owner pertaining to the Cost Certification documentation will also be copied to the syndicator. [WG]

(b) **Land Use Restriction Agreement (LURA).** ~~Prior to the Department's issuance of the IRS Form(s) 8609 for building(s) in a Development, the~~ The Development Owner must request a LURA from the Department no later than September 1 of the first year in which credits will be claimed. The Development Owner must date, sign and acknowledge before a notary public the~~a~~ LURA and send the original to the Department for execution by December 1 of the first year in which credits will be claimed. In addition, the initial compliance and monitoring fee must also be submitted to the Department by December 1 of that same year. After receipt of the signed LURA from the Department, ~~T~~the Development Owner shall then record said LURA, along with any and all exhibits attached thereto, in the real property records of the county where the Development is located and return the original document, duly certified as to recordation by the appropriate county official, to the Department no later than the date that the Cost Certification Documentation is submitted to the Department. If any liens (other than mechanics' or materialmen's liens) shall have been recorded against the Development and/or the Property prior to the recording of the LURA, the Development Owner shall obtain the subordination of the rights of any such lienholder, or other effective consent, to the survival of certain obligations contained in the LURA, which are required by §42(h)(6)(E)(ii) of the Code to remain in effect following the foreclosure of any such lien. Receipt of such certified recorded original LURA by the Department is required prior to issuance of IRS Form 8609. A representative of the Department, or assigns, shall physically inspect the Development for compliance with the Application and the representatives, warranties, covenants, agreements and undertakings contained therein. Such inspection will be conducted before the IRS Form 8609 is issued for a building, but it shall be conducted in no event later than the end of the second calendar year following the year the last building in the Development is placed in service. The Development Owner for Tax Exempt Bond Developments shall obtain a subordination agreement wherein the lien of the mortgage is subordinated to the LURA. ~~If an Owner intends for the Department to execute a LURA by the end of a calendar year, then the proposed LURA, executed by the Owner and lienholder, if necessary, must be submitted to the Department for execution no later than December 1 of that calendar year.~~ [WG]

§4~~9~~50.17. Housing Credit Allocations.

(a) In making a commitment of a Housing Credit Allocation under this chapter, the Department shall rely upon information contained in the ~~Applicant's~~ Application to determine whether a building is eligible for the credit under the Code, §42. The Development Owner ~~Applicant~~ shall bear full responsibility for claiming the credit and assuring that the Development complies with the requirements of the Code, §42. The Department shall have no responsibility for ensuring that a Development Owner~~n Applicant~~ who receives a Housing Credit Allocation from the Department will qualify for the housing credit.

(b) The Housing Credit Allocation Amount shall not exceed the dollar amount the Department determines is necessary for the financial feasibility and the long term viability of the Development throughout the affordability period~~Compliance Period~~. [2306.6711(b)] Such determination shall be made by the Department at the time of issuance of the Commitment Notice or Determination Notice; at the time the Department makes a Housing Credit Allocation; and as of the date each building in a Development is placed in service. Any Housing Credit Allocation Amount specified in a Commitment Notice, Determination Notice or Carryover Allocation Document is subject to change by the Department based upon such determination. Such a determination shall be made by the Department based on its evaluation and procedures, considering the items specified in the Code, §42(m)(2)(B), and the department in no way or manner represents or warrants to any Applicant, sponsor, investor, lender or other entity that the Development is, in fact, feasible or viable.

(c) The General Contractor hired by the Development Owner~~Applicant~~ must meet specific criteria as defined by the Seventy-fifth Legislature. A General Contractor hired by a Development Owner~~n Applicant~~ or a~~n~~ Development Owner~~Applicant~~, if the Development Owner~~Applicant~~ serves as General Contractor must demonstrate a history of constructing similar types of housing without the use of federal tax credits. Evidence must be submitted to the Department, in accordance with §~~49~~50.9(f~~e~~)(4)(H~~G~~) of this title, which sufficiently documents that the General Contractor has constructed some housing without the use of Housing Tax Credits. This documentation will be required as a condition of the commitment notice or carryover agreement, and must be complied with prior to commencement of construction and at cost certification and final allocation of credits.

(d) An allocation will be made in the name of the Development Owner~~Applicant~~ identified in the related Commitment Notice or Determination Notice. If an allocation is made to a member or Affiliate of the ownership entity proposed at the time of Application, the Department will transfer the allocation to the ownership entity as consistent with the intention of the Board when the Development was selected for an award of tax credits. ~~If an allocation is made in the name of the party expected to be the General Partner or Managing Member in an eventual owner partnership or limited liability company, the Department may, upon request, approve a transfer of allocation to such owner partnership or limited liability company in which such party is the sole General Partner or Managing Member~~. Any other transfer of an allocation will be subject to review and approval by the Department consistent with §50.18(c) of this title. The approval of any such transfer does not constitute a representation to the effect that such transfer is permissible under §42 of the Code or without adverse consequences thereunder, and the Department may condition its approval upon receipt and approval of complete current documentation regarding the ~~new~~ owner including documentation to show consistency with all the criteria for scoring, evaluation and underwriting, among others, which were applicable to the original Applicant.

(e) The Department shall make a Housing Credit Allocation, either in the form of IRS Form 8609, with respect to current year allocations for buildings placed in service, or in the Carryover Allocation Document, for buildings not yet placed in service, to any Development Owner who holds a Commitment Notice which has not expired, and for which all fees as specified in §~~49~~50.21 of this title have been received by the Department and with respect to which all applicable requirements, terms and conditions have been met. For Tax Exempt Bond Developments, the Housing Credit Allocation shall be made in the form of a Determination Notice. For an IRS Form 8609 to be issued with respect to a building in a Development with a Housing Credit Allocation, satisfactory evidence must be received by the Department that such building is completed and has been placed in service in accordance with the provisions of the Department's Cost Certification Procedures Manual. The Cost Certification documentation requirements will include a certification and inspection report prepared by a Third-Party accredited accessibility inspector to certify that the Development meets all required accessibility standards. IRS Form 8609 will not be issued until the certifications are received by the Department. The Department shall mail or deliver IRS Form 8609 (or any successor form adopted by the Internal Revenue Service) to the Development Owner, with Part I thereof completed in all respects and signed by an authorized official of the Department. The delivery of the IRS Form 8609 will occur only after the Development Owner has complied with all procedures and requirements listed within the Cost Certification Procedures Manual. Regardless of the year of Application to the Department for Housing Tax Credits, the current year's Cost Certification Procedures Manual must be utilized when filing all cost certification materials. A separate Housing Credit Allocation shall be made with respect to each building within a Development which is eligible for a housing credit; provided, however, that where an allocation is made pursuant to a Carryover Allocation Document on a Development basis in accordance with the Code, §42(h)(1)(F), a housing credit dollar amount shall not be assigned to particular buildings in the Development until the issuance of IRS Form 8609s with respect to such buildings.

(f) In making a Housing Credit Allocation, the Department shall specify a maximum Applicable Percentage, not to exceed the Applicable Percentage for the building permitted by the Code, §42(b), and a maximum Qualified Basis amount. In specifying the maximum Applicable Percentage and the maximum Qualified Basis amount, the Department shall disregard the first-year conventions described in the Code, §42(f)(2)(A) and §42(f)(3)(B). The Housing Credit Allocation made by the Department shall not exceed the amount necessary to support the extended low income housing commitment as required by the Code, §42(h)(6)(C)(i).

(g) Development inspections shall be required to show that the Development is built or rehabilitated according to required plans and specifications. At a minimum, all Development inspections must include an inspection for quality during the construction process while defects can reasonably be corrected and a final inspection at the time the Development is placed in service. All such Development inspections shall be performed by the Department or by an independent~~, third party~~ Third Party inspector acceptable to the Department. The Development Owner shall pay all fees and costs of said inspections as described in §~~49~~50.21 of this title. For properties receiving financing through TX-USDA-RHS, the Department shall accept the inspections performed by TX-USDA-RHS in lieu of having other Third party Inspections. [2306.081]

(h) After the entire Development is placed in service, which must occur prior to the deadline specified in the Carryover Allocation Document and as further outlined in §50.16 of this title, the Development Owner shall be responsible for furnishing the Department with documentation which satisfies the requirements set forth in the Cost Certification Procedures Manual. For purposes of this title, and consistent with IRS Notice 88-116, the placed in service date for a new or existing building used as residential rental property is the date on which the building is ready and available for its specifically assigned function and more specifically when the first Unit in the building is certified as being suitable for occupancy in accordance with state and local law and as ~~a newly constructed or rehabilitated building is not placed in service until all units in such building have been completed and~~ certified by the appropriate local authority or registered architect as ready for occupancy. The Cost Certification must be submitted for the entire Development; therefore partial Cost Certifications are not allowed. The Department may require copies of invoices and receipts and statements for materials and labor utilized for the new construction or rehabilitation and, if applicable, a closing statement for the acquisition of the Development as well as for the closing of all interim and permanent financing for the Development. If the Development Owner~~Applicant~~ does not fulfill all representations and commitments made in the Application, the Department may make reasonable reductions to the tax credit amount allocated via the IRS Form 8609, may withhold issuance of the IRS Form 8609s until these representations and commitments are met, and/or may terminate the allocation, if appropriate corrective action is not taken by the Development Owner.

(i) The Board at its sole discretion may allocate credits to a Development Owner in addition to those awarded at the time of the initial Carryover Allocation in instances where there is bona fide substantiation of cost overruns and the Department has made a determination that the allocation is needed to maintain the Development's financial viability. ~~as a Development.~~

(j) The Department may, at any time and without additional administrative process, determine to award credits to Developments previously evaluated and awarded credits if it determines that such previously awarded credits are or may be invalid and the owner was not responsible for such invalidity. The Department may also consider an amendment to a Commitment Notice or Carryover Allocation or other requirement with respect to a Development if the revisions:

(1) are consistent with the Code and the ~~Low Income~~ Housing Tax Credit Program;

(2) do not occur while the Development is under consideration for tax credits;

(3) do not involve a change in the number of points scored (unless the Development's ranking is adjusted because of such change);

(4) do not involve a change in the Development's site; or

(5) do not involve a change in the set-aside election.

§~~49~~50.18 Board Reevaluation, Appeals; Amendments, Housing Tax Credit and Ownership Transfers, Sale of Tax Credit Properties, Withdrawals, Cancellations.

(a) **Board Reevaluation.** [2306.6731(b)] Regardless of development~~project~~ stage, the Board shall reevaluate a Development that undergoes a substantial change between the time of initial Board approval of the Development and the time of issuance of a Commitment Notice or Determination Notice for the Development. For the purposes of this subsection, substantial change shall be those items identified in subsection (c)(3) of this section. The Board may revoke any Commitment Notice or Determination Notice issued for a Development that has been unfavorably reevaluated by the Board.

(b) **Appeals Process.** [2306.6715] An Applicant may appeal decisions made by the Department.

(1) The decisions that may be appealed are identified in subparagraphs (A) through (C) of this paragraph.

(A) a determination regarding the Application's satisfaction of:

(i) Eligibility Requirements;

(ii) Disqualification or debarment criteria;

(iii) Pre-Application or Application Threshold Criteria;

(iv~~i~~) Underwriting Criteria;

(B) the scoring of the Application under the Application Selection Criteria; and

(C) a recommendation as to the amount of housing tax credits to be allocated to the Application.

(D) Any Department decision that results in termination of an Application.

(2) An Applicant may not appeal a decision made regarding an Application filed by another Applicant.

(3) An Applicant must file its appeal in writing with the Department not later than the seventh day after the date the Department publishes the results of any stage of the Application evaluation process identified in §~~49~~50.9 of this title. In the appeal, the Applicant must specifically identify the Applicant's grounds for appeal,

based on the original Application and additional documentation filed with the original Application. If the appeal relates to the amount of housing tax credits recommended to be allocated, the Department will provide the Applicant with the underwriting report upon request.

(4) The Executive Director of the Department shall respond in writing to the appeal not later than the 14th day after the date of receipt of the appeal. If the Applicant is not satisfied with the Executive Director's response to the appeal, the Applicant may appeal directly in writing to the Board, provided that an appeal filed with the Board under this subsection must be received by the Board before:

(A) the seventh day preceding the date of the Board meeting at which the relevant commitment decision is expected to be made; or

(B) the third day preceding the date of the Board meeting described by subparagraph (A) of this paragraph, if the Executive Director does not respond to the appeal before the date described by subparagraph (A) of this paragraph.

(5) Board review of an appeal under paragraph (4) of this subsection is based on the original Application and additional documentation filed with the original Application. The Board may not review any information not contained in or filed with the original Application. The decision of the Board regarding the appeal is final.

(6) The Department will post to its web site an appeal filed with the Department or Board and any other document relating to the processing of the appeal. [2306.6714(a)(4)]

(c) **Amendment of Application Subsequent to Allocation by Board.** [2306.6712 and 2306.6717(a)(4)]

(1) If a proposed modification would materially alter a Development approved for an allocation of a housing tax credit, <u>or if the Applicant has altered any selection criteria item for which it received points,</u> the Department shall require the Applicant to file a formal, written request for an amendment to the Application.

(2) The Executive Director of the Department shall require the Department staff assigned to underwrite Applications to evaluate the amendment and provide an analysis and written recommendation to the Board. The appropriate party monitoring compliance during construction in accordance with §~~49~~<u>50</u>.19 of this title shall also provide to the Board an analysis and written recommendation regarding the amendment.

(3) For Applications approved by the Board prior to September 1, 2001, the Executive Director will approve or deny the amendment request. For Applications approved by the Board after September 1, 2001, the Board must vote on whether to approve the amendment. The Board by vote may reject an amendment and, if appropriate, rescind a Commitment Notice or terminate the allocation of housing tax credits and reallocate the credits to other Applicants on the Waiting List if the Board determines that the modification proposed in the amendment:

(A) would materially alter the Development in a negative manner; or

(B) would have adversely affected the selection of the Application in the Application Round.

(4) Material alteration of a Development includes, but is not limited to:

(A) a significant modification of the site plan;

(B) a modification of the number of units or bedroom mix of units;

(C) a substantive modification of the scope of tenant services;

(D) a reduction of three percent or more in the square footage of the units or common areas;

(E) a significant modification of the architectural design of the Development;

(F) a modification of the residential density of the Development of at least five percent; ~~and~~

<u>(G) an increase or decrease in the site acreage of greater than 10% from the original site under control and proposed in the Application; and</u>

(<u>H</u>~~G~~) any other modification considered significant by the Board.

(5) In evaluating the amendment under this subsection, the Department staff shall consider whether the need for the modification proposed in the amendment was:

(A) reasonably foreseeable by the Applicant at the time the Application was submitted; or

(B) preventable by the Applicant.

(6) This section shall be administered in a manner that is consistent with the Code, §42.

(7) Before the 15th day preceding the date of Board action on the amendment, notice of an amendment and the recommendation of the Executive Director and monitor regarding the amendment will be posted to the Department's web site.

(d) **Housing Tax Credit and Ownership Transfers.** [2306.6713] A~~n~~ <u>Development Owner</u>~~Applicant~~ may not transfer an allocation of housing tax credits or ownership of a Development supported with an allocation of housing tax credits to any Person other than an Affiliate<u> of the Development Owner</u> unless the <u>Development Owner</u>~~Applicant~~ obtains the Executive Director's prior, written approval of the transfer. The Executive Director may not unreasonably withhold approval of the transfer. A~~n~~<u> Development Owner</u> ~~Applicant~~ seeking Executive Director approval of a transfer and the proposed transferee must provide to the Department a copy of any applicable agreement between the parties to the transfer, including any third-party agreement with the

Department. A~~n~~ Development Owner~~Applicant~~ seeking Executive Director approval of a transfer must provide ~~to~~ the Department with documentation requested by the Department, including but not limited to, a list of the names of transferees and Related Parties; and detailed information describing the experience and financial capacity of transferees and related parties. All transfer requests must disclose the reason for the request and specifically disclose if the transfer is requested because a Person active in the Development is being, or has been, removed by the lender, equity provider, or limited partners for its failure to perform its obligations under the loan documents or limited partnership agreement. The Development Owner shall certify to the Executive Director that the tenants in the Development have been notified in writing of the transfer before the 30th day preceding the date of submission of the transfer request to the Department. Not later than the fifth working day after the date the Department receives all necessary information under this section, the Department shall conduct a qualifications review of a transferee to determine the transferee's past compliance with all aspects of the ~~Low Income~~ Housing Tax Credit Program, LURAs; and the sufficiency of the transferee's experience with Developments supported with Housing Credit Allocations. If the viable operation of the Development is deemed to be in jeopardy by the Department, the Department may authorize changes that were not contemplated in the Application.

(e) **Sale of Certain Tax Credit Properties.** Consistent with §2306.6726, Texas Government Code, not later than two years before the expiration of the Compliance Period, a Development Owner who agreed to provide a right of first refusal under §2306.6725, Texas Government Code and who intends to sell the property shall notify the Department of its intent to sell.

(1) The Development Owner shall notify Qualified Nonprofit Organizations and tenant organizations of the opportunity to purchase the Development. The Development Owner may:

(A) during the first six-month period after notifying the Department, negotiate or enter into a purchase agreement only with a Qualified Nonprofit Organization that is also a community housing development organization as defined by the federal home investment partnership program;

(B) during the second six-month period after notifying the Department, negotiate or enter into a purchase agreement with any Qualified Nonprofit Organization or tenant organization; and

(C) during the year before the expiration of the compliance period, negotiate or enter into a purchase agreement with the Department or any Qualified Nonprofit Organization or tenant organization approved by the Department.

(2) Notwithstanding items for which points were received consistent with §50.9(g) of this title, a Development Owner may sell the Development to any purchaser after the expiration of the compliance period if a Qualified Nonprofit Organization or tenant organization does not offer to purchase the Development at the minimum price provided by §42(i)(7), Internal Revenue Code of 1986 (26 U.S.C. Section 42(i)(7)), and the Department declines to purchase the Development.

(f) **Withdrawals.** An Applicant may withdraw an Application prior to receiving a Commitment Notice, Determination Notice, Carryover Allocation Document or Housing Credit Allocation, or may cancel a Commitment Notice or Determination Notice by submitting to the Department a notice, as applicable, of withdrawal or cancellation, and making any required statements as to the return of any tax credits allocated to the Development at issue.

(g~~f~~) **Cancellations.** The Department may cancel a Commitment Notice, Determination Notice or Carryover Allocation prior to the issuance of IRS Form 8609 with respect to a Development if:

(1) The Applicant or the Development Owner~~the Development Owner or any member of the Development Team~~, or the Development, as applicable, fails to meet any of the conditions of such Commitment Notice or Carryover Allocation or any of the undertakings and commitments made by the Development Owner in the Applications process for the Development;

(2) any statement or representation made by the Development Owner or made with respect to the Development Owner~~,~~ ~~the Development Team~~ or the Development is untrue or misleading;

(3) an event occurs with respect to the Applicant or the Development Owner~~any member of the Development Team~~ which would have made the Development's Application ineligible for funding pursuant to §~~49~~50.5 of this title if such event had occurred prior to issuance of the Commitment Notice or Carryover Allocation; or

(4) The Applicant or the Development Owner ~~the Development Owner, any member of the Development Team,~~ or the Development, as applicable, fails to comply with these Rules or the procedures or requirements of the Department.

(h) **Alternative Dispute Resolution Policy.** In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.

§~~49~~50.19. Compliance Monitoring and Material Non-Compliance.

(a) The Code, §42(m)(1)(B)(iii), requires the Department as the housing credit agency to include in its QAP a procedure that the Department will follow in monitoring Developments for compliance with the provisions of the Code, §42 and in notifying the IRS of any noncompliance of which the Department becomes aware. Detailed compliance rules are set forth in Department Rule §60.1 of this title, to be proposed ~~Such procedure is set out in this QAP~~ and in the Owner's Compliance Manual prepared by the Department's Compliance Division, as amended from time to time. Such procedure only addresses forms and records that may be required by the Department to enable the Department to monitor a Development for violations of the Code and the LURA and to notify the IRS of any such non-compliance. This procedure does not address forms and other records that may be required of Development Owners by the IRS more generally, whether for purposes of filing annual returns or supporting Development Owner tax positions during an IRS audit.

(b) The Department, through the division with responsibility for compliance matters, shall monitor for compliance with all applicable requirements the entire construction or rehabilitation phase associated with any Development under this title. The Department will monitor under this requirement by requiring a copy of reports from all construction inspections performed for the lender and/or syndicator for the Development. Those reports must indicate that the Department may rely on those reports. The Department may provide those inspectors for the lender and/or syndicator with required documentation to be completed that will confirm satisfaction of the requirements of this rule. If necessary, the Department may obtain a Third Party inspection report for purposes of monitoring. The Development Owner~~Applicant~~ must provide the Department with copies of all inspections made throughout the construction of the Development within fifteen days of the date the inspection occurred. The Department, or any Third Party~~third-party~~ inspector hired by the Department, shall be provided, upon request, any construction documents, plans or specifications for the Development to perform these inspections. If reports are not submitted to the Department or can not be relied upon, the Applicant will be responsible for payment of any necessary inspections. The monitoring level for each Development must be based on the amount of risk associated with the Development. The Department shall use the division responsible for credit underwriting matters and the division responsible for compliance matters to determine the amount of risk associated with each Development. After completion of a Development's construction phase, the Department shall periodically review the performance of the Development to confirm the accuracy of the Department's initial compliance evaluation during the construction phase. Developments having financing from TX-USDA-RHS will be exempt from these inspections, provided that the Development Owner~~Applicant~~ provides the Department with copies of all inspections made by TX-USDA-RHS throughout the construction of the Development within fifteen days of the date the inspection occurred. [2306.081(a) to (c); 2306.6719]

(c) The Department will monitor compliance with all representations~~covenants~~ made by the Development Owner in the Application and in the LURA, whether required by the Code, Treasury Regulations or other rulings of the IRS, or undertaken by the Development Owner in response to Department requirements or criteria.

~~(d) The Department may contract with an independent third party to monitor a Development during its construction or rehabilitation and during its operation for compliance with any conditions imposed by the Department in connection with the allocation of housing tax credits to the Development and appropriate state and federal laws, as required by other state law or by the Board. The Department may assign Department staff other than housing tax credit division staff to perform the relevant monitoring functions required by this section in the construction or rehabilitation phase of a Development.~~

~~(e) The Department shall create an easily accessible database that contains all Development compliance information developed under this section.~~

(d~~f~~) The Development Owner must collect information and retain~~keep~~ records for each qualified low income building in the Development, ~~showing~~ on a monthly basis (with respect to the first year of a building's Credit Period and on an annual basis, thereafter in accordance with IRS Regulation 1.42-5(b)(1) and (2)).~~:~~

~~(1) the total number of residential rental Units in the building (including the number of bedrooms and the size in square feet of each residential rental Unit);~~

~~(2) the percentage of residential rental Units in the building that are low income Units;~~

~~(3) the rent charged for each residential rental Unit in the building including, with respect to low income Units, documentation to support the utility allowance applicable to such Unit;~~

~~(4) the number of occupants in each low income Unit;~~

~~(5) the low income Unit vacancies in the building and information that shows when, and to whom, all available Units were rented;~~

~~(6) the annual income certification of each tenant of a low income Unit, in the form designated by the Department in the Compliance Manual, as may be modified from time to time;~~

~~(7) documentation to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 ("Section 8"), notwithstanding any rules to the contrary for the determination of gross income for federal income tax purposes. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the Development Owner declaring that the tenant's income does not exceed the applicable income limit under the Code, §42(g) as described in the Compliance Manual;~~

~~(8) the Eligible Basis and Qualified Basis of the building at the end of the first year of the Credit Period;~~

~~(9) the character and use of the nonresidential portion of the building included in the building's Eligible Basis under the Code, §42(d), (e.g. whether tenant facilities are available on a comparable basis to all tenants; whether any fee is charged for use of the facilities; whether facilities are reasonably required by the Development); and~~

~~(10) any additional information as required by the Department.~~

(e~~g~~) The Development Owner will deliver to the Department no later than the last day in April each year, the current audited financial statements, in form and content satisfactory to the Department, itemizing the income and expenses of the Development for the prior year.

(f~~h~~) Specifically, to evidence compliance with the requirements of the Code, §42(h)(6)(B)(iv) which requires that the LURA prohibit Development Owners of all tax credit Developments placed in service after August 10, 1993 from refusing to lease to persons holding Section 8 vouchers or certificates because of their status as holders of such Section 8 voucher or certificate. Development Owners must comply with Department rules under 10 TAC §1.14 of this title. [2306.6728 and 2306.269(b)(1) and (2)]

~~(1) A Development funded or administered by the Department is prohibited from:~~

~~(A) excluding an individual or family from admission to the Development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S. C. Section 143F);~~

~~(B) using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than 2.5 times the individual or family's share of the total monthly rent payable to the Development. A Development Owner must maintain a written management plan that is available for review upon request. Such management plan must clearly state the following objectives:~~

~~(i) prospective applicants who hold Section 8 vouchers or certificates are welcome to apply and will be provided the same consideration for occupancy as any other applicant;~~

~~(ii) any minimum income requirements for Section 8 voucher and certificate holders will only be applied to the portion of the rent the prospective tenant would pay, provided, however, that if Section 8 pays 100% of the rent for the Unit, the Development Owner may establish other reasonable minimum income requirements to ensure that the tenant has the financial resources to meet daily living expenses. Minimum income requirements for Section 8 voucher and certificate holders will not exceed 2.5 times the portion of rent the tenant pays; and~~

~~(iii) all other screening criteria, including employment policies or procedures and other leasing criteria (such as rental history, credit history, criminal history, etc.) must be applied to applicants uniformly and in a manner consistent with the Texas and federal Fair Housing Acts and with Department and Code requirements;~~

~~(2) In addition the following is required for Developments funded or administered by the Department:~~

~~(A) post Fair Housing logos and the Fair Housing poster in the leasing office;~~

~~(B) approve and distribute a written Affirmative Marketing Plan to the property management and on-site staff; and~~

~~(C) communicate annually during the first quarter of each year in writing with the administrator of each Section 8 program which has jurisdiction within the geographic area where the Development is located. Such communication will include information on the Unit characteristics and rents and will advise the administrating agency that the property accepts Section 8 vouchers and certificates and will treat referrals in a fair and equal manner. Copies of such correspondence must be available during on-site reviews conducted by the Department. A prospective tenant participating in the voucher program shall have the right to report to the administrator of the Section 8 program that provided the certificate or voucher an exclusion from admission to a Development based on a financial or minimum income standard requiring the tenant to have a monthly income of more than 2.5 times the tenant or tenant's family share of the total monthly rent payable to the Development Owner. The administrator shall promptly report such exclusion to the Department.~~

~~(3) A Housing Sponsor that fails to comply with the requirements and procedures of this §49.19(h) of this title is subject to the following sanctions:~~

~~(A) Failure to lease to a prospective tenant due to the applicant's status as a recipient of a federal rental assistance voucher or certificate will result in a material non-compliance score as more fully described in subsection (s) of this section.~~

~~(B) A complaint of exclusion from admittance as described in subsection (h)(5) of this section that has been verified by the Department shall result in a non-compliance score as more fully described in subsection (s) of this section for a period of one year from the date of the Department's verification of the complaint.~~

~~(i) Record retention provision. The Development Owner is required to retain the records described in subsection (f) of this section for at least six years after the due date (with extensions) for filing the federal income tax return for that year; however, the records for the first year of the Credit Period must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building.~~

(g~~i~~) Certification and Review.

(1) On or before February 1st of each year, the Department will send each Development Owner of a completed Development the Fair Housing Sponsor Report~~an Owner's Certification of Program Compliance~~ (form provided by the Department) to be completed by the Development Owner and returned to the Department on or before the first day of March of each year in the Compliance Period. Any Development for which the certification is not received by the Department, is received past due, or is incomplete, improperly completed or not signed by the Development Owner, will be considered not in compliance with the provisions of §42 of the Code and reported to the IRS on Form 8823, Low Income Housing Credit Agencies Report of Non Compliance. The Fair Housing Sponsor Report, Part A "Owner's Certification of Program Compliance" ~~The Owner Certification of Program Compliance~~ shall cover the preceding calendar year and shall ~~include~~ at a minimum cover the requirements under IRS Regulation 1.42-5(c) and §60.1 of this title, to be proposed.~~following statements of the Development Owner:~~

~~(A) the Development met the minimum set-aside test which was applicable to the Development;~~

~~(B) there was no change in the Applicable Fraction of any building in the Development, or if there was such a change, the Applicable Fraction to be reported to the IRS for each building in the Development for the certification year;~~

~~(C) the Development Owner has received an annual income certification from each low income resident and documentation to support that certification;~~

~~(D) each low income Unit in the Development was rent-restricted under the Code, §42(g)(2);~~

~~(E) all low income Units in the Development are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under the Code, §42(I)(3)(B)(iii) and (iv));~~

~~(F) No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this Development. A finding of discrimination includes an adverse final decision by the Secretary of HUD, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court;~~

~~(G) each building in the Development is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income Unit in the Development. If a violation report or notice was issued by the governmental unit, the Development Owner must attach a copy of the violation report or notice. In addition, the Development Owner must state whether the violation has been corrected;~~

~~(H) either there was no change in the Eligible Basis (as defined in the Code, §42(d)) of any building in the Development, or that there has been a change, and the nature of the change (e.g., a common area has become commercial space, a fee is now charged for a tenant facility formerly provided without charge, or the Development Owner has received federal subsidies with respect to the Development which had not been previously received or disclosed to the Department in writing);~~

~~(I) all tenant facilities included in the Eligible Basis under the Code, §42(d), of any building in the Development, such as swimming pools, other recreational facilities, washer/dryer hook ups, appliances and parking areas, were provided on a comparable basis without charge to all tenants in the building;~~

~~(J) if a low income Unit in the Development became vacant during the year, reasonable attempts were, or are being, made to rent that Unit or the next available Unit of comparable or smaller size to tenants having a qualifying income, and such Unit or the next available Unit of comparable or smaller size was actually rented to tenants having a qualifying income, before any other Units in the Development were, or will be, rented to tenants not having a qualifying income;~~

~~(K) if the income of tenants of a low income Unit in the Development increased above the limit allowed in the Code, §42(g)(2)(D)(ii), the next available Unit of comparable or smaller size in that building was, or will be, rented to residents having a qualifying income;~~

~~(L) a LURA including an Extended Low Income Housing Commitment as described in the Code, §42(h)(6), was in effect for buildings subject to section 7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989, 103 Stat. 2106, 2308-2311, including the requirement under the Code, §42(h)(6)(B)(iv) that a Development Owner cannot refuse to lease a Unit in the Development to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to section 1314c(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438-439;~~

~~(M) no change in the ownership of a Development has occurred during the reporting period;~~

~~(N) the Development Owner has not been notified by IRS that the Development is no longer "a qualified low income housing Development" within the meaning of the Code, §42;~~

~~(O) the Development met all terms and conditions which were recorded in the LURA, or if no LURA was required to be recorded, the Development met all representations of the Development Owner in the Application for credits;~~

~~(P) if the Development Owner received its Housing Credit Allocation from the portion of the state ceiling set aside for Developments involving Qualified Nonprofit Organizations under the Code, §42(h)(5), a Qualified Nonprofit Organization owned an interest in and materially participated in the operation of the Development within the meaning of the Code, §469(h); and~~

~~(Q) no low income Units in the Development were occupied by households in which all members were Students.~~

(2) Review.

(A) The Department staff will review the Fair Housing Sponsor Report~~each Owner's Certification of Program Compliance~~ for compliance with the requirements of the Code, §42.

(B) The Department will monitor the Development for compliance under Section 42 and §60.1 of this title, to be proposed.

(C) The Department will perform on-site inspections of all buildings in each low income Development by the end of the second calendar year following the year the last building in the Development is placed in service and, for at least 20% of the low income Units in each Development, inspect the Units and review the low income certifications, the documentation the Development Owner has received to support the certifications, the rent records for each low income tenant in those Units, and any additional information that the Department deems necessary.

(D~~C~~) At least once every three years, the Department will conduct on-site inspections of all buildings in the Development, and for at least 20% of the Development's low income Units, inspect the Units and review the low income certifications, the documentation supporting the certifications, and the rent records for the tenants in those Units.

~~(D) The Department may, at the time and in the form designated by the Department, require the Development Owners to submit for compliance review, information on tenant income and rent for each low income Unit, and may require a Development Owner to submit for compliance review copies of the tenant files, including copies of the income certification, the documentation the Development Owner has received to support that certification and the rent record for any low income tenant.~~

~~(E) The Department will randomly select which low income Units and tenant records are to be inspected and reviewed by the Department. The review of the tenant records may be undertaken wherever the Development Owner maintains or stores the records. Units and tenant records to be inspected and reviewed will be selected in a manner that will not give Development Owners advance notice that a particular Unit and tenant~~

~~records for a particular year will or will not be inspected or reviewed. However, the Department will give reasonable notice to the Development Owner that an on-site inspection or a tenant record review will occur, so that the Development Owner may notify tenants of the inspection or assemble tenant records for review.~~

(3) Exception. The Department may, at its discretion, enter into a Memorandum of Understanding with the TX-USDA-RHS, whereby the TX-USDA-RHS agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed by the TX-USDA-RHS under its §515 program. Owners of such buildings may be excepted from the review procedures of subparagraph (B) or (C) of paragraph (2) of this subsection or both; however, if the information provided by TX-USDA-RHS is not sufficient for the Department to make a determination that the income limitation and rent restrictions of the Code, §42(g)(1) and (2), are met, the Development Owner must provide the Department with additional information. TX-USDA-RHS Developments satisfy the definition of Qualified Elderly Development if they meet the definition for elderly used by TX-USDA-RHS , which includes persons with disabilities.

(h~~k~~) Inspection provision. The Department retains the right to perform an on site inspection of any low income Development including all books and records pertaining thereto through either the end of the Compliance Period or the end of the period covered by any Extended Low Income Housing Commitment, whichever is later. An inspection under this subsection may be in addition to any review under subsection (~~j~~g)(2)(C) of this section.

(i~~l~~) Inspection Standard. For the on-site inspections of buildings and low income Units, the Department shall review any local health, safety, or building code violations reported to, or notices of such violations provided by the ~~retained by, the~~ Development Owner, ~~under subsection (j)(1)(G) of this section,~~ and determine whether the Units satisfy local health, safety, and building codes or the uniform physical condition standards for public housing established by HUD (24 CFR 5.703). The HUD physical condition standards do not supersede or preempt local health, safety and building codes. Developments must continue to satisfy these codes and if the Department becomes aware of any violation of these codes, the violations must be reported to the IRS.

(j~~m~~) The Department retains the right to require the Owner to submit tenant data in the electronic format as developed by the Department. The Department will provide general instruction regarding the electronic transfer of data.

(k~~n~~) Notices to Owner. The Department will provide prompt written notice to the Development Owner if the Department does not receive the certification described in subsection (~~j~~g)(1) of this section or discovers through audit, inspection, review or any other manner, that the Development is not in compliance with the provisions of the Code, §42 or the LURA. The notice will specify a correction period which will not exceed 90 days from the date of notice to the Development Owner, during which the Development Owner may respond to the Department's findings, bring the Development into compliance, or supply any missing certifications. The Department may extend the correction period for up to six months from the date of notice to the Development Owner if it determines there is good cause for granting an extension. If any communication to the Development Owner under this section is returned to the Department as unclaimed or undeliverable, the Development may be considered not in compliance without further notice to the Development Owner.

(l~~o~~) Notice to the IRS.

(1) Regardless of whether the noncompliance is corrected, the Department is required to file IRS Form 8823 with the IRS. IRS Form 8823 will be filed not later than 45 days after the end of the correction period specified in the Notice to Owner (including any extensions permitted by the Department), but will not be filed before the end of the correction period. The Department will explain on IRS Form 8823 the nature of the noncompliance and will indicate whether the Development Owner has corrected the non-compliance or failure to certify.

(2) If a particular instance of non-compliance is not corrected within three years after the end of the permitted correction period, the Department is not required to report any subsequent correction to the IRS.

(3) The Department will retain records of noncompliance or failure to certify for six years beyond the Department's filing of the respective IRS Form 8823. In all other cases, the Department will retain the certification and records described in ~~§49.19 of~~ this section~~title~~ for three years from the end of the calendar year the Department receives the certifications and records.

(m~~p~~) Notices to the Department. A Development Owner must comply with §50.18(d) of this title for the event listed in paragraph (1) of this subsection and must notify the division responsible for compliance within the Department in writing of the events listed in paragraphs (~~1~~2) and~~through~~ (3) of this subsection.

(1) prior to any sale, transfer, exchange, or renaming of the Development or any portion of the Development. For Rural Developments that are federally assisted or purchased from HUD, the Department shall not authorize the sale of any portion of the Development;

(2) any change of address to which subsequent notices or communications shall be sent; or

(3) within thirty days of the placement in service of each building, the Department must be provided the in service date of each building.

(n~~q~~) Liability. Compliance with the requirements of the Code, §42 is the sole responsibility of the Development Owner of the building for which the credit is allowable. By monitoring for compliance, the Department in no way assumes any liability whatsoever for any action or failure to act by the Development Owner including the Development Owner's noncompliance with the Code, §42.

(o~~r~~) These provisions apply to all buildings for which a ~~low income~~ housing tax credit is, or has been, allowable at any time. The Department is not required to monitor whether a building or Development was in compliance with the requirements of the Code, §42, prior to January 1, 1992. However, if the Department becomes aware of noncompliance that occurred prior to January 1, 1992, the Department is required to notify the IRS in a manner consistent with subsection (j) of this section.

(p~~s~~) Material Non-Compliance. [2306.185(a)] In accordance with §~~49~~50.5(b)(3~~6~~) and (~~7~~4) of this title, the Department will disqualify an Application for funding if the Applicant, the Development Owner, or the General Contractor, or any Affiliate of the ~~Applicant, the Development Owner, or the~~ General Contractor that is active in the ownership or ~~Control~~Control of one or more other low income rental housing properties located in or outside the State of Texas is determined by the Department to be in Material Non-Compliance on the date the Application Round closes. The Department will classify a property as being in Material Non-Compliance when such property has a Non-Compliance score that is equal to or exceeds 30 points in accordance with the methodology and point system set forth in this subsection, or if in accordance with §~~49~~50.5(b)(~~7~~4) of this title, the Department makes a determination that the non-compliance reported would equal or exceed a non-compliance score of 30 points if measured in accordance with the methodology and point system set forth in §60.1 of this title, to be proposed.~~this subsection.~~

~~(1) Each property that has received an allocation from the Department will be scored according to the type and number of non-compliance events as it relates to the Low Income Housing Tax Credit Program or other Department programs. All Developments regardless of status that have received an allocation are scored even if the project no longer actively participates in the program.~~

~~(2) Uncorrected non-compliance will carry the maximum number of points until the non-compliance event has been reported corrected by the Department. Once reported corrected by the Department the score will reduce to the "corrected value" in paragraph (4) of this subsection. Corrected non-compliance will no longer be included in the Development score three years after the date the non-compliance was reported corrected by the Department. Non-compliance events that occurred and were identified by the Department through the issuance of the IRS form 8823 prior to January 1, 1998 are assigned corrected point values to each non-compliance event. The score for these events will no longer be included in the Development's score three years after the date the form 8823 was executed. For Applicants under this QAP, a non-compliance report will be run by the Department's Compliance Division on the date the Application Round closes. Any corrective action documentation affecting this compliance status score must be received by the Department no later than February 1, 2003.~~

~~(3) Events of non-compliance are categorized as either "development events" or "unit/building events". Development events of non-compliance affect all the buildings in the property. However, the property will receive only one score for the event rather than a score for each building. Other types of non-compliance are identified individually by unit. This type of non-compliance will receive the appropriate score for each building cited with an event. The building scores accumulate towards the total score of the Development.~~

~~(4) Each type of non-compliance is assigned a point value. The point value for non-compliance is reduced upon correction of the non-compliance. The scoring point system and values are as described in subparagraphs (A) and (B) of this paragraph. The point system weighs certain types of non-compliance more heavily than others; therefore certain non-compliance events carry a sufficient number of points to automatically place the property in Material Non-Compliance. However other types of non-compliance by themselves do not warrant the classification of Material Non-Compliance. Multiple occurrences of these types of non-compliance events may produce enough points to cause the property to be in Material Non-Compliance. For purposes of these scores, the terms "uncorrected" and "corrected" refer to actions taken subsequent to notification of non-compliance by the Department.~~

~~(A)Development Non-Compliance items are identified in clauses (i) through (xx) of this subparagraph.~~

~~(i) Major property condition violations. As determined by the Department the project displays major violations of health, safety and building code or the property does not satisfy the uniform physical condition standards. Uncorrected is 30 points. Corrected is 20 points.~~

~~(ii) Owner refused to lease to a holder of rental assistance certificate/voucher because of the status of the prospective tenant as such a holder. Uncorrected is 30 points. Corrected is 10 points.~~

~~(iii) Development not available to general public. Determination of violation under the Fair Housing Act. Uncorrected is 30 points. Corrected is 10 points.~~

~~(iv) Development is out of compliance and never expected to comply. Uncorrected is 30 points.~~

~~(v) Failure to meet minimum low-income occupancy levels. Development failed to meet required minimum low-income occupancy levels of 20/50 (20% of the units occupied by tenants with household incomes of less than or equal to 50% of Area Median Gross Income) or 40/60. Uncorrected is 20 points. Corrected is 10 points.~~

~~(vi) No evidence or failure to certify to non-profit material participation for Owner having received an allocation from the Nonprofit Set-Aside. Uncorrected is 10 points. Corrected is 3 points.~~

~~(vii) Failure to meet additional State required rent and occupancy restrictions. Development has failed to meet state restrictions, if any, that exist in addition to the federal requirements. Uncorrected is 10 points. Corrected is 3 points.~~

~~(viii) Failure to provide required supportive services as promised at Application. Uncorrected is 10 points. Corrected is 3 points.~~

~~(ix) Failure to provide housing to the elderly as promised at Application. Uncorrected is 10 points. Corrected is 3 points.~~

~~(x) Failure to provide special needs housing. Development has failed to provide housing for tenants with special needs as promised at Application. Uncorrected is 10 points. Corrected is 3 points.~~

~~(xi) Owner failed to provide required annual notification to local administering agency for the Section 8 program. Uncorrected is 5 points. Corrected is 2 points.~~

~~(xii) Changes in Eligible Basis. Changes occur when common areas become commercial; fees are charged for facilities, etc. Uncorrected is 10 points. Corrected is 3 point.~~

~~(xiii) Owner failed to post Fair Housing Logo and/or poster in leasing offices. Uncorrected is 3 points. Corrected is 1 point.~~

~~(xiv) LURA not in effect. The LURA was not executed within the required time period. Uncorrected is 10 points. Corrected is 3 point.~~

~~(xv) Owner failed to pay fees or allow on-site monitoring review. Uncorrected is 3 points. Corrected is 1 point.~~

~~(xvi) Failure to submit annual Owner Certification of Program Compliance or other annual, monthly, or quarterly reports. Uncorrected is 10 points. Corrected is 3 point.~~

~~(xvii) Owner failed to make available or maintain management plan with required language. Uncorrected is 3 points. Corrected is 1 point.~~

~~(xviii) Owner failed to approve and distribute Affirmative Marketing Plan. Uncorrected is 3 points. Corrected is 1 points.~~

~~(xix) Pattern of minor property condition violations. Development displays a pattern of property violations. However those violations do not impair essential services and safeguards for tenants. Uncorrected is 5 points. Corrected is 2 point.~~

~~(xx) Failure to comply with requirements limiting minimum income standards for Section 8 residents. Complaints verified by the Department regarding violations of the income standard which cause exclusion from admission of Section 8 resident(s) results in a violation. Uncorrected score 10 points. Corrected 3 point.~~

~~(B)Unit Non-Compliance items are identified in clauses (i) through (x) of this subparagraph.~~

~~(i) Unit not leased to Low Income Household. Development has units that are leased to households whose income was above the income limit upon initial occupancy. Uncorrected is 3 points. Corrected is 1 point.~~

~~(ii) Low-income units occupied by nonqualified full-time students. Uncorrected is 3 points. Corrected is 1 point.~~

~~(iii) Low income units used on transient basis. Uncorrected is 3 points. Corrected is 1 point.~~

~~(iv) Household Income increased above the re-certification limit and available Unit was rented to market tenant. Uncorrected is 3 points. Corrected is 1 point.~~

~~(v) Gross rent exceeds tax credit rent limits. Uncorrected is 3 points. Corrected is 1 point.~~

~~(vi) Utility allowance not calculated properly. Uncorrected is 3 points. Corrected is 1 point.~~

~~(vii) Failure to maintain or provide tenant income certification and documentation. Uncorrected is 3 points. Corrected is 1 point.~~

~~(viii) Casualty loss. Units not available for occupancy due to natural disaster or hazard due to no fault of the Owner. This carries no point value.~~

~~(ix) When a low income Unit became vacant, owner failed to lease to a low income household before any units were rented to tenants not having a qualifying income. Uncorrected 3 points. Corrected 1 point.~~

~~(x) Unit not available for rent. Unit is used for non-residential purposes excluding unavailable Units due to casualty and manager-occupied Units. Uncorrected is 3 points. Corrected is 1 point.~~

(g~~t~~) Utility Allowances utilized during ~~A~~affordability ~~P~~period. The Department will monitor to determine whether rents comply with the published tax credit rent limits using the utility allowances established by the local housing authority. 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.

§~~49~~50.20. Department Records, Application Log, IRS Filings.

(a) **Department Records.** At all times during each calendar year the Department shall maintain a record of the following:

(1) the cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Commitment Notices during such calendar year;

(2) the cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Carryover Allocation Documents during such calendar year;

(3) the cumulative amount of Housing Credit Allocations made during such calendar year; and

(4) the remaining unused portion of the State Housing Credit Ceiling for such calendar year.

(b) **Application Log.** [2306.6702(a)(3) and 2306.6709] The Department shall maintain for each Application an Application Log that tracks the Application from the date of its submission. The Application Log will contain, at a minimum, the information identified in paragraphs (1) through (9) of this subsection.

(1) the names of the Applicant and all General Partners of ~~Persons with an ownership interest in~~ the Development Owner, the owner contact name and phone number, and full contact information for all members of the Development Team; [WG]

(2) the name, physical location, and address of the Development, including the relevant Uniform State Service Region of the state;

(3) the number of Units and the amount of housing tax credits requested for allocation by the Department to the Applicant;

(4) any Set-Aside category under which the Application is filed;

(5) the requested and awarded score of the Application in each scoring category adopted by the Department under the Qualified Allocation Plan;

(6) any decision made by the Department or Board regarding the Application, including the Department's decision regarding whether to underwrite the Application and the Board's decision regarding whether to allocate housing tax credits to the Development;

(7) the names of individuals making the decisions described by paragraph (6) of this subsection, including the names of Department staff scoring and underwriting the Application, to be recorded next to the description of the applicable decision;

(8) the amount of housing tax credits allocated to the Development; and

(9) a dated record and summary of any contact between the Department staff, the Board, and the Applicant or any Related Parties.

(c) **IRS Filings.** The Department shall mail to the Internal Revenue Service, not later than the 28th day of the second calendar month after the close of each calendar year during which the Department makes Housing Credit Allocations, the original of each completed (as to Part I) IRS Form 8609, a copy of which was mailed or delivered by the Department to a Development Owner during such calendar year, along with a single completed IRS Form 8610, Annual Low Income Housing Credit Agencies Report. When a Carryover Allocation is made by the Department, a copy of the Carryover Allocation Agreement~~IRS Form 8609~~ will be mailed or delivered to the Development Owner by the Department in the year in which the building(s) is placed in service, and thereafter the original will be mailed to the Internal Revenue Service in the time sequence in this subsection. The original of the Carryover Allocation Document will be filed by the Department with IRS Form 8610 for the year in which the allocation is made. The original of all executed Agreement and Election Statements shall be filed by the Department with the Department's IRS Form 8610 for the year a Housing Credit Allocation is made as provided in this section. The Department shall be authorized to vary from the requirements of this section to the extent required to adapt to changes in IRS requirements.

§~~49~~50.21. Program Fees, Refunds, Public Information Requests, Amendments of Fees and Notification of Fees, Extensions.

(a) **Timely Payment of Fees.** All fees must be paid as stated in this section. Any fees, as further described in this section, that are not timely paid will cause an Applicant to be ineligible to apply for tax credits and additional tax credits and ineligible to submit extension requests, ownership changes and Application amendments. Payments made by check, for which insufficient funds are available, may~~will~~ cause the Application, commitment or allocation to be terminated.

(b) **Pre-Application Fee.** Each Applicant that submits a Pre-Application shall submit to the Department, along with such Pre-Application, a non refundable Pre-Application fee, in the amount of $5 per Unit. Units for the calculation of the Pre-Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Pre-Applications without the specified Pre-Application Fee in the form of a check will not be accepted. Pre-Applications in which a CHDO or Qualified Nonprofit Organization intends to serve as the managing General Partner of the Development Owner, or ~~Control~~Control the managing General Partner of the Development Owner, will receive a discount of 10% off the calculated Pre-Application fee.

(c) **Application Fee.** Each Applicant that submits an Application shall submit to the Department, along with such Application, an Application fee. For Applicants having submitted a Pre-Application which met Pre-Application Threshold and for which a Pre-Application fee was paid, the Application fee will be $15 per Unit. For Applicants not having submitted a Pre-Application, the Application fee will be $20 per Unit. Units for the calculation of the Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Applications without the specified Application Fee in the form of a check will not be accepted. Applications in which a CHDO or Qualified Nonprofit Organization intends to serve as the managing General Partner of the Development Owner, or ~~Control~~Control the managing General Partner of the Development Owner, will receive a discount of 10% off the calculated Application fee. [2306.6716(d)]

(d) **Refunds of Pre-Application or Application Fees.** [2306.6716(c)] The Department shall refund the balance of any fees collected for a Pre-Application or Application that is withdrawn by the Applicant or that is not fully processed by the Department. The amount of refund on Applications not fully processed by the Department will be commensurate with the level of review completed. Intake and data entry will constitute 30% of the review, the site visit will constitute 45% of the review, and Threshold and Selection review will constitute 25% of the review. The Department must provide the refund to the Applicant not later than the 30th day after the date the last official action is taken with respect to the Application.

(e) **Third Party Underwriting Fee.** Applicants will be notified in writing prior to the evaluation of a Development by an independent external~~third party~~ underwriter in accordance with §~~49~~50.9(~~c~~d)(4) of this title if such a review is required. The fee must be received by the Department prior to the engagement of the underwriter. The fees paid by the Development Owner to the Department for the ~~third party~~external underwriting will be credited against the commitment fee established in subsection (f) of this section, in the event that a Commitment Notice or Determination Notice is issued by the Department to the Development Owner.

(f) **Commitment or Determination Notice Fee**. Each Development Owner that receives a Commitment Notice or Determination Notice shall submit to the Department, not later than the expiration date on the commitment notice, a non-refundable commitment fee equal to 4% of the annual Housing Credit Allocation amount. The commitment fee shall be paid by check.

(g) **Compliance Monitoring Fee**. Upon the Development being placed in service, the Development Owner will pay a compliance monitoring fee in the form of a check equal to $25 per tax credit Unit per year or $100, whichever is greater. Payment of the first year's compliance monitoring fee must be received by the Department prior to the release of the IRS Form 8609 on the Development. Subsequent anniversary dates on which compliance monitoring fee payments are due shall be determined by the date the Development was placed in service.

(h) **Building Inspection Fee**. The Building Inspection Fee must be paid at the time the Commitment Fee is paid. The Building Inspection Fee for all Developments is $750.~~$500.~~ Inspection fees in excess of $750 may be charged to the Development Owner not to exceed an additional $250 per Development. Developments receiving financing through TX-USDA-RHS that will not have construction inspections performed through the Department will be exempt from the payment of an inspection fee.

(i) **Public Information Requests**. Public information requests are processed by the Department in accordance with the provisions of the Government Code, Chapter 552. The Texas Building and Procurement

Commission (formerly General Services Commission) determines the cost of copying, and other costs of production.

(j) **Periodic Adjustment of Fees by the Department and Notification of Fees**. [2306.6716(b) as revised at Section 24 of 264] All fees charged by the Department in the administration of the tax credit program will be revised by the Department from time to time as necessary to ensure that such fees compensate the Department for its administrative costs and expenses. The Department shall publish each year an updated~~not later than July 1 of each year a~~ schedule of Application fees that specifies the amount to be charged at each stage of the Application process. Unless otherwise determined by the Department, all revised fees shall apply to all Applications in process and all Developments in operation at the time of such revisions.

(k) **Extension Requests**. All extension requests relating to the Commitment Notice, Carryover, Closing of Construction Loan, Substantial Construction Commencement, Placed in Service or Cost Certification requirements shall be submitted to the Department in writing and be accompanied by a non-refundable extension fee in the form of a check in the amount of $2,500. Such requests must be submitted to the Department at least 20~~30~~ days prior to the date for which an extension is being requested and will~~. Extension requests and fees will~~ not be accepted any later than this deadline date. The extension request shall specify a requested extension date and the reason why such an extension is required. Carryover extension requests shall not request an extended deadline later than December 1st of the year the Commitment Notice was issued. The Department, in its sole discretion, may consider and grant such extension requests for all items except for the Closing of Construction Loan and Substantial Construction Commencement. The Board may grant extensions, for the Closing of Construction Loan and Substantial Construction Commencement. The Board may waive related fees for good cause. [WG]

§~~49~~50.22. Manner and Place of Filing All Required Documentation.

(a) All Applications, letters, documents, or other papers filed with the Department will be received only between the hours of 8:00 a.m. and 5:00 p.m. on any day which is not a Saturday, Sunday or a holiday established by law for state employees.

(b) All notices, information, correspondence and other communications under this title shall be deemed to be duly given if delivered or sent and effective in accordance with this subsection. Such correspondence must reference that the subject matter is pursuant to the Tax Credit Program and must be addressed to the ~~Low Income~~ Housing Tax Credit Program, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, TX 78711-3941 or for hand delivery or courier to 507 Sabine, Suite 400, Austin, Texas 78701. Every such correspondence required or contemplated by this title to be given, delivered or sent by any party may be delivered in person or may be sent by courier, telecopy, express mail, telex, telegraph or postage prepaid certified or registered air mail (or its equivalent under the laws of the country where mailed), addressed to the party for whom it is intended, at the address specified in this subsection. Regardless of method of delivery, documents must be received by the Department no later than 5:00 p.m. for the given deadline date. Notice by courier, express mail, certified mail, or registered mail will be considered received ~~effective~~ on the date it is officially recorded as delivered by return receipt or equivalent.~~and in the absence of such record of delivery it will be presumed to have been delivered by the fifth business day after it was deposited, first-class postage prepaid, in the United States first class mail.~~ Notice by telex or telegraph will be deemed given at the time it is recorded by the carrier in the ordinary course of business as having been delivered, but in any event not later than one business day after dispatch. Notice not given in writing will be effective only if acknowledged in writing by a duly authorized officer of the Department.

(c) If required by the Department, Development Owners must comply with all requirements to use the Department's web site to provide necessary data to the Department.

§~~49~~50.23. Waiver and Amendment of Rules.

(a) The Board, in its discretion, may waive any one or more of these Rules ~~in cases in which~~if the Board finds that waiver is appropriate to fulfill the purposes or policies of Chapter 2306, Texas Government Code, or for other good cause, as determined by the Board.~~that compelling circumstances exist outside the control of the Applicant or Development Owner.~~

(b) The Department may amend this chapter and the Rules contained herein at any time in accordance with the Government Code, Chapter 2001, as may be amended from time to time.

§~~49~~50.24. Deadlines for Allocation of ~~Low Income~~ Housing Tax Credits. [2306.6724]

(a) Not later than September 30 of each year, the Department shall prepare and submit to the Board for adoption the draft QAP~~Qualified Allocation Plan~~ required by federal law for use by the Department in setting criteria and priorities for the allocation of tax credits under the Housing Tax Credit program.

(b) The Board shall adopt and submit to the Governor the QAP~~Qualified Allocation Plan~~ not later than November 15 of each year.

(c) The Governor shall approve, reject, or modify and approve the QAP~~Qualified Allocation Plan~~ not later than December 1 of each year. [2306.67022]

(d) The Board shall annually adopt a manual, corresponding to the QAP, to provide information on how to apply for housing tax credits.

(e~~d~~) ~~An~~ Applications~~Applicant~~ for ~~a~~ Housing Tax Credits to be issued a Commitment Notice during the Application Round in a calendar year must be submitted ~~an Application~~ to the Department not later than March 1.

(f~~e~~) The Board shall review the recommendations of Department staff regarding Applications and shall issue a list of approved Applications each year in accordance with the Qualified Allocation Plan not later than June 30.

(g~~f~~) The Board shall approve ~~issue~~ final ~~C~~commitments ~~Notices~~ for allocations of housing tax credits each year in accordance with the Qualified Allocation Plan not later than July 31. Department staff will subsequently issue Commitment Notices based on the Board's approval. Final commitments may be conditioned on various factors approved by the Board, including resolution of contested matters in litigation.

MULTIFAMILY FINANCE PRODUCTION

BOARD ACTION REQUEST
November 14, 2003

Action Items

Final Housing Trust Fund Rules.

Required Action

1. Repeal of Housing Trust Fund Rules, Title 10 Texas Administrative Code, Part 1, Chapter 51.1-51.3, 51.5-51.14, 51.17, and 51.18.

2. Adoption of Proposed New Housing Trust Fund Rules, Title 10 Texas Administrative Code, Part 1, Chapter 51.1-51.12.

Background

At the August 14, 2003 Board Meeting, the Board approved the proposed repeal and proposed new Housing Trust Fund Rules to Title 10, Part 1, Chapter 51– Housing Trust Fund Rules. This draft was posted on the TDHCA website in mid-August. Subsequently, staff realized that there were several administrative revisions to the rule and returned the rule to the Board for approval on September 11. The proposed repeal and new Housing Trust Fund Rules were published in the *Texas Register* on September 26, 2003 for the public to provide comments. In addition to publishing the document in the *Texas Register*, the document was made available to the public upon request. In order to receive additional comments on all proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

TO: TDHCA Board Members

FROM: Brooke Boston, Multifamily Finance Production Division

THROUGH: Edwina Carrington, Executive Director

SUBJECT: **2004 Housing Trust Fund Rules – Responses to Public Comments**

DATE: November 6, 2003

On September 26, 2003, the proposed 2004 Housing Trust Fund Rules (HTF) were published in the *Texas Register*. The comment period commenced on September 26, 2003, and ended on October 10, 2003. In addition to publishing the document in the *Texas Register*, a copy of the HTF Rules was published on the Department's web site in August and was made available to the public upon request. The Department held thirteen public hearings across the state to gather feedback on the draft HTF Rules. The public was generally pleased with the draft HTF Rules and with the Department's efforts.

The Department received the majority of comments in writing by email, fax and mail. This memorandum provides the Department's response to all comments received. The comments and responses are divided into the following two sections.

I. Substantive comments on the HTF Rules and Departmental response. (Comments and responses are presented in the order they appear in the HTF Rules).

II. Staff administrative changes to the HTF Rules.

I. SUBSTANTIVE COMMENTS ON THE HTF RULES AND DEPARTMENTAL RESPONSE

§51.3- Definitions.
Comment:
One comment from New Hope Housing, Inc., suggests that the definition of affordable housing be modified to restrict the rent that can be charged to the equivalent of 30% of an area's median income, rather than restricting the percentage of income that can be paid for housing.

Department Response:
Staff concurs with this change to the definition of Affordable Housing.

(2) Affordable Housing-- Housing for which low, very low and extremely low income families are not required to pay more than 30% of <u>an area's median income</u>. ~~monthly adjusted income for the mortgage payment and utilities, or rent and utilities, computed in accordance with the federal regulations for the Section 8 Existing Housing Program set forth in the Code of Federal Regulations, Title 24, Part 5, Subpart F.~~

§51.4- Allocation of Housing Trust Funds.
Comment:
Texas Association of Community Development Corporations (TACDC) requests that the Department re-evaluate the rule changes that remove the 10% limit on funds and asked that use of the funds for the Predevelopment Loan and Capacity Building Programs be reinstated.

Department Response:
The Department believes that the Predevelopment Loan and Capacity Building Programs are needed programs to foster the development of affordable housing. As currently proposed, the Predevelopment Loan Program and Capacity Building Program are still permitted activities, but merely not identified specifically. The 10% limit is utilized to ensure ample distribution of funds among recipients. No changes are recommended.

§51.6(g)(2)(G)-Ineligible Activities and Restrictions
Comment:
United Cerebral Palsy of Texas (UCP) suggests that the limitation on a development with the same number of bedrooms is too restrictive and conflicts with the needs of people with disabilities and the consumer control movement. The comment further suggests that the market should drive the unit mix in a target area.

Department Response:
Staff concurs that market dynamics in a particular submarket should be paramount consideration in determining the appropriate unit mix for a Development and recommends that the section be removed entirely for Housing Trust Fund developments.

~~(G) Any Development, other than an elderly Development, in which more than 40% of the total Units have the same number of bedrooms. For purposes of this limitation, a den, study or other similar space that otherwise has the potential to meet the definition of a bedroom will be considered a bedroom.~~

§51.6(g)(3)(A)-Ineligible Activities and Restrictions
Comment:
United Cerebral Palsy of Texas (UCP) suggests that the 16 unit minimum development size is too restrictive and conflicts with the needs of people with disabilities and the consumer control movement.

Department Response:
Staff concurs that the restriction may limit HTF and recommends that the 16 unit restriction be removed entirely. However, if HTF funds are used in conjunction with Housing Tax Credits the development will be limited to the Housing Tax Credit restrictions for development size.

(3) Limitations on the Size of Developments.
~~(A) The minimum Development size will be 16 Units.~~
(A~~B~~) Developments involving new construction will be limited to 250 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions.

§51.7 (g) Application Procedure and Requirements
Comment:
It was recommended that the Department provide for alternative dispute resolution as required by SB 264, 78th Legislature, Regular Session.

Department Response:
As enacted by the 78th Legislature in SB 264, Section 2306.082, Texas Government Code, requires the Department to develop and implement a policy to encourage the use of appropriate alternative dispute resolution procedures to assist in the resolution of disputes under the Department's jurisdiction. Also, during public comment on the Department's proposed Rules, the Texas Affordable Housing Congress suggested that ADR procedures be added to the Department's rules. As one step in implementing the ADR policy called for by Section 2306.082, staff recommends the addition of the following paragraph to the proposed rule.

§51.7 (g) Application Procedure and Requirements Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and non-binding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.

II. STAFF ADMINISTRATIVE CHANGES TO HTF RULE

(1) §51.3 Definitions- Staff proposes to change the definition of Rural Area to correspond to the definition in the Housing Tax Credit and HOME programs.

(22) Rural ~~Project~~ Area—An ~~project~~ area that is located ~~within an area which~~:

(A) ~~is situated~~ outside the boundaries of a PMSA or MSA; or

(B) ~~is situated~~ within the boundaries of a PMSA or MSA area, if ~~it has a~~ the statistical area has a population of not more than 20,000 and does not share boundaries with an urbanized area; or

(C) ~~has received financing or has received a commitment for financing from the United States Department of Agricultural Rural Housing Services.~~ in an area that is eligible for new construction or rehabilitation funding by TX-USDA-RHS.

(2) Staff proposes to delete section 51.12 Funding Cap to avoid limiting the amount of HTF funds that can be awarded to a single project because some of the HTF funds for 2004 will be utilized by the Bootstrap Program may exceed this cap.

~~§51.12 Funding Cap~~
~~No more than 10% of the housing trust funds may be allocated to any single project for each fiscal year.~~

(3) The Department received comment on the QAP that Administrative Deficiencies should allow for a 10 day response period and that the procedure be revised to provide for

alternative dispute resolution as required by SB 264. Staff proposes to amend the Administrative Deficiency procedure in the HTF Rules to be consistent with the QAP Administrative Deficiency procedure.

§51.7 (c) Application Procedure and Requirements

<u>Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within eight business days of the deficiency notice date, then five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within ten business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period.</u>

Housing Trust Fund Rules

TITLE 10, PART 1, CHAPTER 51 TEXAS ADMINISTRATIVE CODE

§51.1. Purpose.

This Chapter clarifies the use and administration of the Housing Trust Fund. The fund is created pursuant to Texas Government Code 2306.201.~~This part describes policies and procedures applicable to the distribution of funds pursuant to the Housing Trust Fund authorized under Texas Government Code, Chapter 2306, Subchapter I.~~

§51.2. Program Goals and Objectives.
Use of the Housing Trust Fund is limited to providing:

(1) assistance for individuals and families of low, very low income and extremely low income;

(2) technical assistance and capacity building to nonprofit organizations engaged in developing housing for individuals and families of low, very low income and extremely low income; and

(3) security for repayment of revenue bonds issued to finance housing for individuals and families of low, very low income and extremely low income.

~~(a) The Housing Trust Fund is used by the Department to provide loans, grants, or other comparable forms of assistance to local units of government, public housing authorities, community housing development organizations, nonprofit organizations, for profit entities, and income-eligible persons, families, and households to finance, acquire, rehabilitate, and develop affordable, decent, safe, and sanitary housing.~~

~~(b) The Housing Trust Fund is used by the Department to provide assistance for persons and families of low, very low, and extremely low income in financing, acquiring, rehabilitating, and developing affordable, decent, safe, and sanitary housing.~~

~~(c) The Housing Trust Fund is used by the Department to provide technical assistance and capacity building to nonprofit organizations, and community housing development organizations engaged in developing affordable housing for persons and families of low, very low, and extremely low income.~~

§51.3. Definitions.
The following words and terms, when used in this part, shall have the following meanings, unless the context clearly indicates otherwise.

~~(1) **Act**--Texas Government Code, Chapter 2306, Subchapter I.~~

(1) **Administrative Deficiencies**-- The absence of information or a document from the Application which is important to a review and scoring of the Application as required in this rule.

(2) **Affordable Housing--**Housing for which low, very low, and extremely low income families are not required to pay more than 30% of an area's median income. ~~monthly adjusted income for the mortgage payment and utilities, or rent and utilities, computed in accordance with the federal regulations for the Section 8 Existing Housing Program set forth in the Code of Federal Regulations, Title 24, Part 5, Subpart F.~~

(3) **Applicant** ~~--~~ -- An eligible entity which is preparing to submit or has submitted an application for Housing Trust Fund assistance and is assuming contractual liability and legal responsibility by executing the written agreement with the Department.

(4~~3~~) **Board**--The governing board of the Department.

(5~~4~~) **Capacity Building**--Educational and organizational support assistance to promote the ability of community housing development organizations and nonprofit organizations to maintain, rehabilitate and construct housing for low, very low, and extremely low income persons and families. This activity may include but is not limited to:

(A) organizational support to cover expenses for training, technical and other assistance to the board of directors, staff, and members of the nonprofit organizations or community housing development organizations;

(B) ~~program support including~~ technical assistance and training related to housing development, housing management, or other subjects related to the provision of housing or housing services; or

(C) studies and analyses of housing needs.

(6~~5~~) **Community Housing Development Organizations**—A nonprofit organization that satisfies the requirements of ~~10 T.A. C.~~ Section 53.63 of this title. ~~24 CFR 92.2, as certified by the Department.~~

(7~~6~~) **Department**--The Texas Department of Housing and Community Affairs.

(8~~7~~) **Eligible Applicants**--Local units of government, public housing authorities, community housing development organizations, nonprofit organizations, for profit entities, and persons and families of low, very low, and extremely low income.~~, and persons with special needs.~~

(9~~8~~) **Extremely Low Income ~~Persons and Families~~**-- Families whose annual incomes do not exceed 30% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size. In accordance with Rider 3, and published by the Department, those counties where the median family income is lower than the state average median family income, applicants targeting households at or below 30% of the median income of the area may use the average state median family income based on number of persons in a household. ~~Persons and families earning not more than 30% of the area median income as determined by the United States Department of Housing and Urban Development, with allowances for family size.~~

(10~~9~~) **Housing Development Costs**-- The total of all costs incurred, or to be incurred, by the Development Owner in acquiring, constructing, rehabilitating and financing a Development as determined by the Department based on the information contained in the Applicant's application. Such costs include reserves and any expenses attributable to commercial areas. ~~The total of all costs incurred in financing, creating, or purchasing any housing development, including, but not limited to, a single-family dwelling, which are approved by the Department as reasonable and necessary. The costs may include, but are not limited to:~~

~~(A) the value of land and any buildings on the land owned by the sponsor, or the cost of land acquisition and any buildings on the land, including payments for options, deposits, or contracts to purchase properties on the proposed housing sites;~~

~~(B) cost of site preparation, demolition, and development;~~

~~(C) fees paid or payable in connection with the planning, execution, and financing of the housing development, such as those to the architects, engineers, attorneys, accountants;~~

~~(D) cost of necessary studies, surveys, plans, permits, insurance, interest, financing, tax and assessment costs, and other operating and carrying costs during construction;~~

~~(E) cost of construction, rehabilitation, reconstruction, fixtures, equipment, machinery, and apparatus related to the real property;~~

~~(F) cost of land improvements, including landscaping, whether or not the costs have been paid in cash or in a form other than cash;~~

~~(G) necessary expenses in connection with initial occupancy of the housing development;~~

~~(H) an allowance established by the Department for contingency reserves and reserves for any anticipated operating deficits during the first two years of occupancy; and~~

~~(I) the cost of the other items, including tenant relocation, if tenant relocation costs are not otherwise being provided for, as the Department shall determine to be reasonable and necessary for the development of the housing development, less any and all net rents and other net revenues received from the operation of the real and personal property on the development site during construction.~~

(11~~10~~) **Housing Development ~~or Housing Project~~**--Any real or personal property, project, building, structure, facilities, work, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, which meets or is designed to meet minimum property standards consistent with those prescribed in the Housing Trust Fund Property Standards, found in the Program Guidelines, for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by persons and families of low, very low, and extremely low income, and persons with special needs. The term may include buildings, structures, land, equipment, facilities, or other real or personal properties which are necessary, convenient, or desirable appurtenances, such as but not limited to streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances.

~~(11) **Housing Finance Division**--The division of the Department responsible for the administration of the Housing Trust Fund.~~

(12) **HUD**—The United States Department of Housing and Urban Development, or its successor.

~~(12) **Joint Venture**--An agreement between a lead applicant and a cooperating entity formed to administer or implement a Housing Trust Fund project.~~

~~(13) **Lead Applicant**--An Eligible Applicant designated in a Housing Trust Fund application to assume contractual liability and legal responsibility as the Recipient executing the written agreement with the State.~~

(13~~14~~) **Local Units of Government**--A county; an incorporated municipality; a special district; a council of governments; any other legally constituted political subdivision of the state; a public, nonprofit housing finance corporation created under the Local Government Code, Chapter 394; or a combination of any of the entities described here.

(14~~15~~) **Low Income Persons and Families**-- Families whose annual incomes do not exceed 80% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size. ~~Persons and families earning not more than 80% of the area median income as determined by the United States Department of Housing and Urban Development, with allowances for family size.~~

~~(16) **Metropolitan and Metro**--Areas designated by the Bureau of the Census as metropolitan statistical areas (MSA) or primary metropolitan statistical areas (PMSA) in the most recent decennial census.~~

~~(17) **Non-metropolitan and Non-Metro**--Refers to all areas outside those areas designated as MSAs by the Bureau of the Census in the most recent decennial census.~~

(15~~18~~) **Nonprofit Organization**--Any public or private, nonprofit organization that:
(A) is organized under state or local laws;
(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual; and
(C) has a tax exemption ruling from the Internal Revenue Service under the Internal Revenue Code of 1986, Section 501(c), as amended.

(16) **NOFA**—Notice of Funding Availability, published in the *Texas Register*.

(17~~19~~) **Person with Special Needs--**
(A) persons with disabilities, persons with alcohol or other drug addictions, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farm workers; and
(B) any persons legally responsible for caring for an individual described by subparagraph (A) and meets the income guidelines of a person of low, very low or extremely low income.
~~An individual who:~~
~~(A) is considered disabled under a state or federal law;~~
~~(B) is elderly (age 60+);~~
~~(C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise; or~~
~~(D) is legally responsible for caring for an individual described by subparagraphs (A), (B) or (C) of this paragraph and meets the income guidelines of a person of low, very low or extremely low income.~~

~~(20) **Predevelopment Costs**--Reimbursable costs related to a specific eligible housing project including:~~
~~(A) Predevelopment housing project costs that the Department determines to be customary and reasonable, including but not limited to consulting fees, costs of preliminary financial applications, legal fees, architectural fees, engineering fees, engagement of a development team, site control, and title clearance;~~
~~(B) Pre-construction housing project costs that the Department determines to be customary and reasonable, including but not limited to, the costs of obtaining firm construction loan commitments, architectural plans and specifications, zoning approvals, engineering studies and legal fees.~~
~~(C) Predevelopment costs do not include general operational or administrative costs.~~

(18) **Public Agency**—A branch of National, State or Local Government.

(19~~21~~) **Public Housing Authority**--A housing authority established under the Texas Local Government Code, Chapter 392.

~~(22) **Real Property**--All land, including improvements and fixtures and property of any nature appurtenant, or used in connection therewith, and every estate, interest, and right, legal or equitable therein, including leasehold interests, terms for years, and liens by way of judgment, mortgage or otherwise.~~

(20~~23~~) **Recipient**--Community housing development organization, nonprofit organization, for profit entity, local unit of government, or public housing authority that is approved by the Department to receive and administer housing trust funds in accordance with these rules.

(21) **Rental Housing Development**--A project for the acquisition, new construction, reconstruction or rehabilitation of multi-family or single family rental housing, or conversion of commercial property to rental housing.

(22~~24~~) **Rural Project**-- ~~A project located within an area which~~An area that is located:

(A) ~~is situated~~ outside the boundaries of a PMSA or MSA; or

(B) ~~is situated~~ within the boundaries of a PMSA or MSA area, if the statistical area ~~it~~ has a population of not more than 20,000, and does not share boundaries with an urbanized area; or

(C) ~~has received financing or has received a commitment for financing from the United States Department of Agriculture Rural Housing Services.Texas Rural Development.~~ in an area that is eligible for new construction or rehabilitation funding by TX-USDA-RHS.

(23) **State**--The State of Texas.

(24) Statute—Texas Government Code 2306.

~~(26) **Total Bond Indebtedness**--All single-family mortgage revenue bonds (including collateralized mortgage obligations), multifamily mortgage revenue bonds and other debt obligations issued or assumed by the Department and outstanding as of August 31 of the year of calculation, excluding:~~

~~(A) all such bonds rated Aaa by Moody's Investors Service or AAA by Standard Poor's Corporation for which the Department has no direct or indirect financial liability from the Department's unencumbered fund balances; and~~

~~(B) all other such bonds, whether rated or unrated, for which the Department has no direct or indirect financial liability from the Department's unencumbered fund balances, unless Moody's or Standard Poor's has advised the Department in writing that all or a portion of the bonds excluded by this clause should be included in a determination of total bond indebtedness.~~

~~(27) **Unencumbered Fund Balances**--Uncommitted amounts on deposit in each independent or separate unrestricted fund established by the housing finance division or its administrative component units.~~

(25~~28~~) **Very low Income Persons and Families**-- Families whose annual incomes do not exceed 60% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size. ~~Persons and families earning not more than 60% of the area median income as determined by the United States Department of Housing and Urban Development, with allowances for family size.~~

§51.4~~5~~ Allocation of Housing Trust Funds.

(a) Funds shall be allocated to achieve broad geographic dispersion by awarding funds in accordance with Section 2306.111(d) through (g), Texas Government Code. ~~Funds shall be allocated to achieve a broad geographical distribution taking into account the number and percentage of low, very low, and extremely low income persons and families in different geographical areas of the State.~~

~~(b) In allocating funds under the Housing Trust Fund, special attention shall be paid to equitably serving the housing needs of low, very low, and extremely low income persons and families residing in rural and non-metropolitan areas.~~

~~(c) No more than 10% of the housing trust funds allocated each fiscal year shall be distributed to community housing development organizations and nonprofit organizations for capacity building.~~

~~(d) At least 35% of the housing trust funds allocated each funding cycle shall be distributed to community housing development organizations. This 35% will be based on the amount of funds remaining after funds identified in subsection (c) of this section are allocated. In the event that there is an insufficient number of qualifying applicants for this allocation, any remaining funds will then be made available to other qualifying applicants, as outlined in the eligibility section of the Program Guidelines as amended each program cycle.~~

~~(e) The Department shall utilize its best efforts to apply at least 50% of the housing trust funds allocated each funding cycle to non-metropolitan areas of the state.~~

~~(f) No more than 10% of the yearly balance of the housing trust fund may be used by the Department to acquire real property.~~

~~(g) The Department shall utilize its best efforts to apply at least 15% of the housing trust funds allocated each fiscal year to housing assistance for individuals and families earning less than 30% of median family income, and a minimum of 20% of the allocated funds for individuals and families earning between 31 and 60% of median family income.~~

(b) The Department shall utilize its best efforts to target housing trust funds allocated each fiscal year to housing assistance for individuals and families earning less than 60% of median family income.

(c~~h~~) Bond indenture requirements governing expenditure of bond proceeds deposited in the housing trust fund shall govern and prevail over all other allocation requirements established in this section. However, the Department shall distribute these funds in accordance with the requirements of this section to the extent possible.

~~(i) Not more than 10% of any biennium allocation of Housing Trust Fund program funds may be set aside to create a pre-development loan fund to be used as matching funds with outside funds.~~

§51.5~~6~~ Basic Eligible Activities.

The Department shall make grants and loans from the Housing Trust Fund to Eligible Applicants for purposes consistent with Section 51.2 of this title and Section 2306.202 of Texas Government Code.~~(related to Program Goals and Objectives). Eligible uses of trust funds include, but are not limited to the following:~~

~~(1) To fund housing development costs for a housing project or to provide down-payment assistance, rental assistance, credit enhancement, direct loans and interest rate reduction assistance to low, very low, and extremely low income persons and families, and persons with special needs.~~

~~(2) To provide predevelopment costs for eligible housing projects. Such assistance shall be provided in the form of a loan to be repaid to the housing trust fund from construction loan proceeds or other project income. The Board may waive repayment of the loan, in whole or in part, if there are impediments to project development that the Board determines are reasonably beyond the control of the applicant.~~

~~(3) To provide for capacity building for community housing development and nonprofit organizations that show sufficient evidence of having strong community support and a strong likelihood of producing housing for low, very low, and extremely low income persons and families within two years of the date that assistance is provided. Where possible, the Recipient of funds under this subsection will build in fees, or other ongoing sources of income, into the services that they provide, so that repeated support will not be needed.~~

§51.6~~7~~ Ineligible Activities and Restrictions.

(a) Displacement of Existing Affordable Housing. Housing Trust Funds shall not be utilized on a development that has the effect of permanently displacing low, very low, and extremely low income persons and families. Residents of a development to be rehabilitated by Housing Trust Funds must be provided the opportunity to lease and occupy a comparable affordable dwelling unit in the development upon completion of the development. The landlord must provide all persons and families affected by the rehabilitation with:

(A) Notice in writing within a reasonable time indicating the right to remain in the dwelling unit or the need to relocate; and

(B) payment of the costs of temporary relocation, including moving costs and any increase in rent.

(b) If a Housing Trust Fund recipient violates the permanent dislocation provision of paragraph (3) of this subsection, that recipient risks loss of Housing Trust Funds and the landlord/developer must pay the affected tenant's costs and all moving expenses.

~~Any activity is ineligible for housing trust funds unless the activity will result in the financing, acquisition, rehabilitation, or development of affordable, decent, safe, and sanitary housing for low, very low, and extremely low income persons or families, or will provide capacity building to community housing development organizations and nonprofit organizations engaged in developing housing for low, very low, and extremely low income persons and families. Ineligible activities and restrictions include the following:~~

~~(1) General Government Expenses. Housing trust funds may not be used to carry out the regular responsibilities of the local unit of government.~~

~~(2) Political Activities. Housing trust funds may not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration.~~

~~(3) Relocation and Prohibition against Involuntary Displacement. Housing trust funds shall not be utilized on a project that has the effect of permanently and involuntarily displacing low, very low, and extremely low income persons and families. All such persons and families who are resident tenants of a project development or building prior to the submission of a Housing Trust Fund application must be provided the opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable dwelling unit in the building or development upon completion of the project. The property owners must provide all persons and families affected by project development with the following:~~

~~(A) Written notices of the right to remain or the need to relocate;~~

~~(B) Payment of the costs of temporary relocation; and~~

~~(C) Payments for those persons and families which are required to move permanently.~~

~~(4) Restriction on Affordability of Multifamily Housing. Any multifamily housing developed or rehabilitated with housing trust funds, in whole or in part, shall remain affordable to income-qualified households for at least 20 years.~~

(c) Restrictions on Communication.

(1) The Applicant or other person that is active in the ownership or control of the proposed activity, or individual employed as a lobbyist or in another capacity on behalf of the application, may not communicate with any Board member with respect to the application during the period of time starting with the time an application is submitted until the time the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application.

(2) Applicants are restricted from communication with Department staff as described in this subsection. The Applicant or other person that is active in the ownership or control of the Development, or individual employed as a lobbyist or in another capacity on behalf of the application, may communicate with an employee of the Department with respect to the Development so long as that communication satisfies the conditions established under paragraphs (A) through (E) of this subsection. Communication with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.

(A) The communication must be restricted to technical or administrative matters directly affecting the Application;

(B) The communication must occur or be received on the premises of the Department during established business hours;

(C) Communication with the Executive Director, the Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Single Family Finance Production, the Director of Portfolio Management and Compliance, and the Director of Real Estate Analysis of the Department must only be in written form which includes electronic communication through the Internet;

(D) Communication with other Department staff may be oral or in written form which includes electronic communication through the Internet; and

(E) A record of the communication must be maintained by the Department and included with the Application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication.

(d) Ineligible Applicants: The following violations will cause an Applicant, and any applications they have submitted, to be ineligible:

(1) Previously funded recipient(s) whose Housing Trust Funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to the current funding cycle;

(2) Applicants who have not satisfied all threshold requirements described in this title, and the NOFA to which they are responding, and for which Administrative Deficiencies were unresolved;

(3) Applicants who have submitted incomplete applications;

(4) Applicants that have been otherwise barred by the Department;

(5) Applicant or developer, or their staff, that violate the state revolving door policy.

(e) The Department will not recommend an application for funding if it includes a principal who is or has been:

(1) Barred, suspended, or terminated from procurement in a state or federal program and listed in the List of Parties Excluded from Federal Procurement of Non-procurement Programs;

(2) The subject of enforcement action under state or federal securities law, or is the subject of an enforcement proceeding with a state or federal agency or another governmental entity; or

(3) If the applicant has unresolved compliance or audit findings related to previous or current funding agreements with the Department.

(4) Has breached a contract with a public agency.

(f) Material Noncompliance. Each Application will be reviewed for its compliance history by the Department, consistent with Chapter 60 of this title. Applications found to be in Material Noncompliance, or otherwise violating the compliance rules of the Department, will be terminated.

(g) Rental Housing Development Site and Development Restrictions. The following restrictions apply to Rental Housing Developments only.

(1) Floodplain. Any Development proposing new construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No Developments proposing rehabilitation will be permitted in the 100 year floodplain unless they already are constructed in accordance with the policy stated above for new construction or are able to provide evidence of flood insurance on the buildings and the contents of the units.

(2) Ineligible Building Types. Applications involving Ineligible Building Types will not be eligible for an award. Those buildings or facilities which are ineligible are as follows:

(A) Hospitals, nursing homes, trailer parks and dormitories (or other buildings that will be predominantly occupied by students) or other facilities which are usually classified as transient housing (other than certain specific types of transitional housing for the homeless and single room occupancy units) are ineligible. However, structures formerly used as hospitals, nursing homes or dormitories are eligible if the Development involves the conversion of the building to a non-transient multifamily residential development.

(B) Any elderly development of two stories or more that does not include elevator service for any Units or living space above the first floor.

(C) Any elderly development with any units having more than two bedrooms.

(D) Any Development with building(s) with four or more stories that does not include an elevator.

(E) Any Development proposing new construction, other than a Development (new construction or rehabilitation) composed entirely of single-family dwellings, having any Units with four or more bedrooms.

(3) Limitations on the Size of Developments. Developments involving new construction will be limited to 250 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions.

(4) Unacceptable Sites. Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department.

~~§51.8 Maintenance of Effort.~~

~~(a) Housing Trust Fund monies shall not be used to supplant or replace existing housing funds for housing for low, very low, and extremely low income persons and families.~~

~~(b) If other federal funds are available to a local unit of government applicant for any proposed housing project, the local unit of government applicant shall affirmatively show that it has undertaken reasonable efforts to secure such funding for the proposed housing project.~~

§51.7~~9~~ Application Procedure and Requirements.

(a) In distributing funds, the Department will release a NOFA and/or request for proposals that identifies the uses of the available funds and the specific criteria that will be utilized in evaluating applicants.

(b) Applications containing false information and Applications not received by the deadline will be disqualified. Disqualified applicants are notified in writing. All Applications must be received by the Department by 5:00 p.m. on the date identified in the NOFA, regardless of method of delivery.

(c) Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within eight business days of the deficiency notice date, then five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within ten business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period.

(d) Rental Housing Developments will undergo a review as follows:

(1) Threshold Evaluation. Applications submitted for Rental Housing Developments will be required to comply with the threshold criteria required under Section 50.9(f) of this title, which are those required for the Housing Tax Credit Program.

(2) Scoring Evaluation. For an Application to be scored, the Application 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 scoring criteria identified in the NOFA.

(3) Financial Feasibility Evaluation. After the Application is scored, the Department will assign, as herein described, Developments for review for financial feasibility by the Department's Real Estate Analysis Division. The Department shall underwrite an Application to determine the financial feasibility of the Development and an appropriate funding amount and terms. In making this determination, the Department will use the Underwriting Rules and Guidelines, Section 1.32 of this title.

(4) A site visit will be conducted. Applicants must receive recommendation for approval from the Department to be considered for funding by the Board.

(5) Each Rental Housing Development Application will be notified of their score in writing no later than seven days after all applications received have been scored. Subsequently, the recommendation regarding their Application will be made on the Department's web site at least 7 days prior to the Board meeting where the awards will be approved.

(6) Board approval for the award of Development activity funds is conditional upon a completed loan closing and any other conditions deemed necessary by the Department.

(e) Applications other that Rental Housing Developments will be reviewed and evaluated in accordance with the NOFA for that activity.

(f) Applicants may appeal staff's decisions regarding their applications consistent with Section 1.7 of this title.

(g) Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and non-binding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.

~~(a) The Department shall, from time to time, solicit applications for loans and grants from Eligible Applicants.~~

~~(b) Housing development applicants shall submit, in an application form and process prescribed by the Department, project information including, but not limited to:~~

~~(1) A written description of the housing project including but not limited to, the number of units, unit mix, roposed rents or mortgage payments, site location, the proposed program of services to occupants and the availability of these services in the future, project amenities, names and addresses of all individuals with any financial interest in the proposed housing project, personal and organizational financial statements and audit reports, and any other information the Board may require;~~

~~(2) A statement of housing project purpose indicating the housing type and tenants or homeowners to be housed, and the length of time the units will be committed available for low, very low, and extremely low income households;~~

~~(3) A statement describing the need for the proposed housing development given existing housing and economic conditions in the service area;~~

~~(4) A projection of housing project expenses and income;~~

~~(5) Grant or loan amount requested and total housing project development costs, including a description of all committed or anticipated project funding and funding sources, and a statement describing efforts to secure other sources of funding, including federal funds and funds from private sources;~~

~~(6) A narrative describing the housing project sponsor/developer/owner/manager experience in developing and operating housing projects;~~

~~(7) A description of any temporary displacement resulting from the proposed housing project, including a statement whether the housing project has the effect of permanently and involuntarily displacing persons and families of low income;~~

~~(8) The geographical area of the state in which the project will occur;~~

~~(9) A narrative describing how the proposed project addresses each of the evaluation factors listed in §51.10 of this title (relating to Criteria for Funding);~~

~~(10) The affirmative marketing plan of the housing project sponsor on marketing to racial and ethnic minorities and person with special needs;~~

~~(11) Project completion schedule;~~

~~(12) Non-discrimination statements.~~

~~(c) An individual or family who is an Eligible Applicant shall submit a request for funding in an application form and process prescribed by the Department to include the items listed in subsection (b) of this section that are relevant to individuals and persons applying for loans and grants.~~

~~(d) Capacity building and technical assistance applicants will be required to submit a specific application as outlined in the Program Guidelines as amended each program cycle.~~

~~(e) Rental assistance applicants will be required to submit a specific application as outlined in the Program Guidelines as amended each program cycle.~~

§51.8.~~10~~ Criteria for Funding.

(a) In considering applications for funding, the Department considers the following requirements under Section 2306.203(c), Texas Government Code, and such others as may be enumerated during the funding cycle:

(1) Minimum Eligibility Criteria. To be considered for funding, an Applicant must first demonstrate that it meets each of the following threshold criteria:

(A)The application is consistent with the requirements established in this rule.

(B) The applicant provides evidence of its ability to carry out the proposal in the areas of financing, acquiring, rehabilitating, developing or managing affordable housing development.

(C) The proposal addresses and identifies a housing need. This assessment will be based on statistical data, surveys and other indicators of need as appropriate.

(2) Evaluation Factors. The criteria used to rank applications, as more fully reflected in the NOFA, will include at a minimum the:

(A) leveraging of federal funds including the extent to which the project will leverage State funds with other resources, including federal resources, and private sector funds;

(B) cost-effectiveness of a proposed development; and

(C) extent to which individuals and families of very low income and extremely low income are served by the development.

~~(a) In considering applications for funding, the Department considers the following:~~

~~(1) Threshold Criteria. To be considered for funding, a housing project must first demonstrate that it meets each of the following threshold criteria:~~

~~(A) The project is consistent with the requirements established in this rule.~~

~~(B) The applicant provides evidence of its ability to carry out the project in the areas of financing, acquiring, rehabilitating, developing or managing affordable housing development.~~

~~(C) The project addresses and identifies housing need. This assessment will be based on statistical data, surveys and other indicators of need as appropriate.~~

~~(2) Evaluation Factors. The Board and Department considers applications for housing trust funds using the following system:~~

~~(A) Applications are evaluated against the threshold criteria during each funding cycle. Applications not meeting the threshold criteria are returned to the applicant without further review.~~

~~(B) Applications are ranked according to the criteria hereinafter set forth:~~

~~(i) leveraging of funds: the extent to which the project will leverage State funds with other resources, including federal resources, and private sector funds;~~

~~(ii) community involvement: the extent to which the project involves a broad range of community representatives, including low, very low, and extremely low income individuals who may expect to reside in the proposed housing project, in the design and development of the proposed housing project;~~

~~(iii) very low income targeting: the extent to which the project will provide safe, decent and affordable housing to very low income persons and families;~~

~~(iv) long term affordability: the extent to which the project will ensure the longest possible use of assisted units as affordable housing for low, very low, and extremely low income persons and families;~~

~~(v) housing need: the geographical area of the State to be served and the extent to which there is a need for safe, decent, and affordable housing in this area;~~

~~(vi) special housing needs: the extent to which the project provides affordable housing and services for persons with special needs;~~

~~(vii) financial feasibility: the extent to which the project is financially feasible, taking into consideration the contribution of housing trust funds, as determined in accordance with generally accepted underwriting standards as promulgated by federal insurers or other similar guarantors of such projects;~~

~~(viii) need for funds: the extent to which other resources are not available in the locality to carry out the housing project;~~

~~(ix) minority participation: the extent to which the project has minorities and/or women participating in the ownership, development or management of the project;~~

~~(x) energy conservation: the extent to which the project design promotes energy and/or water conservation with the result of reducing residents' utility costs;~~

~~(xi) innovation: the extent to which the project involves a new or particularly innovative approach for meeting housing needs in the area being served;~~

~~(xii) services: the extent to which the project includes a program of services for occupants of the proposed housing including, but not limited to, programs that address home health care, mental health service, alcohol and drug treatment, job training, child care and case management and provides for tenant involvement in the development and administration of the services;~~

~~(xiii) cost-effectiveness: the extent to which the project is cost-effective and provides the greatest number of affordable, decent, safe and sanitary low, very low, and extremely low income housing units for the least amount of housing trust funds expended or committed;~~

~~(xiv) barriers to affordable housing: the extent to which local governments propose to eliminate or reduce barriers to affordable housing created by existing public policies, such as zoning regulations, building permit requirements, etc.;~~

~~(xv) geographic balance: the extent to which the project will contribute to achieving a fair and equitable geographic distribution of housing trust funds.~~

~~(C) An application that does not meet the threshold criteria may be revised and resubmitted for consideration in subsequent funding cycles.~~

~~(3) The Department will not recommend an application for funding if it includes a principal who is or has been:~~

~~(A) Barred, suspended, or terminated from procurement in a state or federal program and listed in the List of Parties Excluded from Federal Procurement of Non-procurement Programs;~~

~~(B) The subject of enforcement action under state or federal securities law, or is the subject of an enforcement proceeding with a state or federal agency or another governmental entity; or~~

~~(C) If the applicant has unresolved compliance or audit findings related to previous or current funding agreements with the Department.~~

~~(b) The Department assigns a weight to the evaluation factors in subsection (a)(2)(B) of this section and gives priority to funding applications according to the weight assigned.~~

(b~~c~~) The Board has final approval on all recommendations for funding.

(c~~d~~) Eligible Applicants that have been approved for funding and that require a material change in the project description must provide a written request for the material change to the Department prior to implementing the change.

(1) A material change may include, but is not limited to, the following:

(A) Change in project site;

(B) Change in the number of units or set asides; and

(C) Increase in funding.

(2) Failure to comply with this subsection may result in the termination of funding to the applicant.

(de) The Executive Director of the Department may approve nonmaterial changes in the project description and in the scope of work to be performed for clarification and necessary administrative adjustments, provided that any such change does not increase the dollar amount of the original award of funds.

~~§51.11 Prohibition against Discrimination.~~

~~(a) No person shall on the ground of race, color, family composition (reasonable occupancy standards are cceptable), national origin or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with housing trust funds made available under the Act.~~

~~(b) Whenever the Department determines that a Recipient of housing trust funds has failed to comply with subsection (a) of this section, the Department shall attempt to secure compliance. If within a reasonable period of time the Recipient fails to comply, the Department may:~~

~~(1) refer the matter to the State Attorney General or the Texas Commission on Human Rights, whichever is applicable and in accordance with the laws of the State of Texas, with a recommendation that an appropriate civil action be instituted; or~~

~~(2) take such other action as may be provided by law.~~

§51.9~~12~~ Other Program Requirements.

(a) Employment opportunities.

~~(1) No person shall be discriminated against on the basis of race, color, disability, religion, sex, or national origin in all phases of employment during the performance of contracts as assisted with housing trust funds made available under the Act.~~

~~(2) Contractors and subcontractors on Housing Trust Fund assisted contracts shall take affirmative action to ensure fair treatment in employment, upgrading, demotion, or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation and selection for training or apprenticeship.~~

~~(3)~~ In connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment shall be given to low, very low, and extremely low income persons residing within the area in which the project is located.

(b) Conflict of Interest.

(1) Conflict Prohibited. No person described in paragraph (2) of this subsection who exercises or has exercised any functions or responsibilities with respect to Housing Trust Fund activities under the Statute~~Act~~ or who is in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from a Housing Trust Fund assisted activity, or have an interest in any Housing Trust Fund contract, subcontract or agreement or the proceeds ~~t~~hereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

(2) Persons Covered. The conflict of interest provisions of paragraph (1) of this subsection apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of the Recipient.

(c) Right to Inspect and Monitor.

(1) The Department may, at any time, inspect and monitor the records and the work of the project so as to ascertain the level of project completion, quality of work performed, inventory levels of stored material, compliance with the approval plans and specifications, property standards, and program rules and requirements.

(2) Any unsatisfactory findings in the inspection may result in a reduction in the amount of funds requested or termination of funding.

(3) Within 45 days of completion of any construction, and before the release of any retainage funds, Recipients are required to notify the Department of the completion by submitting a certificate of completion and any other documents required by program guidelines, including, but not limited to, the following:

(A) Architect's Certification of Substantial Compliance;

(B) Recipient's Certificate of Substantial Completion; and

(C) Recipient's and supplier's Release of Lien and warrantee.

(4) The Department performs a final close-out visit and assists owners in preparing for long-term compliance requirements upon completion of project development.

(d) Compliance.

(1) Recipient must maintain compliance with each of its written agreements with the Department.

(2) Restrictions are stated and enforced through a regulatory agreement.

(3) These restrictions include, but are not limited to the following:

(A) Rent restrictions;
(B) Record keeping and reporting; and
(C) Income targeting of tenants.

(4) The Department monitors compliance with project restrictions and any other covenants by Recipient in any Housing Trust Fund agreement. An annual per unit compliance fee is charge for this review.

(5) Prior to the leasing of any units, project owners are provided guidance and training by the Department to assist project owners in adhering to restriction and reporting requirements.

(e) For funds being used for multifamily rental properties, the recipient must establish a reserve account consistent with Section 2306.186, Texas Government Code, and as further described in Chapter 60 of this title.

§51.10~~13~~ Citizen Participation.

(a) The Department holds at least one public hearing annually, and additional public hearings prior to consideration of any proposed significant changes to these rules, to solicit comments from the public, eligible applicants, and Recipients on the Department's rule, guidelines, and procedures for the Housing Trust Fund.

(b) The Department considers the comments it receives at public hearings. The Board annually reviews the performance, administration, and implementation of the Housing Trust Fund in light of the comments it receives. ~~At this time t~~The Board also reviews funding goals and set-asides ~~established in §51.5 of this title (~~relating to Allocation of Housing Trust Funds~~)~~.

(c) Applications for Housing Trust Funds~~housing trust funds~~ are public information and the Department shall afford the public an opportunity to comment on proposed housing applications~~projects~~ prior to making awards.

~~(d) Applicants will be notified as to whether or not they are being recommended for funding seven days prior to the date recommendations are made to the Board. Applicants may appeal the funding recommendation to the Board at the meeting of the Board at which the recommendations are presented.~~

(d~~e~~) Complaints will be handled in accordance with the Department's complaint procedures of ~~10 TAC~~ Section 1.2 of this title.

§51.11.~~14~~ Records to be Maintained.

(a) Recipients are required, at least on an annual basis, to submit to the Department information including, but not limited to:

(1) such information as may be necessary to determine whether a project ~~funded with housing trust~~ is benefiting low, very low, and extremely low income persons and families;

(2) the monthly rent or mortgage payment for each dwelling unit in each structure assisted; ~~with housing trust funds;~~

(3) such information as may be necessary to determine whether Recipients have carried out their housing activities in accordance with the requirements and primary objectives of the Housing Trust Fund~~housing trust fund~~ and implementing regulations;

(4) The size and income of the household for each unit occupied by a low, very low, or extremely low income person or family;

(5) Data on the extent to which each racial and ethnic group and ~~single-headed~~ households ~~(by gender of household head)~~ have applied for and benefited from any project or activity funded in whole or in part with ~~housing trust~~ funds made available under the Statute~~Act~~. This data shall be updated annually; and

(6) A final statement of accounting upon completion of the project.

(b) Recipients shall maintain records pertinent to the tenant's files for a period of at least three years.

(c) Recipients shall maintain records pertinent to ~~Housing Trust Fund~~ funding awards including but not limited to project costs and certification work papers for a period of at least five years.

(d) Recipient shall maintain records in an accessible location.

~~**§51.12.17 Funding Cap.**~~

~~No more than 10%25% of the housing trust funds may be allocated to any single project for each fiscal year./any calendar year.~~

§51.~~13~~12.~~18~~ Waiver.

The Board may, in its discretion, waive any one or more of the rules set forth in this chapter to accomplish its legislative mandates or for other compelling circumstances.

REAL ESTATE ANALYSIS DIVISION

BOARD ACTION REQUEST
November 14, 2003

Action Items

Underwriting, Market Analysis, Appraisal, Environmental Site Assessment and Property Condition Assessment Rules and Guidelines Including New Section 1.36 Property Condition Assessment Rules and Guidelines

Required Action

Adoption of Amendment to Title 10, Part 1, Chapter 1, Subchapter B

Background

At the August 14, 2003 Board Meeting the Board approved the Proposed Adoption of Amendment to Title 10, Part 1, Chapter 1, Subchapter B – Underwriting, Market Analysis, Appraisal, Environmental Site Assessment and Property Condition Assessment Rules and Guidelines Including New Section 1.36 Property Condition Assessment Rules and Guidelines. This was published in the *Texas Register* on August 29, 2003 for the public to provide comments. In order to receive additional comments on all proposed rules, the Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

MEMORANDUM

TO: TDHCA Board Members

CC: Ruth Cedillo, Deputy Executive Director

FROM: Tom Gouris, Director of Real Estate Analysis

THROUGH: Edwina Carrington, Executive Director

SUBJECT: Public Comment on the 2004 Draft Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, and Property Condition Assessment Rules and Guidelines and Department Response

DATE: October 21, 2003

On August 29, 2003, the Draft 2004 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, and Property Condition Assessment Rules and Guidelines were published in the *Texas Register*. Upon publication a public comment period commenced, ending on October 10, 2003. In addition to publishing the document in the *Texas Register*, a copy was published on the Department's web site and made available to the public upon request. The Department held public hearings in Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin, and Houston. In addition to comments received at the public hearings, the Department received written comments.

This memo is divided into three parts: Public Comment that Relates Directly to the Draft Rules and Guidelines, Staff-Recommended Minor Technical Changes for Consistency, and the 2004 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, and Property Condition Assessment Rules and Guidelines, as revised. The comments are identified by the section in question followed by the specific comment and staff's response.

SUMMARY OF COMMENTS RECEIVED UPON PUBLICATION OF THE PROPOSED RULES IN THE *TEXAS REGISTER* AND COMMENTS PROVIDED AT PUBLIC HEARINGS HELD BY THE DEPARTMENT ON ITEMS THAT RELATE DIRECTLY TO THE UNDERWRITING, MARKET ANALYSIS, APPRAISAL, ENVIRONMENTAL SITE ASSESSMENT, AND PROPERTY CONDITION ASSESSMENT RULES AND GUIDELINES

§1.31 General Provisions.
Comment: As enacted by the 78th Legislature in SB 264, Section 2306.082, Texas Government Code, requires the Department to develop and implement a policy to encourage the use of appropriate alternative dispute resolution procedures to assist in the resolution of disputes under the Department's jurisdiction. Also, during public comment on the Department's proposed 2004 Qualified Allocation Plan and Rules, the Texas Affordable Housing Congress suggested that ADR procedures be added at several points in the QAP.
Department Response: As one step in implementing the ADR policy called for by Section 2306.082, staff recommends the addition of **§1.31(b)**, as follows:

(b) Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested Persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an Applicant or other Person would like to engage the Department in an ADR process, the Person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator (Chris Wittmayer, Email: cwittmay@tdhca.state.tx.us; Fax: (512) 475-3978). The proposal should describe the dispute and the details of the process proposed (including proposed participants, Third Party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.

§1.31(b)(5) Definition of Comparable Unit.
Comment: Novogradac & Company representatives have indicated the term should be changed from "Comparable Unit" to "Comparable Property" and the definition should be expanded to include additional characteristics of the property to be compared.
Department Response: Staff does not believe it would be appropriate to change the term from "Comparable Unit" to "Comparable Property." The rules and guidelines encompass not only multifamily properties, but also single family properties. In addition, the unit mix of a proposed property may never exactly correspond to that of existing properties. However, staff agrees that the definition should be expanded to include additional characteristics.

(5) Comparable Unit—A unit of housing that is of similar type, design, quality of construction, age, size, location, utility structure, and other discernable characteristics that can be used to compare and contrast from a proposed or existing unit. Other considerations may include access to amenities and supportive services on and off the property.

§1.31(b)(17) Definition of Primary Market.
Comment: Novogradac & Company representatives have indicated a desire to add specifics, such as the actual percentage of demand to be drawn from the primary market area with the remaining percentage to be drawn from the secondary market area, to the definition of Primary Market to provide greater standardization.
Department Response: Staff does not recommend a change. Indicating a specific percentage of demand to be drawn from market areas in the rules and guidelines may result in less analysis performed to justify the source of the demand. Currently, market analysts may include additional sources of demand from outside the defined primary market area, but documentation of the data used and an explanation of the analysis must be included to support the additional demand conclusion.

§1.31(b)(23) Definition of Transitional Housing.
Comment: Public comment from Joy Brown of New Hope Housing indicates the term "Transitional Housing" should be changed to "Supportive Housing" to allow for a broader meaning. She also suggested that the definition should not allude to a time limit for occupancy by tenants.
Department Response: Staff agrees the term "Supportive Housing" is more appropriate for the intended purpose and also agrees that an alluded time limit for occupancy may be too restrictive based on the proposed broader term. Staff recommends the following changes:

(20) ~~Transitional~~ Supportive Housing— Rental housing intended solely for ~~short term~~ occupancy by individuals or households transitioning from homelessness or abusive situations to permanent housing and typically consisting primarily of efficiency units.

§1.32(d)(5) Expenses.
Comment: Jesse Seawell of Ability Resources Incorporated stated, "The TDHCA rules need to be structured to fit small integrated projects containing [Section] 811 units that are simply too unique to be covered by the established guidelines."
Department Response: Staff does not recommend a change. Section 1.32(d)(5) outlines parameters used in estimating operating expenses. Sources used include the TDHCA Operating Expense Database, the Institute of Real Estate Management's most recent *Conventional Apartments-Income/Expense Analysis* book, and other *well-documented* sources. In the case of unique Developments, Applicants can and should provide historic operating expenses for similar developments or other documentation supporting abnormal costs or savings as they will be given considerable weight if they can be verified.

§1.32(d)(6) Net Operating Income and Debt Service.
Comment: Jesse Seawell of Ability Resources Incorporated stated, "TDHCA should consider that HUD will allow no excess revenue to be retained by ARI after the operating expenses of [Section] 811 units are paid."
Department Response: Staff does not recommend a change. Currently, the United States Department of Housing and Urban Development (HUD) regulations on the distribution of income after operating expenses and debt service are considered in TDHCA's underwriting analysis. However, a copy of the regulation or a source for obtaining such documents should be provided at the time of application to facilitate the Department's understanding of any such program-specific regulation.

§1.32(e) Development Costs.
Comment: Jesse Seawell of Ability Resources Incorporated stated, "TDHCA currently includes the developer's fee in the loan, but these fees should not be required to be repaid. They are supposed to be retained by the developer."
Department Response: Staff does not recommend a change. Developer fees are considered to be a part of total development costs. If it is necessary to defer fees, they must be repayable out of future cashflow. If the intent is to not pay a developer fee, such fees should not be included in the Development's costs as they would not be real costs of the development.

§1.32(e) Development Costs.
Comment: Jesse Seawell of Ability Resources Incorporated stated, "Why does TDHCA require us to obtain independent estimates, at considerable expense, if they do not plan to use them?"
Department Response: Staff does not recommend a change. Section 1.32(e) outlines parameters used in estimating total development costs and specifically requires the Department to use the Applicant's development costs to the extent they can be verified. Sources used in estimating specifically direct construction costs include the Marshall & Swift Residential Cost Handbook, historic costs based on submitted cost certifications, and other *well-documented* Third Party sources. The Underwriting Rules and Guidelines require Third Party estimates for rehabilitation developments, but do not require the same for new construction. It is assumed that the developer will use past experience to estimate total development costs for new construction, which will be verified by one or more of the sources listed above.

§1.32(g)(2) Inclusive Capture Rate.
Comment: Brent Stewart of Trammell Crow Residential submitted the following written comment, "Senate Bill 264, which becomes effective on September 1, 2003, contains new language in Section 18, paragraph (3) of the bill, amending Chapter 2306.6703. HB2308 by Jones containing the same language was signed by the Governor on 6/20/03.

In summary, the amendment makes a tax credit application ineligible if the proposed LIHTC property is located one linear mile or less from an existing LIHTC development that received a tax credit allocation during the preceding three years. This language was proposed by Representative Jones and Senator West to deal with the concentration of LIHTC properties in certain areas of the state because the existing 25% capture rate limitation was not adequately addressing the concentration issue. The one-mile rule was supported by the industry through TAAHP, TALHFA and by other organizations.

Because the one-mile rule is factually easier to determine and does not rely on subjective market area delineations that are subject to criticism, I propose removal of the existing concentration policy found in the Underwriting Rules in its entirety. I believe many contradictory conclusions will result if both the law and current rule are used to evaluate concentration."

He also stated, "I would recommend leaving the capture rate calculation in the market study pursuant to 1.33(d)(15)(D). I agree that it is an informative indicator to help evaluate the lease-up risk. Like any indicator, however, it cannot be viewed as a stand-alone benchmark. As we have discussed, an extremely high capture rate may be perfectly acceptable in some markets depending upon population growth rates, employment growth rates and other sub-market dynamics (such as found in rural areas) that are not part of the current calculation methodology."
Department Response: The comment proposes a significant change from the proposed rule. This change would benefit from additional consideration and comment. Therefore, it will be considered during revisions of the 2005 rules and guidelines to allow for more public comment.

§1.33(d)(12) Primary Market Information.
Comment: Novogradac & Company representatives have indicated a specific percentage of demand to be drawn from the primary market area should be identified and the population limit (without detailed support) of the primary market area should be changed from 250,000 to 100,000.
Department Response: Staff does not recommend a change at this time. The reason for not including a specific percentage of demand to be drawn from market areas is explained above in the response to the comment on §1.31(b)(17) Definition of Primary Market. While a reduction in the maximum population from 250,000 to 100,000 may be appropriate, the current standard had a significant amount of discussion when it was adopted and staff feels such a large reduction requires further discussion and consideration. The proposed change should be revisited in drafting the 2005 rules and guidelines prior to the public comment period. The Department does not encourage market analysts to define primary market areas with the goal of reaching a maximum population of 250,000 people. As stated in the rules and guidelines, "The Department encourages a conservative Primary Market Area delineation with use of natural political/geographic boundaries whenever possible.

§1.33(d)(13)(A) Comparable Property Analysis.
Comment: Novogradac & Company representatives have indicated an alternative to use of properties which are not truly comparable (adjustments made are in excess of 15%) within the Primary Market Area should be provided. The suggestion is to allow properties outside the Primary Market Area to be used with a location adjustment factor applied.
Department Response: Staff agrees and has included the suggested language.

(A) Analyze comparable property rental rates. Include a separate attribute adjustment matrix for the most comparable market rate and subsidized units to the units proposed in the subject, a minimum of three d~~D~~evelopments each. The Department recommends use of HUD Form 922273. Analysis of the Market Rents must be sufficiently detailed to permit the reader to understand the Market Analyst's logic and rationale. Total adjustments made to the Comparable Units in excess of 15% suggest a weak comparable. Total adjustments in excess of 15% must be supported with additional narrative. In Primary Market Areas lacking sufficient rental comparables, it may be necessary for the Market Analyst to collect data from comparable properties in markets with similar characteristics and make quantifiable location adjustments. The Department also encourages close examination of the overall use of concessions in the Primary Market Area and the effect on effective Market Rents.

§1.33(d)(13)(C) Comparable Property Analysis.
Comment: Novogradac & Company representatives have indicated occupancy rates should be broken down by bedroom type and income restrictions.
Department Response: Staff agrees and has included the suggested language.

(C) Analyze occupancy rates of each of the comparable properties and occupancy trends by ~~property class~~bedroom type and income restricted level (percentage of AMI). Physical occupancy should be compared to economic occupancy.

§1.33(d)(13)(F) Comparable Property Analysis.
Comment: Novogradac & Company representatives have indicated the requirements for the individual datasheets for comparable properties should be expanded. In addition, TDHCA should provide a copy of the recommended format.
Department Response: Staff does not recommend a change. However, a sample form for individual datasheets will be developed and posted to the Department's website for use by Market Analysts who do not already have their own format.

§1.33(d)(14) Demand Analysis.
Comment: Novogradac & Company representatives have indicated demand should be presented by unit type (number of bedrooms) and the inclusive capture rate should be adjusted to reflect different thresholds for different unit types. Also, household size to be considered in calculating demand for each unit type should be the HUD standard of 1.5 persons per bedroom. Finally, income each household is assumed to pay for housing costs should be set at 35% for families and 40% for the elderly.
Department Response: Staff does not recommend a change at this time. Though staff supports the proposed changes, they are significantly more prescriptive than the current proposed rules and guidelines. It is likely additional public comment would be needed before implementation. It is staff's opinion that the comment should be held over for consideration during the public comment period for the 2005 rules and guidelines.

§1.33(d)(14)(B) Demand Analysis.
Comment: Novogradac & Company representatives have indicated that a statement should be included indicating TDHCA does not consider household turnover to be a reliable source of market demand for rent/income restricted developments.
Department Response: Staff does not recommend a change at this time. The suggested changes would need additional public comment before implementation. Previous discussions with groups of market analysts have indicated there is not a unified opinion on the validity of demand from turnover or a more accurate demand determinant.

§1.33(d)(14) Demand Analysis.
Comment: At the public hearing located in Austin on October 2, 2003, John Henneberger of Texas Low Income Housing Information Service indicated housing demand should be presented based on income brackets such as 0-30% of AMGI, 30-50%, 50-60% and 60-80%. Also, market studies should include demand figures based on disabilities and race/ethnicity.

Department Response: Staff does not recommend a change to §1.33(d)(14) at this time. Currently, the Department requires Market Analysts to calculate targeted income eligible household demand specific to the subject Development. The term "targeted" is meant to encompass specific household types including, but not limited to the homeless, seniors, and the disabled. It may be more costly to developers to require Market Analysts to collect and analyze the demographic information in the suggested format for each Market Study commissioned when it is only a relevant concern in a few proposed developments. It is suggested that the subject be explored in more detail over the coming year to assess the effect on the cost to developers.

§1.36 Property Condition Assessment.
Comment: Patrick Barbolla of Fountainhead Management, Inc. indicated it appears the Department is targeting rehabilitation developments although some of the requirements under §1.36 would apply to new construction developments as well. In particular, the Property Condition Assessment (PCA) "should note all repairs expected to be incurred during the regulatory period. For projects with a 30 year regulatory period, almost every system of the property will be required to be replaced…" Mr. Barbolla suggests the requirement of a PCA will cause developers to incur an extremely high cost for no useful purpose.
Department Response: Staff does not recommend a change to §1.36 at this time. Staff believes that a PCA for rehabilitation developments is necessary to evaluate long term feasibility. Rehabilitation developments are very different from new construction since they include used components with varying life expectancies. New developments are inspected to assure compliance with today's construction quality standards and expected to be able to operate without the need for major rehabilitation for 10 to 30 years. As a result of SB 264 (78th Legislative Regular Session), the Department is required to develop rules for a property assessment in association with monitoring reserve for replacements for all new developments by the 11th year of operation. Through these rules, new developments will also be required to provide a physical need assessment in order to properly size the reserve account for its needs throughout the long term feasibility period.

§1.36(b)(1) Fannie Mae's criteria for Physical Needs Assessments.
Comment: David Whiston of ON-SITE INSIGHT requests that recognition of his firm's copyright for forms used by Fannie Mae be included in §1.36(b)(1).
Department Response: Staff has will comply with the request if it can be shown that the phrase "Physical Needs Assessment" is copyright protected. Currently, a change is not recommended.

STAFF-RECOMMENDED MINOR TECHNICAL CHANGES FOR CONSISTENCY

§§1.32, 1.33, 1.34, 1.35, 1.36 Incorrect Spelling.
Reason: A number of misspellings occur throughout the sections, which are corrected.

§§1.32, 1.33, 1.34, 1.35, 1.36 Defined Terms.
Reason: A number of terms are capitalized and defined in §1.31(b). Once they are defined, they should be used as capitalized, defined terms consistently throughout the rules and guidelines. Consistency in the use of defined terms ensures uniform interpretation of the rules and guidelines.

§1.31(a) Purpose.
Reason: This section should also encompass proposed Section 1.36. Property Condition Assessment Rules and Guidelines.

§1.31 General Provisions.

(a) Purpose. The Rules in this subchapter apply to the underwriting, market analysis, appraisal, ~~and~~ environmental site assessment, and property condition assessment standards employed by the Texas Department of Housing and Community Affairs (the “Department” or “TDHCA”).

§1.31(b)(6) Definition of DCR-Debt Coverage Ratio.
Reason: The definition refers to net after tax income which is defined as Net Operating Income later in the paragraph.

(6) DCR--Debt Coverage Ratio. Sometimes referred to as the “Debt Coverage” or “Debt Service Coverage.” A measure of the number of times loan principal and interest are covered by ~~n~~Net ~~after tax~~ Operating ~~i~~Income.

§1.31(b)(7) Definition of Development.
Reason: The term, as used throughout the sections, refers to both multi-unit residential housing requesting funding and those that have received funding in the past. Therefore, the definition of the term should be adjusted.

(7) Development—~~Proposed m~~Multi-unit residential housing that meets the affordability requirements for and requests or has received funds from one or more of the Department’s sources of funds.

§1.31(b)(17) Definition of Primary Market.
Reason: The definition as written is unclear. The proposed change does not affect the meaning of the term, but offers a clearer definition.

(17) Primary Market—Sometimes referred to as “Primary Market Area” or “Submarket.” The area defined ~~from which~~by political/geographical boundaries ~~that~~from which a proposed or existing Development is most likely to draw the bulk of its prospective tenants or homebuyers.

§1.31(b)(26) Definition of Utility Allowance(s).
Reason: The definition seems to indicate that only local Public Housing Authorities administer and maintain utility allowances for the HUD Section 8 program. This is not always the case, especially in rural areas. Therefore, “Public Housing Authority” should be replaced with “entity responsible for administering the HUD Section 8 program” to encompass all administrators that may maintain utility allowance sheets for the HUD Section 8 program.

(26) Utility Allowance(s)—The estimate of tenant-paid utilities, based either on the most current HUD Form 52667, “Section 8, Existing Housing Allowance for Tenant-Furnished Utilities and Other Services”, provided by the local ~~Public Housing Authority~~entity responsible for administering the HUD Section 8 program with most direct jurisdiction over the majority of the buildings existing or a documented estimate from the utility provider proposed in the Application. Documentation from the local utility provider to support an alternative calculation can be used to justify alternative Utility Allowance conclusions but must be specific to the subject Development and consistent with the building plans provided.

§1.32(b)(15)-(18) Report Contents.
Reason: With the addition of (17) and (18), the “and” should be moved from the end of (15) to the end of (17).

(15) Review of the Phase I Environmental Site Assessment in conformance with the Department’s Environmental Site Assessment Rules and Guidelines in §1.35 of this subchapter or soils and hazardous material reports as required;~~ and,~~

(16) Review of market data and market study information and any valuation information available for the property in conformance with the Department's Market Analysis Rules and Guidelines in §1.33 of this subchapter.

(17) Review of the appraisal, if required, for conformance with the Department's Appraisal Rules and Guidelines in §1.34 of this subchapter~~.~~; and,

(18) Review of the Property Condition Assessment, if required, for conformance with the Department's Property Condition Assessment Rules and Guidelines in §1.36 of this subchapter.

§1.32(d)(1)(B) Program Rents.

Reason: As the Department continues to make adjustments to the responsibilities of its divisions, it is suggested a more generic descriptor should be used in place of actual division names.

(B) Program Rents. The Underwriter reviews the Applicant's proposed rent schedule and determines if it is consistent with the representations made in the remainder of the application. The Underwriter uses the Program Rents as promulgated by the Department's ~~Compliance Division~~division responsible for compliance for the year that is most current at the time the underwriting begins. When underwriting for a simultaneously funded competitive round, all of the applications are underwritten with the rents promulgated for the same year. Program Rents are reduced by the Utility Allowance. The Utility Allowance figures used are determined based upon what is identified in the application by the Applicant as being a utility cost paid by the tenant and upon other consistent documentation provided in the application. Water and sewer can only be a tenant-paid utility if the units will be individually metered for such services. Gas utilities are verified on the building plans and elsewhere in the application when applicable. Trash allowances paid by the tenant are rare and only considered when the building plans allow for individual exterior receptacles. Refrigerator and range allowances are not considered part of the tenant-paid utilities unless the tenant is expected to provide their own appliances, and no eligible appliance costs are included in the d~~D~~evelopment cost breakdown.

§1.32(d)(6)(A) Interest Rate.

Reason: As the Department continues to make adjustments to the responsibilities of its divisions, it is suggested a more generic descriptor should be used in place of actual division names.

(A) Interest Rate. The interest rate used should be the rate documented in the commitment letter. The maximum rate that will be allowed for a competitive application cycle is evaluated by the Director of ~~Credit Underwriting~~the Department's division responsible for Credit Underwriting Analysis Reports and posted to the Department's web site prior to the close of the application acceptance period. Historically this maximum acceptable rate has been at or below the average rate for 30-year U.S. Treasury Bonds plus 400 basis points.

§1.32(g)(2) Inclusive Capture Rate.

Reason: In Section 50.5(a)(8) of the QAP, the Department sets forth its policy on the ineligibility of applications based on 2306.6703 as amended by SB264 and HB2308 (78th Legislative Regular Session). The Underwriting Rules and Guidelines should be consistent with program rules.

(2) Inclusive Capture Rate. The Underwriter will not recommend the approval of funds to new Developments requesting funds where the anticipated inclusive capture rate is in excess of 25% for the Primary Market unless the market is a rural market or the units are targeted toward the elderly. In rural markets and for Developments that are strictly targeted to the elderly, the Underwriter will not recommend the approval of funds to new housing Developments requesting funds from the Department where the anticipated capture rate is in excess of 100% of the qualified demand. Affordable Housing which replaces previously existing substandard Affordable Housing within the same Submarket on a Unit for Unit basis, and which gives the displaced tenants of the previously existing Affordable Housing a leasing preference, is excepted from these inclusive capture rate restrictions. The inclusive capture rate for the Development is defined as the sum of the proposed units for a given project plus any previously approved but not yet stabilized new Comparable Units in the Submarket divided by the total income-eligible targeted renter

demand identified in the Market Analysis for a specific Development's Primary Market. The Department defines Comparable Units, in this instance, as units that are dedicated to the same household type as the proposed subject property using the classifications of family, elderly or transitional as housing types. The Department defines a stabilized project as one that has maintained a 90% occupancy level for at least 12 consecutive months. The Department will independently verify the number of affordable units included in the Market Study and may substitute the Underwriter's independent calculation based on the data provided in the Market Analysis or obtained through the Market Analysis performed for other D~~d~~evelopments or other independently verified data obtained by the Underwriter regarding the market area. This may include revising the definitional boundaries of the Primary Market Area defined by the Market Analyst. The Underwriter will ensure that all projects previously allocated funds through the Department are included in the final analysis. The documentation requirements needed to support decisions relating to Inclusive Capture Rate are identified in §1.33 of this subchapter.

The Underwriter will verify that no other developments of the same type within one linear mile have been funded by the Department in the three years prior to the application as provided in Section 2306.6703, Texas Government Code and that no other Developments within one linear mile have been funded in the past twelve months as provided in Section 2306.6711 of the Texas Government Code. The Underwriter will identify in the report any other D~~d~~evelopments funded or known and anticipated to be eligible for funding within one linear mile of the subject.

§1.33(d)(4) Summary Form.

Reason: The Department's TDHCA Primary Market Analysis Summary form is updated at regular intervals based on comments by users. It is important to maintain consistency in the forms submitted as exhibits in an application. By indicating the "most current" form should be used, staff hopes to avoid receiving older versions of the form.

(4) Summary Form. Complete and include the most current TDHCA Primary Market Area Analysis Summary form. An electronic version of the form and instructions are available on the Department's website at http://www.tdhca.state.tx.us/underwrite.html.

§1.35(a) General Provisions.

Reason: An error occurred during cutting and pasting of language from one section of the rules and guidelines to Section 1.35. The language incorrectly refers to the PCA (Property Condition Assessment) rather than the ESA (Environmental Site Assessment).

(a) General Provisions. The Environmental Site Assessments (ESA) prepared for the Department should be conducted and reported in conformity with the standards of the American Society for Testing and Materials. The initial report should conform with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E 1527). Any subsequent reports should also conform to ASTM standards and such other recognized industry standards as a reasonable person would deem relevant in view of the Property's anticipated use for human habitation. The environmental assessment shall be conducted by a Third Party environmental professional at the expense of the Applicant, and addressed to TDHCA as the client. Copies of reports provided to TDHCA which were commissioned by other financial institutions should address TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The ESA report should also include a statement that the person or company preparing the ~~PCA~~ ESA report will not materially benefit from the Development in any other way than receiving a fee for performing the Environmental Site Assessment.

ATTACHED: 2004 UNDERWRITING, MARKET ANALYSIS, APPRAISAL, ENVIRONMENTAL SITE ASSESSMENT, AND PROPERTY CONDITION ASSESSMENT RULES AND GUIDELINES, AS CURRENTLY PROPOSED

TITLE 10
PART 1
CHAPTER 1
SUBCHAPTER B UNDERWRITING, MARKET ANALYSIS, APPRAISAL, ENVIRONMENTAL SITE ASSESSMENT AND PROPERTY CONDITION ASSESSMENT RULES AND GUIDELINES

§1.31 General Provisions.

(a) Purpose. The Rules in this subchapter apply to the underwriting, market analysis, appraisal, ~~and~~ environmental site assessment, and property condition assessment standards employed by the Texas Department of Housing and Community Affairs (the "Department" or "TDHCA"). This chapter provides rules for the underwriting review of an affordable housing development's financial feasibility and economic viability. In addition, this chapter guides the underwriting staff in making recommendations to the Executive Award and Review Advisory Committee ("the Committee"), Executive Director, and TDHCA Governing Board ("the Board") to help ensure procedural consistency in the award determination process. Due to the unique characteristics of each development the interpretation of the rules and guidelines described in subchapter B of this chapter is subject to the discretion of the Department and final determination by the Board.

(b) Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested Persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an Applicant or other Person would like to engage the Department in an ADR process, the Person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator (Chris Wittmayer, Email: cwittmay@tdhca.state.tx.us; Fax: (512) 475-3978). The proposal should describe the dispute and the details of the process proposed (including proposed participants, Third Party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.

(c~~b~~) Definitions. Many of the terms used in this subchapter are defined in Chapter 50 of this title (the Department's Housing Tax Credit Program Qualified Allocation Plan and Rules, known as the "QAP"), as proposed. Those terms that are not defined in the QAP or which may have another meaning when used in subchapter B of this title, shall have the meanings set forth in this subsection unless the context clearly indicates otherwise.

(1) Affordable Housing—Housing that has been funded through one or more of the Department's programs or other local, state or federal programs or has at least one unit that is restricted in the rent that can be charged either by a Land Use Restriction Agreement or other form of Deed Restriction or by natural market forces at the equivalent of 30% of 100% of an area's median income as determined by the United States Department of Housing and Urban development ("HUD").

(2) Affordability Analysis—An analysis of the ability of a prospective buyer or renter at a specified income level to buy or rent a housing unit at specified price or rent.

(3) Cash Flow--The funds available from operations after all expenses and debt service required to be paid has been considered.

(4) Credit Underwriting Analysis Report—Sometimes referred to as the "Report." A decision making tool used by the Department and Board, described more fully in §1.32(a) and (b) of this subchapter.

(5) Comparable Unit—A unit of housing that is of similar type, design, quality of construction, age, size, location, utility structure, and other discernable characteristics that can be used to compare and contrast from a proposed or existing unit. Other considerations may include access to amenities and supportive services on and off the property.

(6) DCR--Debt Coverage Ratio. Sometimes referred to as the "Debt Coverage" or "Debt Service Coverage." A measure of the number of times loan principal and interest are covered by ~~n~~Net ~~after tax~~ Operating ~~i~~Income.

(7) Development—~~Proposed m~~Multi-unit residential housing that meets the affordability requirements for and requests or has received funds from one or more of the Department's sources of funds.

(8) EGI--Effective Gross Income. The sum total of all sources of anticipated or actual income for a rental Development less vacancy and collection loss, leasing concessions, and rental income from employee-occupied units that is not anticipated to be charged or collected.

(9) Gross Program Rent—Sometimes called the "Program Rents." Maximum Rent Limits based upon the tables promulgated by the Department's division responsible for compliance by program and by county or Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA").

(10) HUD--The United States Department of Housing and Urban Development. The department of the US Government responsible for major housing and urban d~~D~~evelopment programs, including programs that are redistributed through the State such as HOME and CDBG.

(11) Local Amenities--Include, but are not limited to police and fire protection, transportation, healthcare, retail, grocers, educational institutions, employment centers, parks, public libraries, entertainment centers, etc.

(12) Housing Tax Credit(s)--Sometimes referred to as "LIHTC" or "Tax Credit(s)." A financing source allocated by the Department as determined by the QAP. The Tax Credits are typically sold through syndicators to raise equity for the Development.

(13) Market Analysis—Sometimes referred to as a Market Study. An evaluation of the economic conditions of supply, demand and pricing conducted in accordance with the Department's Market Analysis Rules and Guidelines in §1.33 of this subchapter as it relates to a specific Development

(14) Market Analyst—An individual or firm providing market information for use by the Department.

(15) Market Rent—The unrestricted rent concluded by the Market Analyst for a particular unit type and size after adjustments are made to Comparable Units.

(16) NOI--Net Operating Income. The income remaining after all operating expenses, including replacement reserves and taxes have been paid.

(17) Primary Market—Sometimes referred to as "Primary Market Area" or "Submarket." The area defined ~~from which~~by political/geographical boundaries ~~that~~from which a proposed or existing Development is most likely to draw the bulk of its prospective tenants or homebuyers.

(18) PCA--Property Condition Assessment— Sometimes referred to as a Physical Needs Assessment, Project Capital Needs Assessments, Property Condition Report or Property Work Write-up. An evaluation of the physical condition of the existing property and evaluation of the cost of rehabilitation conducted in accordance with the Department's Property Condition Assessment Rules and Guidelines in §1.36 of this subchapter as it relates to a specific Development

(19) Rent Over-Burdened Households-- Non-elderly households paying more than 35% of gross income towards total housing expenses (unit rent plus utilities) and elderly households paying more than 40% of gross income towards total housing expenses.

(20) ~~Transitional~~ Supportive Housing— Rental housing intended solely for ~~short term~~ occupancy by individuals or households transitioning from homelessness or abusive situations to permanent housing and typically consisting primarily of efficiency units.

(21~~0~~) Sustaining Occupancy--The occupancy level at which rental income plus secondary income is equal to all operating expenses and mandatory debt service requirements for a Development.

(22~~1~~) TDHCA Operating Expense Database—Sometimes called the TDHCA Database. This is a consolidation of recent actual operating expense information collected through the Department's Annual Owner Financial Certification process and published on the Department's web site.

(23~~2~~) Third Party--A Third Party is a Person which is not an Affiliate, Related Party, or Beneficial Owner of the Applicant, General Partner(s), Developer, or Person receiving any portion of the developer fee or contractor fee.

~~(23) Transitional HousingSupportive Housing— Rental housing intended solely for short term occupancy by individuals or households transitioning from homelessness or abusive situations to permanent housing and typically consisting primarily of efficiency units.~~

(24) Underwriter—the author(s), as evidenced by signature, of the Credit Underwriting Analysis Report.

(25) Unstabilized Development— A Development that has not maintained a 90% occupancy level for at least 12 consecutive months.

(26) Utility Allowance(s)—The estimate of tenant-paid utilities, based either on the most current HUD Form 52667, "Section 8, Existing Housing Allowance for Tenant-Furnished Utilities and Other Services", provided by the local ~~Public Housing Authority~~entity responsible for administering the HUD Section 8 program with most direct jurisdiction over the majority of the buildings existing or a documented estimate from the utility provider proposed in the Application. Documentation from the local utility provider to support an alternative calculation can be used to justify alternative Utility Allowance conclusions but must be specific to the subject Development and consistent with the building plans provided.

§1.32. Underwriting Rules and Guidelines.

(a) General Provisions. The Department, through the division responsible for underwriting, produces or causes to be produced a Credit Underwriting Analysis Report (the "Report") for every Development recommended for funding through the Department. The primary function of the Report is to provide the Committee, Executive Director, the Board, ~~applicant~~Applicants, and the public a comprehensive analytical report and recommendations necessary to make well informed decisions in the allocation or award of the State's limited resources. The Report in no way guarantees or purports to warrant the actual performance, feasibility, or viability of the Development by the Department.

(b) Report Contents. The Report provides an organized and consistent synopsis and reconciliation of the application information submitted by the Applicant. At a minimum, the Report includes:

(1) Identification of the Applicant and any ~~principal~~Principals of the Applicant;

(2) Identification of the funding type and amount requested by the Applicant;

(3) The Underwriter's funding recommendations and any conditions of such recommendations;

(4) Evaluation of the affordability of the proposed housing units to prospective residents;

(5) Review and analysis of the Applicant's operating proforma as compared to industry information, similar Developments previously funded by the Department, and the Department guidelines described in this section;

(6) Analysis of the Development's debt service capacity;

(7) Review and analysis of the Applicant's d~~D~~evelopment budget as compared to the estimate prepared by the Underwriter under the guidelines in this section;

(8) Evaluation of the commitment for additional sources of financing for the Development;

(9) Review of the experience of the ~~Development team~~Development Team members;

(10) Identification of related interests among the members of the ~~Development team~~Development Team, Third Party service providers and/or the seller of the property;

(11) Analysis of the Applicant's and ~~principal~~Principals' financial statements and creditworthiness including a review of the credit report for each of the ~~principal~~Principals in for-profit Developments subject to the Texas Public Information Act;

(12) Review of the proposed Development plan and evaluation of the proposed improvements and architectural design;

(13) Review of the Applicant's evidence of site control and any potential title issues that may affect site control;

(14) Identification and analysis of the site which includes review of the independent site inspection report prepared by a TDHCA staff member;

(15) Review of the Phase I Environmental Site Assessment in conformance with the Department's Environmental Site Assessment Rules and Guidelines in §1.35 of this subchapter or soils and hazardous material reports as required;~~ and,~~

(16) Review of market data and market study information and any valuation information available for the property in conformance with the Department's Market Analysis Rules and Guidelines in §1.33 of this subchapter.

(17) Review of the appraisal, if required, for conformance with the Department's Appraisal Rules and Guidelines in §1.34 of this subchapter~~.~~; and,

(18) Review of the Property Condition Assessment, if required, for conformance with the Department's Property Condition Assessment Rules and Guidelines in §1.36 of this subchapter.

(c) Recommendations in the Report. The conclusion of the Report includes a recommended award of funds or allocation of Tax Credits based on the lesser amount calculated by the eligible basis method (if applicable), equity gap method, or the amount requested by the Applicant as further described in paragraphs (1) through (3) of this subsection.

(1) Eligible Basis Method. This method is only used for Developments requesting Housing Tax Credits. This method is based upon calculation of eligible basis after applying all cost verification measures and limits on profit, overhead, general requirements, and developer fees as described in this section. The Applicable Percentage used in the Eligible Basis Method is as defined in the QAP.

(2) Equity Gap Method. This method evaluates the amount of funds needed to fill the gap created by total d~~D~~evelopment cost less total non-Department-sourced funds. In making this determination, the Underwriter resizes any anticipated deferred developer fee down to zero before reducing the amount of Department funds. In the case of Housing Tax Credits, the syndication proceeds are divided by the syndication rate to determine the amount of Tax Credits. In making this determination, the Department adjusts the permanent loan amount and/or any Department-sourced loans, as necessary, such that it conforms to the NOI and DCR standards described in this section.

(3) The Amount Requested. This is the amount of funds that is requested by the Applicant as reflected in the application documentation.

(d) Operating Feasibility. The operating financial feasibility of every Development funded by the Department is tested by adding total income sources and subtracting vacancy and collection losses and operating expenses to determine ~~net operating income~~Net Operating Income. This ~~net operating income~~Net Operating Income is divided by the annual debt service to determine the D~~d~~ebt C~~c~~overage R~~r~~atio. The Underwriter characterizes a Development as infeasible from an operational standpoint when the D~~d~~ebt C~~c~~overage R~~r~~atio does not meet the minimum standard set forth in paragraph (6) of this subsection. The Underwriter may choose to make adjustments to the financing structure, such as lowering the debt and increasing the deferred developer fee that could result in a re-characterization of the Development as feasible based upon specific conditions set forth in the Report.

(1) Rental Income. The Program Rent less Utility Allowances and/or Market Rent (if the project is not 100% affordable) is utilized by the Underwriter in calculating the rental income for comparison to the Applicant's estimate in the application. Where multiple programs are funding the same units, the lowest Program Rents for those units is used. If the Market Rents, as determined by the Market Analysis, are lower than the net program rents, then the Market Rents for those units are utilized.

(A) Market Rents. The Underwriter reviews the Attribute Adjustment Matrix of Market Rent comparables by unit size provided by the Market Analyst and determines if the adjustments and conclusions made are reasoned and well documented. The Underwriter uses the Market Analyst's conclusion of adjusted Market Rent by unit, as long as the proposed Market Rent is reasonably justified and does not exceed the highest existing unadjusted market comparable rent. Random checks of the validity of the Market Rents may include direct contact with the comparable properties. The Market Analyst's Attribute Adjustment Matrix should include, at a minimum, adjustments for location, size, amenities, and concessions as more fully described in §1.33 of this subchapter, the Department's Market Analysis Rules and Guidelines.

(B) Program Rents. The Underwriter reviews the Applicant's proposed rent schedule and determines if it is consistent with the representations made in the remainder of the application. The Underwriter uses the Program Rents as promulgated by the Department's ~~Compliance Division~~division responsible for compliance for the year that is most current at the time the underwriting begins. When underwriting for a simultaneously funded competitive round, all of the applications are underwritten with the rents promulgated for the same year. Program Rents are reduced by the Utility Allowance. The Utility

Allowance figures used are determined based upon what is identified in the application by the Applicant as being a utility cost paid by the tenant and upon other consistent documentation provided in the application. Water and sewer can only be a tenant-paid utility if the units will be individually metered for such services. Gas utilities are verified on the building plans and elsewhere in the application when applicable. Trash allowances paid by the tenant are rare and only considered when the building plans allow for individual exterior receptacles. Refrigerator and range allowances are not considered part of the tenant-paid utilities unless the tenant is expected to provide their own appliances, and no eligible appliance costs are included in the d~~D~~evelopment cost breakdown.

(2) Miscellaneous Income. All ancillary fees and miscellaneous secondary income, including but not limited to late fees, storage fees, laundry income, interest on deposits, carport rent, washer and dryer rent, telecommunications fees, and other miscellaneous income, are anticipated to be included in a $5 to $15 per unit per month range. Any estimates for secondary income above or below this amount are only considered if they are well documented by the financial statements of comparable properties as being achievable in the proposed market area as determined by the Underwriter. Exceptions may be made for special uses, such as garages, congregate care/assisted living/elderly facilities, and child care facilities. Exceptions must be justified by operating history of existing comparable properties and should also be documented as being achievable in the submitted market study. The Applicant must show that the tenant will not be required to pay the additional fee or charge as a condition of renting an apartment unit and must show that the tenant has a reasonable alternative. Collection rates of these exceptional fee items will generally be heavily discounted. If the total secondary income is over the maximum per unit per month limit, any cost associated with the construction, acquisition, or d~~D~~evelopment of the hard assets needed to produce an additional fee may also need to be reduced from eligible basis for Tax Credit Developments as they may, in that case, be considered to be a commercial cost rather than an incidental to the housing cost of the Development. The use of any secondary income over the maximum per unit per month limit that is based on the factors described in this paragraph is subject to the determination by the Underwriter that the factors being used are well documented.

(3) Vacancy and Collection Loss. The Underwriter uses a vacancy rate of 7.5% (5% vacancy plus 2.5% for collection loss) unless the Market Analysis reflects a higher or lower established vacancy rate for the area. Elderly and 100% project-based rental subsidy Developments and other well documented cases may be underwritten at a combined 5% at the discretion of the Underwriter if the historical performance reflected in the Market Analysis is consistently higher than a 95% occupancy rate.

(4) Effective Gross Income ("EGI"). The Underwriter independently calculates EGI. If the EGI figure provided by the Applicant is within five percent of the EGI figure calculated by the Underwriter, the Applicant's figure is characterized as acceptable or reasonable in the Report, however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation of EGI regardless of the characterization of the Applicant's figure.

(5) Expenses. The Underwriter evaluates the reasonableness of the Applicant's expense estimate based upon line item comparisons with specific data sources available. Evaluating the relative weight or importance of the expense data points is one of the most subjective elements of underwriting. Historical stabilized certified or audited financial statements of the property will reflect the strongest data points to predict future performance. The Department also maintains a database of performance of other similar sized and type properties across the State. In the case of a new Development, the Department's database of property in the same location or region as the proposed Development provides the most heavily relied upon data points. The Department also uses data from the Institute of Real Estate Management's (IREM) most recent *Conventional Apartments-Income/Expense Analysis* book for the proposed Development's property type and specific location or region. In some cases local or project-specific data such as Public Housing Authority ("PHA") Utility Allowances and property tax rates are also given significant weight in determining the appropriate line item expense estimate. Finally, well documented information provided in the Market Analysis, the application, and other well documented sources may be considered. In most cases, the data points used from a particular source are an average of the per unit and per square foot expense for that item. The Underwriter considers the specifics of each transaction, including the type of Development, the size of the units, and the Applicant's expectations as reflected in the proforma to determine which data points are most relevant. The Underwriter will determine the appropriateness of each data point being considered and must use their reasonable judgment as to which one fits each situation. The Department will create and utilize a feedback mechanism to communicate and allow for clarification by the Applicant when the overall expense estimate is over five percent greater or less than the Underwriter's

estimate or when specific line items are inconsistent with the Underwriter's expectation based upon the tolerance levels set forth for each line item expense in subparagraphs (A) through (J) of this paragraph. If an acceptable rationale for the individual or total difference is not provided, the discrepancy is documented in the Report and the justification provided by the Applicant and the countervailing evidence supporting the Underwriter's determination is noted. If the Applicant's total expense estimate is within five percent of the final total expense figure calculated by the Underwriter, the Applicant's figure is characterized as acceptable or reasonable in the Report, however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation of expenses regardless of the characterization of the Applicant's figure.

(A) General and Administrative Expense. General and Administrative Expense includes all accounting fees, legal fees, advertising and marketing expenses, office operation, supplies, and equipment expenses. Historically, the TDHCA Database average has been used as the Department's strongest initial data point as it has generally been consistent with IREM regional and local figures. The underwriting tolerance level for this line item is 20%.

(B) Management Fee. Management Fee is paid to the property management company to oversee the effective operation of the property and is most often based upon a percentage of Effective Gross Income as documented in the management agreement contract. Typically, five percent of the ~~e~~Effective ~~g~~Gross ~~i~~Income is used, though higher percentages for rural transactions that are consistent with the TDHCA Database can be concluded. Percentages as low as three percent may be utilized if documented with a Third Party management contract agreement with an acceptable management company. The Underwriter will require documentation for any percentage difference from the 5% of the Effective Gross Income standard.

(C) Payroll and Payroll Expense. Payroll and Payroll Expense includes all direct staff payroll, insurance benefits, and payroll taxes including payroll expenses for repairs and maintenance typical of a conventional d~~D~~evelopment. It does not, however, include direct security payroll or additional supportive services payroll. In urban areas, the local IREM per unit figure has historically held considerable weight as the Department's strongest initial data point. In rural areas, however, the TDHCA Database is often considered more reliable. The underwriting tolerance level for this line item is 10%.

(D) Repairs and Maintenance Expense. Repairs and Maintenance Expense includes all repairs and maintenance contracts and supplies. It should not include extraordinary capitalized expenses that would result from major renovations. Direct payroll for repairs and maintenance activities are included in payroll expense. Historically, the TDHCA Database average has been used as the Department's strongest data point as it has generally been consistent with IREM regional and local figures. The underwriting tolerance level for this line item is 20%.

(E) Utilities Expense (Gas & Electric). Utilities Expense includes all gas and electric energy expenses paid by the owner. It includes any pass-through energy expense that is reflected in the unit rents. Historically, the lower of an estimate based on 25.5% of the PHA local Utility Allowance or the TDHCA Database or local IREM averages have been used as the most significant data point. The higher amount may be used, however, if the current typical higher efficiency standard utility equipment is not projected to be included in the Development upon completion or if the higher estimate is more consistent with the Applicant's projected estimate. Also a lower or higher percentage of the PHA allowance may be used, depending on the amount of common area, and adjustments will be made for utilities typically paid by tenants that in the subject are owner-paid as determined by the Underwriter. The underwriting tolerance level for this line item is 30%.

(F) Water, Sewer and Trash Expense. Water, Sewer and Trash Expense includes all water, sewer and trash expenses paid by the owner. It would also include any pass-through water, sewer and trash expense that is reflected in the unit rents. Historically, the lower of the PHA allowance or the TDHCA Database average has been used. The underwriting tolerance level for this line item is 30%.

(G) Insurance Expense. Insurance Expense includes any insurance for the buildings, contents, and liability but not health or workman's compensation insurance. The TDHCA Database is used with a minimum $0.25 per net rentable square foot. Additional weight is given to a Third Party bid or insurance cost estimate provided in the application reflecting a higher amount for the proposed Development. The underwriting tolerance level for this line item is 30%.

(H) Property Tax. Property Tax includes all real and personal property taxes but not payroll taxes. The TDHCA Database is used to interpret a per unit assessed value average for similar properties which is applied to the actual current tax rate. The per unit assessed value is most often contained within a range of $15,000 to $35,000 but may be higher or lower based upon documentation from the local tax assessor. Location, size of the units, and comparable assessed values also play a major role in evaluating this line item expense. Property tax exemptions or proposed payment in lieu of taxes (PILOT) must be documented as being reasonably achievable if they are to be considered by the Underwriter. For Community Housing Development Organization ("CHDO") owned or controlled properties, this documentation includes, at a minimum, evidence of the CHDO designation from the State or local participating jurisdiction and a letter from the local taxing authority recognizing that the Applicant is or will be considered eligible for the property exemption. The underwriting tolerance level for this line item is 10%.

(I) Reserves. Reserves include annual reserve for replacements of future capitalizable expenses as well as any ongoing additional operating reserve requirements. The Underwriter includes reserves of $200 per unit for new construction and $300 per unit for rehabilitation Developments. Higher levels of reserves may be used if they are documented in the financing commitment letters. The Underwriter will require documentation for any difference from the $200 new construction and $300 rehabilitation standard.

(J) Other Expenses. The Underwriter will include other reasonable and documented expenses, other than depreciation, interest expense, lender or syndicator's asset management fees, or other ongoing partnership fees. Lender or syndicator's asset management fees or other ongoing partnership fees are not considered in the Department's calculation of debt coverage in any way. The most common other expenses are described in more detail in clauses (i) through (iii) of this subparagraph.

(i) Supportive Services Expense. Supportive Services Expense includes the cost to the owner of any non-traditional tenant benefit such as payroll for instruction or activities personnel. Documented contract costs will be reflected in Other Expenses. Any selection points for this item will be evaluated prior to underwriting. The Underwriter's verification will be limited to assuring any documented costs are included. For all transactions supportive services expenses are considered part of Other Expenses and are considered part of the D~~d~~ebt C~~c~~overage R~~r~~atio.

(ii) Security Expense. Security Expense includes contract or direct payroll expense for policing the premises of the Development and is included as part of Other Expenses. The Applicant's amount is moved to Other Expenses and typically accepted as provided. The Underwriter will require documentation of the need for security expenses that exceed 50% of the anticipated payroll and payroll expenses estimate discussed in subsection (d)(4)(C) of this section.

(iii) Compliance Fees. Compliance fees include only compliance fees charged by TDHCA. The Department's charge for a specific program may vary over time, however, the Underwriter uses the current charge per unit per year at the time of underwriting. For all transactions compliance fees are considered part of Other Expenses and are considered part of the D~~d~~ebt C~~c~~overage R~~r~~atio.

(6) Net Operating Income and Debt Service. NOI is the difference between the EGI and total operating expenses. If the NOI figure provided by the Applicant is within five percent of the NOI figure calculated by the Underwriter, the Applicant's figure is characterized as acceptable or reasonable in the Report, however, for purposes of calculating the DCR the Underwriter will maintain and use its independent calculation of NOI regardless of the characterization of the Applicant's figure. Only if the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates and characterized as acceptable or reasonable in the Report will the Applicant's estimate of NOI be used to determine the acceptable debt service amount. In all other cases the Underwriter's estimates are used. In addition to the NOI, the interest rate, term, and D~~d~~ebt C~~c~~overage R~~r~~atio range affect the determination of the acceptable debt service amount.

(A) Interest Rate. The interest rate used should be the rate documented in the commitment letter. The maximum rate that will be allowed for a competitive application cycle is evaluated by the Director of ~~Credit Underwriting~~the Department's division responsible for Credit Underwriting Analysis Reports and posted to the Department's web site prior to the close of the application acceptance period. Historically this maximum acceptable rate has been at or below the average rate for 30-year U.S. Treasury Bonds plus 400 basis points.

(B) Term. The primary debt loan term is reflected in the commitment letter. The Department generally requires an amortization of not less than 30 years and not more than 50 years or an adjustment to the amortization structure is evaluated and recommended. In non-Tax Credit transactions a lesser amortization term may be used if the Department's funds are fully amortized over the same period.

(C) Acceptable Debt Coverage Ratio Range. The initial acceptable DCR range for all priority or foreclosable lien financing plus the Department's proposed financing falls between a minimum of 1.10 to a maximum of 1.30. In rare instances, such as for HOPE VI and USDA Rural Development transactions, the minimum DCR may be less than 1.10 based upon documentation of acceptance of such an acceptable DCR from the lender. If the DCR is less than the minimum, a reduction in the debt service amount is recommended based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subsections (A) and (B) of this section. If the DCR is greater than the maximum, an increase in the debt service amount is recommended based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subsection (A) and (B) of this section, and the funding gap is reviewed to determine the continued need for Department financing. When the funding gap is reduced no adjustments are made to the level of Department financing unless there is an excess of financing, after the need for deferral of any developer fee is eliminated. If the increase in debt capacity provides excess sources of funds, the Underwriter adjusts any Department grant funds to a loan, if possible, and/or adjusts the interest rate of any Department loans upward until the DCR does not exceed the maximum or up to the prevailing current market rate for similar conventional funding, whichever occurs first. Where no Department grant or loan exists or the full market interest rate for the Department's loan has been accomplished, the Underwriter increases the conventional debt amount until the DCR is reduced to the maximum allowable. Any adjustments in debt service will become a condition of the Report, however, future changes in income, expenses, rates, and terms could allow additional adjustments to the final debt amount to be acceptable. In a Tax Credit transaction, an excessive DCR could negatively affect the amount of recommended tax credit, if based upon the Gap Method, more funds are available than are necessary after all deferral of developer fee is reduced to zero.

(7) Long Term Feasibility. The Underwriter will evaluate the long term feasibility of the Development by creating a 30-year operating proforma. A three percent annual growth factor is utilized for income and a four percent annual growth factor is utilized for expenses. The base year projection utilized is the Underwriter's EGI, expenses, and NOI unless the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates and characterized as acceptable or reasonable in the Report. The DCR should remain above a 1.10 and a continued positive Cash Flow should be projected for the initial 30-year period in order for the Development to be characterized as feasible for the long term. Any Development where the amount of cumulative Cash Flow over the first fifteen years is insufficient to pay the projected amount of deferred developer fee amortized in irregular payments at zero percent interest is characterized as infeasible and will not be recommended for funding unless the Underwriter can determine a plausible alternative feasible financing structure and conditions the recommendation(s) in the Report accordingly.

(e) Development Costs. The Department's estimate of the Development's cost will be based on the Applicant's project cost schedule to the extent that it can be verified to a reasonable degree of certainty with documentation from the Applicant and tools available to the Underwriter. For new construction Developments, the Applicant's total cost estimate will be compared to the Underwriter's total cost estimate and where the difference in cost exceeds five percent of the Underwriter's estimate, the Underwriter shall substitute their own estimate for the Total Housing Development Cost to determine the Equity Gap Method and Eligible Basis Method where applicable. In the case of a rehabilitation Development, the Underwriter may use a lower tolerance level due to the reliance upon the Applicant's authorized Third Party cost assessment. Where the Applicant's costs are inconsistent with documentation provided in the Application, the Underwriter may adjust the Applicant's total cost estimate. The Department will create and utilize a feedback mechanism to communicate and allow for clarification by the Applicant before the Underwriter's total cost estimate is substituted for the Applicant's estimate.

(1) Acquisition Costs. The proposed acquisition price is verified with the fully executed site control document(s) for the entirety of the site.

(A) Excess Land Acquisition. Where more land is being acquired than will be utilized for the site and the remaining acreage is not being utilized as permanent green space, the value ascribed to the proposed Development will be prorated from the total cost reflected in the site control document(s). An appraisal or tax assessment value may be tools that are used in making this determination; however, the Underwriter will not utilize a prorated value greater than the total amount in the site control document(s).

(B) Identity of Interest Acquisitions. Where the seller or any ~~principal~~Principals of the seller is an Affiliate, Beneficial Owner, or Related Party to the Applicant, Developer, General Contractor, Housing Consultant, or persons receiving any portion of the Contractor or Developer Fees, the sale of the property will be considered to be an Identity of Interest transfer. In all such transactions the Applicant is required to provide the additional documentation identified in clauses (i) through (iv) of this subparagraph to support the transfer price and this information will be used by the Underwriter to make a transfer price determination.

(i) Documentation of the original acquisition cost, such as the settlement statement.

(ii) An appraisal that meets the Department's Appraisal Rules and Guidelines as described in §1.34 of this subchapter. In no instance will the acquisition value utilized by the Underwriter exceed the appraised value.

(iii) A copy of the current tax assessment value for the property.

(iv) Any other reasonably verifiable costs of owning, holding, or improving the property that when added to the value from clause (i) of this subparagraph justifies the Applicant's proposed acquisition amount. A reasonable return on the original owner equity, other than tax credit equity, contributed by the current seller at the time of original acquisition, and which did not take the form of a deferred fee or cost, calculated at a rate consistent with the historical returns of similar risks may be considered a holding cost.

(I) For land-only transactions, documentation of owning, holding or improving costs since the original acquisition date may include: property taxes; interest expense; a calculated return on equity at a rate consistent with the historical returns of similar risks; the cost of any physical improvements made to the property; the cost of rezoning, replatting, or developing the property; or any costs to provide or improve access to the property.

(II) For transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the property, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the property and the cost of exit taxes not to exceed an amount necessary to allow the sellers to be indifferent to foreclosure or breakeven transfer.

(C) Non-Identity of Interest Acquisition of Buildings for Tax Credit Properties. In order to make a determination of the appropriate building acquisition value, the Applicant will provide and the Underwriter will utilize an appraisal that meets the Department's Appraisal Rules and Guidelines as described in §1.34 of this subchapter. The value of the improvements are the result of the difference between the as-is appraised value less the land value. Where the actual sales price is more than ten percent different than the appraised value, the Underwriter may alternatively prorate the actual sales price based upon the calculated improvement value over the as-is value provided in the appraisal, so long as the improved value utilized by the Underwriter does not exceed the total as-is appraised value of the entire property.

(2) Off-Site Costs. Off-Site costs are costs of d~~D~~evelopment up to the site itself such as the cost of roads, water, sewer and other utilities to provide the site with access. All off-site costs must be well documented and certified by a Third Party engineer as presented in the required application form to be included in the Underwriter's cost budget.

(3) Site Work Costs. If Project site work costs exceed $7,500 per Unit, the Applicant must submit a detailed cost breakdown certified as being prepared by a Third Party engineer or architect, to be included in the Underwriter's cost budget. In addition, for ~~applicant~~Applicants seeking Tax Credits, a letter from a certified public accountant properly allocating which portions of the engineer's or architect's site costs should be included in eligible basis and which ones are ineligible, in keeping with the holding of the Internal Revenue Service Technical Advice Memoranda, is required for such costs to be included in the Underwriter's cost budget.

(4) Direct Construction Costs. Direct construction costs are the costs of materials and labor required for the building or rehabilitation of a Development.

(A) New Construction. The Underwriter will use the "Average Quality" multiple or townhouse costs, as appropriate, from the *Marshal and Swift Residential Cost Handbook,* based upon the details provided in the application and particularly site and building plans and elevations. If the Development contains amenities not included in the Average Quality standard, the Department will take into account the costs of the amenities as designed in the Development. If the Development will contain single-family buildings, then the cost basis should be consistent with single-family Average Quality as defined by Marshall & Swift Residential Cost Handbook. Whenever the Applicant's estimate is more than five percent greater or less than the Underwriter's Marshall and Swift based estimate, the Underwriter will attempt to reconcile this concern and ultimately identify this as a cost concern in the Report. The

Underwriter shall also evaluate the cost of the D~~d~~evelopment based on acceptable cost parameters as adjusted for inflation and as established by historical final cost certifications of all previous housing tax credit allocations for:

(i) the county in which the D~~d~~evelopment is to be located, or

(ii) if cost certifications are unavailable under clause (i) of this subparagraph, the uniform state service region in which the D~~d~~evelopment is to be located.

(B) Rehabilitation Costs. In the case where the Applicant has provided Third Party signed bids with a work write-up from contractors or estimates from certified or licensed professionals which are inconsistent with the Applicant's figures as proposed in the project cost schedule, the Underwriter utilizes the Third Party estimations in lieu of the Applicant's estimates even when the difference between the Underwriter's costs and the Applicant's costs is less than five percent. The underwriting staff will evaluate rehabilitation Developments for comprehensiveness of the Third Party work write-up and will determine if additional information is needed.

(5) Hard Cost Contingency. This is the only contingency figure considered by the Underwriter and is only considered in underwriting prior to final cost certification. Contingency is limited to a maximum of five percent (5%) of direct costs plus site work for new construction Developments and ten percent (10%) of direct costs plus site work for rehabilitation Developments. The Applicant's figure is used by the Underwriter if the figure is less than five percent (5%).

(6) Contractor Fee Limits. Contractor fees are limited to six percent (6%) for general requirements, two percent (2%) for contractor overhead, and six percent (6%) for contractor profit. These fees are based upon the direct costs plus site work costs. Minor reallocations to make these fees fit within these limits may be made at the discretion of the Underwriter. For Developments also receiving financing from TxRD-USDA, the combination of builder's general requirements, builder's overhead, and builder's profit should not exceed the lower of TDHCA or TxRD-USDA requirements.

(7) Developer Fee Limits. For Tax Credit Developments, the d~~D~~evelopment cost associated with developer's fees cannot exceed fifteen percent (15%) of the project's Total Eligible Basis, as defined in Chapter 50 of this title, as proposed (adjusted for the reduction of federal grants, below market rate loans, historic credits, etc.), not inclusive of the developer fees themselves. The fee can be divided between overhead and fee as desired but the sum of both items must not exceed the maximum limit. The Developer Fee may be earned on non-eligible basis activities, but only the maximum limit as a percentage of eligible basis items may be included in basis for the purpose of calculating a project's credit amount. Any non-eligible amount of developer fee claimed must be proportionate to the work for which it is earned. For non-Tax Credit Developments, the percentage remains the same but is based upon total d~~D~~evelopment costs less: the fee itself, land costs, the costs of permanent financing, excessive construction period financing described in paragraph (8) of this subsection, and reserves.

(8) Financing Costs. Eligible construction period financing is limited to not more than one year's worth of fully drawn construction loan funds at the construction loan interest rate indicated in the commitment. Any excess over this amount is removed to ineligible cost and will not be considered in the determination of developer fee.

(9) Reserves. The Department will utilize the terms proposed by the syndicator or lender as described in the commitment letter(s) or the amount described in the Applicants project cost schedule if it is within the range of two to six months of stabilized operating expenses less management fees plus debt service.

(10) Other Soft Costs. For Tax Credit Developments all other soft costs are divided into eligible and ineligible costs. Eligible costs are defined by Internal Revenue Code but generally are costs that can be capitalized in the basis of the Development for tax purposes; whereas ineligible costs are those that tend to fund future operating activities. The Underwriter will evaluate and accept the allocation of these soft costs in accordance with the Department's prevailing interpretation of the Internal Revenue Code. If the Underwriter questions the eligibility of any soft costs, the Applicant is given an opportunity to clarify and address the concern prior to removal ~~form~~ from basis.

(f) Developer Capacity. The Underwriter will evaluate the capacity of the Person(s) accountable for the role of the Developer to determine their ability to secure financing and successfully complete the Development. The Department will review certification of previous participation, financial statements, and personal credit reports for those individuals anticipated to guarantee the completion of the Development.

(1) Previous Experience. The Underwriter will characterize the Development as “high risk” if the Developer has no previous experience in completing construction and reaching stabilized occupancy in a previous Development.

(2) Credit Reports. The Underwriter will characterize the Development as “high risk” if the Developer or ~~principal~~Principals thereof have a credit score which reflects a 40% or higher potential default rate.

(3) Financial Statements of Principals. The Applicant, Developer, any principals of the Applicant, General Partner, and Developer and any Person who will be required to guarantee the Development will be required to provide a signed and dated financial statement and authorization to release credit information. The financial statement for individuals may be provided on the Personal Financial and Credit Statement form provided by the Department and must not be older than 90 days from the first day of the Application Acceptance Period. If submitting partnership and corporate financials in addition to the individual statements, the certified annual financial statement or audited statement, if available, should be for the most recent fiscal year not more than twelve months from first date of the Application Acceptance Period. This document is required for an entity even if the entity is wholly-owned by a person who has submitted this document as an individual. For entities being formed for the purposes of facilitating the contemplated transaction but who have no meaningful financial statements at the present time, a letter attesting to this condition will suffice.

(A) Financial statements must be provided to the Underwriting Division at least seven days prior to the close of the application acceptance period in order for an acknowledgment of receipt to be provided as a substitute for inclusion of the statements themselves in the application. The Underwriting Division will FAX, e-mail or send via regular mail an acknowledgement for each financial statement received. The acknowledgement will not constitute acceptance by the Department that financial statements provided are acceptable in any manner but only acknowledge their receipt. Where time permits, the acknowledgement may identify the date of the statement and whether it will meet the time constraints under the QAP.

(B) The Underwriter will evaluate and discuss individual financial statements in a confidential portion of the Report. Where the financial statement indicates a limited net worth and/ or lack of significant liquidity and the Development is characterized as a high risk for either of the reasons described in paragraphs (1) and (2) of this subsection, the Underwriter must condition any potential award upon the identification and inclusion of additional Development partners who can meet the criteria described in this subsection.

(g) Other Underwriting Considerations. The Underwriter will evaluate numerous additional elements as described in subsection (b) of this section and those that require further elaboration are identified in this subsection.

(1) Floodplains. The Underwriter evaluates the site plan and floodplain map and information provided to determine if any of the buildings, drives, or parking areas reside within the 100-year floodplain. If such a determination is made by the Underwriter the Report will include a condition that the Applicant must pursue and receive a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F) or require the Applicant to identify the cost of flood insurance for the buildings and for the tenant’s contents for buildings within the 100-year floodplain.

(2) Inclusive Capture Rate. The Underwriter will not recommend the approval of funds to new Developments requesting funds where the anticipated inclusive capture rate is in excess of 25% for the Primary Market unless the market is a rural market or the units are targeted toward the elderly. In rural markets and for Developments that are strictly targeted to the elderly, the Underwriter will not recommend the approval of funds to new housing Developments requesting funds from the Department where the anticipated capture rate is in excess of 100% of the qualified demand. Affordable Housing which replaces previously existing substandard Affordable Housing within the same Submarket on a Unit for Unit basis, and which gives the displaced tenants of the previously existing Affordable Housing a leasing preference, is excepted from these inclusive capture rate restrictions. The inclusive capture rate for the Development is defined as the sum of the proposed units for a given project plus any previously approved but not yet stabilized new Comparable Units in the Submarket divided by the total income-eligible targeted renter demand identified in the Market Analysis for a specific Development’s Primary Market. The Department defines Comparable Units, in this instance, as units that are dedicated to the same household type as the proposed subject property using the classifications of family, elderly or transitional as housing types. The Department defines a stabilized project as one that has maintained a 90% occupancy level for at least 12

consecutive months. The Department will independently verify the number of affordable units included in the Market Study and may substitute the Underwriter's independent calculation based on the data provided in the Market Analysis or obtained through the Market Analysis performed for other D~~d~~evelopments or other independently verified data obtained by the Underwriter regarding the market area. This may include revising the definitional boundaries of the Primary Market Area defined by the Market Analyst. The Underwriter will ensure that all projects previously allocated funds through the Department are included in the final analysis. The documentation requirements needed to support decisions relating to Inclusive Capture Rate are identified in §1.33 of this subchapter.

The Underwriter will verify that no other developments of the same type within one linear mile have been funded by the Department in the three years prior to the application as provided in Section 2306.6703, Texas Government Code and that no other Developments within one linear mile have been funded in the past twelve months as provided in Section 2306.6711 of the Texas Government Code. The Underwriter will identify in the report any other D~~d~~evelopments funded or known and anticipated to be eligible for funding within one linear mile of the subject.

(3) ~~Transitional Housing~~Supportive Housing. The unique development and operating characteristics of ~~transitional housing~~Supportive Housing D~~d~~evelopments may require special consideration be given the following areas when underwriting these D~~d~~evelopments:

(A) Operating Income: The extremely-low-income tenant population typically targeted with a ~~Transitional Housing~~Supportive Housing Development may include deep-skewing of rents to well below the 50% AMI level or other maximum rent limits established by the Department. The Underwriter should utilize the Applicant's proposed rents in the Report as long as such rents are at or below and maximum rent limit rent propsed for the units and equal to any project based rental subsidy rent to be utilized for the D~~d~~evelopment. The initial rents should be structured, however, such that they satisfy the anticipated operating expenses by some margin. The use of project based rental or ongoing operating subsidies and/or supplemental fundraising to offset operating expenses is often critical for a ~~Transitional Housing~~Supportive Housing Development.

(B) Operating Expenses: A ~~Transitional Housing~~Supportive Housing Development may have significantly higher expenses for payroll, security, resident support services, or other items than typical A~~a~~ffordable H~~h~~ousing D~~d~~evelopments. The Underwriter will rely heavily upon the historical operating expenses of other ~~Transitional Housing~~Supportive Housing D~~d~~evelopments provided the Applicant or otherwise available to the Underwriter., The Applicant should provide substantiation from existing ~~Transitional Housing~~Supportive Housing D~~d~~evelopments that they operate in the form of several years of historical operating expenses with sufficient detail for individual expense line items as identified in the current proforma operating expense form promulgated by the Department. Applicant's with no historical experience of their own are encouraged to provide evidence of historical operating information from comparable properties, estimates or quotes from ~~third party~~Third Party service providers (e.g., insurance, tenant services), or other pertinent information.

(C) DCR and Long Term Feasibility: ~~Transitional~~ Supportive H~~h~~ousing D~~d~~evelopments may be exempted from the DCR requirements of Section 1.32.(d)(6)(C) of this subchapter if the D~~d~~evelopment is anticipated to operate without conventional debt. Applicants must provide evidence of sufficient financial resources to offset any projected 30-year cumulative negative cash flows. Such evidence will be evaluated by the Underwriter on a case-by-case basis to satisfy the Department's long term feasibility requirements and may take the form of one or a combination of the following: executed subsidy commitment(s), set-aside of Applicant's financial resources, to be substantiated by an audited financial statement evidencing sufficient resources, and/or proof of annual fundraising success sufficient to fill anticipated operating losses. Where either a set aside of financial resources or annual fundraising are used to evidence the long term feasibility of a ~~Transitional Housing~~Supportive Housing Development, a resolution from the Applicant's governing board should be provided confirming their irrevocable commitment to the provision of these funds and activities.

(D) Development Costs: For ~~Transitional housing~~Supportive Housing that is styled as efficiency the Underwriter may use "Average Quality" dormitory costs from the *Marshall & Swift Valuation Service*, with adjustments for amenities and/or quality as evidenced in the application, as a base cost in evaluating the reasonableness of the Applicant's direct construction cost estimate for new construction D~~d~~evelopments.

§1.33. Market Analysis Rules and Guidelines.

(a) General Provision. A Market Analysis prepared for the Department must evaluate the need for decent, safe, and sanitary housing at rental rates or sales prices that eligible tenants can afford. The analysis must determine the feasibility of the subject property rental rates or sales price and state conclusions as to the impact of the property with respect to the determined housing needs. Furthermore, the Market Analyst shall certify that they are a Third Party and are not being compensated for the assignment based upon a predetermined outcome.

(b) Self-Contained. A Market Analysis prepared for the Department must contain sufficient data and analysis to allow the reader to understand the market data presented, the analysis of the data, and the conclusion(s) derived from such data and its relationship to the subject property. The complexity of this requirement will vary in direct proportion with the complexity of the real estate and the real estate market being analyzed. The analysis must clearly lead the reader to the same or similar conclusion(s) reached by the Market Analyst.

(c) Market Analyst Qualifications. A Market Analysis submitted to the Department must be prepared and certified by an approved Market Analyst. The Department will maintain an approved ~~market analyst~~Market Analyst list based on the guidelines set forth in paragraphs (1) through (3) of this subsection.

(1) Market analysts must submit subparagraphs (A) through (F) of this paragraph for review by the Department.

(A) A current organization chart or list reflecting all members of the firm who may author or sign the Market Analysis.

(B) General information regarding the firm's experience including references, the number of previous similar assignments and time frames in which previous assignments were completed.

(C) Resumes for all members of the firm who may author or sign the Market Analysis.

(D) Certification from an authorized representative of the firm that the services to be provided will conform to the Department's Market Analysis Rules and Guidelines described in this section.

(E) A sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines described in this section.

(F) Documentation of organization and good standing in the State of Texas.

(2) During the underwriting process each Market Analysis will be reviewed and any discrepancies with the rules and guidelines set forth in this section may be identified and require timely correction. Subsequent to the completion of the funding cycle and as time permits, staff and/or a review appraiser will re-review a sample set of submitted market analyses to ensure that the Department's Market Analysis Rules and Guidelines are met. If it is found that a Market Analyst has not conformed to the Department's Market Analysis Rules and Guidelines, as certified to, the Market Analyst will be notified of the discrepancies in the Market Analysis and will be removed from the approved ~~market analyst~~Market Analyst list.

(A) Removal from the list of approved Market Analysts will not, in and of itself, invalidate a Market Analysis that has already been commissioned not more than 90 days before the Department's due date for submission as of the date the change in status of the Market Analyst is posted to the web.

(B) To be reinstated as an approved Market Analyst, the Market Analyst must submit a new sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines. This new study will then be reviewed for conformance with the rules of this section and if found to be in compliance, the Market Analyst will be reinstated.

(3) The list of approved Market Analysts is posted on the Department's web site and updated within 72 hours of a change in the status of a Market Analyst.

(d) Market Analysis Contents. A Market Analysis for a multifamily Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) through (17) of this subsection.

(1) Title Page. Include property address and/or location, housing type, TDHCA addressed as client, effective date of analysis, date of report, name and address of person authorizing report, and name and address of Market Analyst.

(2) Letter of Transmittal. Include date of letter, property address and/or location, description of property type, statement as to purpose of analysis, reference to accompanying Market Analysis, reference to all person(s) providing significant assistance in the preparation of analysis, statement from Market Analyst indicating any and all relationships to any member of the ~~Development team~~Development Team and/or owner of the subject property, date of analysis, effective date of analysis, date of property

inspection, name of person(s) inspecting subject property, and signatures of all Market Analysts authorized to work on the assignment.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Summary Form. Complete and include the most current TDHCA Primary Market Area Analysis Summary form. An electronic version of the form and instructions are available on the Department's website at http://www.tdhca.state.tx.us/underwrite.html.

(5) Assumptions and Limiting Conditions. Include a summary of all assumptions, both general and specific, made by the Market Analyst concerning the property.

(6) Disclosure of Competency. Include the Market Analyst's qualifications, detailing education and experience of all Market Analysts authorized to work on the assignment.

(7) Identification of the Property. Provide a statement to acquaint the reader with the Development. Such information includes street address, tax assessor's parcel number(s), and Development characteristics.

(8) Statement of Ownership for the Subject Property. Disclose the current owners of record and provide a three year history of ownership.

(9) Purpose of the Market Analysis. Provide a brief comment stating the purpose of the analysis.

(10) Scope of the Market Analysis. Address and summarize the sources used in the Market Analysis. Describe the process of collecting, confirming, and reporting the data used in the Market Analysis.

(11) Secondary Market Information. Include a general description of the geographic location and demographic data and analysis of the secondary market area if applicable. The secondary market area will be defined on a case-by-case basis by the Market Analyst engaged to provide the Market Analysis. Additional demand factors and comparable property information from the secondary market may be addressed. However, use of such information in conclusions regarding the subject property must be well-reasoned and documented. A map of the secondary market area with the subject property clearly identified should be provided. In a Market Analysis for a Development targeting families, the demand and supply effects from the secondary market are not significant. For a Development that targets smaller subgroups such as elderly households, the demand and supply effects may be more relevant.

(12) Primary Market Information. Include a specific description of the subject's geographical location, specific demographic data, and an analysis of the Primary Market Area. The Primary Market Area will be defined on a case-by-case basis by the Market Analyst engaged to provide the Market Analysis. The Department encourages a conservative Primary Market Area delineation with use of natural political/geographical boundaries whenever possible. Furthermore, the Primary Market for a Development chosen by the Market Analyst will generally be most informative if it contains no more than 250,000 persons, though a Primary Market with more residents may be indicated by the Market Analyst, where political/geographic boundaries indicate doing so, with additional supportive narrative. A summary of the neighborhood trends, future Development, and economic viability of the specific area must be addressed with particular emphasis given to Affordable Housing. A map of the Primary Market with the subject property clearly identified must be provided. A separate scaled distance map of the Primary Market that clearly identifies the subject and the location and distances of all Local Amenities described in §50.9(g)(4) of this title must also be included.

(13) Comparable Property Analysis. Provide a comprehensive evaluation of the existing supply of comparable properties in the Primary Market Area defined by the Market Analyst. The analysis should include census data documenting the amount and condition of local housing stock as well as information on building permits since the census data was collected. The analysis must separately evaluate existing market rate housing and existing subsidized housing to include local housing authority units and any and all other rent- or income-restricted units with respect to items discussed in subparagraphs (A) through (F) of this paragraph.

(A) Analyze comparable property rental rates. Include a separate attribute adjustment matrix for the most comparable market rate and subsidized units to the units proposed in the subject, a minimum of three d~~D~~evelopments each. The Department recommends use of HUD Form 922273. Analysis of the Market Rents must be sufficiently detailed to permit the reader to understand the Market Analyst's logic and rationale. Total adjustments made to the Comparable Units in excess of 15% suggest a weak comparable. Total adjustments in excess of 15% must be supported with additional narrative. In Primary Market Areas lacking sufficient rental comparables, it may be necessary for the Market Analyst to collect data from comparable properties in markets with similar characteristics and make quantifiable location adjustments. The Department also encourages close examination of the overall use of concessions in the Primary Market Area and the effect on effective Market Rents.

(B) Provide an Affordability Analysis of the comparable unrestricted units.

(C) Analyze occupancy rates of each of the comparable properties and occupancy trends by ~~property class~~bedroom type and income restricted level (percentage of AMI). Physical occupancy should be compared to economic occupancy.

(D) Provide annual turnover rates of each of the comparable properties and turnover trends by property class.

(E) Provide absorption rates for each of the comparable properties and absorption trends by property class.

(F) The comparable d~~D~~evelopments must indicate current research for the proposed property type. The rental data must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The minimum content of the individual data sheets include: property address, lease terms, occupancy, turnover, d~~D~~evelopment characteristics, current physical condition of the property, etc. A scaled distance map of the Primary Market that clearly identifies the subject Development and existing comparable market rate d~~D~~evelopments and all existing/proposed subsidized Developments must be provided.

(14) Demand Analysis. Provide a comprehensive evaluation of the demand for the proposed housing. The analysis must include an analysis of the need for market rate and Affordable Housing within the subject Development's Primary Market Area using the most current census and demographic data available. The demand for housing must be quantified, well reasoned, and segmented to include only relevant income- and age-eligible targets of the subject Development. Each demand segment should be addressed independently and overlapping segments should be minimized and clearly identified when required. In instances where more than 20% of the proposed units are comprised of three- and four-bedroom units, the analysis should be refined by factoring in the number of large households to avoid overestimating demand. The final quantified demand calculation may include demand due to items in subparagraphs (A) through (C) of this paragraph.

(A) Quantify new household demand due to documented population and household growth trends for targeted income-eligible rental households OR confirmed targeted income-eligible rental household growth due to new employment growth.

(B) Quantify existing household demand due to documented turnover of existing targeted income-eligible rental households OR documented rent over-burdened targeted income-eligible rental households that would not be rent over-burdened in the proposed Development and documented targeted income-eligible rental households living in substandard housing.

(C) Include other well reasoned and documented sources of demand determined by the Market Analyst.

(15) Conclusions. Include a comprehensive evaluation of the subject property, separately addressing each housing type and specific population to be served by the Development in terms of items in subparagraphs (A) through (F) of this paragraph.

(A) Provide a separate market and subsidized rental rate conclusion for each proposed unit type and rental restriction category. Conclusions of rental rates below the maximum net rent limit rents must be well reasoned, documented, consistent with the market data, and address any inconsistencies with the conclusions of the demand for the subject units.

(B) Provide rental income, secondary income, and vacancy and collection loss projections for the subject derived independent of the ~~applicant~~Applicant's estimates, but based on historic and/or well established data sources of comparable properties.

(C) Correlate and quantify secondary market and Primary Market demographics of housing demand to the current and proposed supply of housing and the need for each proposed unit type and the subject Development as a whole. The subject Development specific demand calculation may consider total demand from the date of application to the proposed place in service date.

(D) Calculate an inclusive capture rate for the subject Development defined as the sum of the proposed subject units plus any previously approved but unstabilized new Comparable Units in the Primary Market divided by the total income-eligible targeted renter demand identified by the Market Analysis for the subject Development's Primary Market Area. The Market Analyst should calculate a separate capture rate for the subject Development's proposed affordable units and market rate units as well as the subject Development as a whole.

(E) Project an absorption period and rate for the subject until a Sustaining Occupancy level has been achieved. If absorption projections for the subject differ significantly from historic data, an explanation of such should be included.

(F) Analyze the effects of the subject Development on the Primary Market occupancy rates and provide sufficient support documentation.

(G) Identify any other D~~d~~evelopments located within one linear mile of the proposed site and awarded funds by the Department in the three years prior to the Application Acceptance Period.

(16) Photographs. Include good quality color photographs of the subject property (front, rear and side elevations, on-site amenities, interior of typical units if available). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should also be included. An aerial photograph is desirable but not mandatory.

(17) Appendices. Any Third Party reports relied upon by the Market Analyst must be provided in appendix form and verified directly by the Market Analyst as to its validity.

(e) Single Family Developments.

(1) Market studies for single-family Developments proposed as rental Developments must contain the elements set forth in subsections (d)(1) through (17) of this section. Market analyses for Developments proposed for single-family home ownership must contain the elements set forth in subsections (d)(1) through (17) of this section as they would apply to home ownership in addition to paragraphs (2) through (4) of this subsection.

(2) Include no less than three actual market transactions to inform the reader of current market conditions for the sale of each unit type in the price range contemplated for homes in the proposed Development. The comparables must rely on current research for this specific property type. The sales prices must be confirmed with the buyer, seller, or real estate agent and individual data sheets must be included. The minimum content of the individual data sheets should include property address, d~~D~~evelopment characteristics, purchase price and terms, description of any federal, state, or local affordability subsidy associated with the transaction, date of sale, and length of time on the market.

(3) Analysis of the comparable sales should be sufficiently detailed to permit the reader to understand the Market Analyst's logic and rationale. The evaluation should address the appropriateness of the living area, room count, market demand for Affordable Housing, targeted sales price range, demand for interior and/or exterior amenities, etc. A scaled distance map of the Primary Market that clearly identifies the subject Development and existing comparable single family homes must be provided.

(4) A written statement is required stating if the projected sales prices for homes in the proposed Development are, or are not, below the range for comparable homes within the Primary Market Area. Sufficient documentation should be included to support the Market Analyst's conclusion with regard to the Development's absorption.

(f) The Department reserves the right to require the Market Analyst to address such other issues as may be relevant to the Department's evaluation of the need for the subject property and the provisions of the particular program guidelines.

(g) All ~~applicant~~Applicants shall acknowledge, by virtue of filing an application, that the Department shall not be bound by any such opinion or Market Analysis, and may substitute its own analysis and underwriting conclusions for those submitted by the Market Analyst.

§1.34. Appraisal Rules and Guidelines.

(a) General Provisions. Appraisals prepared for the Department must conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. Self-contained reports must describe sufficient and adequate data and analyses to support the final opinion of value. The final value(s) must be reasonable, based on the information included. Any Third Party reports relied upon by the appraiser must be verified by the appraiser as to the validity of the data and the conclusions. The report must contain sufficient data, included in the appendix when possible, and analysis to allow the reader to understand the property being appraised, the market data presented, analysis of the data, and the appraiser's value conclusion. The complexity of this requirement will vary in direct proportion with the complexity of the real estate and real estate interest being appraised. The report should lead the reader to the same or similar conclusion(s) reached by the appraiser.

(b) Value Estimates. All appraisals shall contain a separate estimate of land value, based upon sales comparables. Appraisal assignments for new construction, which are required to provide a future value of to be completed structures, shall provide an “as restricted with favorable financing” value as well as an “unrestricted market” value. Properties to be rehabilitated shall address the “as restricted with favorable financing” value as well as both an "as is" value and an "as completed" value. Include a separate assessment of personal property, furniture, fixtures, and equipment (FF&E) and/or intangible items because their economic life may be shorter than the real estate improvements and may require different lending or underwriting considerations. If personal property, FF&E, or intangible items are not part of the transaction or value estimate, a statement to such effect should be included.

(c) Date of Appraisal. The appraisal report must be dated and signed by the appraiser who inspected the property. The date of the valuation, except in the case of proposed construction or extensive rehabilitation, must be a current date. The date of valuation should not be more than six months prior to the date of the application to the Department.

(d) Appraiser Qualifications. The qualifications of each appraiser are determined and approved on a case-by-case basis by the Director of Credit Underwriting and/or review appraiser, based upon the quality of the report itself and the experience and educational background of the appraiser, as set forth in the Statement of Qualifications appended to the appraisal. At minimum, a qualified appraiser will be certified or licensed by the Texas Appraiser Licensing and Certification Board.

(e) Appraisal Contents. An appraisal of a Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) through (18) of this subsection.

(1) Title Page. Include identification as to appraisal (e.g., type of process - complete or limited, type of report - self-contained, summary or restricted), property address and/or location, housing type, the Department addressed as the client, effective date of value estimate(s), date of report, name and address of person authorizing report, and name and address of appraiser(s).

(2) Letter of Transmittal. Include date of letter, property address and/or location, description of property type, extraordinary/special assumptions or limiting conditions that were approved by person authorizing the assignment, statement as to function of the report, statement of property interest being appraised, statement as to appraisal process (complete or limited), statement as to reporting option (self-contained, summary or restricted), reference to accompanying appraisal report, reference to all person(s) that provided significant assistance in the preparation of the report, date of report, effective date of appraisal, date of property inspection, name of person(s) inspecting the property, identification of type(s) of value(s) estimated (e.g., market value, leased fee value, as-financed value, etc.), estimate of marketing period, signatures of all appraisers authorized to work on the assignment.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Assumptions and Limiting Conditions. Include a summary of all assumptions, both general and specific, made by the appraiser(s) concerning the property being appraised. Statements may be similar to those recommended by the Appraisal Institute.

(5) Certificate of Value. This section may be combined with the letter of transmittal and/or final value estimate. Include statements similar to those contained in Standard Rule 2-3 of USPAP.

(6) Disclosure of Competency. Include appraiser’s qualifications, detailing education and experience, as discussed in subsection (c) of this section.

(7) Identification of the Property. Provide a statement to acquaint the reader with the property. Real estate being appraised must be fully identified and described by street address, tax assessor's parcel number(s), and Development characteristics. Include a full, complete, legible, and concise legal description.

(8) Statement of Ownership of the Subject Property. Discuss all prior sales of the subject property which occurred within the past three years. Any pending agreements of sale, options to buy, or listing of the subject property must be disclosed in the appraisal report.

(9) Purpose and Function of the Appraisal. Provide a brief comment stating the purpose of the appraisal and a statement citing the function of the report.

(A) Property Rights Appraised. Include a statement as to the property rights (e.g., fee simple interest, leased fee interest, leasehold, etc.) being considered. The appropriate interest must be defined in terms of current appraisal terminology with the source cited.

(B) Definition of Value Premise. One or more types of value (e.g., "as is", "as if", "prospective market value") may be required. Definitions corresponding to the appropriate value must be included with the source cited.

(10) Scope of the Appraisal. Address and summarize the methods and sources used in the valuation process. Describes the process of collecting, confirming, and reporting the data used in the assignment.

(11) Regional Area Data. Provide a general description of the geographic location and demographic data and analysis of the regional area. A map of the regional area with the subject identified is requested, but not required.

(12) Neighborhood Data. Provide a specific description of the subject's geographical location and specific demographic data and an analysis of the neighborhood. A summary of the neighborhood trends, future Development, and economic viability of the specific area should be addressed. A map with the neighborhood boundaries and the subject identified must be included.

(13) Site/Improvement Description. Discuss the site characteristics including subparagraphs (A) through (F) of this paragraph.

(A) Physical Site Characteristics. Describe dimensions, size (square footage, acreage, etc.), shape, topography, corner influence, frontage, access, ingress-egress, etc. associated with the site. Include a plat map and/or survey.

(B) Floodplain. Discuss floodplain (including flood map panel number) and include a floodplain map with the subject clearly identified.

(C) Zoning. Report the current zoning and description of the zoning restrictions and/or deed restrictions, where applicable, and type of d~~D~~evelopment permitted. Any probability of change in zoning should be discussed. A statement as to whether or not the improvements conform to the current zoning should be included. A statement addressing whether or not the improvements could be rebuilt if damaged or destroyed, should be included. If current zoning is not consistent with the Highest and Best Use, and zoning changes are reasonable to expect, time and expense associated with the proposed zoning change should be considered and documented. A zoning map should be included.

(D) Description of Improvements. Provide a thorough description and analysis of the improvement including size (net rentable area, gross building area, etc.), number of stories, number of buildings, type/quality of construction, condition, actual age, effective age, exterior and interior amenities, items of deferred maintenance, etc. All applicable forms of depreciation should be addressed along with the remaining economic life.

(E) Fair Housing. It is recognized appraisers are not an expert in such matters and the impact of such deficiencies may not be quantified; however, the report should disclose any potential violations of the Fair Housing Act of 1988, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990 and/or report any accommodations (e.g., wheelchair ramps, handicap parking spaces, etc.) which have been performed to the property or may need to be performed.

(F) Environmental Hazards. It is recognized appraisers are not an expert in such matters and the impact of such deficiencies may not be quantified; however, the report should disclose any potential environmental hazards (e.g., discolored vegetation, oil residue, asbestos-containing materials, lead-based paint etc.) noted during the inspection.

(14) Highest and Best Use. Market Analysis and feasibility study is required as part of the highest and best use. The highest and best use analysis should consider subsection (d)(13)(A) through (F) of this section as well as a supply and demand analysis.

(A) The appraisal must inform the reader of any positive or negative market trends which could influence the value of the appraised property. Detailed data must be included to support the appraiser's estimate of stabilized income, absorption, and occupancy.

(B) The highest and best use section must contain a separate analysis "as if vacant" and "as improved" (or "as proposed to be improved/renovated"). All four elements in appropriate order as outlined in the Appraisal of Real Estate (legally permissible, physically possible, feasible, and maximally productive) must be sequentially considered.

(15) Appraisal Process. The Cost Approach, Sales Comparison Approach and Income Approach are three recognized appraisal approaches to valuing most properties. It is mandatory that all three approaches are considered in valuing the property unless specifically instructed by the Department to ignore one or more of the approaches; or unless reasonable appraisers would agree that use of an approach is not applicable. If an approach is not applicable to a particular property, then omission of such approach must be fully and adequately explained.

(A) Cost Approach. This approach should give a clear and concise estimate of the cost to construct the subject improvements. The type of cost (reproduction or replacement) and source(s) of the cost data should be reported.

(i) Cost comparables are desirable; however, alternative cost information may be obtained from Marshall & Swift Valuation Service or similar publications. The section, class, page, etc. should be referenced. All soft costs and entrepreneurial profit must be addressed and documented.

(ii) All applicable forms of depreciation must be discussed and analyzed. Such discussion must be consistent with the description of the improvements analysis.

(iii) The land value estimate should include a sufficient number of sales which are current, comparable, and similar to the subject in terms of highest and best use. Comparable sales information should include address, legal description, tax assessor's parcel number(s), sales price, date of sale, grantor, grantee, three year sales history, and adequate description of property transferred. The final value estimate should fall within the adjusted and unadjusted value ranges. Consideration and appropriate cash equivalent adjustments to the comparable sales price for subclauses (I) though (VII) of this clause should be made when applicable.

(I) Property rights conveyed.

(II) Financing terms.

(III) Conditions of sale.

(IV) Location.

(V) Highest and best use.

(VI) Physical characteristics (e.g., topography, size, shape, etc.).

(VII) Other characteristics (e.g., existing/proposed entitlements, special assessments, etc.).

(B) Sales Comparison Approach. This section should contain an adequate number of sales to provide the reader with the current market conditions concerning this property type. Sales data should be recent and specific for the property type being appraised. The sales must be confirmed with buyer, seller, or an individual knowledgeable of the transaction.

(i) Minimum content of the sales should include address, legal description, tax assessor's parcel number(s), sale price, financing considerations, and adjustment for cash equivalency, date of sale, recordation of the instrument, parties to the transaction, three year sale history, complete description of the property and property rights conveyed, and discussion of marketing time. A scaled distance map clearly identifying the subject and the comparable sales must be included.

(ii) Several methods may be utilized in the Sale Comparison Approach. The method(s) used must be reflective of actual market activity and market participants.

(I) Sale Price/Unit of Comparison. The analysis of the sale comparables must identify, relate and evaluate the individual adjustments applicable for property rights, terms of sale, conditions of sale, market conditions and physical features. Sufficient narrative analysis must be included to permit the reader to understand the direction and magnitude of the individual adjustments, as well as a unit of comparison value indicator for each comparable. The appraiser(s) reasoning and thought process must be explained.

(II) Potential Gross Income/Effective Gross Income Analysis. If used in the report, this method of analysis must clearly indicate the income statistics for the comparables. Consistency in the method for which such economically statistical data was derived should be applied throughout the analysis. At least one other method should accompany this method of analysis.

(III) NOI/Unit of Comparison. If used in the report, the net income statistics for the comparables must be calculated in the same manner and disclosed as such. It should be disclosed if reserves for replacement have been included in this method of analysis. At least one other method should accompany this method of analysis.

(C) Income Approach. This section is to contain an analysis of both the actual historical and projected income and expense aspects of the subject property.

(i) Market Rent Estimate/Comparable Rental Analysis. This section of the report should include an adequate number of actual market transactions to inform the reader of current market conditions concerning rental units. The comparables must indicate current research for this specific property type. The rental comparables must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The minimum content of the individual data sheets should include property address, lease terms, description of the property (e.g., unit type, unit size, unit mix, interior amenities, exterior amenities, etc.), physical characteristics of the property, and location of the comparables. Analysis of the Market Rents should be sufficiently detailed to permit the reader to understand the appraiser's logic and rationale. Adjustment for lease rights, condition of the lease, location, physical characteristics of the property, etc. must be considered.

(ii) Comparison of Market Rent to Contract Rent. Actual income for the subject along with the owner's current budget projections must be reported, summarized and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. The contract rents should be compared to the market-derived rents. A determination should be made as to whether the contract rents are below, equal to, or in excess of market rates. If there is a difference, its impact on value must be qualified.

(iii) Vacancy/Collection Loss. Historical occupancy data for the subject should be reported and compared to occupancy data from the rental comparable and overall occupancy data for the subject's market area.

(iv) Expense Analysis. Actual expenses for the subject, along with the owner's projected budget, must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. Historical expenses should be compared to comparables expenses of similar property types or published survey data (e.g., IREM, BOMA, etc.). Any expense differences should be reconciled. Historical data regarding the subject's assessment and tax rates should be included. A statement as to whether or not any delinquent taxes exist should be included.

(v) Capitalization. Several capitalization methods may be utilized in the Income Approach. The appraiser should present the method(s) reflective of the subject market and explain the omission of any method not considered in the report.

(I) Direct Capitalization. The primary method of deriving an overall rate (OAR) is through market extraction. If a band of investment or mortgage equity technique is utilized, the assumptions must be fully disclosed and discussed.

(II) Yield Capitalization (Discounted Cash Flow Analysis). This method of analysis should include a detailed and supportive discussion of the projected holding/investment period, income and income growth projections, occupancy projections, expense and expense growth projections, reversionary value and support for the discount rate.

(16) Reconciliation and Final Value Estimate. This section of the report should summarize the approaches and values that were utilized in the appraisal. An explanation should be included for any approach which was not included. Such explanations should lead the reader to the same or similar conclusion of value. Although the values for each approach may not "agree", the differences in values should be analyzed and discussed. Other values or interests appraised should be clearly labeled and segregated. Such values may include FF&E, leasehold interest, excess land, etc. In addition, rent restrictions, subsidies and incentives should be explained in the appraisal report and their impact, if any, needs to be reported in conformity with the Comment section of USPAP Standards Rule 1-2(e), which states, “Separation of such items is required when they are significant to the overall value.” In the appraisal of subsidized housing, value conclusions that include the intangibles arising from the programs will also have to be analyzed under a scenario without the intangibles in order to measure their influence on value.

(17) Marketing Period. Given property characteristics and current market conditions, the appraiser(s) should employ a reasonable marketing period. The report should detail existing market conditions and assumptions considered relevant.

(18) Photographs. Provide good quality color photographs of the subject property (front, rear, and side elevations, on-site amenities, interior of typical units if available). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should be included. An aerial photograph is desirable but not mandatory.

(f) Additional Appraisal Concerns. The appraiser(s) must recognize and be aware of the particular TDHCA program rules and guidelines and their relationship to the subject's value. Due to the various programs offered by the Department, various conditions may be placed on the subject which would impact value. Furthermore, each program may require that the appraiser apply a different set of specific definitions for the conclusions of value to be provided. Consequently, as a result of such criteria, the appraiser(s) should be aware of such conditions and definitions and clearly identify them in the report.

§1.35. Environmental Site Assessment Rules and Guidelines

(a) General Provisions. The Environmental Site Assessments (ESA) prepared for the Department should be conducted and reported in conformity with the standards of the American Society for Testing and Materials. The initial report should conform with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E 1527). Any subsequent reports should also conform to ASTM standards and such other recognized industry standards as a reasonable person would deem relevant in view of the Property's anticipated use for human habitation. The environmental assessment shall be conducted by a Third Party environmental professional at the expense of the Applicant, and addressed to TDHCA as the client. Copies of reports provided to TDHCA which were commissioned by other financial institutions should address TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The ESA report should also include a statement that the person or company preparing the ~~PCA~~ ESA report will not materially benefit from the Development in any other way than receiving a fee for performing the Environmental Site Assessment.

(b) The report must include, but is not limited to:

(1) A review of records, interviews with people knowledgeable about the property;

(2) A certification that the environmental engineer has conducted an inspection of the property, the building(s), and adjoining properties, as well as any other industry standards concerning the preparation of this type of environmental assessment;

(3) A noise study is recommended for property located adjacent to or in close proximity to industrial zones, major highways, active rail lines, and civil and military airfields;

(4) A copy of a current survey, if available, or other drawing of the site reflecting the boundaries and adjacent streets, all improvements on the site, and any items of concern described in the body of the environmental site assessment or identified during the physical inspection;

(5) A copy of the current FEMA Flood Insurance Rate Map showing the panel number and encompassing the site with the site boundaries precisely identified and superimposed on the map. A determination of the flood risk for the proposed Development described in the narrative of the report includes a discussion of the impact of the 100-year floodplain on the proposed Development based upon a review of the current site plan;

(6) An assessment of the potential threat for asbestos containing materials (ACMs) to be present on the property, and a recommendation as to whether specific testing for ACMs would be necessary as required by state law;

(7) An assessment of the potential presence of Lead Based Paint on the property, and a recommendation as to whether specific testing in accordance with any state and federal laws would be necessary;

(8) An assessment of the potential presence of Radon on the property, and a recommendation as to whether specific testing would be necessary.(c) If the report recommends further studies or establishes that environmental hazards currently exist on the Property, or are originating off-site but would nonetheless affect the Property, the Development Owner must act on such a recommendation or provide a plan for either the abatement or elimination of the hazard. Evidence of action or a plan for the abatement or elimination of the hazard must be presented upon Application submittal.

(d) For Developments which have had a Phase II Environmental Assessment performed and hazards identified, the Development Owner is required to maintain a copy of said assessment on site available for review by all persons which either occupy the Development or are applying for tenancy.

(e) For Developments in programs that allow a waiver of the Phase I ESA such as a TxRD funded D~~d~~evelopment the Development Owners 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.

(f) Those Developments which have or are to receive first lien financing from HUD may submit HUD's environmental assessment report, provided that it conforms with the requirements of this subsection.

§1.36 Property Condition Assessment Guidelines

(a) General Provisions. The objective of the Property Condition Assessment (the PCA) is to provide cost estimates for repairs and replacements which are necessary immediately, and for repairs and replacements which are expected to be required throughout the term of the regulatory period. The PCA prepared for the Department should be conducted and reported in conformity with the American Society for Testing and Materials “Standard Guide for Property Condition Assessments: Baseline Property Condition

Assessment Process (ASTM Standard Designation: E 2018)" except as provided for in (b) and (c) of this Section. The PCA must include discussion and analysis of the following:

(1) Useful Life Estimates: For each system and component of the property the PCA should assess the condition of the system or component, and estimate its remaining useful life, citing the basis or the source from which such estimate is derived;

(2) Code Compliance: The PCA should review and document any known violations of any applicable federal, state, or local codes. In developing the cost estimates specified herein, it is the responsibility of the Housing Sponsor or Applicant to ensure that the PCA adequately considers any and all applicable federal, state, and local laws and regulations which may govern any work performed to the subject property;

(3) Program Rules: The PCA should assess the extent to which any systems or components must be modified, repaired, or replaced in order to comply with any specific requirements of the housing program under which the Development is proposed to be financed, particular consideration being given to accessibility requirements, the Department's Housing Quality Standards, and any scoring criteria for which the Applicant may claim points;

(4) Immediate Repairs: Systems or components which are expected to have a remaining useful life of less than one year, which are found to be in violation of any applicable codes, which must be modified, repaired or replaced in order to satisfy program rules, or which are otherwise in a state of deferred maintenance or pose health and safety hazards should be considered necessary immediate repairs. The PCA should estimate the costs associated with the repair, replacement, or maintenance of each system or component which is identified as being an immediate need, citing the basis or the source from which such cost estimate is derived;

(5) Expected Repairs Over Time: Based on the estimated remaining useful life of each system or component, the PCA should estimate the periodic costs which would be expected to arise during the regulatory period for repairing or replacing such system or component. The PCA should include a table of the estimated long term costs which identifies in each line the individual component of the property being examined, and in each column the year in the regulatory period during which the costs are estimated to be incurred. The estimated costs for future years should be given in present dollar values; and

(6) Obsolescence: If the development plan calls for additional modification or replacement of certain systems, components, or other aspects of the property strictly due to functional obsolescence or external market obsolescence, such items should be identified and the nature or source of the obsolescence discussed. The associated costs may be included either with immediate repairs or with expected repairs over time as appropriate.

(b) The Department will also accept copies of reports commissioned or required by the primary lender for a proposed transaction, which have been prepared in accordance with:

(1) Fannie Mae's criteria for Physical Needs Assessments,

(2) Federal Housing Administration's criteria for Project Capital Needs Assessments,

(3) Freddie Mac's guidelines for Engineering and Property Condition Reports, or

(4) Standard and Poor's Property Condition Assessment Criteria: Guidelines for Conducting Property Condition Assessments, Multifamily Buildings.

(c) The Department may consider for acceptance reports prepared according to other standards which are not specifically named above in subsection (b), if a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied.

(d) The PCA shall be conducted by a Third Party at the expense of the Applicant, and addressed to TDHCA as the client. Copies of reports provided to TDHCA which were commissioned by other financial institutions should address TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The PCA report should also include a statement that the person or company preparing the PCA report will not materially benefit from the Development in any other way than receiving a fee for performing the PCA. The PCA should be signed and dated by the Third Party report provider not more than six months prior to the date of the application. However, an original report may be accepted up to 24 months old if a review inspection and update letter dated less than six months from the date of the application is signed by the original report provider, and that such letter identifies specific details of necessary amendments to the original report or specifies that no such amendments are necessary.

SINGLE FAMILY FINANCE PRODUCTION

BOARD ACTION REQUEST
November 14, 2003

Action Items

Final HOME Program Rules.

Required Action

1. Adoption of Repeal of Title 10, Part 1, Chapter 53, Section 53.59.

2. Adoption of Amendment to Title 10, Part 1, Chapter 53 - HOME Investment Partnerships Program.

Background

At the August 14, 2003 Board Meeting, the Board approved the Proposed Amendment to Title 10, Part 1, Chapter 53 – HOME Investment Partnerships Program. This proposed amendment was published in the *Texas Register* on August 29, 2003 for the public to provide comments. In order to receive additional comments on all proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

TO: TDHCA Board Members

FROM: Eric Pike, Single Family Finance Production Division

THROUGH: Edwina Carrington, Executive Director

SUBJECT: **2004 HOME Investment Partnerships Program (HOME)– Responses to Public Comments**

DATE: November 14, 2003

On August 29, 2003, the proposed 2004 HOME Investment Partnerships (HOME) Program Rules were published in the Texas Register. The comment period commenced on August 29, 2003, and ended on October 10, 2003. In addition to publishing the document in the *Texas Register*, a copy of the HOME Rules was published on the Department's web site and was made available to the public upon request. The Department held thirteen public hearings across the state to gather feedback on the draft HOME Rules. The public was genuinely pleased with the draft HOME Rules and with the Department's efforts.

The Department received the majority of comments in writing by email, fax and mail. This memorandum provides the Department's response to all comments received. The comments and responses are divided into the following sections.

I. Substantive comments on the HOME Rules and Departmental response. (Comments and responses are presented in the order they appear in the HOME Rules. See Appendix A for a listing of those numerically referenced after comment).
II. Non-substantive changes to the HOME Rules.
III. General HOME comments not related specifically to the HOME Rules and Departmental response.
IV. Staff Administrative Changes to HOME Rules.

I. SUBSTANTIVE COMMENTS ON THE HOME AND DEPARTMENTAL RESPONSE

§53.50- Scope
Comment:
One comment requests that the scope of the HOME Rules be amended to conform to legislatively mandated purposes, with primary attention to rental housing. Comment proposed two additional clauses be added to the scope: "expand the supply of decent, safe, sanitary, and affordable housing with primary attention to rental housing, for very low-income and low-income households; and support the preservation of affordable housing by prioritizing available funding and financing resources for affordable housing preservation activities." (4)

Department Response:
The Department feels it important to support as many avenues of affordable housing available through HOME Program funds; the preservation, rehabilitation and construction of rental housing

included. It is in the Department's best interest to support as many of these avenues as possible, and feels it inappropriate to single out any one Activity over another. No changes are recommended.

§53.51(1)-Proposed Definition of Activity
Comment:
One comment suggests that under the definition for Activity, language be incorporated to include tenant-based rental assistance and pre-development loans as viable forms of an Activity. It is felt that this would further support the inclusion of these Activities as eligible under the HOME Program. (1)

Department Response:
The Department concurs that tenant-based rental assistance and pre-development loans are eligible Activities under the HOME Program. Staff interrupts the language "to provide incentives to develop and support affordable housing" to include rental subsidies and deposits and pre-development loans. Staff recommends no changes to the proposed definition, as eligible Activities, including Tenant-Based Rental Assistance and CHDO Pre-development Loans, are further outlined in §53.54.

§53.51-Proposed Definition of Activity Consultant
Comment:
Comment was received to add a definition for Activity Consultant, meaning any person (whether natural or organization) with or without ownership interest in the Applicant, who provides services relating to the filing of the application or the fulfillment of the Activity. (4)

Department Response:
The Department feels the addition of the definition of Activity Consultant is not appropriate, as the term is not referred to in the rules. No changes are recommended.

§53.51(6)- Proposed Definition of Colonia
Comment:
One comment suggests the definition of colonia be consistent with all other affordable housing programs administered by TDHCA. (1)

Department Response:
Staff agrees definitions should be consistent with all programs administered by the Department when possible. Staff concurs with the proposed language noted below.
(6) Colonia—<u>A geographic area located in a county some part of which is within 150 miles of the international border of this state that:</u>
<u>(A) has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under §17.921, Water Code; or</u>
<u>(B) has the physical and economic characteristics of a colonia, as determined by the Texas Water Development Board.</u>
~~An identifiable unincorporated area of a county any part of which is located within 150 miles of the Texas-Mexico border that lacks infrastructure and decent housing.~~

§53.51(9) - Proposed Definition of Demonstration Fund
Comment:
Comment provided requests the language deleted from the definition of demonstration fund regarding the use of the Housing Tax Credit Program with HOME funds be reinstated. In the past,

coupling HOME funds with the tax credit program has been one of the best avenues for the Department to preserve existing affordable housing. (4)

Department Response:
The Department agrees that coupling HOME funds with other program funding, including the Housing Tax Credit Program, is always encouraged. Although the specific language stating the use of the Housing Tax Credit Program has been deleted, the use of such funding in conjunction with HOME funds is not ineligible. Staff feels it is not necessary to list every program eligible to be used in combination with HOME funds, and proposes no changes.

§53.51(21) - Proposed Definition of NOFA
Comment:
Comment provided proposes the definition of NOFA be expanded to require the NOFA to be posted on the Department website in addition to publication in the *Texas Register*. (4) Comment was also received requesting that NOFAs be published 90 to 120 days before application deadlines. (8)

Department Response:
The Department does currently post all Notices of Funding Availability on the Department website, and does not feel it necessary to incorporate into the definition. The Department realizes that application preparation requires extensive time, thought and planning. Developing a viable project can begin well before applications, or even NOFAs, are released. It is up to each program area to insure that ample time is given to Applicants to successfully develop and complete applications. No changes are recommended.

§53.51-Proposed Definition of CHDO Pre-Development Loans
Comment:
Several comments propose including a definition for CHDO Pre-Development Loans. In accordance with 24 CFR 92.301(a)(1), funds may be used to provide technical assistance and site control loans to Community Housing Development Organizations in the early stages of the site development for an eligible project. In accordance with 24 CFR 92.301(a)(2), a loan may cover project costs necessary to determine project feasibility (including costs of an initial feasibility study), consulting fees, costs of preliminary financial applications, legal fees, architectural fees, engineering fees, engagement of a development team, option to acquire property, site control and title clearance. In accordance with 24 CFR 92.301(b)(1), loans may cover preconstruction project costs that a participating jurisdiction determines to be customary and reasonable, including but not limited to the costs of obtaining firm construction loan commitments, architectural plans and specifications, zoning approvals, engineering studies, and legal fees. (1, 2, 3)

Department Response:
The Department is in agreement that a definition for CHDO Pre-Development Loans should be included and is noted below.

<u>(8) Community Housing Development Organization Pre-Development Loan—A form of assistance in which funds are made available as loans to cover those costs outlined in 24 CFR 92.301.</u>

§53.51(35) - Proposed Definition of Tenant-Based Rental Assistance
Comment:
Comment was received that the last sentence of the definition for tenant-based rental assistance read "Tenant-based rental assistance also includes security deposits for the rental of dwelling

units, and utility deposits for electric, gas, water, and trash services." (1) It was also suggested that language be included stating the Department may not implement a tenant-based rental assistance program unless compliance with 42 USC 12742(3) and 24 CFR 92.209(b) are met. (4)

Department Response:
Staff agrees the definition for tenant based rental assistance should be expanded to include the use of funds for utility deposits. The proposed language is recommended below. In regard to 42 USC 12742(3) and 24 CFR 92.209(b), the Department has included the required certification in the proposed Consolidated Plan to be submitted to Housing and Urban Development (HUD). Tenant-based rental assistance is an essential element of Texas' annual housing strategy for expanding the supply, affordability, and availability of decent, safe, sanitary, and affordable housing. Those funds allocated for tenant based rental assistance in recent program years have been awarded, responding to this need. No other changes are recommended other than those outlined below.

(35) Tenant-Based Rental Assistance (TBRA)—A form of rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. Tenant based rental assistance also includes security deposits <u>and utility deposits and allowances</u> for rental of dwelling units.

§53.52(c) (1) – Restrictions on Communication.
Comment:
One comment requests including person(s) or a business organization authorized by the Applicant to prepare an application on behalf of the Applicant as parties restricted from communicating with a Board member during the period of time starting with the time an application is submitted until the Board makes a final decision with respect to any approval of applications. (1)

Department Response:
Any person or business organization authorized by the Applicant to prepare an application on behalf of the Applicant is restricted from communicating with a Board member during the period of time an application is submitted until final Board approval given the proposed language per this section. Staff feels that no further clarification is necessary with respect to communication with the Board. To offer clarification and consistency among all Department Rules, Staff proposes new language in regard to communication with Department staff.

(c) Restrictions on Communication.
(1)The Applicant or other person that is active in the ownership or control of the proposed Activity, or individual employed as a lobbyist or in another capacity on behalf of the application, may not communicate with any Board member with respect to the application during the period of time starting with the time an application is submitted until the time the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application.
(2) Applicants are restricted from communication with Department staff as described in subsection (c) of this section. The Applicant or <u>a Related Party, the Development Owner, or the General Contractor, or any Affiliate of the General Contractor,</u> ~~other person~~ that is active in the ownership or Control of the application, or individual employed as a lobbyist or in another capacity on behalf of the application, may communicate with an employee of the Department with respect to the <u>application</u> so long as that communication satisfies the conditions established under paragraphs (A) through (E) of this paragraph. Communications with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.

(A) The communication must be restricted to technical or administrative matters directly affecting the application;
(B) The communication must occur or be received on the premises of the Department during established business hours;
(C) Communication with the Executive Director, the Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Single Family Finance Production, the Director of Portfolio Management and Compliance, and the Director of Real Estate Analysis of the Department must only be in written form which includes electronic communication through the Internet; and
(D) Communication with other Department staff may be oral or in written form which includes electronic communication through the Internet; and
(E) A record of the communication must be maintained by the Department and included with the application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication.

§53.52(e) (2)(F) – Rental Housing Development Site and Development Restrictions
Comment:
Comments received suggest that the restriction on developments in which more than 40% of the total units have the same number of bedrooms severely impacts the ability of the development community to preserve existing multifamily developments in Texas.

Department Response:
Staff concurs that the restriction may impact the ability to preserve multifamily developments and recommends that the section be removed entirely.

~~(F) Any Development, other than an elderly Development, in which more than 40% of the total Units have the same number of bedrooms. For purposes of this limitation, a den, study or other similar space that otherwise has the potential to meet the definition of a bedroom will be considered a bedroom.~~

§53.52(e) (3)(A)(B) – Rental Housing Development Site and Development Restrictions
Comment:
Comments suggest that the 16 unit limit requirement is too restrictive for the disability community and consumer control movement and that the 250 unit maximum should be reduced to 76 units to be consistent with the QAP. Comments also request the explicit ability to develop scattered site developments. (4, 10)

Department Response:
The HOME rule does not prohibit scattered site developments therefore there are no revisions necessary. Staff concurs that the 16 unit restriction may limit HOME and recommends that the section be removed entirely, however, if HOME funds are used in conjunction with Housing Tax Credits the development will be limited to the Housing Tax Credit restrictions for development size. The Department does not concur with the comment to reduce the 250 unit maximum to 76 units because it limits the utilization of HOME funds in participating jurisdictions.

(3) Limitations on the Size of Developments.
Developments involving new construction will be limited to 250 Units. These maximum Unit limitations also apply to those Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions.

~~(A) The minimum Development size will be 16 Units.~~
~~(B) Developments involving new construction will be limited to 250 Units. These maximum Unit limitations also apply to those Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions.~~

§53.52(h) – Rental Housing Development Site and Development Restrictions
Comment:
One comment suggests that staff revise the language in this section to reflect the compromise that was drafted by the Legislature to create and fund reserve accounts for multifamily housing when the Department is the first lien holder and when a reserve account is not required. (4)

Department Response:
The proposed rule is consistent with §2306.186 as revised by SB264, 78th Legislature, Regular Session. No change is recommended.

§53.53(1) – Application Limitations
Comment:
Comment suggested amending to provide that the Department shall not award more than $3.0 million to applications employing or using the same consultant or affiliate of such a consultant. (4)

Department Response:
The Department feels that Applicants should not be penalized for utilizing consulting services if they so desire. Regardless, no one application may be awarded more than $500,000 per activity under this section. The maximum that any one Applicant can be awarded in project dollars, even if awarded funds for all three activities, is $1.5 million. No changes are recommended.

§53.53(2) Application Limitations
Comment:
Comment suggests the Department increase the maximum award amount of HOME funds to $3.0 million in order to adequately serve small towns and rural areas with projects that can support the private debt and HOME loan.(8)

Department Response:
Staff does not agree with the proposed change to increase the maximum award amount to $3.0 million to encourage dispersion of funds and leveraging. Staff is already proposing to increase the maximum amount to $1.5 million as recommended by the HOME roundtable group. No additional change is necessary.

§53.53- Application Limitations
Comment:
Several comments were received requesting a new language be included stating the award amount for CHDO Pre-Development Loans not exceed $50,000.00, except as may otherwise allowed by the Board. (1, 2, 3)

Department Response:
The Department does not currently have the policies and procedures for awarding CHDO Pre-Development funds. It is the Department's desire for such an initiative to be introduced in future funding years. No funds will be awarded for CHDO Pre-Development Loans given that the proposed 2004 State of Texas Consolidated Plan One-Year Action Plan does not allocate funding for this Activity, and thus no maximum award necessary. No changes are recommended.

§53.54(d) –Tenant-Based Rental Assistance
Comment:
Comment proposed including the following sentence, "Tenants must participate in a self-sufficiency program as a condition for receipt of rental assistance." (1)

Department Response:
A self-sufficiency plan is not required by either State or Federal rules. It is at the Department's discretion as to make this a mandatory requirement. All requirements, other than those required of by State or Federal rules, are clearly outlined in Notices of Funding Availability and in application materials. No changes are recommended.

§53.54(f)-CHDO Pre-Development Loans.
Comment:
Comment was received by several entities requesting the Department to award Pre-Development Loans to CHDOs in a separate funding cycle, and at least four months prior to the beginning of the Rental Housing Development funding cycle. It is believed that this will enable CHDOs to obtain the necessary financing and time required to complete the market analysis report and the Environmental Site Assessment. (1, 2, 3) One comment received recommends that the waiver of CHDO Pre-Development Loans be contingent not only on factors being beyond the control of the CHDO but also not reasonably foreseen at the time of application. It was expressed that the Department should not waive repayment if the event that caused the inability to repay was reasonably foreseeable at the time the application was submitted. (4)

Department Response:
The Department does not currently award CHDO Pre-Development Loans, but have incorporated language allowing the flexibility to initiate such an Activity in future funding years. The Department will consider the comment received when doing so. Given the possibility of initiating open funding rounds, it would not be prudent to establish fixed parameters for such a funding round. Regarding the repayment waiver, the Department will only waive repayment if it is determined that the impediments were beyond the control of the CHDO per 24 CFR 92.301(b)(3). No changes are recommended.

§53.56 – Distribution of Funds
Comment:
One comment proposes modifying the last sentence of the first paragraph of this section to read, "All funds not set-aside under this subsection may be used for the benefit of persons with Special Needs who live in areas other than nonparticipating jurisdictions."(1) Another comment provided requests that 100% of HOME funds be allocated to nonparticipating jurisdictions, given that §2306.111(c) requires that the Department allocate at least 95% of funds to nonparticipating jurisdictions. (4)

Department Response:
§2306.111(c) of the Texas Government Code requires the Department to award at least 95% of HOME Program funds to entities in nonparticipating jurisdictions. It specifically states that all funds not set aside under this section shall be used for the benefit of persons with disabilities who live in areas other than nonparticipating areas. It is important to note that persons with disabilities are part of the Special Needs population, but not all Special Needs populations are disabled. The Department would not be in compliance with this legislative mandate if the language were to reflect Special Needs as proposed. Regarding giving 100% of HOME Program funds to nonparticipating jurisdictions, the Department's decision to allow up to 5% of funds to

be awarded in participating jurisdictions where projects will be serving persons with disabilities will be retained. It has been shown that much of the disabled population and those services necessary to aid this population are located in the areas with participating jurisdiction status. No changes are recommended.

§53.56(5) - CHDO Operating Expenses
Comment:
Comments were received requesting applicants be allowed to receive CHDO Operating Funds even if the Applicant has not been awarded HOME awards for Development Activities. (6, 7)

Department Response:
The proposed 2004 State of Texas Consolidated Plan One-Year Action Plan does not allocate CHDO Operating Funds for those Applicants that do not receive HOME awards for specific Activities. No changes are recommended.

§53.58(b) - Administrative Deficiencies
Comment:
One comment proposes modifying the first sentence to state if an application contains deficiencies in a non-threshold or non-scoring section of the application, rather than including both threshold and/or scoring documentation, then the Department may request clarification or correction of such Administrative Deficiencies. (1) Comment suggests that, while it is understandable that administrative deficiencies need to be corrected quickly, it is burdensome to require the developer to wait up to 2 months for a deficiency letter and then have a very limited turn-around time. It is requested that the Department allow 10 days rather than 5 to correct a deficiency, which will allow a prompt response to any deficiencies while not expecting the developer to wait for the deficiency letter for extended periods. (4, 13, 14)

Department Response:
The Department feels the language proposed needs no alteration in regard to including threshold and/or scoring documentation clarification. The Administrative Deficiencies' subsection has been proposed to offer equality among the review process, and insures that every Applicant receives fair and equitable consideration. However, Staff recommends the suggested extension of the deficiency time period up to ten days in an effort to decrease the burden on the Applicant during the application process. See new language proposed.

(b) Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within eight ~~three~~ business days of the deficiency notice date, then five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within ten ~~five~~ business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period.

Alternative Dispute Resolution Policy
Comment:

During public comment on the Department's proposed 2004 Qualified Allocation Plan and Rules, the Texas Affordable Housing Congress suggested that ADR procedures be added at several points in all Department Rules.

Department Response:
As enacted by the 78th Legislature in SB 264, Section 2306.082, Texas Government Code, requires the Department to develop and implement a policy to encourage the use of appropriate alternative dispute resolution procedures to assist in the resolution of disputes under the Department's jurisdiction. As one step in implementing the ADR policy called for by Section 2306.082, staff recommends the addition of the following new language to Section 53.58 of the proposed rule.

(c) Alternative Dispute Resolution Policy: In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.

II. NON-SUBSTANTIVE COMMENTS ON THE HOME AND DEPARTMENTAL RESPONSE

From public comment, and staff review, grammatical and typographical errors were identified. Corrections of these items were made to ensure that the document is as complete and accurate as possible. These corrections appear in the revised HOME Rules that accompanies this memorandum.

§53.51(30) - Proposed Definition of Rural Area
Comment:
One comment urges the Department to offer clarification on the acronyms PMSA and MSA. (5)

Department Response:
The Department is in agreement that the acronyms PMSA and MSA should be clarified. Note that in addition to the language change below, additional clarification has been supplied for Rural Housing Services.

(30) Rural Area--A project located within an area which:
(A) is situated outside the boundaries of a primary metropolitan statistical area (PMSA) or a metropolitan statistical area (MSA) ~~PMSA or MSA~~; ~~or~~
(B) within the boundaries of a primary metropolitan statistical area (PMSA) or a metropolitan statistical area (MSA), if the statistical area has a population of 20,000 or less and does not share

a boundary with an urban area ~~is situated within the boundaries of a PMSA or MSA if it has a population of not more than 20,000 and does not share boundaries with an urbanized area~~; or
(C) in an area that is eligible for funding by the Texas-United States Department of Agriculture-Rural Housing Services (TX-USDA-RHS)~~is located in an area that is eligible for funding by the Rural Housing Service~~.

III. GENERAL HOME COMMENTS NOT RELATED SPECIFICALLY TO THE HOME RULES AND DEPARTMENTAL RESPONSE

Conflict of Interest
Comment:
Comment received requested incorporating Policy Issuance No. 03-01 pertaining to Conflict of Interest into the rules. The inclusion of this issuance would further clarify the prohibited conflicts, person covered, and exceptions to the conflict of interest provisions. (1)

Department Response:
The Department issued this issuance to update the HOME Policy and Procedures Manual. The Department does not feel it necessary to incorporate in the Rules, as it is covered in all funding agreements between the Applicant and Department.

Capacity Building
Comment:
Comment was received suggesting that the Department consider using HOME funds to establish a capacity building program. Comment encourages the Department to structure this program to target organizations that might reasonably be expected to develop as successful Applicants for HOME Investment Partnerships Program funds. (11)

Department Response:
The Department realizes the need for capacity building assistance, especially for those nonprofits beginning efforts to supply affordable housing in their respective communities. Although no funding will be awarded for such a program in the proposed 2004 State of Texas Consolidated Plan One Year Action Plan, the Department is working diligently to establish the possibility of such a program in future funding years.

Administrative Funds
Comment:
Comment urges the Department to closely observe the Set-Aside of Tenant-Based Rental Assistance for individuals affected by the *Olmstead* decision and other set-asides that benefit people with disabilities. It is asked that the Department seek innovative processes that will broaden the scope of people with disabilities who will request access to assistance. It has been expressed that the funding involves a meager administrative fee, coupled with a reimbursement process. As a result, many community based organizations cannot compete for contracts. (11)

Department Response:
The Department appreciates all input in regard to program administration. It is the Department's desire to serve all citizens of Texas, including those of the disability population. The Department is awarding applications for Tenant-Based Rental Assistance for those persons affected by the *Olmstead* decision for the first time. Staff has worked closely with advocates of this population to ensure proper execution of this set-aside. Realizing the higher expenses incurred by taking on a program of this nature, the amount of administrative funds awarded was increased from 4% of

the project request, to 6% of the project request. Staff will continue to carefully review and monitor this set-aside, however, and look for inadequacies and areas of possible improvement.

IV. STAFF ADMINISTRATIVE CHANGES TO THE HOME RULES

(1) Based on frequent requests for such a funding source, Staff proposes to add language to Section 53.54 Rental Housing Development, to allow new construction as an eligible activity for non-CHDO applicants in the HOME program.

§53.54 Program Activities (c) Rental Housing Development: All eligible applicants that satisfy the requirements of Section 53.52 of this title may develop affordable rental housing. Eligible activities include acquisition, new construction, and rehabilitation. Owners of rental units assisted with HOME funds must comply with income and rent restrictions pursuant to 24 CFR 92.252 and keep the units affordable for a period of time, depending upon the amount of HOME assistance provided. Housing assisted with HOME funds must meet all applicable codes and standards, as specified in the application guide. In addition, housing that is newly constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR 92.251 (a).

(2) In an effort to more efficiently award funds, the Department anticipates open funding cycles. Staff requests language be stricken and new proposed language added to Section 53.60 (b)(2).

(2) Applications are ranked from highest scores to lowest scores in their respective regions or Activity according to HOME Program scores. ~~CHDO Set-Aside scores are ranked from highest to lowest in each CHDO eligible activity on a statewide basis~~. All funds not subject to the Regional Allocation Formula may be awarded on a first-come, first-serve basis.

Appendix A

Number	Contact	Organization
1	Robert L. Chavira	SMi Consulting
2	Alfredo Huerta	Housing Plus
3	Alfredo Huerta	Harlingen Community Development Corporation
4	Patrick A. Barbolla	Fountainhead Management, Inc.
5	Susan Maxwell	Texas Council for Developmental Disabilities
6	J. Reymundo Ocanas	Texas Association of Community Development Corporations
7	John Rodgers	Martin Luther King, Jr. Regional Development Center of East Texas Inc.
8	Mike S. Harms	Center for Housing and Economic Opportunities Corporation
9	Jesse Seawell	Ability Resources Incorporated
10	Jean Langendorf	United Cerebral Palsy of Texas
11	Joy Horak-Brown	New Hope Housing, Inc.
12	Ronald Rocha	ARCIL
13		RRHA
14	John Pitts	Affordable Housing Congress

TITLE 10. COMMUNITY DEVELOPMENT
PART I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 53. HOME INVESTMENT PARTNERSHIPS PROGRAM RULES
10 TAC §§ 53.50-53.56, 53.58, 53.60-53.63

§53.50. Scope

The rules in this chapter apply to the use and distribution of HOME Investment Partnerships Program (HOME) funds. The United States Department of Housing and Urban Development (HUD) provides HOME funds to the State pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 (42 United States Code §§12701-12839) and HUD regulations at 24 Code of Federal Regulations (CFR) Part 92. The State's HOME Program is designed to:

(1) expend at least 95% of the funds received for the benefit of non-participating small cities and rural areas that do not receive HOME funds directly from HUD.
(2) focus on the areas with the greatest housing need described in the State Consolidated Plan;
(3) provide funds for home ownership and rental housing through acquisition, new construction, rehabilitation, reconstruction, tenant-based rental assistance, and pre-development loans;
(4) promote partnerships among all levels of government and the private sector, including non-profit and for-profit organizations; and
(5) provide low, very low, and extremely low income Texans with affordable, decent, safe and sanitary housing.

§53.51-Definitions

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Activity--A form of assistance by which HOME funds are used to provide incentives to develop and support affordable housing and homeownership through acquisition, new construction, reconstruction, and rehabilitation of housing.
(2) Administrative Deficiencies--The absence of information or a document from the application which is important to a review and scoring of the application as required in this rule.
(3) Applicant--An eligible entity which is preparing to submit or has submitted an application for HOME funds and is designated in the application to assume contractual liability and legal responsibility as the Recipient executing the written agreement with the Department.
(4) Board--The governing board of the Texas Department of Housing and Community Affairs.
(5) CFR--Code of Federal Regulations.
(6) Colonia--A geographic area located in a county some part of which is within 150 miles of the international border of this state that:

(A) has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under §17.921, Water Code; or

(B) has the physical and economic characteristics of a colonia, as determined by the Texas Water Development Board.

~~An identifiable unincorporated area of a county any part of which is located within 150 miles of the Texas-Mexico border that lacks infrastructure and decent housing.~~

(7) Community Housing Development Organization (CHDO)--A private nonprofit organization that satisfies the requirements of 24 CFR 92.2 and is certified as such by the Department.

(8) Community Housing Development Organization Pre-Development Loan—A form of assistance in which funds are made available as loans to cover those costs outlined in 24 CFR 92.301.

(9~~8~~) Consolidated Plan--The State Consolidated Plan prepared in accordance with 24 CFR Part 91, which describes the needs, resources, priorities and proposed activities to be undertaken with respect to certain HUD programs and is subject to approval annually by HUD.

(10~~9~~) Demonstration Fund--A reserve fund for use alone or in combination and coordination with other programs administered by the Department. This Fund will be available for out of cycle applications, innovative programs brought to the Department for consideration and emergency programs. Additionally, this fund may be used with other programs administered by the Department as outlined in the Consolidated Plan, as approved by the Board.

(11~~10~~) Department--The Texas Department of Housing and Community Affairs.

(12~~11~~) Development- Projects that have a construction component, either in the form of new construction or the rehabilitation of multi-unit residential housing that meet the affordability requirements.

(13~~12~~) Expenditure--Approved expense evidenced by documentation submitted by the Recipient to the Department for purposes of drawing funds from HUD's IDIS for work completed, inspected and certified as complete, and as otherwise required by the Department.

(14~~13~~) Family- Includes but is not limited to the following types of families as defined in 24 CFR 5.403:

(A) A family with or without children;

(B) An elderly family;

(C) A near elderly family;

(D) A disabled family;

(E) A displaced family;

(F) The remaining member of a tenant family; and

(G) A single person who is not an elderly or displaced person or a person with disabilities or the remaining member of a tenant family.

(15~~14~~) Homebuyer Assistance-Down payment and closing costs assistance provided to eligible homebuyers.

(16~~15~~) HOME--The HOME Investment Partnerships Program at 42 United States Code §§12701-12839 and the regulations promulgated thereafter at 24 CFR Part 92.

(17~~16~~) Household--One or more persons occupying a housing unit.

(18~~17~~) HUD--The United States Department of Housing and Urban Development, or its successor.

(19~~18~~) IDIS--Integrated Disbursement and Information System established by HUD.

(20~~19~~) Income Eligible Families:

(A) Low-Income Families--Families whose annual incomes do not exceed 80% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

(B) Very Low-Income Families-- Families whose annual incomes do not exceed 50% of the median family income for the area, as determined by HUD and published by the Department, with adjustments for family size.

(C) Extremely Low Income Families--Families whose annual incomes do not exceed 30% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size. In accordance with Rider 3, and published by the Department, those counties where the median family income is lower than the state average median family income, Applicants targeting households at or below 30% of the median income of the area may use the average state median family income based on number of persons in a household.

(21~~20~~) Match--Eligible forms of non-federal contributions to a program or project in the forms specified in 24 CFR 92.220.

(22~~21~~) NOFA--Notice of Funding Availability, published in the *Texas Register*.

(23~~22~~) Nonprofit organization--A public or private organization that:

(A) is organized under state or local laws;

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual; and

(C) has a tax exemption ruling form the Internal Revenue Service under the Internal Revenue Code of 1986, §501 (c), as amended.

(24~~23~~) Owner-Occupied Housing Assistance--A form of assistance for the purpose of rehabilitating or reconstructing existing owner-occupied housing.

(25~~24~~) Participating Jurisdiction (PJ)--Any state or unit of general local government, including consortia as specified in 24 CFR 92.101, designated by HUD in accordance with 24 CFR 92.105.

(26~~25~~) Program--Funds provided in the form of a contract to an eligible Applicant for the purpose of administering more than one Project or assisting more than one household.

(27~~26~~) Program Income--Gross income received by the Department or program administrators directly generated from the use of HOME funds or matching contributions as further described in 24 CFR 92.2.

(28~~27~~) Project--A site or an entire building (including a manufactured housing unit), or two or more buildings, together with the site or sites on which the building or buildings are located, that are under common ownership, management, and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking under 24 CFR 92.2.

(29~~28~~) Recipient--A successful applicant that has been awarded funds by the Department to administer a HOME program, including a State Recipient, Subrecipient, for-profit entity, nonprofit entity, or CHDO.

(30~~29~~) Rental Housing Development-- A project for the acquisition, new construction, reconstruction or rehabilitation of multi-family or single family rental housing, or conversion of commercial property to rental housing.

(31~~30~~) Rural Area--A project located within an area which:

(A) is situated outside the boundaries of a primary metropolitan statistical area (PMSA) or a metropolitan statistical area (MSA)~~PMSA or MSA~~; ~~or~~

(B) within the boundaries of a primary metropolitan statistical area (PMSA) or a metropolitan statistical area (MSA), ~~is situated within the boundaries of a PMSA or MSA~~ if the statistical area ~~it~~ has a population of ~~not more than~~ 20,000 or less and does not share a boundary ~~boundaries~~ with an urban ~~urbanized~~ area; or

(C) ~~is located~~ in an area that is eligible for funding by the Texas-United States Department of Agriculture-Rural Housing Service (TX-USDA-RHS).

(32~~31~~) Single Family Housing Development- A form of assistance to make funds available to HOME eligible Applicants including non-profit organizations, CHDOs, units of general local government, for-profit housing organizations, sole proprietors and public housing agencies for the purpose of constructing affordable housing units.

(33~~32~~) Special Needs--Those individuals or categories of individuals determined by the Department to have unmet housing needs consistent with 42 USC §12701 et seq. and as provided in the Consolidated Plan.

(34~~33~~) State Recipient- A unit of general local government designated by the Department to receive HOME funds.

(35~~34~~) Subrecipient- A public agency or nonprofit organization selected by the Department to administer all or a portion of the Department's HOME program. A public agency or nonprofit that receives HOME funds solely as a developer or owner of housing is not a Subrecipient. The Department's selection of a Subrecipient is not subject to the procurement procedures and requirements.

(36~~35~~) Tenant-Based Rental Assistance (TBRA)--A form of rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. Tenant-based rental assistance also includes security deposits and utility deposits and allowances for rental of dwelling units.

(37~~36~~) Unit of General Local Government--A city, town, county, or other general purpose political subdivision of the State; a consortium of such subdivisions recognized by HUD in accordance with 24 CFR 92.101 and any agency or instrumentality thereof that is established pursuant to legislation and designated by the chief executive to act on behalf of the jurisdiction. An urban county is considered a unit of general local government under the HOME Program.

§53.52-Applicant Requirements

(a) Eligible Applicants. The following organizations or entities are eligible to apply for HOME eligible activities:

(1) nonprofit organizations;

(2) CHDOs;

(3) units of general local government;

(4) for-profit entities and sole proprietors; and

(5) public housing agencies.

(b) Ineligible Applicants: The following violations will cause an Applicant, and any applications they have submitted, to be ineligible:

(1)Previously funded Recipient(s) whose HOME funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to the current funding cycle;

(2)Applicants who have not satisfied all eligibility requirements described in §53.52(f) of this title and the NOFA to which they are responding, and for which Administrative Deficiencies were unresolved (relating to Applicant Requirements);

(3)Applicants who have submitted incomplete applications;

(4)Applicants that have been otherwise barred by the Department;

(5)Applicant or developer, or their staff, that violate the state revolving door policy.

(c) Restrictions on Communication.

(1)The Applicant or other person that is active in the ownership or control of the proposed Activity, or individual employed as a lobbyist or in another capacity on behalf of the application, may not communicate with any Board member with respect to the application during the period of time starting with the time an application is submitted until the time the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application.

(2)Applicants are restricted from communication with Department staff as described in subsection (c) of this section. The Applicant or a Related Party, the Development Owner, or the General Contractor, or any Affiliate of the General Contractor, ~~other person~~ that is active in the ownership or control of the application, or individual employed as a lobbyist or in another capacity on behalf of the application, may communicate with an employee of the Department with respect to the application~~Development~~ so long as that communication satisfies the conditions established under subparagraphs (A) through (E) of this paragraph. Communication with Department employees is unrestricted during any board meeting or public hearing held with respect to that application.

(A) The communication must be restricted to technical or administrative matters directly affecting the application;

(B) The communication must occur or be received on the premises of the Department during established business hours;

(C) Communication with the Executive Director, the Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Single Family Finance Production, the Director of Portfolio Management and Compliance, and the Director of Real Estate Analysis of the Department must only be in written form which includes electronic communication through the Internet; and

(D) Communication with other Department staff may be oral or in written form which includes electronic communication through the Internet; and

(E) A record of the communication must be maintained by the Department and included with the application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication.

(d) Noncompliance. Each application will be reviewed for its compliance history by the Department, consistent with Chapter 60 of this title. Applications found to be in Material Noncompliance, or otherwise violating the compliance rules of the Department, will be terminated.

(e) Rental Housing Development Site and Development Restrictions

(1) Floodplain. Any Development proposing new construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No Developments proposing rehabilitation will be permitted in the 100 year floodplain unless they already are constructed in accordance with the policy stated in this subsection for new construction or are able to provide evidence of flood insurance on the buildings and the contents of the units.

(2) Ineligible Building Types. Applications involving Ineligible Building Types will not be eligible for an award. Those buildings or facilities which are ineligible are as follows:

(A) Hospitals, nursing homes, trailer parks and dormitories (or other buildings that will be predominantly occupied by students) or other facilities which are usually classified as transient housing (other than certain specific types of transitional housing for the homeless and single room occupancy units) are ineligible. However, structures formerly used as hospitals, nursing homes or dormitories are eligible if the Development involves the conversion of the building to a non-transient multifamily residential development.

(B) Any elderly development of two stories or more that does not include elevator service for any Units or living space above the first floor.

(C) Any elderly development with any units having more than two bedrooms.

(D) Any Development with building(s) with four or more stories that does not include an elevator.

(E) Any Development proposing new construction, other than a Development (new construction or rehabilitation) composed entirely of single-family dwellings, having any Units with four or more bedrooms.

~~(F) Any Development, other than an elderly Development, in which more than 40% of the total Units have the same number of bedrooms. For purposes of this limitation, a den, study or other similar space that otherwise has the potential to meet the definition of a bedroom will be considered a bedroom.~~

(3) Limitations on the Size of Developments. Developments involving new construction will be limited to 250 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions.

~~(A) The minimum Development size will be 16 Units.~~

(~~B) Developments involving new construction will be limited to 250 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions.~~

(4) Unacceptable Sites. Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department.
(f) Eligibility requirements. An Applicant must satisfy each of the following requirements in order to be eligible to apply for HOME funding and as more fully described in the NOFA, when applicable:

(1) provide evidence of its ability to carry out the Program in the areas of financing, acquiring, rehabilitating, developing or managing affordable housing developments;
(2) demonstrate fiscal, programmatic, and contractual compliance on previously awarded Department contracts or loan agreements;
(3) resolve any previous audit findings, unless deemed irresolvable by the Department, and/or outstanding monetary obligations with the Department;
(4) demonstrate reasonable HOME Program expenditure and project performance on open contract(s), as determined through program monitoring. Evidence of expenditure and project identification is submitted with the application, and is reconciled with the Department's IDIS reports during the application review process; and
(5) demonstrate satisfactory performance otherwise required by the Department and set out in the application guidelines.

(g) If indicated by the Department, Recipients must comply with all requirements to utilize the Department's web site to provide necessary data to the Department.
(h) For funds being used for Rental Housing Developments, the Recipient must establish a reserve account consistent with §2306.186, Texas Government Code, and as further described in Chapter 60 of this title.

§53.53-Application Limitations

An eligible Applicant may apply for several eligible activities provided that the total amount requested does not exceed the funding limits established in this section. The Department reserves the right to reduce the amount requested in an application based on program or project feasibility, underwriting analysis, or availability of funds:

(1) Award amount for Owner-Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance shall not exceed $500,000 per Activity, except as may be otherwise allowed by the Board.
(2) Award amount for Development activities shall not exceed $1.5 million, except as may be otherwise allowed by the Board.
(3) Award amount for Operating Expenses shall not exceed operating expenses in each fiscal year up to $50,000 or 50% of the CHDO's total annual operating expenses for that year, whichever is greater.

(4) Per unit subsidy for all HOME-assisted housing may not exceed the per-unit dollar limits established by HUD under §221(d)(3) of the National Housing Act which are applicable to the area in which the housing is located, and published by the Department.

§53.54-Program Activities

(a) Owner-Occupied Housing Assistance: Assisted homeowners must be income eligible and must occupy the property as their principal residence. Housing assisted with HOME funds must meet all applicable codes and standards, as specified in the application guide. In addition, housing that is reconstructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR 92.251(a).

(b) Homebuyer Assistance: HOME funds utilized for Homebuyer Assistance are subject to the Department's recapture restrictions as approved by HUD in the Consolidated Plan and as outlined in the application guidelines. The eligible uses for Homebuyer Assistance are down-payment assistance, closing cost assistance, gap financing, and homebuyer counseling. The total assistance provided per eligible homebuyer may not exceed the limits as determined or allowed by the Board.

(c) Rental Housing Development: All eligible applicants that satisfy the requirements of Section 53.32 of this title may develop affordable rental housing. Eligible Activities include acquisition, new construction, and rehabilitation. Owners of rental units assisted with HOME funds must comply with income and rent restrictions pursuant to 24 CFR 92.252 and keep the units affordable for a period of time, depending upon the amount of HOME assistance provided. Housing assisted with HOME funds must meet all applicable codes and standards, as specified in the application guide. In addition, housing that is newly constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR 92.251(a).

(d) Tenant-Based Rental Assistance: Recipients must comply with 24 CFR 92.209 and 92.216.

(e) Single Family Housing Development: Newly constructed housing must meet all applicable codes and standards, as specified in the application guide. In addition, housing that is newly constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR 92.251(a). An eligible Applicant that applies for Single Family Housing Development may also apply for Homebuyer Assistance.

(f) CHDO Pre-Development Loans: The Department may set-aside up to 10% of the CHDO 15% Set-Aside for pre-development loans in accordance with 24 CFR 92.300(c).Funds for pre-development loans are available only when provided in conjunction with a Development application and may only be used for activities such as project-specific technical assistance, site control loans, and project-specific seed money. Pre-development loans must be repaid from construction loan proceeds or other project income. In accordance with 24 CFR 92.301, the Department may elect to waive pre-development loan repayment, in whole or in part, if there are impediments to project development that the Department determines are reasonably beyond the control of the CHDO.

(g) Set-Asides: other activities deemed eligible under set-asides defined by the Department and outlined in the Consolidated Plan.

§53.55-Prohibited Activities

In accordance with 24 CFR 92.214, HOME funds may not be used to:

(1) provide a project reserve account for replacements or increases in operating costs, or operating subsidies;
(2) provide TBRA for existing Section 8 Programs;
(3) provide non-federal matching contributions for other programs;
(4) provide assistance to Public Housing Agency owned or leased projects;
(5) carry out Public Housing Modernization;
(6) provide pre-payment of low-income housing mortgages under 24 CFR Part 248;
(7) provide assistance to a project previously assisted with HOME funds during the period of affordability;
(8) provide funds to reimburse an Applicant for acquisition costs for a property already owned by the Applicant, and
(9) pay for any cost that is not eligible under 24 CFR 92.206-92.209.

§53.56-Distribution of Funds

In accordance with 24 CFR 92.201(b)(1), the Department makes every effort to distribute HOME funds throughout the state according to the Department's assessment of the geographic distribution of housing needs, as identified in the Consolidated Plan. Funds shall also be allocated in accordance with §2306.111(d) through (g), Texas Government Code. The Department receives HOME funds for areas of the state which have not received Participating Jurisdiction (PJ) status from HUD. §2306.111(c) of the Texas Government Code requires the Department to award at least 95% of HOME Program funds to entities in nonparticipating jurisdictions. All funds not set aside under this subsection shall be used for the benefit of persons with disabilities who live in areas other than nonparticipating areas.

(1) CHDO Set-Aside. In accordance with 24 CFR 92.300, not less than 15% of the HOME allocation will be set aside by the Department for CHDO eligible activities. CHDO set-aside projects are owned, developed, or sponsored by the CHDO, and result in the development of rental units or homeownership. Development includes projects that have a construction component, either in the form of new construction or the rehabilitation of existing units. . If an insufficient number of qualified applications are received by the deadline, the Department reserves the right to hold additional competitions in order to meet federal set-aside requirements.
(2) Special Needs Set-Aside. In accordance with the Consolidated Plan, funds will be available to eligible Applicants, as defined in §53.52(a) of this title (relating to Applicant Requirements), with a documented history of working with special needs

populations and with relevant housing related experience. Applicants may submit applications for: Owner-Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance. If an insufficient number of qualified applications are received, the Department reserves the right to transfer funds remaining in accordance with subsection (6) of this section regarding Redistribution.

(3) Other Set-Asides: In accordance with the Consolidated Plan, funds will be available to eligible Applicants, as defined in §53.52(a) of this title (relating to Applicant Requirements), for those eligible activities outlined under Set-Asides.

(4) Administrative Funds: In accordance with 24 CFR 92.207 up to 10% of a PJ's HOME allocation plus any program income received may be used for eligible and reasonable planning and administrative costs. Administrative and planning costs may be incurred by the PJ, State Recipient, Subrecipient, nonprofit entity, or CHDO.

(5) CHDO Operating Expenses: In accordance with 24 CFR 92.208 up to 5% of a PJ's HOME allocation may be used for the operating expenses of CHDOs. CHDO Applicants awarded funds for set-aside activities may be eligible for operating expenses.

(6) Redistribution. In an effort to commit HOME funds in a timely manner, the Department may reallocate funds set-aside in accordance with the Consolidated Plan, at its own discretion, to other regions or activities if: (A) the Department fails to receive a sufficient number of applications from a particular region or Activity, (B) no applications are submitted for a region, or (C) applications for a region or Activity do not meet eligibility requirements or minimum threshold scores (when applicable), or are financially infeasible as applicable.

(7) Marginal Applications. When the remainder of the allocation within a region is insufficient to completely fund the next ranked application in the region or Activity, it is within the discretion of the Department to:

(A) fund the next ranked application for the partial amount, reducing the scope of the application proportionally;

(B) make necessary adjustments to fully fund the application; or

(C) transfer the remaining funds to other regions or activities.

(8) HOME Demonstration Fund. The Department, with Board approval, may reserve HOME funds to combine and coordinate with other programs administered by the Department as outlined in the Consolidated Plan, or for housing activities the Department is permitted to fund under applicable law.

§53.57-Allocation Plan

The allocation plan will be based on the funding recommendations in the Consolidated Plan.

§53.58-Application Process

(a) An Applicant must submit a completed application to be considered for funding, along with an application fee determined by the Department and outlined in the NOFA. Applications containing false information and applications not received by the deadline will be disqualified. Disqualified Applicants are notified in writing. All applications must be received by the Department by 5:00 p.m. on the date identified in the NOFA, regardless of method of delivery.

(b) Administrative Deficiencies. If an application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the application, the Department staff may request clarification or correction of such Administrative Deficiencies including both threshold and/or scoring documentation. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within eight~~three~~ business days of the deficiency notice date, then five points shall be deducted from the application score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within ten~~five~~ business days from the deficiency notice date, then the application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. An Applicant may not change or supplement an application in any manner after the filing deadline, except in response to a direct request from the Department.
(c) Alternative Dispute Resolution Policy: In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.

§53.60-Process for Awards

(a) The Department will publish a NOFA in the Texas Register. The NOFA will establish a deadline for receiving applications and indicate the approximate amount of available funds.
(b) Selection Procedures for non-development activities, such as, Owner Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance.

(1) Applications must comply with all applicable HOME requirements or regulations established in 24 CFR Part 92 and in these rules. Applications that do not comply with such requirements are disqualified. Disqualified Applicants are notified in writing.

(2) Applications are ranked from highest scores to lowest in their respective regions or Activity according to HOME Program scores. All funds not subject to the Regional Allocation Formula may be awarded on a first-come, first-serve basis.~~CHDO Set-Aside scores are ranked from highest to lowest in each CHDO eligible activity on a statewide basis.~~

(3) Applications that meet or exceed a minimum score of 60% of the total HOME Program score established for the respective activities are considered for funding.

(4) In event of a tie between two or more Applicants, the Department, reserves the right to determine which application will receive a recommendation for funding, or if all tied Applicants will receive a partial recommendation for funding, based on housing need factors and feasibility of the proposed project identified in the application.

(5) Applicants will be notified at least 7 calendar days prior to the date of the Board meeting of the status of their application.

(6) Applications receiving a favorable staff recommendation are then presented to the Board for approval, pending the availability of HOME funds for each Activity.

(c) Selection Procedures for Development activities, such as, Single Family Housing Development and Rental Housing Development.

(1) Applications must comply with all applicable HOME requirements or regulations established in 24 CFR Part 92, and in these rules. . Applications that do not comply with HOME requirements are disqualified. Disqualified Applicants are notified in writing.

(2) Rental Housing Developments will undergo a review as follows:

(A) Threshold Evaluation. Applications submitted for Rental Housing Developments will be required to comply with the threshold criteria required under §50.9(f) of this title, which are those required for the Housing Tax Credit Program.

(B) Scoring Evaluation. For an application to be scored, the application 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 scoring criteria identified in the NOFA.

(C) Financial Feasibility Evaluation. After the application is scored, the Department will assign, as herein described, Developments for review for financial feasibility by the Department's Real Estate Analysis Division consistent with §53.56 of this title. The Department shall underwrite an application to determine the financial feasibility of the Development and an appropriate funding amount and terms. In making this determination, the Department will use the Underwriting Rules and Guidelines, §1.32 of this title.

(3) Single Family Housing Developments will undergo a review as follows:

(A) For applications that meet or exceed a minimum score of 60% of the total HOME Program scoring points established for each Development Activity are considered for funding. Applicants not meeting or exceeding the minimum score established in this section are disqualified and are notified in writing. Development applications are ranked from highest to lowest scores according to HOME Program scores on a statewide basis.

(B) Applications meeting the HOME Program requirements established in §53.60(c)(3)(A) of this title must receive an underwriting analysis by the Department.

(4) A site visit will be conducted as part of the HOME Program Development feasibility. Applicants must receive recommendation for approval from the Department to be considered for HOME funding by the Board.

(5) In event of a tie between two or more Applicants, the Department reserves the right to determine which application will receive a recommendation for funding, or if all tied Applicants will receive a partial recommendation for funding, based on housing need factors and feasibility of the proposed project identified in the application.

(6) Each Development application will be notified of its score in writing no later than seven calendar days after all applications received have been scored. Subsequently, the recommendation regarding their application will be made on the Department's web site at least 7 calendar days prior to the Board meeting at which the awards will be approved.

(7) Applications receiving a favorable staff recommendation are then presented to the Board for approval, pending the availability of HOME funds for such Activity.

(8) Board approval for the award of HOME Development Activity funds is conditional upon a completed loan closing and any other conditions deemed necessary by the Department.

(9) Applicants may appeal staff's decision regarding their applications in accordance with §1.7 of this title.

§53.61-General Selection Criteria

At a minimum, the following criteria are utilized in evaluating the applications for HOME funds. The applicable criteria are further delineated in the application guidelines and NOFA, which are part of the application package.

(1) Needs Assessment--Whether the proposed project meets the demographic, economic, and special need characteristics of the population residing in the target area and the need that the HOME program is designed to address, using qualitative and quantitative information, market studies, if appropriate, and other source documentation as delineated in the application guidelines, which are part of the application.

(2) Program Design--Whether the proposed project meets the needs identified in the needs assessment, whether the design is complete (including timeline for program implementation and service delivery), and whether the project fits within the community setting. Information required includes, but is not limited to: community involvement; support services and resources; scope of program; income and population targeting; marketing, fair housing and relocation plans, as applicable.

(3) Capability of Applicant--Whether the Applicant has the capacity to administer and manage the proposed program/project, demonstrated through previous experience either by the Applicant, cooperating entity or key staff (including other contracted service providers), in program management, property management, acquisition, rehabilitation, construction, real estate finance counseling and training or other activities relevant to the proposed program, and the extent to which Applicant has the capability to manage financial resources, as evidenced by previous experience, documentation of the Applicant or key staff, and existing financial control procedures.
(4) Financial Design--Whether the proposed program budget includes eligible forms of matching contributions in accordance with 24 CFR 92.220, as may be amended.

§53.62-Program Administration

(a) Agreement. Upon approval by the Board, Applicants receiving HOME funds shall enter into, execute, and deliver to the Department all written agreements between the Department and Recipient, including land use restriction agreements and compliance agreements as required by the Department.
(b) Amendments. The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to any HOME written agreement provided that:
  (1) in the case of a modification or amendment to the dollar amount of the award, such modification or amendment does not increase the dollar amount by more than 25% of the original award or $50,000, whichever is greater; and
  (2) in the case of all other modifications or amendments, such modification or amendment does not, in the estimation of the Executive Director, significantly decrease the benefits to be received by the Department as a result of the award.
  (3) Modifications and/or amendments that increase the dollar amount by more than 25% of the original award or $50,000, whichever is greater; or significantly decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval.
(c) Deobligation.
  (1) The Department reserves the right to deobligate funds in the following situations:
    (A) Recipient has any unresolved compliance issues on existing or prior contracts with the Department.
    (B) Recipient fails to set-up programs/projects or expend funds in a timely manner.
    (C) Recipient defaults on any agreement by and between Recipient and the Department.
    (D) Recipient misrepresents any facts to the Department during the HOME application process, award of contracts, or administration of any HOME contract.
    (E) Recipient's inability to provide adequate financial support to administer the HOME contract or withdrawal of significant financial support.
    (F) Recipient is not in compliance with 24 CFR Part 92, or these rules.
    (G) Recipient declines funds.

(H) Recipient fails to expend all funds awarded.

(2) The Department, with approval of the Board, may elect to reassign funds following the Deobligation Policy, adopted by the Board on January 17, 2002, in the order prioritized as follows:

(A) Successful appeals (as allowable under program rules and regulations), or

(B) Disaster Relief (disaster declarations or documented extenuating circumstances such as imminent threat to health and safety), or

(C) Special Needs, or

(D) Colonias, or

(E) Other projects/uses as determined by the Executive Director and/or Board including the next year's funding cycle for each respective program.

(d) Waiver. Upon determination of good cause, the Department, upon approval of the Board, may waive all or any part of these rules that are within the discretion of the State. (e) Additional Funds. In the event the Department receives additional funds from HUD, the Department, with Board approval, may elect to distribute funds to other Recipients.

§53.63-Community Housing Development Organization (CHDO) Certification

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

(1) Applicant--A private nonprofit organization that has submitted a request for certification as a Community Housing Development Organization (CHDO) to the Department. An Applicant for the CHDO set aside must be a CHDO certified by the Department or as otherwise certified or designated as described in subsection (d).

(2) Articles of Incorporation--A document that sets forth the basic terms of a corporation's existence and is the official recognition of the corporation's existence. The documents must evidence that they have been filed with the Secretary of State.

(3) Bylaws--A rule or administrative provision adopted by a corporation for its internal governance. Bylaws are enacted apart from the articles of incorporation. Bylaws and amendments to bylaws must be formally adopted in the manner prescribed by the organization's articles or current bylaws by either the organization's board of directors or the organization's members, whoever has the authority to adopt and amend bylaws.

(4) Community--For urban areas, the term "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area, but not the whole state.

(5) Low income --An annual income that does not exceed eighty percent (80%) of the median income for the area, with adjustments for family size, as defined by the U.S. Department of Housing and Urban Development (HUD).

(6) Memorandum of Understanding (MOU)--A written statement detailing the understanding between parties.

(7) Neighborhood--A geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation that is within the boundary but does not encompass the entire area of a unit of general local government; except that if the unit of general local government has a population under 25,000, the neighborhood may, but need not, encompass the entire area of a unit of general local government.

(8) Nonprofit organization--Any private, nonprofit organization (including a State or locally chartered, nonprofit organization) that:

(A) is organized under State or local laws,

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual,

(C) complies with standards of financial accountability acceptable to the Secretary of the United States Department of Housing and Urban Development, and

(D) has among its purposes significant activities related to the provision of decent housing that is affordable to low-income and moderate-income persons.

(9) Resolutions--Formal action by a corporate board of directors or other corporate body authorizing a particular act, transaction, or appointment. Resolutions must be in writing and state the specific action that was approved and adopted, the date the action was approved and adopted, and the signature of person or persons authorized to sign resolutions. Resolutions must be approved and adopted in accordance with the corporate bylaws.

(b) Application Procedures for Certification of CHDO. An Applicant requesting certification as a CHDO must submit an application for CHDO certification in a form prescribed by the Department. The CHDO application must be submitted with an application for HOME funding under the CHDO set aside. The application must include documentation evidencing the requirements of this subsection.

(1) An Applicant must have the following required legal status at the time of application to apply for certification as a CHDO:

(A) Organized as a private nonprofit organization under the Texas Nonprofit Corporation Act or other state not-for-profit/nonprofit statute as evidenced by:

(i) Charter, or

(ii) Articles of Incorporation.

(B) The Applicant must be registered with the Secretary of State to do business in the State of Texas.

(C) No part of the private nonprofit organization's net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

(i) Charter, or

(ii) Articles of Incorporation.

(D) The Applicant must have the following tax status:

(i) A current tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3), a charitable, nonprofit corporation, or Section 501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective while certified as a CHDO; or

(ii) Classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and

(iii) A private nonprofit organization's pending application for 501(c)(3) or (c)(4) status cannot be used to comply with the tax status requirement under this subparagraph.

(E) The Applicant must have among its purposes the provision of decent housing that is affordable to low and moderate income people as evidenced by a statement in the organization's:

(i) Articles of Incorporation,

(ii) Charter,

(iii) Resolutions, or

(iv) Bylaws.

(F) The Applicant must have a clearly defined service area. The Applicant may include as its service area an entire community as defined in subsection (a)(4) of this section, but not the whole state. Private nonprofit organizations serving special populations must also define the geographic boundaries of its service areas. This subparagraph does not require a private nonprofit organization to represent only a single neighborhood.

(2) An Applicant must have the following capacity and experience:

(A) Conforms to the financial accountability standards of 24 CFR 84.21, "Standards of Financial Management Systems" as evidenced by:

(i) notarized statement by the Executive Director or chief financial officer of the organization in a form prescribed by the Department,

(ii) certification from a Certified Public Accountant, or

(iii) HUD approved audit summary.

(B) Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

(i) resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds, or

(ii) contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff of the organization.

(C) Has a history of serving the community within which housing to be assisted with HOME funds is to be located as evidenced by:

(i) statement that documents at least one year of experience in serving the community, or

(ii) for newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community; and

(iii) The CHDO or its parent organization must be able to show one year of serving the community prior to the date the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as, developing new housing, rehabilitating existing stock and managing housing stock, or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief, or childcare facilities. The statement must be signed by the president or other official of the organization.

(3) An Applicant must have the following organizational structure:

(A) The Applicant must maintain at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in the Applicant's service area. Low-income neighborhoods are defined as neighborhoods where 51 percent or more of the residents are low-income. Residents of low-income neighborhoods do not have to be low income individuals themselves. If a low-income individual does not live in a low-income neighborhood as herein defined, the low-income individual must certify that he qualifies as a low-income individual. This certification is in addition to the affidavit required in clause (ii) of this subparagraph. For the purpose of this subparagraph, elected representatives of low-income neighborhood organizations include block groups, town watch organizations, civic associations, neighborhood church groups, Neighbor Works organizations and any organization composed primarily of residents of a low-income neighborhood as herein defined whose primary purpose is to serve the interest of the neighborhood residents. Compliance with this subparagraph shall be evidenced by:

(i) written provision or statement in the organizations By-laws, Charter or Articles of Incorporation,

(ii) affidavit in a form prescribed by the Department signed by the organization's Executive Director and notarized, and

(iii) current roster of all Board of Directors, including names and mailing addresses. The required one-third low-income residents or elected representatives must be marked on list as such.

(B) The Applicant must provide a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects. The formal process should include a system for community involvement in parts of the private nonprofit organization's service areas where housing will be developed, but which are not represented on its boards. Input from the low-income community is not met solely by having low-income representation on the board. The formal process must be in writing and approved or adopted by the private nonprofit organization, as evidenced by:

(i) organization's By-laws,

(ii) Resolution, or

(iii) written statement of operating procedures approved by the governing body. Statement must be original letterhead, signed by the Executive Director and evidence date of board approval.

(C) A local or state government and/or public agency cannot qualify as a CHDO, but may sponsor the creation of a CHDO. A private nonprofit organization may be chartered by a State or local government, but the following restrictions apply:

(i) The state or local government may not appoint more than one-third of the membership of the organization's governing body.

(ii) The board members appointed by the state or local government may not, in turn, appoint the remaining two-thirds of the board members.

(iii) No more than one-third of the governing board members may be public officials. Public officials include elected officials, appointed public officials, public employees, and individuals appointed by a public official. Elected officials include, but are not limited to, state legislators or any other statewide elected officials. Appointed public officials include, but are not limited to, members of any regulatory and/or advisory boards or commissions that are appointed by a State official. Public employees include, but are not limited to, employees of State governmental entities or departments of State government.

(iv) Public officials who themselves are low-income residents or representatives do not count toward the one-third minimum requirement of community representatives in subparagraph (A) of this paragraph.

(v) Compliance with clauses (i)-(iv) of this subparagraph shall be evidenced by:

(I) organization's By-laws,

(II) Charter, or

(III) Articles of Incorporation.

(D) If the Applicant is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the Applicant's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the Applicant's:

(i) By-laws,

(ii) Charter, or

(iii) Articles of Incorporation.

(E) An Applicant may be sponsored or created by a for-profit entity provided the for-profit entity's primary purpose does not include the development or management of housing, as evidenced in the for-profit organization's By-laws. If an Applicant is associated or has a relationship with a for-profit entity or entities, the Applicant must prove it is not controlled, nor receives directions from individuals, or entities seeking profit as evidenced by:

(i) organization's By-laws, or

(ii) Memorandum of Understanding (MOU).

(4) Religious organizations cannot qualify as a CHDO, but may sponsor the creation of wholly secular private nonprofit organizations. If Applicant is sponsored by a religious organization, the following restrictions apply.

(A) The Applicant must prove that it is not controlled by the religious organization.

(B) The developed housing must be used exclusively for secular purposes and the housing owned, developed or sponsored by the Applicant must be made available to all persons regardless of religious affiliations or beliefs.

(C) There are no limits on the proportion of the board that may be appointed by the religious organization.

(D) Compliance with these clauses (i)-(iii) of this subparagraph shall be evidenced by:

(i) organization's By-laws,

(ii) Charter, or

(iii) Articles of Incorporation.

(c) An application for Community Housing Development Organization (CHDO) Certification will only be accepted if submitted with an application to the Department for HOME funds. If all requirements under this §53.63 are met, the Applicant will be certified as a CHDO upon the award of HOME funds by the Department. A new application for CHDO certification must be submitted to the Department with each new application for HOME funds under the CHDO set aside.

(d) If an Applicant submits an application for CHDO certification for a service area that is located in a local Participating Jurisdiction, the Applicant must submit evidence of the local taxing jurisdiction or local Participating Jurisdiction certification or designation of the Applicant as a CHDO.

(e) In the case of an Applicant applying for HOME funds (CHDO set-aside) from the Department to be used in a Participating Jurisdiction, where neither the Participating Jurisdiction nor the local taxing entity certifies CHDOs outside of the local HOME application process, the Certification process described in this section applies.

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION REQUEST
November 14, 2003

Action Items

Final Integrated Housing Rule.

Required Action

Approval of the Integrated Housing Rule.

- See Attachment A for a summary of comments and Department responses.

- See Attachment B for the final version of the rule, with proposed language changes underlined.

Background

At the September 11, 2003 Board Meeting, the Board approved the Proposed Integrated Housing Rule. This proposed rule was published in the *Texas Register* on September 26, 2003 for the public to provide comments. In order to receive additional comments on all proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

ATTACHMENT A: Integrated Housing Rule Comments and Department Responses

Comment: I'd like to have it in the rules that the integrated housing project can use HOME funds, not just the board can make modifications.

Department Response: All funding sources that can be appropriately leveraged to produce an integrated housing development are eligible to be used in conjunction with TDHCA funds. The Department believes that specifying the eligibility of a particular funding source gives the impression that those that are not listed are not allowable. No change proposed.

Comment: The Council (Texas Council for Developmental Disabilities) greatly appreciates the Department's move toward adopting in rule the integrated housing policy. This policy is in alignment with a primary goal of the Council which is to ensure that all people with disabilities are fully included in their communities. Moreover, the rule reflects the desire of people with disabilities to be a part of their communities.

Department Response: No response required.

Comment: §1.15 (b) (6): For clarity, the phrase "assisted living arrangements" should be defined.

Department Response: The Department concurs and has added the following definition of assisted living facility:

Assisted living facility -- An establishment that furnishes food and shelter to four or more persons who are unrelated to the owner of the establishment and provides personal care services (Texas Revised Health and Safety Statutes Annotated § 247.001 et. seq.; Texas Administrative Code Title 25, §146.321 et seq.). These facilities are not considered to be an integrated setting.

Comment: §1.15 (b) (9): As noted in the above comments on the proposed Housing Tax Credit Program Qualified Allocation Plan and Rules in §50.3 Definitions (54)(A)(iii), there is a discrepancy between the definitions of persons with disabilities in various Department rules. The Council urges the Department to refer to the HUD definition found in 24 CFR 5.403 for more precise wording.

Department Response: The Department concurs and will ensure that the definitions are consistent within all Department rules. (The definition used in the Integrated Housing Rule will remain as proposed.)

ATTACHMENT B: Integrated Housing Rule

TITLE 10 **Community Development**
PART 1 **Texas Department of Housing and Community Affairs**
CHAPTER 1 **Administration**
SUBCHAPTER A **General Policies and Procedures**

1.15 Integrated Housing Rule

(a) Purpose. It is the purpose of this section to outline the guidelines related to the provision of integrated housing as it relates to the Department's programs.

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

(1) Assisted living facility -- An establishment that furnishes food and shelter to four or more persons who are unrelated to the owner of the establishment and provides personal care services (Texas Revised Health and Safety Statutes Annotated § 247.001 et. seq.; Texas Administrative Code Title 25, §146.321 et seq.). These facilities are not considered to be an integrated setting.

(2) Board -- The governing board of the department.

(3) Colonia -- A geographic area located in a county any part of which is within 150 miles of the international border of this state and that:

(A) has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under §17.921, Water Code; or
(B) has the physical and economic characteristics of a colonia, as determined by the Texas Water Development Board.

(4) Department – The Texas Department of Housing and Community Affairs

(5) General population -- Not segregated by type of disability or special needs status.

(6) Housing development -- Property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the department and that is financed under the provisions of this chapter for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by individuals and families of low and very low income and families of moderate income in need of housing. The term includes:

(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the department determines to be necessary, convenient, or desirable appurtenances; and

(B) single and multifamily dwellings in rural and urban areas.

(7) Integrated housing -- Normal, ordinary living arrangements typical of the general population. Integration is achieved when individuals with disabilities choose ordinary, typical housing *units* that are located among individuals who do not have disabilities or other special needs. Regular, integrated housing is distinctly different from assisted living facilities/arrangements.

(8) Large housing development –- Single or multifamily housing development that has 50 or more units.

(9) Mulitfamily housing development **--** A project that contains five or more housing units.

(10) Persons with Disabilities -- A household composed of one or more persons, at least one of whom is an individual who is determined to:
(A) Have a physical, mental, or emotional impairment that:
(i) Is expected to be of long-continued and indefinite duration;
(ii) Substantially impedes his or her ability to live independently; and
(iii) Is of such a nature that the disability could be improved by more suitable housing conditions; or
(A) Have a developmental disability, as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001-6007); or
(B) Be the surviving member or members of any family that had been living in an assisted unit with the deceased member of the family who had a disability at the time of his or her death; or
(C) Be legally responsible for caring for an individual described by (A) or (B).

(11) Scattered Site -- One to four family dwellings located on sites that are on non-adjacent lots, with no more than four units on any one site.

(12) Small housing development – a single or multifamily housing development that has less than 50 units.

(13) Special Needs Populations **--** Persons who:
(A) are considered to be disabled under state or federal law,
(B) are elderly, meaning 60 years of age or older or of an age specified by an applicable federal program,
(C) are designated by the Board as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise (these include: persons with alcohol

and/or drug addictions, colonia residents, persons with disabilities, victims of domestic violence, persons with HIV/AIDS, homeless populations, and migrant farmworkers), or (D) are legally responsible for caring for an individual described by subparagraphs (A), (B), or (C) of this paragraph and meet the income guidelines established by the Board.

(14) Tenant-Based Rental Assistance -- A form of rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. The assistance is provided for the tenant, not for the project.

(15) Tenant Services -- Social services, including child care, transportation, and basic adult education, that are provided to individuals residing in low income housing under Title IV-A, Social Security Act (42 U.S.C. §601 et seq.), and other similar services. Tenant participation in services cannot be required.

(16) Transitional housing **--** A project that has as its purpose facilitating the movement of homeless individuals and families to permanent housing within a reasonable amount of time (usually 24 months). Transitional housing includes but is not limited to housing primarily designed to serve de-institutionalized homeless individuals and other homeless individuals with mental or physical disabilities, homeless families with children, and victims of domestic violence.

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

(c) Procedures.

(1) A housing development may not restrict occupancy solely to people with disabilities or people with disabilities in combination with other special needs populations.

(A) Large housing developments shall provide no more than 18 percent of the units of the development set-aside exclusively for people with disabilities. The units must be dispersed throughout the development.

(B) Small housing developments shall provide no more than 36 percent of the units of the development set-aside exclusively for people with disabilities. These units must be dispersed throughout the development.

2. Set aside percentages outlined in subparagraphs (A) and (B) of paragraph (1) of this subsection refer only to the units that are to be solely restricted for person with disabilities. This section does not prohibit a property from having a higher percentage of occupants that are disabled.

(3) Property owners may not market a housing development entirely, nor limit occupancy to, persons with disabilities.

(d) Exceptions.

(1) Scattered site development and tenant based rental assistance is exempt from the requirements of this section.

(2) Transitional housing is exempt from the requirements of this section, but must be time limited, with a clear and convincing plan for permanent integrated housing upon exit from the transitional situation.

(3) This section does not apply to housing developments designed exclusively for the elderly.

(4) This section does not apply to housing developments designed for other special needs populations.

(e) Board Waiver.

(1) The Board may waive the requirements of this rule to further the purposes or policies of Chapter 2306, Texas Government Code, or for other good cause.

Portfolio Management and Compliance Monitoringq

BOARD ACTION REQUEST
November 14, 2003

Action Items

Final Compliance Monitoring Policies and Procedures

Required Action

Adoption of Title 10, Part 1, Chapter 60, Subchapter A, Section 60.1

Background

At the September 11, 2003, Board Meeting, the Board approved the proposed rules to Title 10, Part 1, Chapter 60, Subchapter A, Section 60.1—Compliance Monitoring Policies and Procedures. These proposed rules were published in the *Texas Register* on September 26, 2003, for the public to provide comments. Ion order to receive additional comments on all proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, harlingen, Corpus Christi, Waco, Lufkin and Houston.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

TO: TDHCA Board Members

FROM: Sara Carr Newsom, Portfolio Management and Compliance Division

THROUGH: Edwina Carrington, Executive Director

SUBJECT: **2004 Proposed Rules for Compliance Monitoring and Asset Management – Responses to Public Comments**

DATE: November , 2003

On September 26, 2003, the proposed 2004 Rules for Compliance Monitoring and Asset Management were published in the Texas Register. The comment period coincided with the public comment period for the discussion of changes to the Qualified Allocation Plan. In addition to publishing the document in the Texas Register, a copy of the rules were published on the Department's web site and made available to the public upon request. The Department held ten public hearings across the state to gather input on the draft rules. The public was genuinely pleased with the draft rules and with the Department's efforts.

The Department received the majority of comments in writing by email, fax and mail. This memorandum provides the Department's response to all comments received. The comments and responses are divided into the following three sections.

I. Substantive comments on the rules and Departmental response. (Comments and responses are presented in the order they appear in the rules).

II. General compliance comments not related specifically to the rules and Departmental response.

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I. SUBSTANTIVE COMMENTS ON THE QAP AND DEPARTMENTAL RESPONSE

§60.1(f) – Reserve Accounts

Comment: Comment was received that the rules should comply with Sec. 2306.186, Government Code, to exempt from the reserve account requirement those developments required to maintain a reserve account under any other provision of federal or state law.

Department Response: The rules do comply with the Sec. 2306.186 exemption (see 60.1(f)(11). No change is recommended.

§60.1(v) – Alternative Dispute Resolution Policy
Comment: As enacted by the 78th Legislature in SB 264, Section 2306.082, Texas Government Code, requires the Department to develop and implement a policy to encourage the use of appropriate alternative dispute resolution procedures to assist in the resolution of disputes under the Department's jurisdiction. Also, during public comment on the Department's proposed 2004 Qualified Allocation Plan and Rules, the Texas Affordable Housing Congress suggested that ADR procedures be added at several points in the QAP. As one step in implementing the ADR policy called for by Section 2306.082, staff recommends the addition of the following paragraph to the proposed rule.
Department Response: Staff concurs with this recommendation.

"Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal."

II. GENERAL COMPLIANCE COMMENTS NOT RELATED SPECIFICALLY TO THE RULES: COMMENTS AND DEPARTMENTAL RESPONSE

Accessibility Requirements
Comment: The Department should infuse information relating to the legal requirements for accessibility throughout appropriate compliance monitoring documents, trainings and procedures.
Department Response: Compliance with civil rights protections, program rules and building standards that ensure accessibility of housing to people with disabilities is monitored by the Department. The Department will continue to include information relating to the legal requirements for accessibility throughout appropriate compliance monitoring documents, trainings, and procedures.

Texas Administrative Code

TITLE 10 **COMMUNITY DEVELOPMENT**

PART 1 **Texas Department of Housing and Community Affairs**

Chapter 60 **COMPLIANCE ADMINISTRATION**

SUBCHAPTER **A Compliance Monitoring and Asset Management**

RULE Section 60.1 **Compliance Monitoring Policies and Procedures**

(a) Purpose. The Department monitors rental developments receiving assistance from the Department, including Low Income Tax Credits, during the construction period and continuing to the end of the long term Affordability Period. The compliance division monitors to ensure owners comply with the program rules and regulations, Section 2306, the LURA requirements and any conditions and representations imposed by the application or award of funds. Compliance processes, eligibility procedures, forms, and further programmatic details are set out in the individual program regulations and Owner's Compliance Manuals prepared by the Department's Compliance Division, as amended from time to time. The rules under this section address processes, reports and records that may be required by the Department to enable the Department to monitor a Development for violations of the program's federal and state rules and regulations. These rules do not address forms and other records that may be required of Development Owners by the IRS or other governmental entities more generally, whether for purposes of filing annual returns or supporting Development Owner tax positions during an IRS or other governmental audit.

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

(1) **Affordability Period.** The affordability period commences on the effective date of the Land Use Restriction Agreement or the first day of the compliance period as defined by Section 42 and continues though the appropriate program's affordability requirements or termination of LURA which ever is later. The term of the affordability period shall be imposed by deed restriction and may be terminated upon foreclosure. During this period the Department shall monitor to ensure compliance with programmatic rules, regulations and application representations.

(2) **Board** means the governing board of the Texas Department of Housing and Community Affairs.

(3) **Department** means the Texas Department of Housing and Community Affairs.

(4) **Low Income Unit** means a unit that complies with the income restrictions or occupancy requirements of the housing programs administered by the Department.

(4) **Material Non-Compliance**. A property located within the state of Texas and monitored by the Department will be classified by the Department as being in material non-compliance status if the non-compliance score for such property is equal to or exceeds 30 points in accordance with the material non-compliance provisions and methodology and point system of this title. The Low Income Housing Tax Credit compliance status score prevails for developments layered with more than one Department program.

(c) Construction inspections. The Department, through the division with responsibility for compliance matters, shall monitor for compliance with all applicable requirements the entire construction or rehabilitation phase associated with any Development funded by the Department including Low Income Tax Credits. The Department will monitor under this requirement by requiring a copy of reports from all construction inspections performed for the lender and/or syndicator for the Development. Those reports must indicate that the Department may rely on the reports. The Department may provide those inspectors for the lenders and/or syndicator with required documentation to be completed that will confirm satisfaction of the requirements of this rule. The Applicant must provide the Department with copies of all inspections made throughout the construction of the Development within fifteen days of the date the inspection occurred. In addition, if necessary, the Department may inspect or obtain a Third-Party inspection for purposes of monitoring during the construction phase. The Department, or any Third-Party inspector hired by the Department, shall be provided, upon request, any construction documents, plans or specifications for the Development to perform these inspections. The monitoring level for each Development must be based on the amount of risk associated with the Development. The Department shall use the division responsible for credit underwriting matters and the division responsible for compliance matters to determine the amount of risk associated with each Development. After completion of a Development's construction phase, the Department shall periodically review the performance of the Development to confirm the accuracy of the Department's initial compliance evaluation during the construction phase. Developments having financing from TX-USDA-RHS will be exempt from these inspections, provided that the Development Owner provides the Department with copies of all inspections made by TX-USDA-RHS throughout the construction of the Development within fifteen days of the date the inspection occurred. (Section 2306.081)

(d) On-going monitoring. During the Affordability Period, the Department will monitor compliance with all representations made by the Development Owner in the Application and in the LURA, whether required by the applicable program rules, regulations, including HOME Final Rule, Section 42 of the Internal Revenue Code, Treasury Regulations or other rulings of the IRS, Community Planning and Development (CPD) Notices, Section 51 of this title or undertaken by the Development Owner in response to Department requirements or criteria.

(e) Compliance history. Prior to Board approval of any project application, the compliance division shall assess the compliance history of the applicant and any affiliate of the applicant with respect to all applicable requirements pursuant to Section 2306.057 of Texas Government Code. The compliance division will provide the Board:

(1) the compliance history of the applicant and any affiliate of the applicant with respect to all applicable requirements;

(2) the compliance issues associated with the proposed project;

(3) a written report regarding the results of the assessments; and

(4) the board shall fully document and disclose any instances in which the board approves a project application despite any non-compliance associated with the project, applicant, or affiliate.

(f) Reserve deposits. The Department will ensure that, for multifamily rental housing developments funded through loans, grants, or tax credit, the owner keeps the rents affordable for low income residents for the longest period that is economically feasible and provides regular maintenance to keep the development sanitary, safe and decent and otherwise complies with the requirements of Section 2306.186. The Department shall monitor to ensure compliance with this subsection.

(1) Rental developments that receive financial assistance including low income housing tax credits from the Texas Department of Housing and Community Affairs on or after January 1, 2004, are required to comply with this subsection. Only those rental developments that receive financial assistance including tax credits or where the Department is the first lien lender that contains 25 or more rental units shall deposit annually into a reserve account:

(A) for year 2004 and each subsequent year not less than $150 per unit for units one to five years old; and

(B) not less than $200 per unit for units six or more years old.

(2) With respect to multifamily rental developments, if the reserve fund has not been established by the first lien lender, the Development Owner shall set aside the repair reserves amount as a reserve for capital improvements. The reserve must be established for each unit in the development, regardless of the amount of rent charged for the unit.

(3) The Land Use Restriction Agreement or restrictive covenant between the owner and the Department shall require the owner to begin making annual deposits in the reserve account on the date that occupancy of the multifamily rental housing development stabilizes or the date that permanent financing for the development is completely in place, whichever occurs later, and shall continue until the earliest of the following dates:

(A) the date of any involuntary change in ownership of the development;

(B) the date on which the owner suffers a total casualty loss with respect to the Development or the date on which the Development becomes functionally obsolete, if the Development cannot be or is not restored;

(C) the date on which the Development is demolished;

(D) the date on which the Development ceases to be used as multifamily rental property; or

(E) the end of the affordability period specified in the land use restriction agreement or restrictive covenant.

(4) Beginning with the 11th year after the awarding of any financial assistance including tax credits, the Development Owner of a multifamily rental housing development shall contract for a third-party physical needs assessment at appropriate intervals that are consistent with lender requirements with respect to the Development. If the first lien lender does not require a third-party physical needs assessment or if the Department is the first lien lender, the Development Owner shall contract with a third-party to conduct a physical needs assessment at least once during each five-year period beginning with the 11th year after the awarding of any financial assistance including tax credits. The Development Owner shall submit to the Department copies of the most recent third-party physical needs assessment, any response by the Development Owner to the assessment, information on any repairs made in response to the assessment, and information on any necessary changes to the required reserve based on the assessment.

(5) The Department may complete necessary repairs if the Development Owner fails to complete the repairs as required by the third-party physical needs assessment. Payment of the repairs must be made directly by the Development Owner or through the reserve account established for the Development.

(6) If notified of the Development Owner's failure to comply with a local health, safety, or building code, the Department may enter on the property and complete any repairs necessary to correct a violation of that code, as identified in the applicable violation report, and may pay for those repairs through the reserve account established for the Development.

(7) The duties of the Development Owner of a multifamily rental development cease on the date of a voluntary change in ownership of the Development, but the subsequent owner is subject to the deposit, inspection and notification requirements of subsection (1), (2), (3) and (4).

(8) The first lien lender shall maintain the reserve account. In the event there is no longer a first lien lender, then subsections (1) and (2) no longer apply.

(9) The Department shall adopt rules:

(A) to establish requirement and standards regarding:

(i) for first lien lenders and bank trustees:

(I) maintenance of reserve accounts and reasonable cost of the maintenance;

(II) asset management;

(III) transfer of money in reserve accounts to the Department to fund necessary repairs; and

(IV) oversight of reserve accounts and the provision of financial data and other information to the Department; and

(ii) for Development Owners, inspections of the multifamily rental housing developments and identification of necessary repairs, including requirements and standards regarding construction, rehabilitation, and occupancy that may enable quicker identification of those repairs; and

(B) to identify circumstances in which money in the reserve accounts may:

(i) be used for expense other than necessary repairs, including property taxes or insurance;

(ii) fall below mandatory deposit levels without resulting in Department action;

(iii) define the scope of Department oversight of reserve accounts and the repair process;

(iv) provide the consequences of any failure to make a required deposit, including a definition of good cause, if any, for a failure to make a required deposit;

(v) specify or create processes and standards to be used by the Department to obtain repair for developments;

(vi) define for purposes of subsection (3) the date on which occupancy of a Development is consider to have stabilized and the date on which permanent financing is considered to be completely in place; and

(vii) provide for appointment of a bond trustee as necessary under this subsection.

(10) The Department shall assess an administrative penalty on Development Owners who fail to contract for the third-part physical needs assessment and make the identified repairs as required by this section. The Department may assess the administrative penalty in the same manner as allowed pursuant to Section 2306.6023. The penalty is computed by multiplying $200 by the number of dwelling units in the Development and must be paid to the Department.

(11) This section does not apply to a Development for which an owner is required to maintain a reserve account under any other provision of federal or state law.

(g) Section 8 voucher holders. The Department will monitor to ensure development owners comply with Section 1.14 of this title regarding residents receiving rental assistance under Section 8, United States Housing Act of 1937 (42 U.S. C. Section 143F). (Sections 2306.269 and 2306.6728)

(h) Monitoring of compliance. The Department may contract with an independent external party to monitor a Development during its construction or rehabilitation and during its operation for compliance with any conditions imposed by the Department in connection with funding including housing tax credits to the Development and appropriate state and federal laws, as required by other state law or by the Board. (Section 2306.6719)

(i) Recordkeeping. Development Owners must comply with program recordkeeping requirements. In addition records including items listed in paragraphs (1) through (12) of this subsection must be kept for each qualified low income rental unit in the Development, commencing with lease up activities and continuing on an annual basis until the end of the affordability period. (Section 2306.072) Records must include:

(1) the total number of residential rental units in the Development including the number of bedrooms;

(2) the move in and move out date of each residential rental unit in the Development;

(3) which residential rental units are low income units and the income level of the residents broken into 30, 40, 50, 60 or 80 percent the area median income;

(4) the rent charged for each residential rental unit including, with respect to low income units, documentation to support the utility allowance applicable to such unit and any rental assistance received;

(5) the number of occupants in each low income unit;

(6) the low income rental unit vacancies and information that shows when, and to whom, all available units were rented;

(7) the annual income certification of each tenant of a low income unit, in the form designated by the Department in the Compliance Manual, as may be modified from time to time;

(8) documentation to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 ("Section 8");

(9) the total number of units, reported by bedroom size, designed for individuals who are physically challenged or who have special needs and the number of these individuals served annually;

(10) the race and ethnic makeup of each Development;

(11) the number of units occupied by individuals receiving government-supported housing assistance and the type of assistance received; and

(12) any additional information as required by the Department.

(j) Reporting. Each Development shall submit reports as required by the Department. Each Development that receives financial assistance including Low Income Housing Tax Credits from the Department shall submit the information required under subsection (i) in the annual Fair Housing Sponsor Report pursuant to Sections 2306.072 and 2306.0724 of Texas Government Code. This information shall be electronically reported in the format prescribed by the Department. Section 1.11 of this title contains procedures regarding filing and penalties for failure to file reports.

(1) Part A, the "Owner's Certification of Program Compliance"; Part B, the "Unit Status Report"; and Part C, "Tenant Services Provided Report" of the Fair Housing Sponsor Report, must be provided to the Department no later than March 1st of each year, reporting data current as of January 1 of each reporting year. Part D, "Owner's Financial Certification", shall be delivered to the Department no later than the

last day in April each year, which includes the current audited financial statements, and income and expenses of the Development for the prior year. Full description of the Fair Housing Sponsor Report is contained in subsection (m).

(2)The Department maintains a summary of the information reported by the Fair Housing Sponsor Report pursuant to Section 2306.072 (6) in electronic and hard-copy formats available at no charge to the public.

(3) Rental developments funded by HOME, Housing Trust Fund or any other rental programs funded by the Department shall provide tenant information provided on Part B, “Unit Status Report,” at least quarterly during lease up and until occupancy requirements are achieved. Once all occupancy requirements are satisfied the Development shall submit tenant information at least annually and as required by subsection (j).

(3) Developments financed by tax exempt bonds issued by the Department shall report quarterly throughout the Qualified Project Period or until released by the Department.

(4) The Department retains the right to require the Owner to submit tenant data in the electronic format as developed by the Department. The department will provide general instruction regarding the electronic transfer of data.

(k) Database. The Department shall create an easily accessible database that contains all Development compliance information developed under this section including Development compliance information provided to the Department by The Texas State Affordable Housing Corporation. (Section 2306.081)

(l) Information regarding housing for persons with disabilities. The Department shall establish as system that requires owners of state or federally assisted housing developments with 20 of more housing units to report information regarding housing units designed for persons with disabilities pursuant to Section 2306.078. The system will allow an owner of a development with at least one housing unit designed for a person with a disability to enter the following information on the Department’s Internet site:

(1) the name, if any of the Development;

(2) the street address of the Development;

(3) the number of housing units in the Development that are designed for persons with disabilities and that are available for lease;

(4) the number of bedrooms in each housing unit designed for a person with a disability;

(5) the special features that characterize each housing unit’s suitability for a person with a disability;

(6) the rent for each housing unit designed for a person with a disability; and

(7) the telephone number and name of the Development manager or agent to whom inquiries by prospective tenants may be made.

The Department shall solicit the owner’s voluntary provision of updated information.

(m) Fair Housing Sponsor Report Certification and Review.

(1) On or before February 1st of each year, the Department will send each rental Development Owner the Fair Housing Sponsor Report (forms provided by the Department) to be completed by the Owner and returned to the Department on or before the first day of March of each year during the Affordability Period. The Fair Housing Sponsor Report shall consist of:

(A) Part A, “Owner’s Certification of Program Compliance”;

(B) Part B, “Unit Status Report”;

(C) Part C, “Tenant Services Provided Report”; and

(D) Part D, “Owner’s Financial Certification”.

(2) Penalties and sanctions are assessed in accordance to Section (d) of 1.11 of this title for failure to provide the Fair Housing Sponsor Report in part or entirety, including administrative penalties and denial of future requests for Department funding.

(3) Any development for which the Fair Housing Sponsor Report Part A, “Owner Certification of Program Compliance,” is not received, is received past due, or is incomplete, improperly completed or not signed by the Development Owner, will be considered not received and is considered not in compliance with

these rules. Tax credit Developments will be considered not in compliance with the provisions of §42 of the Code and will be reported to the IRS on Form 8823, Low Income Housing Credit Agencies Report of Non Compliance. The Fair Housing Sponsor Report Part A shall include at a minimum the following statements of the Development Owner:

(A) the Development met the minimum set aside test which was applicable to the Development;

(B) there was no change in the Applicable Fraction or low income set aside of any building, or if there was such a change, the actual Applicable Fraction is reported to the Department (LIHTC only);

(C) the Development Owner has received an annual income certification from each low income resident and documentation to support that certification, in the process and form designated by the Department's Compliance Manual, as may be modified from time to time;

(D) documentation to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 ("Section 8"), notwithstanding any rules to the contrary for the determination of gross income for federal income tax purposes. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the Development Owner declaring that the tenant's income does not exceed the applicable income limit under the Code, §42(g) as described in the Compliance Manual;

(E) each low income unit in the Development was rent-restricted under the Land Use Restriction Agreements and applicable program regulations, including IRC Code, §42(g) (2), 24 CFR Part 92, and documentation to support the utility allowance applicable to such unit;

(F) All low income units in the Development are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B) (iii) of the Code) (LIHTC and Bond only);

(G) No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this Development. A finding of discrimination includes an adverse final decision by the Secretary of HUD, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court. In addition a statement as to whether the Development has been notified of a violation of the fair housing law that has been filed with the United States Department of Housing and Urban Development, the Commission on Human Rights (or equivalent agency) or with the United States Department of Justice;

(H) each unit or building in the Development is, and has been, suitable for occupancy, taking into account local health, safety, and building codes, and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the Development. If a violation report or notice was issued by the governmental unit, the Development Owner must provide the Department with a copy of the violation report or notice. In addition, the Development Owner must state whether the violation has been corrected;

(I) each unit meets conditions set by Housing Quality Standards and an annual inspection to confirm the condition has been preformed if applicable;

(J) there has been no change in the Eligible Basis (as defined by Section 42(d) of the Code) for any building in the Development since the last certification or, if changes, the nature of the change;

(K) all tenant facilities included in the original application, such as swimming pools, other recreational facilities, washer/dryer hook ups, appliances and parking areas, were provided on a comparable basis without charge to any tenants in the Development. For tax credit Developments, certification that the character and use of the nonresidential portion of the building are included in the building's Eligible Basis under the Code, §42(d), (e.g. whether tenant facilities are available on a comparable basis to all tenants; whether any fee is charged for use of the facilities; whether facilities are reasonably required by the Development) (LIHTC only);

(L) if a low income unit in the Development became vacant during the year, reasonable attempts were made, or are made, to rent that unit or the next available unit of comparable or smaller size to a qualifying low income household before any other units in the Development were, or will be, rented to non low income households;

(M) if the income of tenants of a low income unit in the Development increased above the appropriate limit allowed, the next available unit of comparable or smaller size was, or will be, rented to residents having a qualifying income;

(N) a LURA including an Extended Low Income Housing Commitment as described in the Code, §42(h)(6), was in effect for buildings subject to section 7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989, 103 Stat. 2106, 2308-2311, including the requirement under the Code, §42(h)(6)(B)(iv), that a Development Owner cannot refuse to lease a unit in the Development to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to Section 1314c(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438-439 (LIHTC only);

(O) the Development Owner has not been notified by IRS that the Development is no longer "a qualified low income housing Development" within the meaning of the Code, §42;

(P) if the Development Owner received its Housing Credit Allocation from the portion of the state ceiling set aside for developments involving Qualified Nonprofit Organizations under the Code, §42(h)(5), a Qualified Nonprofit Organization owned an interest in and materially participated in the operation of the Development within the meaning of the Code, §469(h), (LIHTC only);

(Q) no low income units in the Development were occupied by ineligible full time student households;

(R) no change in the ownership of a Development has occurred during the reporting period or changes and transfers were or are reported;

(S) the Development met all representations of the Development Owner in the Application and complied with all terms and conditions which were recorded in the LURA;

(T) the Development has made all required lender deposits including annual reserve deposits;

(U) the street address and municipality or county in which the Development is located;

(V) the telephone number of the property management or leasing agent;

(W) a statement as to whether the Development has any instance of material non-compliance with bond indentures or deed restrictions including meeting occupancy requirements or rent restrictions imposed by deed restriction or financing agreements; and

(X) any additional information as required by the Department.

(4) Review. Department staff will review Part A of the Fair Housing Sponsor Report for compliance with the requirements of the appropriate program including the Code §42.

(n) Record retention provisions. Each Development that received assistance from the Department including Low Income Housing Tax Credits is required to retain the records as required by the specific funding program rules and regulations. In general retention schedules include but are not limted to the provision of paragraphs (1) through (4) of this subsection;

(1) Low Income Housing Tax Credits records, as described in section (i), must be retained for at least six years after the due date (with extensions) for filing the federal income tax return for that year; however, the records for the first year of the Credit Period must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building.

(2) Retention of records for HOME rental developments must comply with the provisions of 24 CFR 92.508 (c), which generally requires retention of rental housing records for five years after the affordability period terminates.

(3) Retention of records for Housing Trust Fund rental developments pertaining to tenant files must be retained for at least three years beyond the date the tenant moves from the development. Records pertinent to the funding of the award, including but not limited to the application, project costs and documentation, must be retained for at least five years after affordability period terminates.

(4) Other rental Developments funded in whole or in part by the Department must comply with record retention requirements as required by rule or deed restriction.

(o) Inspection provision. The Department retains the right to perform an on-site inspection of any low income Development, including all books and records pertaining thereto, through either the end of the Compliance Period or the end of the period covered by any Extended Low Income Housing Commitment, whichever is later.

(1) The Department will perform on-site inspections and file reviews of each low income Development. The Department will conduct a review of Low Income Housing Tax Credit Developments by the end of the second calendar year following the year the last building in the Development is placed in service. The Department will schedule a review of all other Developments as leasing commences. The Department will monitor at least 20% of the low income units in each Development, inspect the units and review the low income certifications, the documentation the Development Owner has received to support the certifications, the rent records for each low income tenant in those units, and any additional information that the Department deems necessary.

(2) During the affordability period, at least once every three years, the Department will conduct on-site inspections and file reviews of each Development and, for at least 15% or more of the development's low income units, inspect the units and review the low income certifications, the documentation supporting the certifications, the rent records for the tenants in those units and any additional information that the Department deems necessary.

(3) The Department may, at the time and in the form designated by the Department, require the Development Owners to submit, for compliance review, information on tenant income and rent for each low income unit and may require a Development Owner to submit, for compliance review, copies of the tenant files, including copies of the income certification, the documentation the Development Owner has received to support that certification, and the rent record for any low income tenant.

(4) The Department will randomly select which low income units and tenant records are to be inspected and reviewed. The review of the tenant records may be undertaken wherever the Development owner maintains or stores the records if located within the state of Texas. Original records are required for review. Units and tenant records to be inspected and reviewed will be selected in a manner that will not give Development Owners advance notice that a particular unit and tenant records for a particular year will or will not be inspected or reviewed. However, the Department will give reasonable notice to the Development Owner that an on-site inspection or a tenant record review will occur, so that the Development Owner may notify tenants of the inspection or assemble original tenant records for review.

(5) The Department will conduct a limited inspection to determine compliance with accessibility requirements under the Fair Housing Act or Section 504, Rehabilitation Act of 1973. If determined necessary the Department may order third-party inspections and make referrals to appropriate federal and state agencies.

(6) Exception. The Department may, at its discretion, enter into a Memorandum of Understanding with the TX-USDA-RHS, whereby the TX-USDA-RHS agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed by the TX-USDA-RHS under its §515 program. Owners of such buildings may be exempted from the inspection provisions, however, if the information provided by TX-USDA-RHS is not sufficient for the Department to make a determination that the income limitation and rent restrictions are met, the Development Owner must provide the Department with additional information or the Department will inspect according to the provisions contained herein. TX-USDA-RHS Developments satisfy the definition of Qualified Elderly Development if they meet the definition for elderly used by TX-USDA-RHS, which includes persons with disabilities.

(p) Inspection Standard. For the on-site inspections of developments and low income units, the Department shall review any local health, safety, or building code violations reported to, or notices of such violations retained by, the Development Owner, under subsection (m) (3) (H), and determine whether the units satisfy local health, safety, and building codes or the uniform physical condition standards for public housing established by HUD (24 CFR 5.703) or Housing Quality Standards. The HUD physical condition standards do not supersede or preempt local health, safety and building codes. In the absence of local health, safety and building code violation reports or if deemed necessary by the Department, inspections by third-party inspectors or local government entities will be requested. In addition to the review of any local health, safety or building code violation reports, the Department may conduct inspections of the units using the

Housing Quality Standards. Developments must continue to satisfy these codes and maintain property condition throughout the affordability period. Tax Credit Developments that fail to copy with local codes or the uniform physical condition standards must be reported to the IRS.

(q) Notices to Owner. The Department will provide prompt written notice to the Development Owner if the Department does not receive the Fair Housing Sponsor Report or discovers through audit, inspection, review or any other manner that the Development is not in compliance with the provisions of the deed restrictions, conditions imposed by the Department, or program rules and regulations including Section 42. The notice will specify a correction period which will not exceed 90 days from the date of notice to the Development Owner, during which the Development Owner may respond to the Department's findings, bring the Development into compliance, or supply any missing documentation or certifications. The Department may extend the correction period for up to six months from the date of the notice to the Development Owner if it determines there is good cause for granting an extension. If any communication to the Development Owner under this section is returned to the Department as unclaimed or undeliverable, the Development may be considered not in compliance without further notice to the Development Owner. The Development Owner is responsible to provide the Department with current contact information including address and phone number.

(r) Notice to the IRS. (Low Income Housing Tax Credit Developments only)

(1) Regardless of whether the non-compliance is corrected, the Department is required to file IRS Form 8823 with the IRS. IRS Form 8823 will be filed not later than 45 days after the end of the correction period specified in the Notice to Owner (including any extensions permitted by the Department), but will not be filed before the end of the correction period. The Department will explain on IRS Form 8823 the nature of the non-compliance and will indicate whether the Development Owner has corrected the non-compliance.

(2) If a particular instance of non-compliance is not corrected within three years after the end of the permitted correction period, the Department is not required to report any subsequent correction to the IRS.

(3) The Department will retain records of non-compliance or failure to certify for six years beyond the Department's filing of the respective IRS Form 8823. In all other cases, the Department will retain the certification and reports for three years from the end of the calendar year the Department receives the certifications and records.

(4) The Department will send the Owner of Record copies of any 8823s submitted to the IRS. Copies of 8823s will be submitted to the syndicator for Developments awarded tax credits after January 1, 2004.

(s) Notices to the Department. A Development Owner must provide information to the Department for events listed in paragraphs (1) through (5) of this subsection and must notify the division responsible for compliance in writing:

(1) prior to any sale, transfer, exchange, or renaming of the Development or any portion of the Development. For Rural Developments that are federally assisted or purchased from HUD, the Department shall not authorize the sale of any portion of the Development. Any transfers of ownership must follow procedures as required by Department (Section 2306.852);

(2) of any change of address to which subsequent notices or communications shall be sent;

(3) within thirty days of the placement in service of each building, the Department must be provided the in service date of each building (LIHTC only);

(4) if the Development in whole or part has suffered a casualty loss and when the loss occurs; and

(5) within thirty days of commencement of leasing activity.

(t) Utility allowances. The Department will monitor to determine whether rents comply with the published rent limits using the utility allowances established by the local housing authority or approved by the Department. 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.

(u) Material Non-Compliance. In accordance with the Low Income Tax Credit QAP and Department Notices of Funding Availability (NOFAs), the Department will disqualify an Application for funding if the Applicant, the

Development Owner, or the General Contractor, or any Affiliate of the General Contractor that is active in the Ownership or Control of one or more other low income rental housing properties located in or outside the State of Texas is determined by the Department to be in Material Non-Compliance on the date the Application Round closes. The Department will classify a property as being in Material Non-Compliance when such property has a Non-Compliance score that is equal to or exceeds 30 points in accordance with the methodology and point system set forth in this subsection, or, if the property is located outside the state of Texas, non-compliance is reported to the Department that would equal or exceed a non-compliance score of 30 points if measured in accordance with the methodology and point system set forth in this subsection.

(1) Each property that has received an allocation from the Department will be scored according to the type and number of non-compliance events as it relates to the Low Income Housing Tax Credit Program or other Department programs. All Developments regardless of status that have received an allocation are scored even if the project no longer actively participates in the program. Under the Low Income Housing Tax Credit program, non-compliance events issued on Form 8823 are assigned point values. For other programs monitored by the Department, non-compliance events identified during on-site monitoring reviews are assigned point values.

(2) Uncorrected non-compliance will carry the maximum number of points until the non-compliance event has been reported corrected by the Department. Once reported corrected by the Department the score will reduce to the "corrected value". Corrected non-compliance will no longer be included in the Development score three years after the date the non-compliance was reported corrected by the Department.

(A) Under the Low Income Tax Credit Program, non-compliance events that occurred and were identified by the Department through the issuance of the IRS Form 8823 prior to January 1, 1998, are assigned corrected point values to each non-compliance event. The score for these events will no longer be included in the Development's score three years after the date the Form 8823 was executed.

(B) For applications submitted for funding, a non-compliance report will be run by the Department's Compliance Division, for any rental developments disclosed on the Previous Participation Forms, on the date the Low Income Housing Tax Credit Program Application Round closes.

(C) Any corrective action documentation affecting this compliance status score must be received by the Department two weeks prior to the date the Low Income Tax Credit Program Application Round closes.

(3) Events of non-compliance are categorized as either "development events" or "unit/building events". Development events of non-compliance affect some or all the buildings in the property; however, the property will receive only one score for the event rather than a score for each building. Other types of non-compliance are identified individually by unit. This type of non-compliance will receive the appropriate score for each unit cited with an event. The unit scores accumulate towards the total score of the Development. Violations on Low Income Tax Credit Developments are identified by unit; however, the building is scored rather than the unit, and the building will receive the non-compliance score if one or all the units are in non-compliance. Development and unit events affect applications of Development Team Members participating in a subsequent year allocation.

(4) Each type of non-compliance is assigned a point value. The point value for non-compliance is reduced upon correction of the non-compliance. The scoring point system and values are as described in subparagraphs (A) and (B) of this paragraph. The point system weighs certain types of non-compliance more heavily than others; therefore certain non-compliance events carry a sufficient number of points to automatically place the property in Material Non-Compliance. However other types of non-compliance by themselves do not warrant the classification of Material Non-Compliance. Multiple occurrences of these types of non-compliance events may produce enough points to cause the property to be in Material Non-Compliance. For purposes of these scores, the terms "uncorrected" and "corrected" refer to actions taken subsequent to notification of non-compliance by the Department.

(A) Development Non-Compliance items are identified in clauses (i) through (xxiv) of this subparagraph.

(i) Major property condition violations. As determined by the Department, the project displays major violations of health, safety and building code, or the property does not satisfy the uniform physical condition standards. Uncorrected is 30 points. Corrected is 20 points.

(ii) Owner refused to lease to a holder of rental assistance certificate/voucher because of the status of the prospective tenant as such a holder. Uncorrected is 30 points. Corrected is 10 points.

(iii) Development is not available to general public. Determination of violation under the Fair Housing Act. Uncorrected is 30 points. Corrected is 10 points.

(iv) Development is out of compliance and never expected to comply. Uncorrected is 30 points.

(v) Development is completed without a threshold amenity or an amenity for which points were received without seeking and receiving consent for an acceptable substitution from the Department. Uncorrected is 30 points. Acceptable substitution after violation is 10 points.

(vi) Development is not completed by due date of the cost certification documentation. 25 points.

(vii) Developments awarded tax credits January 1, 2004, or later, that are foreclosed by a lender, or the General Partner is removed by a syndicator due to reasons other than market conditions. 25 points.

(viii) Development failed to meet minimum low-income occupancy levels. Development failed to meet required minimum low-income occupancy levels of 20/50 (20% of the units occupied by tenants with household incomes of less than or equal to 50% of Area Median Gross Income) or 40/60. Uncorrected is 20 points. Corrected is 10 points. (LIHTC and BOND only)

(ix) No evidence of, or failure to certify to, non-profit material participation for Owner having received an allocation from the Nonprofit Set-Aside. Uncorrected is 10 points. Corrected is 3 points.

(x) The Development failed to meet additional State required rent and occupancy restrictions. Development has failed to meet state restrictions, if any, that exist in addition to the federal requirements. Uncorrected is 10 points. Corrected is 3 points.

(xi) The Development failed to provide required supportive services as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(xii) The Development failed to provide housing to the elderly as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(xiii) Failure to provide special needs housing. Development has failed to provide housing for tenants with special needs as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(xiv) The Development Owner failed to provide required annual notification to local administering agency for the Section 8 program. Uncorrected is 5 points. Corrected is 2 points.

(xv) Changes in Eligible Basis. Changes occur when common areas become commercial, fees are charged for facilities, etc. Uncorrected is 10 points. Corrected is 3 points. (LIHTC Development only and scored by project)

(xvi) Owner failed to post Fair Housing Logo and/or poster in leasing offices. Uncorrected is 3 points. Corrected is 1 point.

(xvii) LURA not in effect. The LURA was not executed within the required time period. Uncorrected is 10 points. Corrected is 3 points. (LIHTC only)

(xviii) Owner failed to pay fees or allow on-site monitoring review. Uncorrected is 3 points. Corrected is 1 point.

(xix) Failure to submit part or all of the Fair Housing Sponsor Report or failure to submit any other annual, monthly, or quarterly report required by the Department. Uncorrected is 10 points. Corrected is 3 points.

(xx) Owner failed to make available or maintain management plan with required language as required under Section 1.14 of this title. Uncorrected is 3 points. Corrected is 1 point.

(xxi) Owner failed to approve and distribute Affirmative Marketing Plan as required under Section 1.14 of this title. Uncorrected is 3 points. Corrected is 1 point.

(xxii) Pattern of minor property condition violations. Development displays a pattern of property violations; however, those violations do not impair essential services and safeguards for tenants. Uncorrected is 5 points. Corrected is 2 points.

(xxiii) Development failed to comply with requirements limiting minimum income standards for Section 8 residents. Complaints verified by the Department regarding violations of the income standard which cause exclusion from admission of Section 8 resident(s) results in a violation. Uncorrected score 10 points. Corrected 3 points.

(xxiv) Owner defaults on payments of Department loans for a period exceeding 90 days. One point for each succeeding month of default up to 20 points.

(B) Unit Non-Compliance items are identified in clauses (i) through (x) of this subparagraph.

(i) Unit not leased to Low Income Household. Development has units that are leased to households whose income was above the income limit upon initial occupancy. Uncorrected is 3 points. Corrected is 1 point.

(ii) Low-income units occupied by nonqualified full-time students. Uncorrected is 3 points. Corrected is 1 point. (LIHTC and Bond only)

(iii) Low income units used on transient basis. Uncorrected is 3 points. Corrected is 1 point. (LIHTC and Bond only)

(iv) Household income increased above the re-certification limit and available Unit was rented to market tenant. Uncorrected is 3 points. Corrected is 1 point.

(v) Gross rent exceeds rent limit. Uncorrected is 3 points. Corrected is 1 point.

(vi) Utility allowance not calculated properly. Uncorrected is 3 points. Corrected is 1 point.

(vii) Failure to maintain or provide tenant income certification and documentation. Uncorrected is 3 points. Corrected is 1 point.

(viii) Casualty loss. Units not available for occupancy due to natural disaster or hazard due to no fault of the Owner. This carries no point value. Casualty losses are reported to the IRS on LIHTC Developments.

(ix) When a low income Unit became vacant, owner failed to lease (or make reasonable efforts to lease) to a low income household before any units were rented to tenants not having a qualifying income. Uncorrected 3 points. Corrected 1 point.

(x) Unit not available for rent. Unit is used for non-residential purposes excluding unavailable Units due to casualty and manager-occupied Units. Uncorrected is 3 points. Corrected is 1 point.

(v) Liability. Compliance with the program requirements including compliance with the Code, §42 is the sole responsibility of the Development owner. By monitoring for compliance, the Department in no way assumes any liability whatsoever for any action or failure to act by the Development Owner including the Development Owner's non-compliance with the Code, §42.

(w) Applicability to all programs. These provisions apply to all Developments for which the Department has provided funding including low income housing tax credits.

MULTIFAMILY FINANCE PRODUCTION

BOARD ACTION REQUEST
November 14, 2003

Action Items

Final Multifamily Housing Revenue Bond Rules.

Required Action

1. Withdrawal of Emergency Repeal of Title 10, Part 1, Chapter 33, Section 33.1 – 33.13.

2. Adoption of Repeal of Title 10, Part 1, Chapter 33, Section 33.1 – 33.13.

Background

At the August 14, 2003 Board Meeting, the Board approved the Proposed Emergency Repeal to Title 10, Part 1, Chapter 33 – Guidelines for Multifamily Housing Revenue Bond. This proposed repeal was published in the *Texas Register* on August 29, 2003 for the public to provide comments. In order to receive additional comments on all proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

For issue of: PI Working ACK

Withdrawn Rulemaking Action

Name of Agency: Texas Department of Housing and Community Affairs

Agency Code: 112

Title: 10 – Community Development
Part: 1 – Texas Department of Housing and Community Affairs
Chapter: 33 – Guidelines for Multifamily Housing Revenue Bond
Subchapter:
Division:

TAC Section Number(s): 33.1 – 33.13

Type of Action Being Withdrawn: __X__Emergency ____Proposed

____New ____Amendment __X__Repeal

TEXREG Cite: 28 Tex Reg 7011

Issue Date: August 29, 2003

Effective Date: ____Immediately on Filing __X__Other (Specify): _20 days – same adoption as adopted new

Verification/Certification

I verify that I have reviewed the submitted document and that it conforms to all applicable Texas Register filing requirements. The submitted document has been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority.

Agency Liaison: Chad Landry ______________________
Signature

Certifying Official: Edwina P. Carrington

Title: Executive director

Signature: ______________________________
Signature

Date of Verification: Same day

E-Mail Address: chad.landry@tdhca.state.tx.us

Phone Number: 512-475-4595 Fax Number: 512-475-3746

TITLE 10. COMMUNITY DEVELOPMENT
PART I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 33. GUIDELINES FOR MULTIFAMILY HOUSING REVENUE BOND
10 TAC §§ 33.1-33.13

The Texas Department of Housing and Community Affairs (the Department) adopts, without changes, the repeal of §§33.1-33.13, concerning the Guidelines for Multifamily Housing Revenue Bond, as published in the August 29, 2003 issue of the
Texas Register (28 TexReg 7088-7089).

These sections are repealed in order to implement new legislation enacted by the 78th Legislative Session, including particularly Section 4 of Senate Bill 1664, and Section 15 of Senate Bill 264.

No comments were received regarding adoption of the repeal.

The repeal is adopted pursuant to the authority of the Texas Government Code, Chapter 2306.

§33.1 Introduction
§33.2 Definitions
§33.3 Application for Financing of a Housing Development
§33.4 Market Study
§33.5 Limitation on Loan Amounts
§33.6 Bond Rating
§33.7 Housing Development Occupancy
§33.8 Amenities for Families with Children
§33.9 Accessibility to Individuals with Physical Handicaps
§33.10 Elderly Tenant Survey
§33.11 Agency Review of Applications for Financing; Findings
§33.12 Housing Development Cost Requisitions and Limits
§33.13 Waiver of Rules

MULTIFAMILY FINANCE PRODUCTION

BOARD ACTION REQUEST
November 14, 2003

Action Items

Final Multifamily Housing Revenue Bond Rules.

Required Action

1. Adoption of Repeal of Title 10, Part 1, Chapter 35, Section 35.1 – 35.15.

Background

At the August 14, 2003 Board Meeting, the Board approved the Proposed Emergency Repeal to Title 10, Part 1, Chapter 35 – Taxable Multifamily Housing Revenue Bond Program. This proposed repeal was published in the *Texas Register* on August 29, 2003 for the public to provide comments. In order to receive additional comments on all proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

TITLE 10. COMMUNITY DEVELOPMENT
PART I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 35. TAXABLE MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM
10 TAC §§ 35.1-35.15

The Texas Department of Housing and Community Affairs (the Department) adopts, without changes, the repeal of §§35.1-35.15, concerning the Taxable Multifamily Mortgage Revenue Bond Program, as published in the August 29, 2003 issue of the Texas Register (28 TexReg 7096-7097).

The sections are repealed in order to implement new legislation enacted by the 78th Legislative Session, including particularly Section 4 of Senate Bill 1664, and Section 15 of Senate Bill 264.

No comments were received regarding adoption of the repeal.

The repeal is adopted pursuant to the authority of the Texas Government Code, Chapter 2306.

§35.1 Introduction
§35.2 Definitions
§35.3 Policy Objectives
§35.4 Pre-application and Final Application for Mortgage Loans
§35.5 Market Study; Project Feasibility Study
§35.6 Housing Development Occupancy
§35.7 Department Review of Developer Applications
§35.8 Housing Development Cost Requisitions and Limits
§35.9 Limitation on Mortgage Loan Amounts
§35.10 Bond Rating
§35.11 Selection of Qualified Lending Institutions as Originators or Servicers
§35.12 Mortgage Loan Requirements
§35.13 No Discrimination
§35.14 Fees
§35.15 Advertisements

MULTIFAMILY FINANCE PRODUCTION

BOARD ACTION REQUEST
November 14, 2003

Action Items

Final Multifamily Housing Revenue Bond Rules.

Required Action

1. Adoption of Repeal of Title 10, Part 1, Chapter 39, Section 39.1 – 39.17.

Background

At the August 14, 2003 Board Meeting, the Board approved the Proposed Emergency Repeal to Title 10, Part 1, Chapter 39 – Tax-Exempt Multifamily Housing Revenue Bond Program. This proposed repeal was published in the *Texas Register* on August 29, 2003 for the public to provide comments. In order to receive additional comments on all proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

TITLE 10. COMMUNITY DEVELOPMENT
PART I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 39. TAX-EXEMPT MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM
10 TAC §§39.1-39.17

The Texas Department of Housing and Community Affairs (the Department) adopts, without changes, the repeal of §§39.1-39.17, concerning the Tax-Exempt Multifamily Mortgage Revenue Bond Program, as published in the August 29, 2003 issue of the Texas Register (28 7097).

The sections are repealed in order to implement new legislation enacted by the 78th Legislative Session, including particularly Section 4 of Senate Bill 1664, and Section 15 of Senate Bill 264.

No comments were received regarding adoption of the repeal.

The repeal is adopted pursuant to the authority of the Texas Government Code, Chapter 2306.

§39.1 Introduction
§39.2 Definitions
§39.3 Policy Objectives
§39.4 Pre-application and Final Application for Mortgage Loans
§39.5 Market Study
§39.6 Rules Relating to Refundings
§39.7 Housing Development Occupancy
§39.8 Department Review of Housing Sponsor Applications
§39.9 Housing Development Cost Requisitions and Limits
§39.10 Existing Properties
§39.11 Amenities for Families with Children
§39.12 Limitation on Loan Amounts; Limitation on Costs of Issuance
§39.13 Bond Rating
§39.14 No Discrimination
§39.15 Fees
§39.16 Advertisements
§39.17 Waiver of Rules

MULTIFAMILY FINANCE PRODUCTION

BOARD ACTION REQUEST
November 14, 2003

Action Items

Final Multifamily Housing Revenue Bond Rules.

Required Action

1. Withdrawal of Emergency Bond Rules of Title 10, Part 1, Chapter 33, Section 33.1 – 33.10.

2. Adoption of Bond Rules of Title 10, Part 1, Chapter 33, Section 33.1 – 33.10.

Background

At the August 14, 2003 Board Meeting, the Board approved the Proposed Emergency Repeal to Title 10, Part 1, Chapter 33 –Multifamily Housing Revenue Bond Rules. This proposed repeal was published in the *Texas Register* on August 29, 2003 for the public to provide comments. In order to receive additional comments on all proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings.

For issue of: PI Working ACK

Withdrawn Rulemaking Action

Name of Agency: Texas Department of Housing and Community Affairs

Agency Code: 112

Title: 10 – Community Development
Part: 1 – Texas Department of Housing and Community Affairs
Chapter: 33 – Multifamily Housing Revenue Bond Rules
Subchapter:
Division:

TAC Section Number(s): 33.1 – 33.10

Type of Action Being Withdrawn: __X__Emergency ____Proposed

__X__New ____Amendment ____Repeal

TEXREG Cite: 28 Tex Reg 7011 – 7019 plus Graphics 10_0033_006-1.pdf (28 TexReg 7443-7445)
10_0033_006-2.pdf (28 TexReg 7446-7448)
10_0033_006-3.pdf (28 TexReg 7449)

Issue Date: August 29, 2003

Effective Date: ____Immediately on Filing __X__Other (Specify): _20 days – same adoption as adopted new

Verification/Certification

I verify that I have reviewed the submitted document and that it conforms to all applicable Texas Register filing requirements. The submitted document has been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority.

Agency Liaison: Chad Landry ______________________
Signature

Certifying Official: Edwina P. Carrington

Title: Executive director

Signature: ______________________________
Signature

Date of Verification: Same day

E-Mail Address: chad.landry@tdhca.state.tx.us

Phone Number: 512-475-4595 Fax Number: 512-475-3746

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

TO: TDHCA Board Members

FROM: Brooke Boston, Multifamily Finance Production Division

THROUGH: Edwina Carrington, Executive Director

SUBJECT: **2004 Multifamily Housing Revenue Bond Rules – Responses to Public Comments**

DATE: November 14, 2003

At the August 14, 2003 Board Meeting, the Board approved the Proposed Emergency Repeal to Title 10, Part 1, Chapter 33 – Guidelines for Multifamily Housing Revenue Bond. This proposed repeal was published in the *Texas Register* on August 29, 2003 for the public to provide comments. In order to receive additional comments on all proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston. Approximately 250 people attended these hearings. .

The Department received the majority of comments in writing by email, fax and mail. This memorandum provides the Department's response to all comments received. The comments and responses are divided into the following two sections.

I. Substantive comments on the Multifamily Housing Revenue Bond Rules and Departmental response. (Comments and responses are presented in the order they appear in the Bond Rules).

II. Staff administrative changes to the Bond Rules.

SUBSTANTIVE COMMENTS ON THE BOND RULES AND DEPARTMENTAL RESPONSE

§33.6(g)(10) – Public Hearing; Board Decisions

Comment:

Comments from Elizabeth K. Julian and from the Texas Low Income Housing Information Service suggested that, while recognizing the scoring constraints in legislation and the Department's sensitivity and efforts to support fair housing, the Department should include an "affirmatively furthering fair housing" factor in scoring.

Department Response:

The Department currently includes fair housing law as a specific discretionary factor that the Board may apply in making decisions. The Board is authorized to not rely solely on points, but may consider this and other manes discretionary factors. To clarify the scope of fair housing law, staff recommends amending the rule to add, "…including affirmatively furthering fair housing".

<u>"(g)(10) – Fair housing law, including affirmatively furthering fair housing;"</u>

§33.6(h)(2) – Alternative Dispute Resolution

Comment:

Comment from the Texas Affordable Housing Congress recommended that the rules be revised to provide for alternative dispute resolution as required by SB 264.

Department Response:

As one step in implementing a policy to encourage the use of appropriate ADR procedures pursuant to §2306.082, the Department is recommending that a policy regarding ADR be added to this section of the Bond Rule.

"(h)(2)-**Alternative Dispute Resolution Policy.** In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal."

TITLE 10. COMMUNITY DEVELOPMENT
PART I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 33. MULTIFAMILY HOUSING REVENUE BOND RULES
10 TAC §§33.1-33.10

The Texas Department of Housing and Community Affairs (the Department) adopts, with changes, the new §§33.1-33.10, concerning the Multifamily Housing Revenue Bond Rules, as published in the August 29, 2003 issue of the Texas Register (28 TexReg 7089 – 7096).

These sections are adopted in order to implement new legislation enacted by the 78th Legislative Session, including particularly Section 4 of Senate Bill 1664, and Section 15 of Senate Bill 264.

The scope of the public comment concerning the Multifamily Housing Revenue Bond Rules pertains to the following sections:

SUMMARY OF COMMENT RECEIVED UPON PUBLICATION OF THE PROPOSED RULES IN THE TEXAS REGISTER AND COMMENTS PROVIDED AT PUBLIC HEARINGS HELD BY THE DEPARTMENT ON ITEMS THAT RELATE DIRECTLY TO THE MULTFAMILY HOUSING REVENUE BOND RULES.

§33.6(g)(10) – Public Hearing; Board Decisions

Comment:

Comments from Elizabeth K. Julian and from the Texas Low Income Housing Information Service suggested that, while recognizing the scoring constraints in legislation and the Department's sensitivity and efforts to support fair housing, the Department should include an "affirmatively furthering fair housing" factor in scoring.

Department Response:

The Department currently includes fair housing law as a specific discretionary factor that the Board may apply in making decisions. The Board is authorized to not rely solely on points, but may consider this and other manes discretionary factors. To clarify the scope of fair housing law, staff recommends amending the rule to add, "…including affirmatively furthering fair housing".

<u>"(g)(10) – Fair housing law, including affirmatively furthering fair housing;"</u>

Board Response:

§33.6(h)(2) – Alternative Dispute Resolution

Comment:

Comment from the Texas Affordable Housing Congress recommended that the rules be revised to provide for alternative dispute resolution as required by SB 264.

Department Response:

As one step in implementing a policy to encourage the use of appropriate ADR procedures pursuant to §2306.082, the Department is recommending that a policy regarding ADR be added to this section of the Bond Rule.

"(h)(2)-**Alternative Dispute Resolution Policy.** In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal."

Board Response:

The adopted new sections are pursuant to the authority of the Texas Government Code, Chapter 2306.

§33.1. Introduction

The purpose of this Chapter 33 is to state the Texas Department of Housing and Community Affairs (the "Department") requirements for issuing Bonds, the procedures for applying for multifamily housing revenue Bond financing, and the regulatory and land use restrictions imposed upon Housing Developments financed with the issuance of Bonds. The rules and provisions contained in Chapter 33, of this title are separate from the rules relating to the Department's administration of the Housing Tax Credit Program. Applicants seeking a tax credit allocation should consult the Department's 2004 Qualified Allocation Plan and Rules ("QAP"), Chapter 50 of this title relating to the Housing Tax Credit Program.

§33.2. Authority

The Department receives its authority to issue Bonds from Chapter 2306 of the Texas Government Code (the "Act"). All Bonds issued by the Department must conform to the requirements of the Act. Notwithstanding anything herein to the contrary, tax-exempt Bonds which are issued to finance the Housing Development of multifamily rental housing are specifically subject to the requirements of the laws of the State of Texas, including but not limited to the Act, Chapter 1372 of the Texas Government Code relating to Private Activity Bonds, and to the requirements of the Code (as defined in this chapter).

§33.3. Definitions – The following words and terms, when used in the chapter, shall have the following meaning, unless context clearly indicates otherwise.

(1) Applicant--means any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting the Department issue Bonds to finance a Housing Development.

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

(3) Board--means the governing Board of the Department.

(4) Bond--means an evidence of indebtedness or other obligation, regardless of the sources of payment, issued by the Department under the Act, including a bond, note, or bond or revenue anticipation note, regardless of whether the obligation is general or special, negotiable, or nonnegotiable, in bearer or registered form, in certified or book entry form, in temporary or permanent form, or with or without interest coupons.

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

(6) Development--means property or work or a development, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, or use by individuals and families of Low Income and Very Low Income and Families of Moderate Income in need of housing. The term includes:

(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances; and

(B) multifamily dwellings in rural and urban areas.

(7) Development Owner--means an Applicant that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a Housing Development subject to the regulatory powers of the Department and other terms and conditions required by the Department and the Act.

(8) Eligible Tenants--means

(A) individuals and families of Extremely Low, Low and Very Low Income,

(B) Families of Moderate Income (in each case in the foregoing subparagraph (A) and (B) of this paragraph as such terms are defined by the Issuer under the Act), and

(C) Persons with Special Needs, in each case, with an Anticipated Annual Income not in excess of 140% of the area median income for a four-person household in the applicable standard metropolitan statistical area; provided that all Low-Income Tenants shall count as Eligible Tenants.

(9) Extremely Low Income--means the income received by an individual or family whose income does not exceed thirty percent (30%) of the area median income or applicable federal poverty line, as determined by the Act.

(10) Family of Moderate Income--means a family

(A) that is determined by the Board to require assistance taking into account

(i) the amount of total income available for the housing needs of the individuals and family,

(ii) the size of the family,

(iii) the cost and condition of available housing facilities,

(iv) the ability of the individuals and family to compete successfully in the private housing market and to pay the amounts required by private enterprise for sanitary, decent, and safe housing, and

(v) standards established for various federal programs determining eligibility based on income; and

(B) that does not qualify as a family of Low Income.

(11) Housing Development--means property or work or a development, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, or use by individuals and families of Low Income and Very Low Income and Families of Moderate Income in need of housing. The term includes:

(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances; and

(B) multifamily dwellings in rural and urban areas.

(12) Institutional Buyer--means

(A) an accredited investor as defined in Regulation D promulgated under the Securities Act of 1933, as amended (17 CFR Sec. 230.501(a)), but excluding any natural person or any director or executive officer of the Department (17 CFR §§ 230.501(a)(4) through (6)) or

(B) a qualified institutional buyer as defined by Rule 144A promulgated under the Securities Act of 1933, as amended (17 CFR Sec. 230.144A).

(13) Low Income--means the income received by an individual or family whose income does not exceed eighty percent (80%) of the area median income or applicable federal poverty line, as determined by the Act.

(14) Land Use Restriction Agreement (LURA)--means an agreement between the Department and the Housing Development Owner which is binding upon the Housing Development Owner's successors in interest that encumbers the Housing Development with respect to the requirements of law, including this title, the Act and Section 42 of the Code.

(15) Owner--means an Applicant that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a Housing Development subject to the regulatory powers of the Department and other terms and conditions required by the Department and the Act.

(16) Persons with Special Needs--means persons who

(A) are considered to be disabled under a state or federal law,

(B) are elderly, meaning 60 years of age or older or of an age specified by an applicable federal program,

(C) are designated by the Board as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or

(D) are legally responsible for caring for an individual described by subparagraph (A), (B) or (C) of this paragraph above and meet the income guidelines established by the Board.

(17) Private Activity Bonds--means any Bonds described by §141(a) of the Code.

(18) Private Activity Bond Program Scoring Criteria--means the scoring criteria established by the Department for the Department's Multifamily Housing Revenue Bond Program, §33.6(b) of this title. The Scoring Criteria are also available on the Department website.

(19) Private Activity Bond Program Threshold Requirements--means the threshold requirements established by the Department for the Department's Multifamily Housing Revenue Bond Program, §33.6(b) of this title. The Threshold Requirements are also available on the Department's website.

(20) Program--means the Department's Multifamily Housing Revenue Bond Program.

(21) Property--means the real estate and all improvements thereon, whether currently existing or proposed to be built thereon in connection with the Housing Development, and including all items of personal property affixed or related thereto.

(22) Qualified 501(c)(3) Bonds--means any Bonds described by §145(a) of the Code.

(23) Tenant Income Certification--means a certification as to income and other matters executed by the household members of each tenant in the Housing Development, in such form as reasonably may be required by the Department in satisfaction of the criteria prescribed by the Secretary of Housing and Urban Development under §8(f)(3) of the Housing Act of 1937 ("the Housing Act") (42 U.S.C. 1437f) for purposes of determining whether a family is a lower income family within the meaning of the §8(f)(1) of the Housing Act.

(24) Tenant Services--means social services, including child care, transportation, and basic adult education, that are provided to individuals residing in low income housing under Title IV-A, Social Security Act (42 U.S.C. §601 et seq.), and other similar services.

(25) Tenant Services Program Plan--means the plan, subject to approval by the Department, which describes the Tenant Services to be provided by the Development Owner in a Housing Development.

(26) Trustee--means a national banking association organized and existing under the laws of the United States, as trustee (together with its successors and assigns and any successor trustee).

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

(28) Very Low Income--means the income received by an individual or family whose income does not exceed sixty percent (60%) of the area median income or applicable federal poverty line as determined under the Act.

§33.4. Policy Objectives & Eligible Housing Developments
The Department will issue Bonds to finance the preservation or construction of decent, safe and affordable housing throughout the State of Texas. Eligible Housing Developments may include those which are constructed, acquired, or rehabilitated and which provide housing for individuals and families of Low Income, Very Low Income, or Extremely Low Income, and Families of Moderate Income.

§33.5. Bond Rating and Investment Letter
(a) Bond Ratings. All publicly offered Bonds issued by the Department to finance Housing Developments shall have and be required to maintain a debt rating the equivalent of at least an "A" rating assigned to long-term obligations by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc. If such rating is based upon credit enhancement provided by an institution other than the Applicant or Development Owner, the form and substance of such credit enhancement shall be subject to approval by the Board, which approval shall be evidenced by adoption by the Board of a resolution authorizing the issuance of the credit-enhanced Bonds. Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the Housing Development.

(b) Investment Letters. Bonds rated less than "A," or Bonds which are unrated must be placed with one or more Institutional Buyers and must be accompanied by an investment letter acceptable to the Department. Subsequent purchasers of such Bonds shall also be qualified as Institutional Buyers and shall sign and deliver to the Department an investment letter in a form acceptable to the Department. Bonds rated less than "A," and Bonds which are unrated shall be issued in physical form, in minimum denominations of one hundred thousand dollars ($100,000), and shall carry a legend requiring any purchasers of the Bonds to sign and deliver to the Department an investment letter in a form acceptable to the Department.

§33.6. Application Procedures, Evaluation and Approval
(a) Application Costs, Costs of Issuance, Responsibility and Disclaimer. The Applicant shall pay all costs associated with the preparation and submission of the Application – including costs associated with the publication and posting of required public notices – and all costs and expenses associated with the issuance of the Bonds, regardless of whether the Application is ultimately approved or whether Bonds are ultimately issued. At any stage during the Application process, the Applicant is solely responsible for determining whether to proceed with the Application, and the Department disclaims any and all responsibility and liability in this regard.

(b) Pre-application. An Applicant who requests financing from the Department for a Housing Development shall submit a pre-application in a format prescribed by the Department. Within fourteen (14) days of the Department's receipt of the pre-application, the Department will be responsible for federal, state, and local community notifications of the proposed Housing Development. Upon review of the pre-application, if the Housing Development is determined to be ineligible for Bond financing by the Department, the Department will send a letter to the Applicant explaining the reason for the ineligibility. If the Housing Development is determined to be eligible for Bond financing by the Department, the Department will score and rank the pre-application based on the Private Activity Bond Program Scoring Criteria as set out in figure 1 of this subsection. The Department will score and rank with higher scores ranking higher within each priority defined by §1372.0321, Texas Government Code. All Priority 1 Applications will be ranked above all Priority 2 Application which will be ranked above all Priority 3 Applications, regardless of score. This ranking will be used throughout the calendar year. In the event two or more Applications receive the same score, the Department will use, as a tie-breaking mechanism, the number of points awarded for Quality and Amenities for the Housing Development. If a tie still exists, the Department will consider the number of net rentable square feet per bond amount requested. Pre-Applications must meet the threshold requirements as stated in The Private Activity Bond Program Threshold Requirements as set out in figure 2 of this subsection. The Private Activity Bond Program Threshold Requirements will be posted on the Department's website. After scoring, the Housing Development and the proposed financing structure will be presented to the Department's Board for consideration of a resolution declaring the Department's intent to issue Bonds (the "inducement resolution") with respect to the Housing Development. After Board approval of the inducement resolution, the scored and ranked Applications will be submitted to the Texas Bond Review Board for its lottery processing. The Texas Bond Review Board will draw the number of lottery numbers that equates to the number of eligible Applications submitted by the Department. The lottery numbers drawn will not equate to a specific Housing Development. The Texas Bond Review Board will thereafter assign the lowest lottery number drawn to the highest scored and ranked Application as previously submitted by the Department. The criteria by which a Housing Development may be deemed to be eligible or ineligible are explained below in subsection (e) of this section, Evaluation Criteria. Private Activity Bond Program Scoring Criteria form will be posted on the Department's website. The pre-application shall consist of the following information:

Figure 1: 10 TAC §33.6(b)

Figure 2: 10 TAC §33.6(b)

(1) Completed Uniform Application forms in the format required by the Department;
(2) Texas Bond Review Board's Residential Rental Attachment;
(3) Relevant Development Information (form on website);
(4) Public Notification Information (form on website);
(5) Certification and agreement to comply with the Department's rules;
(6) Agreement of responsibility of all cost incurred;
(7) An organizational chart showing the structure of the Applicant and the ownership structure of any principals of the Applicant;
(8) Evidence that the Applicant and principals are registered with the Texas Secretary of State, or if the Applicant has not yet been formed, evidence that the name of the Applicant is reserved with the Secretary of State;
(9) Organizational documents such as partnership agreements and articles of incorporation, as applicable, for the Applicant and its principals;

(10) Documentation of non-profit status if applicable;
Evidence of good standing from the Comptroller of Public Accounts of the State of Texas for the Applicant and its principals; Corporate resumes and individual resumes of the Applicant and any principals;

(11) A copy of an executed earnest money contract between the Applicant and the seller of the Property. This earnest money contract must be in effect at the time of submission of the application and expire no earlier than December 1 of the year preceding the applicable program year. The earnest money contract must stipulate and provide for the Applicant's option to extend the contract expiration date through March 1 of the program year, subject only to the seller's receipt of additional earnest money or extension fees, so that the Applicant will have site control at the time a reservation is granted. If the Applicant owns the Property, a copy of the recorded warranty deed is required;

(12) Evidence of zoning appropriate for the proposed use or application for the appropriate zoning or statement that no zoning is required;

(13) A local map showing the location of the Property;

(14) A boundary survey or subdivision plat which clearly identifies the location and boundaries of the subject Property;

(15) Name, address and telephone number of the Seller of the Property;

(16) Construction draw and lease-up proforma for Housing Developments involving new construction;

(17) Past two years' operating statements for existing Housing Developments;

(18) Current market information which includes rental comparisons;

(19) Documentation of local Section 8 utility allowances;

(20) Verification/Evidence of delivery of federal, state, and local community notifications;

(21) Self-Scoring Criteria; and

(22) Such other items deemed necessary by the Department per individual application.

(c) Financing Commitments. After approval by the Board of the inducement resolution, and before submission of a final application, the Applicant will be solely responsible for making appropriate arrangements with financial institutions which are to be involved with the issuance of the Bonds or the financing of the Housing Development, and to begin the process of obtaining firm commitments for financing from each of the financial institutions involved.

(d) Final Application. An Applicant who elects to proceed with submitting a final Application to the Department must provide a final Application and such supporting material as is required by the Department at least sixty (60) days prior to the scheduled meeting of the Board at which the Housing Development and the Bond issuance are to be considered, unless the Department directs the Applicant otherwise in writing. The Department may determine that supporting materials listed in paragraphs (1) through (42) of this subsection shall be provided subsequent to the final Application deadline in accordance with a schedule approved by the Department. Failure to provide any supporting materials in accordance with the approved schedule may be grounds for terminating the Application and returning the reservation to the Texas Bond Review Board. The final application and supporting material shall consist of the following information:

(1) A Public Notification Sign shall be installed on the Housing Development site no later than fourteen (14) days after the submission of Volume I and II of the Tax Credit Application to the Department (pictures and invoice receipts must be

submitted as evidence of installation within fourteen (14) days of the submission). For minimum signage requirements and language, as set out in figure 3 of this paragraph. As an alternative to installing a Public Notification Sign and at the same required time, the Applicant may instead, at the Applicant's Option, mail written notification to all addresses located within the footage distance required by the local municipality zoning ordinance or 1,000 feet, if there is no local zoning ordinance or if the zoning ordinance does not require notification, of any part of the proposed Development site. This written notification must include the information otherwise required for the sign, as set out in figure 3 of this paragraph. If the Applicant chooses to provide this mailed notice in lieu of signage, the final Application must include a map of the proposed Development site and mark the 1,000 foot or local ordinance area showing street names and addresses; a list of all addresses the notice was mailed to; an exact copy of the notice that was mailed; and a certification that the notice was mailed through the U.S. Postal Service and stating the date of mailing.

Figure 3: 10 TAC §33.6(d)(1)

(2) Completed Uniform Application forms in the format required by the Department;
(3) Certification of no changes from the pre-application to the final application. If there are changes to the Application that have an adverse affect on the score and ranking order and that would have resulted in the application being placed below another application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points) ;
(4) Certification and agreement to comply with the Department's rules;
(5) A narrative description of the Housing Development;
(6) A narrative description of the proposed financing;
(7) Firm letters of commitment from any lenders, credit providers, and equity providers involved in the transaction;
(8) Documentation of local Section 8 utility allowances;
(9) Site plan;
(10) Unit and building floor plans and elevations;
(11) Complete construction plans and specifications;
(12) General contractor's contract;
(13) Completion schedule;
(14) Copy of a recorded warranty deed if the Applicant already owns the Property, or a copy of an executed earnest money contract between the Applicant and the seller of the Property if the Property is to be purchased, or other form of site control acceptable to the Department;
(15) A local map showing the location of the Property;
(16) Photographs of the Site;
(17) Survey with legal description;
(18) Flood plain map;
(19) Evidence of zoning appropriate for the proposed use from the appropriate local municipality that satisfies one of these subparagraphs (A) through (C)of this paragraph:
(A) no later than fourteen (14) days before the Board meets to consider the transaction, 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 the appropriate zoning to the entity responsible for final approval of zoning decisions;

(B) provide a letter 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;

(C) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating the Development is permitted under the provision of the zoning ordinance that apply to the location of the Development or that there is not a zoning requirement.

(20) Evidence of the availability of utilities;

(21) Copies of any deed restrictions which may encumber the Property;

(22) A Phase I Environmental Site Assessment performed in accordance with the Department's Environmental Site Assessment Rules and Guidelines (§1.35 of this title);

(23) Title search or title commitment;

(24) Current tax assessor's valuation or tax bill;

(25) For existing Housing Developments, current insurance bills;

(26) For existing Housing Developments, past two (2) fiscal year end development operating statements;

(27) For existing Housing Developments, current rent rolls;

(28) For existing Housing Developments, substantiation that income-based tenancy requirements will be met prior to closing;

(29) Study performed in accordance with the Department's Market Analysis Rules and Guidelines (§1.33 of this title);

(30) Appraisal of the existing or proposed Housing Development performed in accordance with the Department's Underwriting Rules and Guidelines (§1.32 of this title;

(31) Statement that the Development Owner will accept tenants with Section 8 or other government housing assistance;

(32) An organizational chart showing the structure of the Applicant and the ownership structure of any principals of the Applicant;

(33) Evidence that the Applicant and principals are registered with the Texas Secretary of State, as applicable;

(34) Organizational documents such as partnership agreements and articles of incorporation, as applicable, for the Applicant and its principals;

(35) Documentation of non-profit status if applicable;

(36) Evidence of good standing from the Comptroller of Public Accounts of the State of Texas for the Applicant and its principals;

(37) Corporate resumes and individual resumes of the Applicant and any principals;

(38) Latest two (2) annual financial statements and current interim financial statement for the Applicant and its principals;

(39) Latest income tax filings for the Applicant and its principals;

(40) Resolutions or other documentation indicating that the transaction has been approved by the general partner;

(41) Resumes of the general contractor's and the property manager's experience; and

(42) Such other items deemed necessary by the Department per individual application.

(e) Evaluation Criteria. The Department will evaluate the Housing Development for eligibility at the time of pre-application, and at the time of final Application. If there are changes to the Application that have an adverse affect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board. The Housing Development and the Applicant must satisfy the conditions set out in paragraphs (1) through (6) of this subsection in order for a Housing Development to be considered eligible:

(1) The proposed Housing Development must further the public purposes of the Department as identified in the Act.

(2) The proposed Housing Development and the Applicant and its principals must satisfy the Department's Underwriting Rules and Guidelines (§1.32 of this title). The pre-application must include sufficient information for the Department to establish that the Underwriting Guidelines can be satisfied. The final Application will be thoroughly underwritten according to the Underwriting Rules and Guidelines (§1.32 of this title).

(3) The Housing Development must not be located on a site determined to be unacceptable for the intended use by the Department.

(4) Any Housing Development in which the Applicant or principals of the Applicant have an ownership interest must be found not to be in Material Non-Compliance under the compliance rules in effect at the time of Application submission.

(5) Neither the Applicant nor any principals of the Applicant is, at the time of Application

(a) barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs;

(b) or has been convicted of a state or federal crime involving fraud, bribery, theft, misrepresentation, misappropriation of funds, or other similar criminal offenses within fifteen (15) years;

(c) or is subject to enforcement action under state or federal securities law, subject to a federal tax lien, or the subject of an enforcement proceeding with any governmental entity; or

(d) otherwise disqualified or debarred from participation in any of the Department's programs.

(6) Neither the Applicant nor any of its principals may have provided any fraudulent information, knowingly false documentation or other intentional or negligent misrepresentation in the Application or other information submitted to the Department.

(f) Bond Documents. After receipt of the final Application, bond counsel for the Department shall draft Bond documents which conform to the state and federal laws and regulations which apply to the transaction.

(g) Public Hearings; Board Decisions. For every Bond issuance, the Department will hold a public hearing in accordance with §2306.0661, Texas Government Code and §147(f) of the Code, in order to receive comments from the public pertaining to the Housing Development and the issuance of the Bonds. Publication of all notices required for the public hearing shall be at the sole expense of the Applicant. The Board's decisions on approvals of proposed Housing Developments will consider all relevant matters. Any topics or matters, alone or in combination, may or may not determine the Board's decision. The Department's Board will consider the following topics in relation to the approval of a proposed Housing Development:

(1) The Development Owner market study;
(2) The location, including supporting broad geographic dispersion;
(3) The compliance history of the Development Owner;
(4) The financial feasibility;
(5) The Housing Development's proposed size and configuration;
(6) The housing needs of the community in which the Housing Development is located and the needs of the area, region and state;
(7) The Housing Development's proximity to other low income Housing Developments including avoiding over concentration;
(8) The availability of adequate public facilities and services;
(9) The anticipated impact on local school districts, giving due consideration to the authorized land use;
(10) Fair Housing law, including affirmatively furthering fair housing;
(11) Any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes and the policies of Chapter 2306, Texas Government Code.

(h) Approval of the Bonds.

(1) Subject to the timely receipt and approval of commitments for financing, an acceptable evaluation for eligibility, the satisfactory negotiation of Bond documents, and the completion of a public hearing, the Board, upon presentation by the Department's staff, will consider the approval of the Bond issuance, final Bond documents and, in the instance of privately placed Bonds, the pricing of the Bonds. The process for appeals and grounds for appeals may be found under §§1.7 and 1.8 of this title. The Department's conduit housing transactions, will be processed in accordance with the Texas Bond Review Board rules Title 34, Part 9, Chapter 181, Subchapter A. The Bond issuance must receive an approving opinion from the Department's bond counsel with respect to the legality and validity of the Bonds and the security therefore, and in the case of tax-exempt Bonds, with respect to the excludability from gross income for federal income tax purposes of interest on the Bonds.

(2) Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute

and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal."

(i) Local Permits. Prior to the closing of the Bonds, all necessary approvals, including building permits, from local municipalities, counties, or other jurisdictions with authority over the Housing Development must have been obtained or evidence that the permits are obtainable subject only to payment of certain fees must be provided to the Department.

(j) Closing. Once all approvals have been obtained and Bond documents have been finalized to the respective parties' satisfaction, the Bond transaction will close. Upon satisfaction of all conditions precedent to closing, the Department will issue Bonds in exchange for payment therefor. The Department will then loan the proceeds of the Bonds to the Applicant and disbursements of the proceeds may begin.

§ 33.7. Regulatory and Land Use Restrictions
(a) Filing and Term of LURA. A Regulatory and Land Use Restriction Agreement or other similar instrument (the "LURA"), will be filed in the property records of the county in which the Housing Development is located for each Housing Development financed from the proceeds of Bonds issued by the Department. For Housing Developments involving new construction, the term of the LURA will be the longer of 30 years, or the period for which Bonds are outstanding. For the financing of an existing Housing Development, the term of the LURA will be the longer of the longest period which is economically feasible in accordance with the Act, or the period for which Bonds are outstanding.

(b) Housing Development Occupancy. The LURA will specify occupancy restrictions for each Housing Development based on the income of its tenants, and will restrict the rents that may be charged for Units occupied by tenants who satisfy the specified income requirements. Pursuant to §2306.269, Texas Government Code, the LURA will prohibit a Development Owner from excluding an individual or family from admission to the Housing Development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (the "Housing Act"), and from using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than two and one half (2.5) times the individual's or family's share of the total monthly rent payable to the Development Owner of the Housing Development. Housing Development occupancy requirements must be met on or prior to the date on which Bonds are issued unless the Housing Development is under construction. Adequate substantiation that the occupancy requirements have been met, in the sole discretion of the Department, must be provided prior to closing. Occupancy requirements exclude units for managers and maintenance personnel that are reasonably required by the Housing Development.

(c) Set-Asides.

(1) Housing Developments which are financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified 501(c)(3) Bonds must be restricted under one of the following two set-asides:

(A) at least twenty percent (20%) of the Units within the Housing Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed fifty percent (50%) of the area median income, or

(B) at least forty percent (40%) of the Units within the Housing Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed sixty percent (60%) of the area median income.

(2) The Development Owner must designate at the time of Application which of the two set-asides will apply to the Housing Development and must also designate the selected priority for the Housing Development in accordance with §1372.0321, Texas Government Code. Units intended to satisfy set-aside requirements must be distributed evenly throughout the Housing Development, and must include a reasonably proportionate amount of each type of unit available in the Housing Development.

(3) No tenant qualifying under either of the set-asides shall be denied continued occupancy of a Unit in the Housing Development because, after commencement of such occupancy, such tenant's income increases to exceed the qualifying limit; provided, however, that, should a tenant's income, as of the most recent determination thereof, exceed 140% of the then applicable income limit and such tenant constitutes a portion of the set-aside requirement of this section, then such tenant shall only continue to qualify for so long as no Unit of comparable or smaller size is rented to a tenant that does not qualify as a Low-Income Tenant. (These are the federal set-aside requirements)

(d) Global Income Requirement. All of the Units that are available for occupancy in Housing Developments financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified 501(c)(3) Bonds shall be occupied or held vacant (in the case of new construction) and available for occupancy at all times by persons or families whose income does not exceed one hundred and forty percent (140%) of the area median income for a four-person household.

(e) Qualified 501(c)(3) Bonds. Housing Developments which are financed from the proceeds of Qualified 501(c)(3) Bonds are further subject to the restriction that at least seventy-five percent (75%) of the Units within the Housing Development that are available for occupancy shall be occupied (or, in the case of new construction, held vacant and available for occupancy until such time as initial lease-up is complete) at all times by individuals and families of Low Income.

(f) Taxable Bonds. The requirements for Housing Developments financed from the issuance of taxable Bonds will be negotiated and considered on a case by case basis.

(g) Special Needs. At least five percent (5%) of the Units within each Housing Development must be designed to be accessible to Persons with Special Needs and hardware and cabinetry must be stored on site or provided to be installed on an as needed basis in such Units. The Development Owner will use its best efforts (including giving preference to Persons with Special Needs) to:

(1) make at least five percent (5%) of the Units within the Housing Development available for occupancy by Persons with Special Needs;
(2) make reasonable accommodations for such persons; and

(3) allow reasonable modifications at the tenant's sole expense pursuant to the Housing Act. During the term of the LURA, the Development Owner shall maintain written policies regarding the Development Owner's outreach and marketing program to Persons with Special Needs.

(h) Fair Housing. All Housing Developments financed by the Department must comply with the Fair Housing Act which prohibits discrimination in the sale, rental, and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability. The Fair Housing Act also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, in order to provide accessible housing for individuals with disabilities.

(i) Tenant Services. The LURA will require that the Development Owner offer a variety of services for residents of the Housing Development through a Tenant Services Program Plan which is subject to annual approval by the Department.

(j) The LURA will require the Development Owner:

(1) To obtain, complete and maintain on file Tenant Income Certifications from each Eligible Tenant, including:

(A) a Tenant Income Certification dated immediately prior to the initial occupancy of each new Eligible Tenant in the Housing Development and

(B) thereafter, annual Tenant Income Certifications which must be obtained on or before the anniversary of such Eligible Tenant's occupancy of the Unit, and in no event less than once in every 12-month period following each Eligible Tenant's occupancy of a Unit in the Housing Development. For administrative convenience, the Development Owner may establish the first date that a Tenant Income Certification for the Housing Development is received as the annual recertification date for all tenants. The Development Owner will obtain such additional information as may be required in the future by §142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations which are tax-exempt private activity bonds described in §142(d) of the Code. The Development Owner shall make a diligent and good-faith effort to determine that the income information provided by an applicant in a Tenant Income Certification is accurate by taking steps required under §142(d) of the Code pursuant to provisions of the Housing Act.

(2) As part of the verification, such steps may include the following, provided such action meets the requirements of §142(d) of the Code:

(A) obtain pay stubs for the most recent one-month period;

(B) obtain income tax returns for the most recent two tax years;

(C) conduct a consumer credit search;

(D) obtain an income verification from the applicant's current employer;

(E) obtain an income verification from the Social Security Administration, or

(F) if the applicant is self-employed, unemployed, does not have income tax returns or is otherwise not reasonably able to provide other forms of verification as required above, obtain another form of independent verification as would, in the Development Owner's reasonable commercial judgment, enable the Development Owner to determine the accuracy of the applicant's income information. The Development Owner shall retain all Tenant Income Certifications obtained in compliance with this subsection (b) of this section until the date that is six years after the last Bond is retired;

(3) To obtain from each tenant in the Housing Development, at the time of execution of the lease pertaining to the Unit occupied by such tenant, a written certification, acknowledgment and acceptance in such form as provided by the Department to the Development Owner from time to time that

(A) such lease is subordinate to the Mortgage and the LURA;

(B) all statements made in the Tenant Income Certification submitted by such tenant are accurate;

(C) the family income and eligibility requirements of the LURA and the Loan Agreement are substantial and material obligations of tenancy in the Housing Development;

(D) such tenant will comply promptly with all requests for information with respect to such requirements from the Development Owner, the Trustee and the Department; and

(E) failure to provide accurate information in the Tenant Income Certification or refusal to comply with a request for information with respect thereto will constitute a violation of a substantial obligation of the tenancy of such tenant in the Housing Development;

(4) To maintain complete and accurate records pertaining to the Low-Income Units and to permit, at all reasonable times during normal business hours and upon reasonable notice, any duly authorized representative of the Department, the Trustee, the Department of the Treasury or the Internal Revenue Service to enter upon the Housing Development Site to examine and inspect the Housing Development and to inspect the books and records of the Development Owner pertaining to the Housing Development, including those records pertaining to the occupancy of the Low-Income Units;

(5) On or before each February 15 during the qualified development period, to submit to the Department (to the attention of the Portfolio Management and Compliance Division) a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Housing Development continues to meet the requirements of §142(d) of the Code and on or before each March 31 during the qualified development period, to submit such completed form to the Secretary of the Treasury and the Department;

(6) To prepare and submit the compliance monitoring report. To cause to be prepared and submitted to the Department and the Trustee on the first day of the state restrictive period, and thereafter by the tenth calendar day of each March, June, September, and December, or other quarterly schedule as determined by the Department with written notice to the Development Owner, a certified compliance monitoring report and Development Owner's certification in such form as provided by the Department to the Development Owner from time to time; and

(7) To provide regular maintenance to keep the Housing Development sanitary, decent and safe.

(8) To establish a reserve account consistent with the requirements of §2306.186, Texas Government Code.

§33.8. Fees
(a) Application and Issuance Fees. The Department shall set fees to be paid by the Applicant in order to cover the costs of pre-application review, Application and Development review, the Department's expenses in connection with providing financing for a Housing Development, and as required by law. (§1372.006(a), Texas Government Code)

(b) Administration and Portfolio Management and Compliance Fees. The Department shall set ongoing fees to be paid by Development Owners to cover the Department's costs of administering the Bonds and portfolio management and compliance with the program requirements applicable to each Housing Development.

§33.9. Waiver of Rules
Provided all requirements of the Act, the Code, and any other applicable law are met, the Board may waive any one or more of the rules set forth in §§33.3 through 33.8 of this title relating to the Multifamily Housing Revenue Bond Program in order to further the purposes and the policies of Chapter 2306, Texas Government Code; to encourage the acquisition, construction, reconstruction, or rehabilitation of a Housing Development that would provide decent, safe, and sanitary housing, including, but not limited to, providing such housing in economically depressed or blighted areas, or providing housing designed and equipped for Persons with Special Needs; or for other good cause, as determined by the Board.

§33.10. No Discrimination
The Department and its staff or agents, Applicants, Development Owners, and any participants in the Program shall not discriminate under this Program against any person or family on the basis of race, creed, national origin, age, religion, handicap, family status, or sex, or against persons or families on the basis of their having minor children, except that nothing herein shall be deemed to preclude a Development Owner from selecting tenants with Special Needs, or to preclude a Development Owner from selecting tenants based on income in renting Units to comply with the set asides under the provisions of this Chapter.

Figure 1: 10 TAC § 33.6(b)

Private Activity Bond Program Scoring Criteria

Construction Cost Per Unit (includes: site work, contractor profit, overhead, general requirements and contingency. Calculation will be hard costs per square foot of net rentable area. Ů $60 per sq ft) (Acquisition / Rehab will automatically receive 1 point) — 1pt

Size of Units (average size of all units combined in the development ů 950 sq ft/family and ů 750 sq ft/elderly) (Acquisition / Rehab developments will automatically receive 5 points) — 5pts

Quality and Amenities (maximum 34 points)
(Acquisition / Rehab developments will receive double points not to exceed 34 points)

• Washer/Dryer Connections	1pt
• Microwave Ovens (in each unit)	1pt
• Storage Room (outside the unit)	1pt
• Covered Parking (at least one per unit)	3pts
• Garages (equal to at least 35% of units)	5pts
• Ceiling Fans (living room and bedrooms)	1pt
• Ceramic Tile Flooring (entry way and bathroom)	2pts
• 75% or Greater Masonry (includes rock, stone, brick, stucco and cementious board product; excludes efis)	5pts
• Playground and Equipment or Covered Community Porch	3pts
• BBQ Grills and Tables (one each per 50 units) or Walking Trail (minimum length of ¼ mile) or Gazebo with Seating for Twelve	3pts
• Full Perimeter Fencing and Gated	3pts
• Computers with internet access / Business Facilities (8 hour availability)	2pts
• Game Room or TV Lounge	2pts
• Workout Facilities or Library (with comparable square footage as workout facilities)	2pts

Tenant Services (per unit / above line on expenses)

$10.00 / unit /monthly	10pts
$7.00 / unit /monthly	5pts
$4.00 / unit / monthly	3pts

Zoning appropriate for the proposed use or a statement of no zoning required (appropriate zoning for the intended use must be in place at the time of application submission date, September 2, 2003, in order to receive points) — 5pts

Figure 1: 10 TAC § 33.6(b)

Proper Site Control (fully executed and escrow receipted control through 12/01/03 with option to extend through 03/01/04 and all information correct at the time of application submission date, September 2, 2003, in order to receive points)	5pts
Development Support / Opposition (maximum net points of +12 to -12. Each letter will receive a maximum of +1.5 to -1.5. All letters received by October 24, 2003 will be used in scoring)	**Max**
• Texas State Senator and Texas State Representative	+3 to -3 pts
• Presiding officer of the governing body of any municipality containing the Development and the elected district member of the governing body of the municipality containing the Development	+3 to -3 pts
• Presiding officer of the governing body of the county containing the Development and the elected district member of the governing body of the county containing the Development (if the site is not in a municipality, these points will be doubled)	+3 to -3 pts
• Local School District Superintendent and Presiding Officer of the Board of Trustees for the school district containing the Development	+3 to -3 pts
Penalties for Missed Deadlines in the Previous Year's Bond and/or Tax Credit program year. This includes approved and used extensions. (maximum 3 point deduction)	-1 per program application
Local Development Funding Commitment (CDBG, HOME or other funds through local political subdivisions) (Must be ů 2% of the bond amount requested)	2pts
Proximity to Community Services / Amenities (Community services / amenities within three (3) miles of the site. Map must be included with the Application showing a three (3) mile radius notating where the services / amenities are located. Maximum 12 points)	
• Grocery Store	1pt
• Pharmacy	1pt
• Convenience store	1pt
• Retail Facilities (Target, Wal-mart, Home Depot, etc…)	1pt
• Bank / Financial Institution	1pt
• Restaurant	1pt
• Public Recreation Facilities (park, civic center, YMCA)	1pt
• Fire / Police Station	1pt
• Medical Facilities (hospitals, minor emergency, etc…)	1pt

Figure 1: 10 TAC § 33.6(b)

• Public Library	1pt
• Public Transportation (1/2 mile from site)	1pt
• Public School (only one school required for point)	1pt

Proximity to Negative Features (Within 300 feet of any part of the Development site boundaries. Map must be included with the application showing where feature is located. Developer must provide a letter stating there are none of the negative features listed below within the stated area if that is correct. Maximum --20 points)

• Junkyards	5pts
• Active Railways (excluding light rail)	5pts
• Interstate Highways / Service Roads	5pts
• Solid Waste / Sanitary Landfills	5pts
• High Voltage Transmission Towers	5pts

Figure 2: 10 TAC §33.6(b)

Private Activity Bond Program Threshold Requirements

1. Prequalification Assumptions

a. Development Feasibility

Debt Coverage	ů 1.10
Annual Expenses	$3800 per unit or $3.75 per sq ft
Deferred Developer Fees	Ů 80%
Contractor Fee	Ů 6%
Overhead	Ů 2%
General Requirements	Ů 6%
Developer Fees	Ů 15%

b. Construction Costs Per Unit Assumption Acceptable range $47 – $61 per unit
(Acquisition / Rehab developments are exempt from this requirement)

c. Interest Rate Assumption

6.00%	30 year
6.75%	40 year

d. Size of Units
(Acquisition / Rehab developments are exempt from this requirement)

1 Bed	ů 650 Family	ů 550 Senior
2 Bed	ů 900 Family	ů 750 Senior
3 Bed	ů 1000 Family	

2. **Appropriate Zoning -** Evidence of appropriate zoning for the proposed use or evidence of application made and pending decision.

3. Executed Site Control
Properly executed and escrow receipted site control through 12/1/03 with option to extend through 3/1/04

4. Previous Participation and Authorization to Release Credit Information
(forms in Uniform Application)

5. **Current Market Information** (Must support affordable rents)

6. **Completed** TDHCA Uniform Application and application exhibits

7. **Completed** Multifamily Rental Worksheets

8. **Public Notification Information** (see application package)

9. **Relevant Developer Information** (see application package)

10. **Completed** 2004 Bond Review Board Residential Rental Attachment

11. Signed Letter of Responsibility for All Costs Incurred

12. Signed MRB Program Certification Letter

13. Evidence of paid Application Fees ($1000 TDHCA, $1500 Vinson and Elkins, $5000 Bond Review Board)

14. Boundary Survey or Plat

15. Local Area map showing the location of the Property and Community Services/Amenities within a three (3) mile radius

16. Utility Allowance from Appropriate Local Housing Authority

17. Organization Chart with evidence of Entity Registration or Reservation with Secretary of State

18. Required Notification. Evidence of notifications shall include a copy of the exact letter and other materials that were sent to the individual or entity and proof of delivery in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from each official. Each notice must include the information required for "Community Notification" within the Application Package. Notification must be sent to all the following individuals and entities:

i. State Senator and Representative that represents the community containing the development;
ii. Presiding Officer of the governing body of any municipality containing the development and **all** elected members of that body (Mayor, City Council members)
iii. Presiding Officer of the governing body of the county containing the development and **all** elected members of that body (County Judge and/or Commissioners)
iv. School District Superintendent of the school district containing the development
v. Presiding Officer of the School Board of Trustees of the school district containing the development
vi. City and County Clerks (Evidence must be provided that a letter, meeting the requirements of the "Clerk Notification" letter in the application materials, was sent to the city clerk and county clerk. A copy of the return letter from the city and county clerks must be provided)
vii. Neighborhood Organizations on record with the state or county whose boundaries contain the development (All entities identified in the letters from the city and county clerks must be provided with written notification and evidence of that notification must be provided. If the Applicant can

provide evidence that the proposed Development is not located within the boundaries of an entity on a list from the clerk(s), then such evidence in lieu of notification may be acceptable. If no letter is received from the city or county clerk by seven (7) days prior to the date of Application submission, the Applicant must submit a statement attesting to the fact that no return letter was received. If the Applicant has knowledge of neighborhood organizations on record with the state or county within whose boundaries the development is located, written notification must be provided to them. If the Applicant has no knowledge of such neighborhood organizations within whose boundaries the Development is located, they must submit a statement to that effect with the Application).

Figure 3: 10 TAC §33.6(d)(1)

NOTICE TO PUBLIC

(5 inch lettering above)

PROPOSED MULTIFAMILY RESIDENTIAL RENTAL COMMUNITY

(4 inch lettering above)

(2 inch lettering below)

[Applicant Name] has made application to the Texas Department of Housing and Community Affairs for the issuance of Private Activity Tax-Exempt Bonds and Tax Credits for the development of a proposed multifamily residential rental community [Development Name] to be located at [Street Address], [City], [County], [State] [Zip]. This development community will be comprised of [Total # of] units on [# acres].

There will be a public hearing to receive public comments on the proposed development.

Date: __________________, Time: ____________________

Location: ____

____

[Applicant Contact Name] with [Developer Name] located at [Address], [City], [State] [Zip] and telephone number is [Telephone Number]

For additional information contact Robbye Meyer with the Texas Department of Housing and Community Affairs, 507 Sabine, Suite #700, Austin, Texas 78701 or by telephone at (512) 475-2213 or by email at rmeyer@tdhca.state.tx.us

Sign must be at least 4 feet by 8 feet in size and located within twenty feet of the main roadway.

(These are MINIMUM requirements)

The Applicant/Developer may choose to provide more information.

LEGAL SERVICES

BOARD ACTION REQUEST
November 14, 2003

Action item

Interagency Agreement Between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs.

Required Action

Review and approve with changes the Interagency Agreement.

Background

Attached is the proposed, second year Interagency Agreement between TDHCA and ORCA concerning the Housing Tax Credit Program Rural Regional Allocation. This Contract has been approved by the Executive Committee of ORCA based on the then anticipated 31% Rural Regional Allocation. It includes only minor changes from last year's contract and is black lined against that contract. It follows the requirements of Sections 2306.6723 and 2306.111, Texas Government Code, and the 2004 QAP.

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

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

SECTION 1. PARTIES TO THE CONTRACT

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

SECTION 2. PERIOD OF PERFORMANCE

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

SECTION 3. CONTRACT PERFORMANCE

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

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

C. <u>ORCA Performance</u> ORCA shall perform the following activities:

1. ORCA shall assist TDHCA in developing all threshold, scoring, and underwriting criteria applied to applications eligible for the HTC rural regional allocation. Such criteria shall be approved by ORCA. Pursuant to Section 2306.6724(a) of the Texas Government Code, the TDHCA Board must adopt the qualified allocation plan ("QAP") which includes threshold and scoring criteria not later than September 30 each year. Prior to September 30 each year, the TDHCA Board and ORCA Executive Committee shall hold a joint workshop to discuss the proposed QAP. At the workshop, the ORCA Executive Committee shall provide its input on the threshold and scoring criteria applied to applications eligible for the HTC rural regional allocation. Underwriting criteria no longer in the QAP will also be discussed at this joint workshop, or in a separate joint workshop.
2. ORCA shall participate in the site inspections of all projects proposed under the rural regional allocation. ORCA staff assigned to perform such inspections shall have completed sufficient training to enable them to perform the inspections.

3. ORCA shall assign a representative to attend HTC public hearings relating to the Qualified Allocation Plan and other application requirements and to participate in TDHCA's executive award and review advisory committee meetings in which recommendations relating to the allocation of tax credits to rural regional allocation applicants is discussed.
4. ORCA shall assist TDHCA in developing and negotiating the Memorandum of Understanding between TDHCA and the U.S. Department of Agriculture relating to the administration of the Rural Development set-aside or allocation.

SECTION 5. TDHCA FUNDING OBLIGATIONS

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

SECTION 6. AMENDMENTS AND CHANGES

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

SECTION 7. POLITICAL ACTIVITY

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

SECTION 8. SECTARIAN ACTIVITY

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

SECTION 9. ORAL AND WRITTEN AGREEMENTS

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

SECTION 10. TERMINATION

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

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

WITNESS OUR HANDS EFFECTIVE ________________________________

Signed:

____

Robt. J. "Sam" Tessen, MS
Executive Director, Office of Rural Community Affairs

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

Signed:

____

Edwina P. Carrington
Executive Director, Texas Department of Housing And Community Affairs

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

November 14, 2003

Action Items

2004 Draft Multifamily Application Submission Procedures Manual: In accordance with §2306.67022 of Texas Government Code, the Board is required to adopt a Qualified Allocation Plan (QAP) and corresponding manual annually. This action item is for the manual only.

Required Action

Approve the Draft 2004 Multifamily Application Submission Procedures Manual.

Background and Recommendations

The Application Submission Procedures Manual (ASPM) is the manual that is generated annually and provided to applicants to describe the logistics for submitting and packaging their application in accordance with our requirements. Because the next funding cycle will cover both Housing Tax Credits and Housing Trust Fund, the ASPM addresses submissions for both sources.

Please note that because some portions of the ASPM are excerpts from the QAP, the ASPM before the Board today is a draft only. The ASPM will be finalized within several weeks of the Board's approval. Any changes made by the Board to the QAP will be correspondingly made to the ASPM to ensure consistency.

Multifamily Finance Production Division

2004 DRAFT APPLICATION SUBMISSION PROCEDURES MANUAL (ASPM) for Housing Trust Fund Rental Development and Housing Tax Credits

TABLE OF CONTENTS

APPLICATION SUBMISSION PROCEDURES MANUAL

The Texas Department of Housing and Community Affairs' (the Department) Housing Tax Credit and Housing Trust Program (HTF) Application Submission Procedures Manual (ASPM) sets forth the basic information needed for filing a Pre-Application or Application for Housing Trust Funds and/or Housing Tax Credits pursuant to the 2004 Qualified Allocation Plan and Rules (QAP) and the 2004 HTF Rental Development Notice of Funding Availability. All portions of the ASPM must be followed when filing a Pre-Application or an Application for either program. This document is meant to serve only as a brief complementary guide on how to put the Application together.

- **Housing Tax Credit Authority**: The Department's 2004 tax credit authority is approximately $38.2 million. In September 2003, the Department committed approximately $3.7 million from that authority. The remaining available authority is approximately **$34.5 million** which is available for allocation under the 2004 Housing Tax Credit Application Round. The requirements for submission, and the methodology for allocation of funds, are based on the 2004 Qualified Allocation Plan (QAP). It is essential that the Applicant read and understand the QAP prior to submitting an Application, as the QAP is indeed the rule that governs the HTC Program.

- **Housing Trust Fund Availability**: The Department will have **$2 million** of Housing Trust Fund resources available for rental development under the 2004 HTF Rental Development Round. All requests for funds must show that the HTF funds will be leveraged with other sources of funding. The requirements for submission and the methodology for allocation of funds are based on the 2004 HTF Rental Development Notice of Funding Availability (NOFA). It is essential that the Applicant read and understand the NOFA, as it will govern the 2004 cycle, along with the HTF Rules.

Because of significant changes to the QAP and the HTF requirements for the 2004 Application Cycle, and the competitive nature of the programs, attendance at the 2004 Application Workshops is strongly recommended. Information regarding the workshop registration, as well as all Application Materials, is detailed on the Department's website (www.tdhca.state.tx.us).

PRE-APPLICATION AND APPLICATION SUBMISSION

A Pre-Application for a Housing Credit Allocation from the State Housing Credit Ceiling may be filed at any time during the Pre-Application Acceptance Period. An Application for a Housing Credit Allocation from the State Housing Credit Ceiling may be filed at any time during the Application Acceptance Period. The same is true for the HTF Application. For the 2003 Application Round the dates are:

	Housing Tax Credit Program	Housing Trust Fund Program
Pre-Application and Application Acceptance Period Opening Date:	**Tuesday, December 2, 2003**	**Tuesday, December 2, 2003**
Close of Pre-Application Acceptance Period:	**Friday, January 9, 2004**	**N/A**
Deadline for Submitting Required Pre-Certification Documents:	**Monday, February 23, 2004**	**Monday, February 23, 2004**
Close of Application Acceptance Period	**Monday, March 1, 2004**	**Monday, March 1, 2004**

Applications received after 5:00 P.M. on the last day of the Acceptance Period(s) **will not be accepted**. The deadline is **strictly** adhered to; therefore the Department strongly encourages you to consider traffic and travel delays when planning your submission.

FORMAT FOR SUBMITTING THE PRE-APPLICATION (HTC Only)

If an Applicant for HTC chooses to submit a Pre-Application, the complete Pre-Application for each proposed development must be submitted as described in this section. Incomplete Pre-Applications or improperly bound Pre-Applications **will not be accepted**. Pre-Applications must be presented in the order provided below.

The Applicant should ensure that all sets of documentation are clearly labeled with the:

1. Development Name
2. Owner Name
3. Contact Name
4. Contact Address
5. Contact Phone and Fax Numbers

Bound Items. The Pre-Application consists of only one volume. The volume must be bound using the yellow pressboard binders and tabs provided with the application package. If a volume's required documentation exceeds the capacity of a binder, then purchase a similar binder and use it to subdivide the volume.

Pre-Application Threshold Criteria. The forms provided by the Department must be completed by using the version available on the TDHCA web site. If you have difficulty downloading the files from the website, staff will email you the documents. If a question does not pertain to the development, insert "N/A" in that space. **All questions and spaces must be completed.**

Tab PA1: The *HTC Pre-Application Submission Form.*

Tab PA2: The *HTC Pre-Application Self-Scoring Form.*

Tab PA3: Evidence of Site Control as described in the "List of Required Exhibits" section of the ASPM and as further described in §50.9(f)(7)(A) of the QAP.

Tab PA4: Evidence of Notifications as required by §50.9(f)(8)(B) of the QAP.

One additional copy of the entire Pre-Application **must** be submitted; Pre-Application materials ordered through the Department include an additional set of yellow pressboard binders specifically for this purpose.

Complete the *Document and Payment Receipt* and submit it with the above referenced documentation. **Do not bind the receipt in the Pre-Application. Don't forget your Pre-Application Fee as the Department is unable to accept a Pre-Application without the fee.**

FORMAT FOR PRE-CERTIFICATION AND ACKNOWLEDGEMENT (HTC and HTF)

There are four documents that the Applicant is required to submit as part of their Application that are issued by the Department and must be requested in advance of the Application deadline.

1. **Experience Certificate.** Individuals (a person or an entity) that will be utilizing their experience to meet the experience threshold requirement must submit their evidence of experience to the Department no later than **Monday, February 23**. The required documents are explained in detail in §50.9(d)(1) of the QAP. After staff review of the documents, a Certificate of Experience will be issued by the Multifamily Finance Production Division and mailed back to the entity that requested the certificate. The Certificate must be included in the Application submission. While a form requesting the experience certificate is not required, a form has been created for this purpose entitled *2004 HTC Experience Certification* which is available on the Department's website and facilitates the Department's prompt issuance of the requested document.

2. **Acknowledgement of Receipt of Financial Statement and Authorization to Release Credit.** Individuals (a person or an entity) that will be required to submit a *Financial Statement and Authorization to Release Credit* form as part of the Application must submit their completed form(s) to the Department no later than **Monday, February 23.** To determine which individuals or entities need to submit these forms, refer to §50.9(d)(2) of the QAP. Upon receipt of the statements, the Real Estate Analysis Division will issue an Acknowledgement of Receipt which will be mailed back to the entity that submitted the financials. The Acknowledgement is what included in the Application submission. Note that the Acknowledgement does not make any statement about the content of the financial statement, but merely acknowledges that the document has been received.

3. **Previous Participation.** Individuals (a person or an entity) that will be required to submit a "Previous Participation and Background Certification Form" form as part of the Application must submit their completed form(s) to the Department no later than **Monday, February 23.** A completed and executed "Previous Participation and Background Certification Form" must be provided for each entity as required in §50.9(d)(3). Upon receipt of this evidence, an acknowledgement from Portfolio Management and Compliance Division will be provided to the Applicant for inclusion in the Application.

4. **National Previous Participation.** Individuals (a person or an entity) that will be required to submit a "National Previous Participation and Background Certification Form" form as part of the Application must submit their completed form(s) to the Department no later than **Monday, February 23.** A completed and executed "National Previous Participation and Background Certification Form" must be provided for each entity as required in §50.9(d)(4). Upon receipt of this evidence, an acknowledgement from Portfolio Management and Compliance Division will be provided to the Applicant for inclusion in the Application.

FORMAT FOR SUBMITTING THE APPLICATION

A complete Application for each proposed development must be submitted as described in this section. Incomplete Applications or improperly bound Applications **will not be accepted**. Applications must be presented in the order provided below.

The Applicant should ensure that all sets of documentation are clearly labeled with the:

1. Development Name
2. If a Pre-Application was submitted, include the assigned TDHCA Development Number
3. Owner Name
4. Contact Name
5. Contact Address
6. Contact Phone and Fax Numbers

Bound Items. Volumes 1 through 6 must be bound using the red pressboard binders and tabs provided with the application package. If a volume's required documentation exceeds the capacity of a binder, then purchase a similar binder and use it to subdivide the volume.

1. Volume 1 - *TDHCA Uniform Housing Programs Application, HTC Application Supplement*, and exhibits as described in the "List of Required Exhibits" section of the ASPM. The application and exhibits provided by the Department must be completed by using the version available on the TDHCA web site. If you have difficulty downloading the files from the website, staff will email you the documents. If a question does not pertain to the development, insert "N/A" in that space. **All questions and spaces must be completed.**
2. Volume 2 - Site Inspection Package described in the "List of Required Exhibits" section of the ASPM.
3. Volume 3 – Supplemental Threshold Documentation

   Note: The Appraisal (if applicable), Market Analysis and Environmental Site Assessment are not submitted bound within this Volume.
4. Volume 4 - Selection Documentation for Housing Tax Credit Program
5. Volume 5- Selection Documentation for the Housing Trust Fund Program
6. Volume 6- Bond Submission Volume for Tax Exempt Bond Developments utilizing TDHCA as an Issuer
7. One additional copy of the entire Application (Volumes 1 through 5) **must** be submitted. Application materials ordered through the Department include an additional set of red pressboard binders specifically for this purpose. **Any Social Security numbers appearing in any portion of the Application submission must be removed from this second copy prior to submission to the Department**.

Unbound Items. The following documents will not be bound in the pressboard covers provided by the Department. Please do not use three-ring binders for these unbound submissions.

8. Appraisal (if required) may be bound using the analyst's preferred format.
9. Phase I Environmental Site Assessment may be bound using the analyst's preferred format.
10. Market Analysis may be bound using the analyst's preferred format.
11. If a Rehab Development, Property Condition Assessment as required by §50.9(f)(6)(E).

12. An extra copy of Exhibit 1 of the Uniform Application (pages 1 through 29) including the depiction of the Organization Charts, bound with a binder clip or staple.
13. An extra copy of Volume II- Site Inspection Package
14. An extra copy of Tab 3F, from Volume III-Supplemental Threshold Documentation

If the Applicant has received support/opposition letters from elected officials, members of the public, or neighborhood organizations, those can be submitted at the time the Application is submitted. Please staple such documents together with a brief letter of transmittal identifying them as such. **If these documents are part of the Threshold or Selection criteria bound as Volumes 3 and 4, include copies of the documents in both the unbound transmittal and Volumes 3 and 4.**

Complete the *Document and Payment Receipt* and submit it with the above referenced documentation. **Do not bind the receipt in the application. Don't forget your Application Fee as the Department is unable to accept an Application without the fee.**

LIST OF REQUIRED EXHIBITS FOR THE APPLICATION

This section describes the specific documents that should be placed behind each tab. **You must compile the Application based on the order provided in the ASPM.** Note that this order does not necessarily follow the order that is used in the QAP! Exhibits shown in *italics* are included in the Application and Reference Manual which will be available on the Department's website.

Volume 1. Uniform Application and Qualifying Documentation. Include all of the following documents:

Tab 1A: The entire *TDHCA Uniform Housing Programs Application*. This includes Uniform Application Exhibits 1 through 5.

Tab 1B: Any and all attachments to the TDHCA Uniform Housing Programs Application. In the Uniform Application, there are symbols to assist in completing the form. One of the symbols is a black box that indicates that an attachment may be required. Those required attachments (if applicable to your submission) must be placed behind this tab. This **MUST** include, at a minimum, the organizational charts and financing plan.

Behind this tab also place the current tax assessment documentation from the taxing entities for the entire proposed site. (Required by all Applicants)

Tab 1C: The *HTC Application Supplement* and *Project Completion Schedule* **(HTC Only)**.

Tab 1D: The *Confirmation of Set-Aside Eligibility* form and any accompanying documents required by that form **(HTC Only)**.

Tab 1E: The *Development Owner Certification* and *Consultant Certification* **(HTC Only)**.

Tab 1F: The *Applicant Credit Limit Documentation and Certification* **(HTC Only)**.

Tab 1G: The *HTC Application Self-Scoring Form* **(HTC Only)**.

Tab 1H: The *HTF Application Self Score Form* **(HTF Only)**

Volume 2. Site Inspection Package. Include all of the following documentation:

Tab 2A: Provide the current site address, project name, whether the project is existing or proposed, housing type, and owner name and contact name and phone number.

Tab 2B: A full, legible legal description of the site.

Tab 2C: A fold-up city map or a copy of a map clearly indicating the location of the development in relation to the entire city or town in which it is located. The map should also indicate the location of the following facilities within 2 miles of the site:

Existing HTC or other affordable housing projects

Retail centers

Medical complexes

Recreational facilities

Educational facilities (elementary, secondary, high school, college or vocational) and libraries

Large scale employment centers

Public transportation stop closest to the site (if it falls within the two mile radius)

For tax exempt bond projects located in a QCT, include a census tract map clearly indicating census tract number and location of project.

Tab 2D: Copy of the site plan. Site plan must indicate adjacent street names, existing/proposed buildings, parking, ingress, egress, encroachments, flood plains, and easements.

Tab 2E: Photographs of site features (street signs, billboards, existing structures etc.) that will help staff correctly identify the site during the site inspection.

Tab 2F: Written instructions to the site from the nearest state or interstate highway.

Volume 3. Supplemental Threshold Documentation. Provide all of the following documentation (Note: Pursuant to the HTF Rule and NOFA all HTF applications are held to the same threshold criteria as that identified in the 2004 QAP. All items, unless indicated, are required for both HTF and HTC Applications.

Tab 3A: Development Certification and Design Items

1. *Development Certification Form.*

2. All of the architectural drawings identified in §50.9(f)(5)(A)(i) through (v).

3. A Boundary Survey of the proposed Development Site and of the property purchased as required in §50.9(f)(5)(B) of the QAP.

4. 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.

Tab 3B: Evidence of Development Costs as Required in §50.9(f)(6)

1. 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 Development Owner, including pay-in schedules, syndicator consulting fees and other syndication costs. No syndication costs should be included in the Eligible Basis **(HTC Only)**.

2. 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 **(HTC Only)**.

3. 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 **(HTC Only)**.

Tab 3C: Evidence of Readiness to Proceed

As evidenced by at least one of the items under each of items (1) through (4):

1. Evidence of site control in the name of Development Owner as required in §50.9(f)(7)(A) of the QAP.

2. Evidence from the appropriate local municipal authority that satisfies one of clauses (i) through (iii) of §50.9(f)(7)(B)(i) through (iii).

3. 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 as required in §50.9(f)(7)(C). 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 subsection.

4. Provide the documents required in 50.9(f)(7)(D)(i) and either of the documents described in clauses (ii) and (iii) and satisfy the requirements of clause (iv) as applicable.

Tab 3D: Evidence of Notifications

Evidence of all of the notifications as required by §50.9(f)(8). Such notices must be prepared in accordance with *"Public Notifications*" provided as a sample exhibit with the Application. If evidence of these notifications was submitted with the Pre-Application Threshold for the same Application and satisfies the Department's review of Pre-Application Threshold, then no additional notification is required at Application.

1. A copy of the public notice published in the most widely circulated newspaper in the area in which the proposed Development will be located as required by §50.9(f)(8)(A).

2. Evidence of notification meeting the requirements identified in §50.9(f)(8)(B)(i) to all of the individuals and entities identified in §50.9(f)(8)(B)(ii).

3. Evidence of signage on the property or the alternative, as required in §50.9(f)(8)(C).

4. If any of the Units in the Development are occupied at the time of Application, then evidence as required by §50.9(f)(8)(D).

5. Evidence that requirements of §50.9(f)(8)(E) have been met.

Tab 3E: Organization Documents

Each entity shown on an organizational chart as described in §50.9(f)(9)(A) of the QAP, and as required in the Uniform Application, shall provide the following documentation, as applicable:

1. For entities that are not yet formed but are to be formed either in or outside of the state of Texas, submit documentation required in 50.9(f)(9)(B)(i).

2. For existing entities whether formed in or outside of the state of Texas, submit documentation as required in §50.9(f)(9)(B)(ii).

3. 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, as required in §50.9(f)(9)(B)(iii).

Tab 3F: Precertifications

1. Evidence of each entity shown on the organizational chart that has 10% or more ownership interest in the Development Owner, Developer or Guarantor has provided a copy of the copied and executed Previous Participation and Background Certification form to the Department. Evidence must be a certification from the Department as required by §50.9(f)(C).

2. Evidence that, if the Development Owner or any of its Affiliates shown on the organizational chart described in subparagraph (A) of this paragraph that have 10% or more ownership interest in the Development Owner 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, that such Persons have submitted the appropriate "National Previous Participation and Background Certification Form. Evidence must be a certification from the Department as required by §50.9(f)(D).

3. Evidence of an *HTC Experience Certificate* as required by §50.9(f)(9)(E) and §50.9(e)(3) of the QAP.

4. 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 §50.9(d) of the QAP.

Tab 3G: Income and Operating Documentation

1. 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 as required by §50.9(f)(10(B).

2. Occupied Developments undergoing rehabilitation must also submit the items described in §50.9(f)((10)(D)(i) through (iv).

Tab 3H: Nonprofit Documentation

1. All Applications involving a nonprofit General Partner, regardless of the Set-Aside applied under, must submit all of the documents described in §50.9(f)(A)(i) and (ii).

2. Additionally, all Applications applying under the Nonprofit Set-Aside, established under §50.7(b)(1) of this title, must also provide the following information with respect to the Qualified Nonprofit Organization as described in §50.9(f)(B)(i) through (vi).

Tab 3I: Acquisition / Identity of Interest

Applicants applying for acquisition credits or affiliated with the seller that will be evaluated in accordance with §1.32(e)(1), must provide all of the documentation described in §50.9(f)(12) in subparagraphs (A) through (C). Applicants applying for acquisition credits must also provide the items described in subparagraph (D) "*Acquisition of Existing Buildings Form*".

Tab 3J: Appraisal as required by §50.9(g)(12) and Market Analysis and Environmental Site Assessment as required by §50.9(g)(13)

Upon Application submission, the Applicant must 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, 2004. Subsequently, the entire exhibit must be submitted **on or before 5:00 p.m. CST, March 31, 2004**. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration.

If the full report is provided unbound, then no documentation is needed behind this Tab. This Tab is only for Applicants who are submitting evidence of transmittal letters.

Tab 3K: Tax Exempt Bond/HTC Applications Only - Documentation demonstrating the Project's consistency with the bond issuer's consolidated plan or other similar planning document must be provided. Consistency with the local municipality's or, if not within a municipality, the county's consolidated plan or similar planning document must also be shown in those instances where the city or county has a consolidated plan.

Volume 4. Documentation for Housing Tax Credit Selection Criteria **(Not Required for Tax Exempt Bond/HTC Applications or HTF Applications).**

Note: If you do not wish to claim points for an item, then no documentation is needed.

Tab 4A: Development Financial Feasibility- Evidence as required by §50.9(g)(1) of the QAP.

Tab 4B Quantifiable Community Participation: Any letters provided with the Application for the purposes of receiving points for this item as required by §50.9(g)(2) must be submitted behind this tab. Please note: Letters may also be submitted separately via mail and received not later than April 30, 2004 to be considered for points for this section.

Tab 4C 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 as required in §50.9(g)(3)(A) through (F). Additional evidence as required if requesting additional 10 points for §50.9(g)(3)(G).

Tab 4D Proximity to Site Amenities. Evidence as required by §50.9(g)(4)(A).

Tab 4E Negative Site Features. Evidence as required by §50.9(g)(4)(B).

Tab 4F: Support and Consistency with Local Planning. All documents must not be older than 6 months from the close of the Application Acceptance Period. Evidence as required by §50.9(g)(6)(A) through (C).

Tab 4G: *Unit Amenities and Quality Selection Criteria* Form.

Tab 4H: 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. Provide evidence behind the tab.

Tab 4I: 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, 2004 and renewable after that date.

Tab 4J: *Tenant Supportive Services Certification.*

Tab 4K: 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 as required by §50.9(g)(11).

Tab 4L: *Low Income Targeting Selection Criteria* Form and further evidence as required by §50.9(g)(13).

Tab 4M: Leveraging from Local and Private Resources. Evidence as required by §50.9(g)(14)

Tab 4N: *Length of Affordability Selection Criteria* Form.

Tab 4O: *Agreement for Provision of the Right of First Refusal* Form.

Volume 5. Selection Documentation for the Housing Trust Fund Program. (Not Required for Tax Exempt Bond/HTC Applications or HTC Applications).
Note: If you do not wish to claim points for an item, then no documentation is needed.

Tab 5A: Low Income Targeting Selection Criteria. Completed *Low Income Targeting Selection Criteria form* and evidence as required in the NOFA.

Tab 5B: Development Support/ Opposition. Evidence as required by the NOFA.

Tab 5C: Support and Consistency with Local Planning. Evidence as required by the NOFA.

Tab 5D: Site Characteristics: Evidence as required by the NOFA.

Tab 5E: Development Provides Supportive Services to Tenants. Completed *Tenant Supportive Services form* and evidence as required by the NOFA.

Tab 5F: Involvement of Historically Underutilized Businesses (HUB). Evidence as required by the NOFA.

Tab 5G: Housing Needs Characteristics.

Volume 6. Bond Submission Volume for Tax Exempt Bond Developments utilizing TDHCA as an Issuer. (Not Required for HTC Applications or HTF Applications).
Note: At the time of printing of this document, this information is not available. It will be available in the Final ASPM on the Department's website.

PUBLIC VIEWING OF PRE-APPLICATIONS AND APPLICATIONS

The Department will have a viewing room that will allow the public to view any Pre-Applications or Applications that have been submitted to the Department. The viewing room will be set up within approximately ten business days of the Close of the Pre-Application Acceptance Period and within approximately ten business days of the Close of the Application Acceptance Period. The viewing room will be open between the hours of 9:00 am and 4:00 pm Monday through Friday. It is recommended that an appointment be made so that adequate staff are available. Appointments can be made by contacting a HTC Program Representative at 512/475-3340.

Timeline for the 2004 Multifamily Competitive Application Cycle*

Multifamily Finance Production Division

* At this time the competitive funds include Housing Tax Credits, Housing Trust Fund Rental Development and Multifamily HOME. There is a possibility that 2004 Multifamily HOME funds will be conducted on an open cycle basis and not follow these competitive timelines.

Acronyms: HTC=Housing Tax Credit Program, HTF=Housing Trust Fund Rental Development, HOME= Multifamily HOME.

NOVEMBER 2003	
Friday, November 14	Board approves Final Rules (those noted above)
Tuesday, November 18	Houston HTC and HTF Workshop
Wednesday, November 19	Dallas HTC and HTF Workshop
Thursday, November 20	Austin HTC and HTF Workshop
DECEMBER 2003	
Monday, December 1	Deadline for Governor's Signature on QAP
Tuesday, December 2	Application Round Begins for HTC and HTF (Application Acceptance Period starts)
JANUARY 2004	
Friday, January 9	Deadline for HTC Pre-Applications (no HTF submissions required)
FEBRUARY 2004	
Monday, February 2	Results of HTC Pre-Application Round Released (approx. 30 days prior to app deadline)
Monday, February 23	Due date for Pre-Submissions: Financial Acknowledgements, Experience Certifications and Previous Participation Acknowledgements
MARCH 2004	
Monday, March 1	Deadline for HTC, HTF Applications to be submitted (and HOME if competitive cycle)
Friday, March 14	Release log of all application submissions.
	Deadline for sending all notification letters of applications received.
Wednesday, March 31	Market Study, ESAs and Appraisals due into TDHCA
APRIL 2004	

Thursday, April 1	Due date for all those without zoning to submit evidence that zoning commission has approved and will recommend.
April 5-16 (not firm)	Public Hearings on Applications

MAY 2004

Thursday, May 15	Corrective action deadline for Material Noncompliance Scores to be run on 6/30

JUNE 2004

June (dates uncertain)	Board meeting to review staff HTC recommendations and approve a list of applications for allocations of tax credits (legislated for no later than June 30 and satisfies SB 322 requirement that all documents be released 30 days prior to July Board meeting.)
	Board Meeting to Approve HTF awards.
	Release of Application Log.
	Notify all applicants of their support/opposition (40 days prior to July board meeting)
	Deadline for public comment to go to Board.
Monday, June 30	Compliance runs MNC scores again for all that look like will be recommended! We can't award credits to anyone who is in MNC on June 30.

JULY 2004

July (dates uncertain)	Board Meeting: Board approval of final commitments for HTC (legislated deadline is July 31).

Note: All appeals must adhere to the appeal policy and timeframes. All appeals will be posted on the web after a decision is made.

Note: Within 3 days of the relevant determinations, results of each stage of the application process, including scoring and Underwriting and commitment, must be posted on web site. We do this at the end of the stage for all developments; not development by development.

COMMUNITY AFFAIRS DIVISION
SECTION 8 PROGRAM

BOARD ACTION REQUEST
November 14, 2003

Action Item

Approval of Section 8 Payment Standards for Housing Choice Vouchers.

Required Action

Staff recommends approval of these Section 8 Payment Standards for Housing Choice Vouchers in accordance with 24 CFR Part 982.503.

Background

The U.S. Department of Housing and Urban Development (HUD) at 24 CFR 982.503, requires Public Housing Authorities (PHAs) such as the Texas Department of Housing and Community Affairs (TDHCA), to adopt a payment standard schedule that estimates voucher payment standard amounts for each Fair Market Rent (FMR) area in the PHA jurisdiction. HUD requires the governing board of TDHCA to adopt this payment standard annually. The PHA must establish payment standard amounts for each "unit size". "Unit size" is measured by the number of bedrooms (one-bedroom, two-bedrooms, and so on).

TDHCA, operating as a PHA in non-participating jurisdictions, may establish the payment standard amount at any level between 90 percent and 110 percent of the published FMR for that size unit. TDHCA recommends establishing its payment standard at 100 percent of FMR for some jurisdictions and 110 percent of FMR for other jurisdictions experiencing higher updated utility allowance rates. The payment standard for each jurisdiction is detailed in the attached Exhibit A.

In addition, TDHCA recommends requesting HUD's approval to increase payments in excess of 110 percent and up to 120 percent of FMR if circumstances so warrant. Unfortunately, in some jurisdictions, 110% of the FMR is not sufficient to provide for the housing needs of individuals and families of low, very low, and moderate income. Accordingly, we are requesting approval of the attached Payment Standards for TDHCA Section 8 Housing Choice Vouchers, and, subject to approval by the Executive Director, the flexibility to deal with "exception areas" defined at 24 CFR 982.503(b)(2), areas with elevated housing costs.

RESOLUTION NUMBER 03-085

RESOLUTION OF THE BOARD OF DIRECTORS ADOPTING PAYMENT STANDARD FOR SECTION 8 HOUSING CHOICE VOUCHERS

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low 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);

WHEREAS, 24 CFR Part 982.503, Voucher tenancy, states that a Public Housing Authority (PHA) must adopt a payment standard schedule that establishes voucher payment amounts for each Fair Market Rent (FMR) area in the PHA jurisdiction. The PHA must establish payment standard amounts for each "unit size."

WHEREAS, the PHA's voucher payment standard schedule shall establish a single payment standard for each unit size in an FMR area;

WHEREAS, the Department in operating as a PHA in non-participating jurisdictions may establish the payment standard amount for a unit size at any level between 90 percent and 110 percent of the published FMR for that size unit;

WHEREAS, the payment standard amounts on the PHA schedule are used to calculate the monthly housing assistance payment for a family;

WHEREAS, the Department has reviewed the Payment Standards by geographic area, and wishes to establish a Payment Standard at 100 percent of FMR in the areas so referenced in the attached Payment Standards;

WHEREAS, the Department wishes to establish payment standards at 110 percent of FMR in the indicated areas so referenced where updated utility allowance rates that allow for such increased Payment Standards;

WHEREAS, the Board desires to authorize the Executive Director of the Department to approve payments up to 110 percent of FMR to meet housing needs;

WHEREAS, the Board desires to authorize the Executive Director to request approval from the U. S. Department of Housing and Urban Development for "exception payment standard amounts" of 120 percent and above FMR in "exception areas;" and

WHEREAS, such Payment Standards meet the guidelines of the Federal Registers, HUD Handbooks, Notices, Transmittals, and the needs of these communities.

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

Resolution 1: Approval and Adoption of the Section 8 Payment Standards for Housing Choice Vouchers. The Governing Board hereby approves and adopts the attached Section 8 Payments Standards for Housing Choice Vouchers for each non-participating jurisdiction in which the Department participates as a PHA. The Payment Standards are attached as Exhibit A.

Resolution 2: Authority of Executive Director of the Department to Approve Payments up to 110 Percent FMR. In "exception areas," the Governing Board hereby authorizes the Executive Director to approve Section 8 housing voucher payments up to 110% FMR and request approval from HUD for "exception payment standard amounts" in excess of 110 percent FMR;

Resolution 3: Effective Date. This Resolution shall be in full force and effect from and upon their adoption. The Department shall initiate the Payment Standards effective immediately.

Resolution 4: Declaration as to Open Meetings; Open Records. 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 for at least seven (7) days preceding the convening of such meeting, on a bulletin board in the main office of the Secretary of State located at a place convenient to the public; that such place was readily accessible to the general public at all times from the time of such posting until the convening of such meeting; 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; 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 Act and Texas Register and Administrative Code, Chapters 2001 and 2002, Texas Government Code, respectively.

PASSED AND APPROVED this 14th day of November, 2003.

____
Chair of the Governing Board

ATTEST:

____
Secretary to the Board

VOUCHER PAYMENT STANDARDS
Dallas Region

	Bedroom Size				
	0 BR	1 BR	2 BR	3 BR	4 BR
osque County:					
HUD FMR	296	341	412	552	630
yment Standard	326	375	453	607	693
Payment Standard	110%	110%	110%	110%	110%
manche County:					
HUD FMR	296	341	412	552	630
yment Standard	326	375	453	607	693
Payment Standard	110%	110%	110%	110%	110%
rockett County:					
HUD FMR	296	341	412	552	630
yment Standard	326	375	453	607	693
Payment Standard	110%	110%	110%	110%	110%
enton County:					
HUD FMR	589	678	871	1205	1425
yment Standard	589	678	871	1205	1425
Payment Standard	100%	100%	100%	100%	100%
Ellis County:					
HUD FMR	589	678	871	1205	1425
yment Standard	589	678	871	1205	1425
Payment Standard	100%	100%	100%	100%	100%
rath County:					
HUD FMR	306	347	448	580	630
yment Standard	337	382	493	638	693
Payment Standard	110%	110%	110%	110%	110%

Falls County:				
HUD FMR	296	341	412	552
Payment Standard	326	375	453	607
% of Payment Standard	110%	110%	110%	110%
Freestone County:				
HUD FMR	296	341	412	552
Payment Standard	326	375	453	607
% of Payment Standard	110%	110%	110%	110%
Johnson County:				
HUD FMR	536	585	757	1058
Payment Standard	536	585	757	1058
% of Payment Standard	100%	100%	100%	100%

Dallas Region (continued)

	Bedroom Size				
	0 BR	1 BR	2 BR	3 BR	4 BR
Limestone County:					
HUD FMR	296	341	412	552	
Payment Standard	326	375	453	607	
% of Payment Standard	110%	110%	110%	110%	

Mason County: ***HUD FMR*** Payment Standard % of Payment Standard	296 326 110%	341 375 110%	412 453 110%	552 607 110%
McLennan County: ***HUD FMR*** Payment Standard % of Payment Standard	331 364 110%	405 446 110%	535 589 110%	710 781 110%
Menard County: ***HUD FMR*** Payment Standard % of Payment Standard	296 326 110%	341 375 110%	412 453 110%	552 607 110%
Navarro County: HUD FMR Payment Standard % of Payment Standard	421 463 110%	444 488 110%	532 585 100%	676 744 110%
Schleicher County: HUD FMR Payment Standard % of Payment Standard	296 326 110%	341 375 110%	412 453 110%	552 607 110%

VOUCHER PAYMENT STANDARDS
Houston Region

	Bedroom Size				
	0 BR	1 BR	2 BR	3 BR	4 BR
ustin County:	296	341	412	565	630
HUD FMR	326	375	453	607	693
yment Standard	110%	110%	110%	110%	100%
Payment Standard					
razoria County:					
HUD FMR	525	584	730	1017	1196
yment Standard	525	584	730	1017	1196
Payment Standard	100%	100%	100%	100%	100%
bers, Fort Bend &					
aller Counties:	523	588	760	1060	1248
HUD FMR	523	588	760	1060	1248
yment Standard	100%	100%	100%	100%	100%
Payment Standard					
orado & Wharton					
Counties:	296	341	412	552	630
HUD FMR	326	375	453	607	693
yment Standard	110%	110%	110%	110%	110%
Payment Standard					
lveston County:					
HUD FMR	514	528	662	920	1086
yment Standard	514	528	662	920	1086
Payment Standard	100%	100%	100%	100%	100%
bertson County:					
HUD FMR	296	391	436	552	630
yment Standard	326	430	480	607	693
Payment Standard	110%	110%	110%	110%	110%

VOUCHER PAYMENT STANDARDS
San Antonio Region

	Bedroom Size				
	0 BR	1 BR	2 BR	3 BR	4 BR
ransas County:					
HUD FMR	296	363	485	673	679
yment Standard	326	399	534	740	747
Payment Standard	110%	110%	110%	110%	110%
tacosa County:					
HUD FMR	296	341	412	552	630
yment Standard	326	375	453	607	693
Payment Standard	110%	110%	110%	110%	110%
urnet County:					
HUD FMR	376	434	534	742	868
yment Standard	414	477	587	816	955
Payment Standard	110%	110%	110%	110%	110%
ldwell County:					
HUD FMR	567	686	914	1269	1501
yment Standard	567	686	914	1269	1501
Payment Standard	100%	100%	100%	100%	100%
adalupe County:					
HUD FMR	425	491	635	883	1044
yment Standard	425	491	635	883	1044
Payment Standard	100%	100%	100%	100%	100%
idalgo County:					
HUD FMR	297	394	451	563	633
yment Standard	327	433	496	619	696
Payment Standard	110%	110%	110%	110%	110%
Jim Wells County:					
HUD FMR	296	341	412	552	
Payment Standard	326	375	453	607	
% of Payment Standard	110%	110%	110%	110%	
Kerr County:					
HUD FMR	296	383	477	665	
Payment Standard	326	421	525	732	
% of Payment Standard	110%	110%	110%	110%	
Lee County:					
HUD FMR	335	377	422	589	
Payment Standard	369	415	464	648	
% of Payment Standard	110%	110%	110%	110%	

San Antonio Region (continued)

	Bedroom Size				
	0 BR	1 BR	2 BR	3 BR	4 BR
Live Oak County:					

HUD FMR Payment Standard % of Payment Standard	296 326 110%	341 375 110%	412 453 110%	552 607 110%
Llano County: ***HUD FMR*** Payment Standard % of Payment Standard	296 326 110%	381 419 110%	506 557 110%	634 697 110%
Medina County: ***HUD FMR*** Payment Standard % of Payment Standard	296 326 110%	341 375 110%	412 453 110%	552 607 110%
Nueces County: ***HUD FMR*** Payment Standard % of Payment Standard	380 418 110%	467 514 110%	595 655 110%	811 892 110%

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
DIVISION
SECTION 8 PROGRAM

BOARD ACTION REQUEST
NOVEMBER 14, 2003

Action Item

Request for Board Authorization to Request HUD Approval of Consolidating three Annual Contribution Contracts into one Annual Contribution Contract

Required Action

In order to simplify administration and increase flexibility to meet housing need, staff recommends that the Board authorize a Request for consolidation of the TDHCA's three Annual Contribution Contracts.

Background

The Texas Department of Housing and Community Affairs (TDHCA) administers the United States Department of Housing and Urban Development's (HUD) Section 8 rental assistance program, primarily in areas where there is no local housing authority. Although the lease rate in TDHCA's statewide Housing Assistance Payments Program is high, the Department is exploring methods to increase its Section 8 lease rate. Most Public Housing Authorities (PHAs) receive funds from the HUD office in the region in which their service area lies. As a result of the Department's statewide jurisdiction, TDHCA provides Section 8 vouchers in all three of Texas' HUD regions and as a result the Department receives funds under three separate Annual Contribution Contracts. In conversations with HUD, it was suggested that these three contracts could be consolidated into one Annual Contributions Contract. This consolidation would simplify administration and allow the Department greater flexibility to move vouchers to areas of greater housing need.

RESOLUTION NUMBER 03-086

RESOLUTION OF THE BOARD OF DIRECTORS FOR SECTION 8 HOUSING CHOICE VOUCHERS

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low 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);

WHEREAS, Some areas of the state experience greater Housing Need than others;

WHEREAS, The relative Housing Need in those areas is in constant flux;

WHEREAS, The Department desires greater flexibility to provide Housing Assistance vouchers in areas where the need is greatest;

WHEREAS, The Department has consulted with the Department of Housing and Urban Development as to the possibility and practicality of consolidating their annual contributions to the department in to one contract;

WHEREAS, Administration of one statewide Annual Contribution Contract will be simpler and result in "economies of scale" in personnel time and paperwork;

WHEREAS, The Board desires to meet Texas' shifting housing needs;

WHEREAS, The Board desires to authorize the Executive Director to request that the Department of Housing and Urban Development consolidate the three Annual Contributions Contracts into one contract;

WHEREAS, The board believes that these changes would be in the best interest of the low-income citizens of the State of Texas;

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

Resolution 1: Approval and Adoption of Executive Director's Authority to Request Consolidation of Annual Contribution. The Governing Board hereby approves and authorizes the Executive Director to request consolidation of the Department's Annual Consolidation Contracts from HUD.

Resolution 2: Authority of Executive Director of the Consolidate Annual Contributions Contract. If such authority is granted by HUD, the Governing Board hereby authorizes the Executive Director of the Department to do that which is necessary and proper to effect such contract;

Resolution 3: Effective Date. These Resolutions shall be in full force and effect from and upon its adoption. The Department shall make said request in accordance with the Governing Boards wishes as soon as it is expedient;

Resolution 4: Declaration as to Open Meetings; Open Records. 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 for at least seven (7) days preceding the convening of such meeting, on a bulletin board in the main office of the Secretary of State located at a place convenient to the public; that such place was readily accessible to the general public at all times from the time of such posting until the convening of such meeting; 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; 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 Act and Texas Register and Administrative Code, Chapters 2001 and 2002, Texas Government Code, respectively.

PASSED AND APPROVED this 14th day of November, 2003.

____
Chair of the Governing Board

ATTEST:

____
Secretary to the Board

COMMUNITY AFFAIRS DIVISION
SECTION 8 PROGRAM

BOARD ACTION REQUEST
NOVEMBER 14, 2003

Action Item

Approval of Relinquishment of Thirty (30) Section 8 Housing Choice Vouchers to the Fort Worth Office of U.S. Department of Housing and Urban Development

Required Action

In recognition of the housing need in this part of the hill country, staff recommends the relinquishment of 30 Section 8 vouchers to HUD so that they may be transferred.

Background

The Texas Department of Housing and Community Affairs (the Department) administers the U. S. Department of Housing and Urban Development's (HUD) Section 8 rental assistance program. The primary focus of the Section 8 program is to provide vouchers in areas where there is no Public Housing Authority (PHA).

Marble Falls is an area with great housing need and the Marble Falls Housing Authority is capable of competently administering the Section 8 program. Additionally, there is affordable housing in the area which will benefit from additional voucher tenancy. The Department has communicated with HUD and understands that these vouchers would be released to the Marble Falls Housing Authority.

RESOLUTION NUMBER 03-087

RESOLUTION OF THE BOARD OF DIRECTORS FOR SECTION 8 HOUSING CHOICE VOUCHERS

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low 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);

WHEREAS, some areas of the state experience greater Housing Need than others;

WHEREAS, the Board of Directors desires to meet such housing needs;

WHEREAS, the city of Marble Falls experiences a great housing need;

WHEREAS, returning 30 vouchers to HUD for use in Marble Falls would allow the City of Marble Falls to provide for the housing needs of individuals and families of low and very low income;

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

Resolution 1: Approval and Adoption of Voucher Relinquishment:. The Governing Board hereby approves and adopts the relinquishment of 30 Section 8 vouchers to HUD on the condition that they be released to the Housing Authority of the City of Marble Falls, Texas.

Resolution 2: Effective Date. These Resolutions shall be in full force and effect from and upon its adoption.

Resolution 3: Declaration as to Open Meetings; Open Records. 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 for at least seven (7) days preceding the convening of such meeting, on a bulletin board in the main office of the Secretary of State located at a place convenient to the public; that such place was readily accessible to the general public at all times from the time of such posting until the convening of such meeting; 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; 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 Act and Texas Register and Administrative Code, Chapters 2001 and 2002, Texas Government Code, respectively.

PASSED AND APPROVED this 14th day of November, 2003.

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Chair of the Governing Board

ATTEST:

____
Secretary to the Board

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
November 14, 2003

Action Item

Appeal of Bethel Senior Housing HOME Application #2003-0288.

Requested Action

Issue a determination on the appeal.

Background and Recommendations

The Applicant originally filed an appeal for this issue on September 15, 2003, to Edwina Carrington appealing the termination of the Application. The appeal was denied by the Executive Director on September 29, 2003 because the documentation as presented in the Application deemed the development infeasible because the proforma does not reflect a positive cash flow over the full 30 year affordability period as require by the Department's statute (Texas Government Code 2306.185) and rules (10 TAC 1.32(d)(7). On October 6, 2003, the Applicant submitted a subsequent appeal to the Board that requests that the Application be reinstated.

Application Information:

Applicant:	East Austin Economic Development Corporation
City/County:	Crockett/ Houston
Region:	5
Type of Development:	New Construction
Units:	16
Staff Recommendation:	The Executive Director denied the original appeal. That recommendation has not changed.

Copy of Appeal to Board

TDHCA

OCT 0 6 2003

HUMAN RESOURCE OFFICE

3:30 A.T.

X-Jen

East Austin Economic Development Corporation
1009 East 11th Street, Suite 103
Austin, Texas 78702
512-472-1472

October 6, 2003

Ms. Edwina Carrington
Executive Director,
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78711

APPEAL TO THE BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

SUBJECT: BETHEL SENIOR HOUSING TDHCA # 20030288

We are appealing on the grounds of "mathematical errors" and " procedural errors" as defined in your rules regarding your staff review and assessments respecting our application: ***BETHEL SENIOR HOUSING TDHCA # 20030288.***

We are responding directly to your staff's Appeal Review letter dated September 29, 2003 a copy of which is included for your reference.

Your staff's letter identified three staff concerns in which your staff, in error, asserted that our application did not meet underwriting requirements. We appeal and we disagree.

Your staff's letter identified three concerns: 1) Overstatement **of "potential income because your staff letter asserts our application** "starts with a lower expense estimate and growth percentages … inconsistent with departmental rules." Respecting this concern, your staff asserts: **"despite these erroneous assumptions, the Proforma you provided clearly reflects infeasibility by year 25. Your proposal to use a reserve account from net operating income was considered by the underwriter in the original, but is not viable and no other viable source for this reserve has been provided."**

Addressing this concern, the so-termed "overstatement of income" was in fact your staff underwriter's overstatement. Your underwriter wrongfully attributed additional income, non-rental income, in the amount of $906.00 per month over the lifetime of the project. Please note that there is no provision either in the application, in the design, in the construction, or space provided for the addition of space for any type of vending income i.e. laundry or other vending, Each of the units is designed to have washer/dryer connections as an additional amenity. Therefore, it is error and unreasonable for the underwriter's raise the potential income of the application then site us for over stating income.

Your staff's letter references "erroneous assumptions" apparently respecting **"lower expense estimate and growth percentages."** As a matter of fact, in the underwriter's comparative analysis, the applicant's total monthly expense estimates are $44,354 and the TDHCA estimates are $43,050. Thus, the applicant does not understand the staff characterization of this estimate as **"erroneous." we are within the TDCHA,s stated guidelines. The staff questioned our utility cost, which was determined and documented by Crockett City officals**

In terms of the growth percentages, the applicant used the 3 per cent growth in income and the 4 per cent growth in expenses, the applicant used these guidelines set forth by the department. As a further matter of fact, the amount of income allowable is established by HUD (HOME) rules and the rent increases by TDHCA guidelines. Thus, we stand by our Proforma respecting both income and expenses. We further note that we can only address specific concerns and not vague general ones.

Your staff's assertion that our intent **"to use a reserve account from net operating income was considered by the underwriter in the original but is not viable and no other viable source for this reserve has been provided"** is erroneous. Our application stated that from the **development fee** a reserve account would be established of $17,000, which would allay the cash shortfall in year 25. Obviously, since the fee and the account is established at the beginning of the project, the viability of the source of income is not questionable. Again, our source is not operating income but from the development budget. Which is given to the owner/developer and can be utilized at there discretion.

Your staff's second concern and your staff's associated comments: **"2) Construction cost differences did not play a definitive role in the ultimate determination of infeasibility for this development and therefore are not a factor in this appeal."** Apparently and thusly, we need not address the "construction cost differences." Which are consistent with HUD 221 D rules.

Your staff's letter's third and final concern was as follows: **"3) While your original operating expenses are only 3% higher than the underwriter's expenses, your net operating income was well over the department's 5% thus the underwriter's**

Proforma was correctly used in determining the development's financial feasibility for funding determination."

As we said above, the only reason for the operating income exceeds the 5 % guidelines was the improper attribution of income by the underwriter. Your underwriter wrongfully attributed additional income, non-rental income, in the amount of $906.00 per month over the lifetime of the project. Please that there is no provision either in the application, in the design, in the construction, or space provided for the addition of space for any type of vending income i.e. laundry or other vending, Each of the units is designed to have washer/dryer connections as an additional amenity. Therefore, it is error and unreasonable for the underwriter's raise the potential income of the application.

The TDHCA and its underwriters have the authority and are directed under the rules and guidelines to make such reasonable and plausible adjustments so as to make proposed projects both feasible and workable. This is appropriate since under current underwriting quide lines 60 rural counties could not receive loans for small projects with out applying this rule. In certain instances, as recent as the September 11, 2003 cases before the Board, staff underwriters used their discretion to make certain projects, especially non-tax-credit projects more feasible, increasing income estimate, forgiving certain debt. etc. The Bethel Senior Housing application seems not to have received that kind of staff consideration and assistance; we respectfully request consistency and fairness in the applications of the guidelines and rules. This rule seems to be applied selectively.

We respectfully appeal to the Board requesting reconsideration of our project and request approval on the basis of the last submission.

Respectfully appealed and submitted,

Van Dyke Johnson, Executive Director
East Austin Economic Development Corporation
1009 East 11th, Suite 103
Austin, Texas 78702

Copy of Appeal Response from Executive Director

TEXAS
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

ICK PERRY
'overnor

DWINA P. CARRINGTON
xecutive Director

OARD MEMBERS
ichael E. Jones, *Chair*
lizabeth Anderson
hadrick Bogany
. Kent Conine
idal Gonzalez
orberto Salinas

September 29, 2003

Mr. Van Dyke Johnson
East Austin Economic Development Corporation
1009 East 11th Street, Suite 103
Austin, TX 78702
(512) 472-1472
(512) 457-1237

Re: Bethel Senior Housing TDHCA# 20030288

Dear Mr. Johnson:

Appeal Review

Your Appeal was dated on September 12, 2003 but was not received until September 15, 2003. The recommendation for your development was posted to the Department's web site and made public on September 4, 2003 and any Appeal was required to be filed by 5:00 pm September 11th. Thus your Appeal was not filed in a timely manner.

In your Appeal, you dispute the infeasibility determination made by the Real Estate Analysis Division for the Bethel Senior Housing development. It appears from the material you submitted with the Appeal that our concerns regarding lack of income to support the operating expenses for the full 30 years as identified in the original underwriting report have not been satisfied. 1) The proforma you provided in your Appeal does not reflect the department's methodology for such calculation in 10 TAC 1.32 (d)(7) as it overstates the potential income available by starting with a lower expense estimate and growth percentages that are inconsistent with department rules. Moreover, despite these erroneous assumptions, the proforma you provided clearly reflects infeasibility by year 25. Your proposal to use a reserve account from net operating income was considered by the underwriter in the original but is not viable and no other viable source for this reserve has been provided. 2) Construction cost differences did not play a definitive role in the ultimate determination of infeasibility for this development and therefore are not a factor in this Appeal. 3) While your original operating expenses are only 3% higher than the underwriter's expenses, your net operating income is well over the department's 5% thus the underwriter's proforma was correctly used in determining the development's financial feasibility for funding determination. The other items you itemized by number in your Appeal letter did not play a definitive role in the determination of infeasibility of the development.

Finally, the partnership with Bethel Community Development Corporation was not previously discussed in documentation submitted to the department and is considered new information that is not allowable under an Appeal nonetheless its inclusion would not change the underwriter's infeasibility determination and does not give cause to grant your Appeal.

Appeal Determination
Based on the aforementioned reasons, your Appeal is denied.

Please be aware that an Appeals Process exists for the Texas Department of Housing and Community Affairs. Pursuant to §1.7 of Title 10 of the Texas Administrative Code, if you are not satisfied with the Executive Director's response to this Appeal, you may Appeal in writing to the Board within 7 days after the date of this letter. Therefore, to have an Appeal considered by the Board, the Appeal must be received by Delores Groneck, Board Secretary, no later than October 6, 2003. For any Appeal to be heard at the October 9 Board Meeting we must receive it by noon October 1 in order to meet our posting requirements.

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

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

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

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

Sincerely,

Edwina Carrington

Edwina Carrington
Executive Director

EPC:tg

Enclosed

Copy of Appeal to Executive Director

EAST AUSTIN ECONOMIC DEVELOPMENT CORPORATION
1009 East 11TH Street, Suite 103~Austin, Texas 78702
Telephone: 512-472-1472 Fax: 512-457-1237
E-mail address: eaedc@sbcglobal.net
September 12, 2003

RECEIVED
SEP 1 5 2003
LIHTC

Texas Department of Housing and Community Affairs
Ms. Edwina Carrington, Executive Director
507 Sabine Street
Austin Texas 78711-39401

Re: Bethel Senior Housing Crockett, Texas
APPEAL to Texas Department of Housing and Community Affairs

Dear Ms. Carrington:
In response to discussions with multi-family staff on September 11th and 12th we were informed that our HOME CHDO application for 16 units of senior housing in Crockett, Texas was not recommended to the directors at the September 11, 2003 board meeting for approval. We have not received a formal letter of rejection nor any specific reasons for denial.

We are appealing the recommendation of TDHCA underwriting staff based on the following factors:

1. In the underwriters' conclusions and analysis it is stated that the net operating income for the project is less than the 1.10 Debt Coverage Ratio (DCR) required for minimum program standards.

Based on East Austin Economic Development Corporation (EAEDC) staff analysis we achieve a 1.6 DCR. (See Attachment 1.)

The underwriters indicate that in the applicant's 30 year pro forma the project's Net Operating Income (NOI) becomes negative in year 20. On July 14, In response to a letter from the underwriting department dated July 10, 2003, we submitted in writing a 30-year pro forma, which had a positive 30-year cash flow. To offset any deficits in Years 20-30, the applicant offer was to place $17,000 in an interest bearing reserve account. The reserve account compound interest earnings at a conservative rate of 4.35% on the principal of $17,000 would provide approximately $39,838 in year 20 which amount is more than enough income to offset any potential losses due to a negative NOI.

2. The underwriters analysis indicates that construction cost estimates are overstated by 2.5%, however the overall development cost is within departmental guidelines of 5% variance.

The construction cost is a contractor estimate that would be confirmed based on final drawings. The final cost estimates will be within the 5% variance required by underwriting. The general requirements, administrative overhead, and contractor profit will be 6%, 2%, and 6% respectively. We are building a superior quality project that reflects the goals of the community. The construction cost estimate mirrors the desires of the non-profit group in Crockett that is sponsoring and supporting the project; these costs are within the HUD Section 221 (D) (4) limits. Funds that private developers or many non-profits would normally take as development fees, in this project, provides financial support to the end product of better built units that provide up grades and additional living space, elements that are traditionally not found in these projects.

3. The underwriter states that administrative and operating expenses based on department analysis were 5% higher than the underwriters' analysis.

We calculated that we were within a 3% variance of the underwriters estimate.

Also, please note the projected expenses for water, sewage and electric were provided by the Crockett City Manager; it was based on hard data from the responsible departments within the City, for projects of similar size. A letter from the City of Crockett supporting these expenses was provided the underwriters.

4. The corporation's ability to operate 130 miles from its primary site in Austin was questioned.

To our knowledge, in order for the application to be forwarded to underwriting department from the Housing Resource department, EAEDC was approved as a CHDO for Houston County. We addressed the rationale for this geographical concern in our application. HUD has approved EAEDC to operate in this specific jurisdiction and five other rural counties in our related housing projects. This is accomplished through a faith based community development network that addresses problems identified in the Housing Needs Survey published by TDCHA, and allows us to make available technical assistance and hands on operating support and funds to rural communities. Please see the agreement with the Bethel Community Development Corporation in Attachment 2. The agreement provides staff, training and funding out of CHDO operating funds that are matched with development fees that will remain in the community to support long-term growth and stability of the project and create local capacity.

5. The Underwriting Department in their summary of salient risks, and issues indicated significant inconsistencies within the application.

No details were identified and to our knowledge there are no inconsistencies.

Conclusion
For the last three years we have operated in the Crockett community in partnership with the Bethel Community Development Corporation.

Governor Rick Perry supported this faith-based initiative when he kicked off the EAEDC formal announcement of this statewide project that includes 23 other faith-based rural community development corporations.

It is based on the premise that the faith based community can bring support and resources to community development efforts, as its unique organization and inherent linkages are developed and utilized, The EAEDC a faith based community development corporation has uniquely positioned itself to carry out this mission.

The task of bringing capacity and development experience to rural communities is not a new effort for EAEDC. We would hope that TDCHA would encourage organizations with our capacity to seed hands-on development assistance, and to support this with lectures and workshops provided by the department. Community leaders and development practitioners learn by doing, under experienced direction and guidance.

If you have any questions please call at your convenience.

Sincerely,

Van Dyke Johnson
Executive Director

Cc: Brooke Boston, Director of Multifamily

Attachments:

1. Correspondence and 30-Year Proforma
2. EAEDC Company Profile
3. Memorandum of Agreement between Bethel Community Development Corporation and the East Austin Economic Development Corporation

East Austin Economic Development Corporation
1009 E. 11th Street
Austin, Texas 78702
512-472-1472
Fax 512-457-1237

July 14, 2003

Texas Department of Housing & Community Affairs
507 Sabine Street
Austin, Texas 78711-3941

Attn: Racquel Morales

Dear Ms. Morales,

In response to your request to utilize the 2003 HOME rent limits on our Bethel Senior Housing complex in Crockett, Texas, please be advised that we are submitting a revised 30-year operating preformed. In analyzing this preformed we would propose the following loan terms in order to provide a positive annual balance over the 30-year period.

1. A 10 year fixed payment of $4,500
2. A 9 year fixed payment of $3,500
3. A 1 year fixed payment of $1,500
4. A cash flow loan for 11 years
4. The balance of $921,999 would be a deferred forgivable loan

$40,000

From year 25 through 30 we calculate a total deficit of $17,108. We propose to fund this deficit by funding an escrow Operating Reserve Account from our development fee proceeds. We estimate the accumulated principal and interest over 25 years to be over $~~100~~,000, which will easily fund all deficits. This loan structure will provide for a positive net cash flow for each of the 30 years.

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

Sincerely,

Van Dyke Johnson
Executive Director

EXHIBIT 3: ACTIVITY OVERVIEW

Part G. 30 Year Rental Housing Operating Proforma

For rental developments, a proforma matching the term of the low income restriction the development will be subject to is required. The proforma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of rental income and expenses) and include principal and interest debt service after net operating income is determined. The proforma can be shown in five year increments after the first five years. The Department currently considers annual growth rate to be 3% for income and 4% for expenses to be a reasonably conservative estimate for future growth rates. Written explanation for any deviations from this growth rate or for assumptions other then straight-line growth made during the proforma period should be attatcehd to the proforma.

INCOME	RENT-UP PER. # OF MOS: 3	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 21	YEAR 22	YEAR 23	YEAR 24	YEAR 25	YEAR 26	YEAR 27	YEAR 29	year 29	YEAR 30
POTENTIAL GROSS ANNUAL RENTAL INCOME	[illegible]	[illegible]	$57,548	$59,276	$61,053	$62,884	$72,900	$84,511	$97,972	$100,911	$103,938	$107,057	$110,268	$113,576	$116,984	$120,493	$124,108	$127,831	$131,666
Secondary Income																			
POTENTIAL GROSS ANNUAL INCOME	[illegible]	55,872	57,548	59,275	61,053	62,884	72,900	84,511	97,972	100,911	103,938	107,057	110,268	113,576	116,984	120,493	124,108	127,831	131,666
Provision for Vacancy & Collection Loss(.075%)	(1,048)	(4,190)	(4,316)	(4,445)	(4,579)	[illegible]	(5,467)	(6,338)	(7,347)	(7,604)	(7,870)	(8,146)	(8,431)	(8,726)	(9,032)	(9,349)	(9,675)	(10,013)	(10,364)
Rental Conessions																			
EFFECTIVE GROSS ANNUAL INCOME	[illegible]	51,682	53,232	54,829	56,474	58,169	67,433	78,174	90,625	93,307	96,068	98,911	101,637	104,850	107,952	111,145	114,433	117,818	121,302
EXPENSES																			
General & Administrative Expenses	1,375	5,500	5,720	5,949	6,187	6,434	7,828	9,524	11,588	12,051	12,533	13,035	13,556	14,098	14,662	15,249	15,859	16,493	17,153
Management Fee	775	3,101	3,225	3,354	3,488	3,628	4,414	5,370	6,533	6,795	7,066	7,349	7,643	7,949	8,267	8,597	8,941	9,299	9,671
Payroll, Payroll Tax & Employee Benefits	2,288	9,150	9,516	9,897	10,293	10,704	13,023	15,840	19,275	20,046	20,851	21,685	22,552	23,454	24,392	25,368	26,383	27,438	28,536
Repairs & Maintenance	2,140	8,560	8,902	9,258	9,629	10,014	12,184	14,823	18,035	18,756	19,506	20,287	21,098	21,942	22,820	23,732	24,682	25,669	26,696
Electric & Gas Utilities	375	1,500	1,560	1,622	1,687	1,755	2,135	2,598	3,160	3,287	3,418	3,555	3,697	3,845	3,999	4,159	4,325	4,498	4,678
Water, Sewer & Trash Utilities	1,837	7,348	7,642	7,948	8,266	8,596	10,458	12,724	15,481	16,100	16,744	17,414	18,111	18,835	19,589	20,372	21,187	22,034	22,916
Annual Property Insurance Premiums	1,149	4,595	4,779	4,970	5,169	5,376	6,540	7,957	9,681	10,068	10,471	10,890	11,325	11,778	12,250	12,739	13,249	13,779	14,330
Property Tax	-	-																	
Reserve for Replacements	800	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Other Expenses:	-																		
TOTAL ANNUAL EXPENSES	10,738	42,954	44,544	46,196	47,918	49,707	59,782	72,041	86,956	90,305	93,790	97,414	101,182	105,102	109,178	113,417	117,825	122,410	127,179
NET OPERATING INCOME	2,182	8,728	8,688	8,632	8,556	8,462	7,651	6,133	3,669	3,001	2,278	1,497	655	(251)	(1,226)	(2,271)	(3,392)	(4,593)	(5,877)
DEBT SERVICING																			
First Deed of Trust Annual Loan Payment		4,500	4,500	4,500	4,500	4,500	4,500	3,500	1,500	-	-	-	-	-	-	-	-	-	-
Second Deed of Trust Annual Loan Payment																			
Third Deed of Trust Annual Loan Payment																			
Other Annual Required Payment:																			
NET CASH FLOW	2,182	4,228	4,188	4,132	4,056	3,962	3,151	2,633	2,169	3,001	2,278	1,497	655	(251)	(1,226)	(2,271)	(3,392)	(4,593)	(5,877)
Debt Coverage Ratio		2	2	2	2	2	2	2	2	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Then answered I them, and said unto them, He will prosper us; we His servants will arise and build. Nehemiah 2:20

COMPANY PROFILE

EAST AUSTIN ECONOMIC DEVELOPMENT CORPORATION

(EAEDC)

General Corporate Information:

Legal Status: Texas Non Profit Community Housing Development Organization

501 (C) (3) Organization

Address: 1009 East 11th Street, Suite 103 Austin, TX 78702

Telephone: Voice: (512) 472-1472 Fax: (512) 457-1237

E-mail Address: eaedc@sbcglobal.net

Principals:	Title
Marvin C. Griffin, D.Min.	President
Van Dyke Johnson	Executive Director

Capabilities:

Commercial:	Financial Packaging; Property Management; General Contracting.
Residential:	CounselorMax Licensee; Loan Packaging; Housing Counseling; Pre-qualifying of home buyers;
Technical Capabilities:	Planning Zoning & Development Permitting Housing Rehabilitation Home Buyer Programs Technical Assistance

EAEDC is a non-profit Community Development Corporation incorporated in April of 1988 under the leadership of Dr. Marvin C. Griffin, Pastor of the Ebenezer (Third) Baptist Church. EAEDC was formed in response to economic decline and deteriorating conditions in an area of the city of Austin characterized by the local press as a "legacy of shame." EAEDC served as anchor for $25 million redevelopment effort through the development of the Ebenezer Village.

EAST AUSTIN ECONOMIC DEVELOPMENT CORPORATION
1009 East 11th Street Suite 103
Austin Texas 78702

MEMORANDUM OF AGREEMENT

WHEREAS

the East Austin Economic Development Corporation (EAECD), a non profit corporation with considerable experience and capacity in community development is concerned with the housing needs of low income senior citizens through out the State of Texas and has expressed this zeal through its out reach to other communities particularly in rural Texas Cities; AND

WHEREAS

the Bethel Community Economic Development Corporation (BCEDC) located in Crocket, Texas desires to support the housing and community development needs of Houston County, Texas and particularly those needs of the City of Crocket; AND

WHEREAS

both entities have mutually agreed to enter into an agreement to provide housing and community development assistance to the City of Crocket.

THEREFORE BE IT RESOLVED THAT:

to facilitate this mutually agreed upon goal, EAEDC agrees to submit an application to the Texas Department of Housing and Community Affairs (TDHCA) to develop and construct sixteen (16) units of elderly housing at a total cost of one million dollars ($1,000,000;) in Crocket Texas at 916 west Goliad Street

if the application is approved, EAEDC will assume all responsibility for the predevelopment, development and construction of the project and shall have full ownership through rent up;

at the conclusion of the construction and rent up phase of the project, EAEDC shall turn over to the BCEDC this project in its entirety when and after an Independent full single project audit is conducted by a certified public accountant, and there are no adverse findings;

and the TDHCA, conducts a compliance review and there are no material adverse findings;

at that time BCEDC shall assume full ownership of the project including sixteen (16) units of housing, a community center and the land consisting of 4.7 acres more or less located at 916 West Goliad to be determined by an as built survey.

THEREFORE BE IT FURTHER RESOLVED THAT:

said transfer shall be done in accordance with United States Department of Housing and Urban Development (HUD) rules and TDHCA guidelines and rules;

the project will be transferred no later than sixty days after initial rent up but will not exceed one year and sixty days after commencement of construction or November 30, 2004;

BCEDC shall by assuming ownership also assume the loan from the TDHCA and all associated liabilities;

to support the operation, development and transfer of the project, EAEDC shall provide the BCEDC fifty percent (50%) of the development fees, the total amount of which is to be determined after all construction is completed and paid for with supporting lien releases;

FURTHERMORE BE IT RESOLVED THAT

EAEDC shall support the BCEDC out of Comprehensive Housing Development Organization (CHDO) operating funds, by paying a percentage of staff cost associated with project development and capacity building and other related cost as allowed by the TDHCA;

to comply with TDHCA Rules and Guidelines prior to project transfer, BCEDC shall send a designated staff person to TDCHA mandated Compliance Training and other applicable instruction required to become a CHDO organization and owner of the project; AND

the East Austin Economic Development Corporation shall also provide long term planning and capacity building assistance to the Bethel Community Economic Development Corporation Board of Directors and key staff.

Signed this 26th day of March, 2003.

Marvin C. Griffin, President

Marvin C. Griffin, D. Min.
President
East Austin
Economic Development Corporation

Marvin M. McPherson

Marvin M. Mc'Pherson
President
Bethel Community
Economic Development Corporation

Underwriting Report

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 20, 2003 **PROGRAM:** HOME **FILE NUMBER:** 2003-0288

DEVELOPMENT NAME

Bethel Senior Housing

APPLICANT

Name:	East Austin Economic Development Corp.			**Type:**	Non-Profit		
Address:	1009 East 11th Street, Suite 103			**City:**	Austin	**State:**	TX
Zip:	78702	**Contact:**	Van Dyke Johnson	**Phone:**	(512) 472-1472	**Fax:**	(512) 457-1237

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Marvin C. Griffin	**(%):**	N/A	**Title:**	President

PROPERTY LOCATION

Location: 913 West Goliad ☐ **QCT** ☐ **DDA**

City: Crockett **County:** Houston **Zip:** 75835

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$999,999	0%	30	30

Other Requested Terms: HOME Loan

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

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

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE FOLLOWING: LACK OF LONG TERM FEASIBILITY AND THE ABSENCE OF A PLAN OR CAPACITY TO ENSURE 30 YEAR OPERATION

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to any Board approval;
2. Should the Board approve an award for this development, all net operating income after TDHCA approved expenses have been paid should be deposited in a reserve account controlled by the Department to fund future operating deficits.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	16	**# Rental Buildings**	4	**# Common Area Bldngs**	1	**# of Floors**	1	**Age:**	N/A yrs	**Vacant:**	N/A at / /
Net Rentable SF:	10,960	**Av Un SF:**	685	**Common Area SF:**	1,216	**Gross Bldg SF:**	12,176				

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 100% brick veneer exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

1,216-SF community building with community room, management offices, laundry facilities, kitchen, restrooms, and storage rooms located in the middle of the property.

Uncovered Parking: 35 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Bethel Senior Housing is a low density (4 units per acre) new construction development of 16 units of affordable housing located in southwest Crockett. The development is comprised of four evenly distributed medium four-plex residential buildings as follows:

- (4) Building Type A with four one-bedroom/one-bath units;

Architectural Review: The buildings are functional with varied rooflines. Each unit has a private exterior entry.

Supportive Services: The Applicant's supportive services plan indicates that EAEDC will work with residents to assure that they have the opportunity to access the following services in Houston County: Meals on Wheels, Congregate Meals, HOME Health Care, Prescriptions, Medical and Churches.

Schedule: The Applicant anticipates construction to begin in November of 2003 and to be completed in July of 2004. The development should be placed in service in August of 2004. The Applicant did not anticipate a date for substantial lease-up of the property.

SITE ISSUES

SITE DESCRIPTION

Size: 4.259 acres 185,522 square feet **Zoning/ Permitted Uses:** R3

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Crockett is located in southeast Texas, approximately 42 miles west of Lufkin in Houston County. The site is an irregularly-shaped parcel located in the southwest area of Crockett, approximately 2 miles from the central business district. The site is situated on the south side of Goliad Avenue.

Adjacent Land Uses:

- **North:** wooded acreage
- **South:** wooded vacant land and single family residential
- **East:** vacant land and small warehouse building
- **West:** single family on small farm

Site Access: Access to the property is from the east or west along West Goliad. The development is to have one main entry from the east or west from West Goliad. Access to State Highway 287 is approximately one mile east and Interstate Highway 45 is 30 miles west, which provides connections to all other major roads serving the Crockett area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 2 miles of one major grocery and pharmacy store. Retail shopping, library, and a variety of other retail establishments and restaurants are within a short distance from the site. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: All 16 of the units (100%) will be reserved for low-income/elderly tenants.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$18,480	$21,120	$23,760	$26,400	$28,500	$30,600

MARKET HIGHLIGHTS

A market feasibility study dated March 19, 2003 was prepared by the Center for Housing and Economic Opportunities Corporation. The market study did not contain detailed information about the market or meet the Department's Market Analysis guidelines, (the HOME NOFA went out prior to the guidelines final approval) but concluded the following:

"The 2002 Census date indicated the total population of Houston County is 23,185. A full 18.0% or 4,167 persons are over 60 years of age or older. 24.0% of the households in the Houston County are renters. 51.9% of the renters pay more than $300 per month in gross rent...Over 53.8% of the households pay more than 30% of their income for rent. The eligibility factor for the proposed Bethel Senior Housing is a maximum of $28,150 per year for a 2 person household. There are 2,491 householders age 55+ whose income is below $29,999 per year and are thus income eligible for Bethel Senior Housing. There are 597 householders over age 60 whose income is $29,999 or less who are currently renters in Houston County."

In addition, the market analysis projects the proposed 16 units to be absorbed within 6 months. "The initial residents would come from the general population, and those currently on waiting lists for the existing apartments in Crockett. Also, referrals from Home Health agencies, churches, the Chamber of Commerce and The Crockett Senior Center will enhance the absorption rate." (p. 5)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum HOME rents allowed, reflecting the low fair market rent in Houston County. The Applicant did not include secondary income in the rent schedule. Estimates of vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $2,772 per unit is 3% higher than a TDHCA database-derived estimate of $2,691 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($2K higher) and water, sewer, and trash ($2K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. It should be noted that the Applicant anticipates the development to be property tax-exempt based upon their nonprofit CHDO ownership status. This assumption was also utilized by the Underwriter. The Applicant's operating expenses represent 85% of anticipated income as presented calling into question the viability of this development to service any debt and to be able to maintain a positive cash flow in the long run.

Conclusion: The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in total estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.29 is less than the program minimum standard of 1.10. This suggests that the maximum debt service for this project should be limited to $8,655 by a reduction of the requested loan amount and/or a reduction in the interest rate and/or an extension of the term and/or reduction in the repayable portion of the debt in order to achieve a debt coverage ratio that is within the Department's guidelines. It should be noted that the Applicant did not include a debt service for the requested funds. When asked about the debt service, the Applicant indicated that the request was for a deferred loan, which is why no debt service is reflected in the Applicant's original proforma. It should also be noted that the Applicant's original 30 year proforma was modified such that expense growth in the latter years ceased to outpace income growth. When the TDHCA guideline of three percent growth in income and four percent growth in expenses is applied to the proforma based upon the Applicant's stabilized income and expenses, net operating income before any debt service becomes negative before year 20. Moreover, if every dollar of net operating income (assuming no debt service whatsoever) were deposited into a secured reserve account and held until operating deficits began to occur it would be doubtful that sufficient funds could be saved to cover future projected operating losses. In a situation such as this only a few mitigation tool such as budget based rents or deep pocketed sponsors exist and none appear to apply to the subject.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 5.12 acres	$51,980	**Assessment for the Year of:**	2003
Prorated (per acre):	$10,152	**Valuation by:**	Houston County Appraisal District
Total Assessed Value (4.259 acres):	$43,237	**Tax Rate:**	2.31918

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Option to Purchase		
Contract Expiration Date:	11/ 21/ 2003	**Anticipated Closing Date:**	11/ 21/ 2003
Acquisition Cost:	$15,300	**Other Terms/Conditions:**	
Seller:	Otis Duren	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

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

Sitework Cost: The Applicant's claimed sitework costs of $6,719 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are overstated.

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 TDHCA guidelines when compared to the Underwriter's costs but are within the guidelines based upon their own costs.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of $1,282,304. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown can be used to size an award.

FINANCING STRUCTURE

FINANCING STRUCTURE ANALYSIS

Permanent Financing: Based upon the limited debt service capacity of the development as a result of higher expenses, a debt service of not more than $7,326 per year at the proposed terms is required in order to yield an acceptable DCR of 1.30 and not unduly burden the development. However, even if the debt service were limited to this amount, the project would begin to experience a DCR below a 1.10 by year 10 and a negative cashflow by year 15 based on the Applicant's proforma and year 25 based on the Underwriter's. In either case it would deem the project infeasible for the state mandated 30 years. Without any viable mitigation via project based vouchers or another dedicated funding source, the HOME award is not recommended.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, Property Manager and Supportive Services firm are all related entities. These are common relationships for rural multifamily.

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

Financial Highlights:

- The Applicant, East Austin Economic Development Corporation, submitted an audited financial statement as of December 31, 2002 reporting total assets of $2.5M and consisting of $26K in cash, $22K in receivables, $647K in senior housing, $835K in office buildings, $946K in housing under construction and held for resale and $27K in machinery and equipment. Liabilities totaled $1.5M, resulting in a fund balance of $967K. It should be noted that the corporation's assets are tied up in long term assets with questionable equity capacity. Other than grants and other funding from the Department and the City of Austin, and the Ebeneezer Baptist Church, the Applicant has no significant ongoing fundraising experience. The Applicant does not appear to possess the financial capacity to support the transaction. Moreover, the corporation's bylaws indicate that while it is incorporated to serve every within the State of Texas, it shall concentrate its efforts in areas around Austin, Bastrop, Cedar Creek, Elgin, Lockhart, Pflugerville, Round Rock and San Antonio and focus its interests and activities in the zip codes of 78744 and 78702 of the City of Austin. The nearest area of concentration, Bastrop, is over 130 miles away and its focus zip codes are approximately 150 miles away. Thus, it is difficult to see the vesting of long term permanent interest in this satellite development.

Background & Experience:

The Applicant has completed two HOME housing developments totaling 32 units since 1994.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The Development's 30-year proforma does not maintain a DCR in the acceptable range and net operating income does not remain positive over the projected 30-year period.
- The Applicant does not have the financial capacity to support the development for the long term.

Underwriter:	Raquel Morales	**Date:**	July 20, 2003
Director of Real Estate Analysis:	Tom Gouris	**Date:**	July 20, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Bethel Senior Housing, Crockett, HOME #2003-0288

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
LH = 30%	4	1	1	685	$341	$291	$1,164	$0.42	$50.00	$12.36
LH [50% inc]	5	1	1	685	341	$291	1,455	0.42	$50.00	$12.36
LH [60% inc]	6	1	1	685	341	$291	1,746	0.42	$50.00	$12.36
HH	1	1	1	685	341	$291	291	0.42	$50.00	$12.36
TOTAL:	16		AVERAGE:	685	$341	$291	$4,656	$0.42	$50.00	$12.36

					TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	10,960						USS Region	5
POTENTIAL GROSS RENT					$55,872	$55,872		IREM Region	6
Secondary Income		Per Unit Per Month:	$5.00		960	0	$0.00	Per Unit Per Month	
Other Support Income: (describe)					0				
POTENTIAL GROSS INCOME					$56,832	$55,872			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(4,262)	(4,188)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$52,570	$51,684			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.06%	$232	0.34	3,712	$5,500	$0.50	$344	10.64%
Management		9.09%	299	0.44	4,781	$3,101	0.28	194	6.00%
Payroll & Payroll Tax		17.26%	567	0.83	9,074	$9,150	0.83	572	17.70%
Repairs & Maintenance		18.37%	604	0.88	9,659	$8,560	0.78	535	16.56%
Utilities		3.42%	112	0.16	1,797	$1,500	0.14	94	2.90%
Water, Sewer, & Trash		9.59%	315	0.46	5,042	$7,348	0.67	459	14.22%
Property Insurance		8.34%	274	0.40	4,384	$4,595	0.42	287	8.89%
Property Tax	2.31918	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements		6.09%	200	0.29	3,200	$3,200	0.29	200	6.19%
Other Expenses:		2.66%	88	0.13	1,400	$1,400	0.13	88	2.71%
TOTAL EXPENSES		81.89%	$2,691	$3.93	$43,050	$44,354	$4.05	$2,772	85.82%
NET OPERATING INC		18.11%	$595	$0.87	$9,519	$7,330	$0.67	$458	14.18%
DEBT SERVICE									
HOME Amortized Loan		63.41%	$2,083	$3.04	$33,333		$0.00	$0	0.00%
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		-45.30%	($1,488)	($2.17)	($23,814)	$7,330	$0.67	$458	14.18%
AGGREGATE DEBT COVERAGE RATIO					0.29	#DIV/0!			
RECOMMENDED DEBT COVERAGE RATIO					1.30				
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)		1.74%	$1,050	$1.53	$16,800	$16,800	$1.53	$1,050	1.68%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		11.15%	6,719	9.81	107,500	107,500	9.81	6,719	10.75%
Direct Construction		55.17%	33,247	48.54	531,948	571,000	52.10	35,688	57.10%
Contingency	0.94%	0.62%	375	0.55	6,000	6,000	0.55	375	0.60%
General Req'ts	6.00%	3.98%	2,398	3.50	38,367	40,710	3.71	2,544	4.07%
Contractor's G & A	2.00%	1.33%	799	1.17	12,789	13,570	1.24	848	1.36%
Contractor's Profit	6.00%	3.98%	2,398	3.50	38,367	40,710	3.71	2,544	4.07%
Indirect Construction		8.38%	5,050	7.37	80,800	80,800	7.37	5,050	8.08%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	2.42%	2.07%	1,250	1.82	20,000	20,000	1.82	1,250	2.00%
Developer's Profit	10.30%	8.82%	5,313	7.76	85,009	85,009	7.76	5,313	8.50%
Interim Financing		1.03%	619	0.90	9,900	9,900	0.90	619	0.99%
Reserves		1.74%	1,047	1.53	16,751	8,000	0.73	500	0.80%
TOTAL COST		100.00%	$60,264	$87.98	$964,231	$999,999	$91.24	$62,500	100.00%
Recap-Hard Construction Costs		*76.22%*	***$45,936***	***$67.06***	***$734,971***	***$779,490***	***$71.12***	***$48,718***	*77.95%*
SOURCES OF FUNDS							RECOMMENDED		
HOME Amortized Loan		103.71%	$62,500	$91.24	$999,999	$999,999	$293,038	221(d)(3) max subsidy	
HOME Term Loan		0.00%	$0	$0.00	0		706,961	$1,282,304	
LIHTC Syndication Proceeds		0.00%	$0	$0.00	0		0	% of Dev. Fee Deferred	
Deferred Developer Fees		0.00%	$0	$0.00	0		0	0%	
Additional (excess) Funds Required		-3.71%	($2,236)	($3.26)	(35,768)	0	(0)	15-Yr Cumulative Cash Flow	
TOTAL SOURCES					$964,231	$999,999	$999,999	$13,548	

Bethel Senior Housing, Crockett, HOME #2003-0288

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$46.20	$506,324
Adjustments				
Exterior Wall Finish	8.00%		$3.70	$40,506
Elderly	5.00%		2.31	25,316
Roofing			0.00	0
Subfloor			(2.02)	(22,139)
Floor Cover			1.92	21,043
Porches/Balconies	$29.24	1352	3.61	39,532
Plumbing	$615	0	0.00	0
Built-In Appliances	$1,625	16	2.37	26,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	16,111
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$68.39	1,216	7.59	83,157
Other:			0.00	0
SUBTOTAL			67.14	735,851
Current Cost Multiplier	1.03		2.01	22,076
Local Multiplier	0.86		(9.40)	(103,019)
TOTAL DIRECT CONSTRUCTION COSTS			$59.75	$654,907
Plans, specs, survy, bld prm	3.90%		($2.33)	($25,541)
Interim Construction Interes	3.38%		(2.02)	(22,103)
Contractor's OH & Profit	11.50%		(6.87)	(75,314)
NET DIRECT CONSTRUCTION COSTS			$48.54	$531,948

PAYMENT COMPUTATION

Primary	$999,999	Term	360
Int Rate	0.00%	DCR	0.29

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	0.29

Additional	$0	Term	
Int Rate		Aggregate DCR	0.29

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$7,326
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$2,193

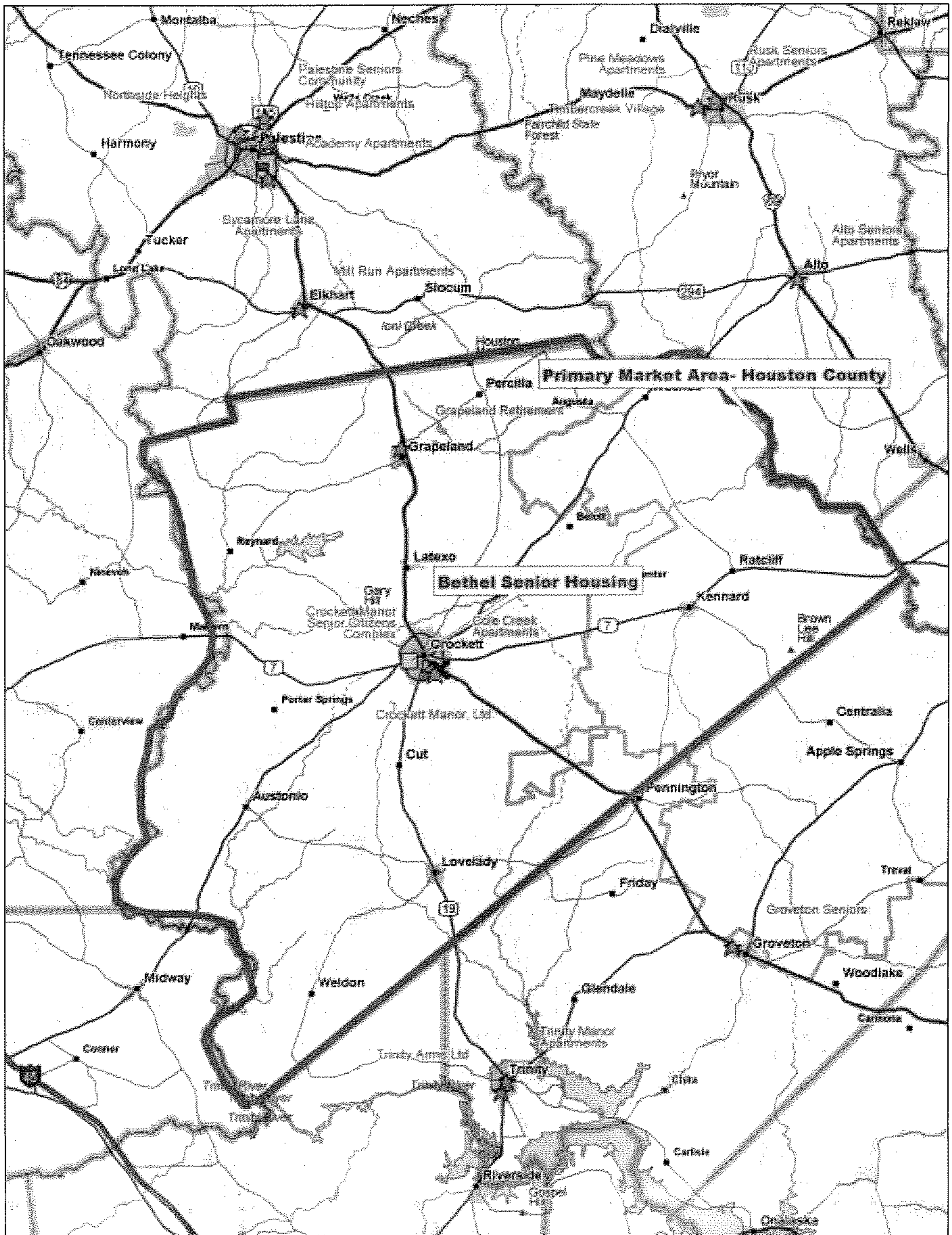
Primary	$293,038	Term	480
Int Rate	0.00%	DCR	1.30

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

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	$55,872	$57,548	$59,275	$61,053	$62,884	$72,900	$84,511	$97,972	$131,666
Secondary Income	960	989	1,018	1,049	1,080	1,253	1,452	1,683	2,262
Other Support Income: (descri	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	56,832	58,537	60,293	62,102	63,965	74,153	85,963	99,655	133,928
Vacancy & Collection Loss	(4,262)	(4,390)	(4,522)	(4,658)	(4,797)	(5,561)	(6,447)	(7,474)	(10,045)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$52,570	$54,147	$55,771	$57,444	$59,168	$68,591	$79,516	$92,181	$123,884
EXPENSES at 4.00%									
General & Administrative	$3,712	$3,861	$4,015	$4,176	$4,343	$5,284	$6,429	$7,822	$11,578
Management	4,781	4,924	5,072	5,224	5,381	6,238	7,231	8,383	11,266
Payroll & Payroll Tax	9,074	9,437	9,815	10,208	10,616	12,916	15,714	19,119	28,300
Repairs & Maintenance	9,659	10,045	10,447	10,865	11,299	13,748	16,726	20,350	30,123
Utilities	1,797	1,869	1,944	2,022	2,103	2,558	3,113	3,787	5,606
Water, Sewer & Trash	5,042	5,244	5,454	5,672	5,899	7,177	8,732	10,623	15,725
Insurance	4,384	4,559	4,742	4,931	5,129	6,240	7,592	9,236	13,672
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	3,200	3,328	3,461	3,600	3,744	4,555	5,541	6,742	9,980
Other	1,400	1,456	1,514	1,575	1,638	1,993	2,424	2,950	4,366
TOTAL EXPENSES	$43,050	$44,724	$46,464	$48,272	$50,151	$60,707	$73,502	$89,011	$130,615
NET OPERATING INCOME	$9,519	$9,422	$9,307	$9,172	$9,017	$7,884	$6,015	$3,170	($6,732)
DEBT SERVICE									
First Lien Financing	$7,326	$7,326	$7,326	$7,326	$7,326	$7,326	$7,326	$7,326	$7,326
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	$2,193	$2,096	$1,981	$1,846	$1,691	$558	($1,311)	($4,156)	($14,058)
DEBT COVERAGE RATIO	1.30	1.29	1.27	1.25	1.23	1.08	0.82	0.43	(0.92)



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SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
NOVEMBER 14, 2003

Action Items

The Texas Department of Housing and Community Affairs (TDHCA) Board adopted a Deobligation Policy on January 17, 2002. In accordance with the policy, staff recommends the approval of twenty-seven (27) Disaster Relief awards utilizing HOME deobligated funds.

Required Action

Approval of HOME Program Award Recommendations

Breakdown and Recommendations

Summary
The disasters listed below occurred between June 28, 2002 and April 23, 2003. The applicants and recommended funding are summarized below:

Project Costs:	$13,300,000
4% Administrative Fee:	$ 532,000
Total Costs:	$13,832,000

Disaster Application Summary pages are attached for each project.

FEMA DR 1425
The applications recommended for funding for FEMA DR 1425 are as follows:

1. 2003-0382-Institute of Rural Development
2. 2003-0383-Jim Wells County
3. 2003-0384-Live Oak County
4. 2003-0385-San Patricio County
5. 2003-0386-Rural Economic Assistance League (R.E.A.L.)
6. 2003-0387-Dimmit County
7. 2003-0388-City of Tuscola
8. 2003-0389-City of Big Wells
9. 2003-0390-City of Benavides
10. 2003-0391-Medina County
11. 2003-0392-Karnes County
12. 2003-0393-City of Robstown
13. 2003-0394-City of Kenedy
14. 2003-0400-LaSalle County
15. 2003-0401-City of Cotulla
16. 2003-0402-City of Hondo

The total project costs for these disasters totals $8 million. The associated 4% administrative funds total $320,000.

FEMA DR 1434

The applications recommended for funding for FEMA DR 1434 are as follows:

1. 2003-0395-Jim Wells County
2. 2003-0396-R.E.A.L.
3. 2003-0404-Institute of Rural Development
4. 2003-0405-Live Oak County
5. 2003-0406-San Patricio County

The total project costs for these disasters totals $2.5 million. The associated 4% administrative funds total $100,000.

FEMA DR 1439

The applications recommended for funding for FEMA DR 1439 are as follows:

1. 2003-0397-Jim Wells County
2. 2003-0398-Institute of Rural Development
3. 2003-0399-R.E.A.L.
4. 2003-0403-San Patricio County

The total project costs for these disasters totals $2 million. The associated administrative funds total $80,000.

State Declared Declarations

The applications recommended for funding for State Declared Declarations are as follows:

1. 2003-0407-Johnson County
2. 2003-0408-Rusk County

The total project costs for these disasters totals $800,000. The associated administrative funds totals $32,000.

Recommendation

Staff recommends approval of twenty-seven (27) Disaster Relief awards utilizing the HOME deobligated funds. Staff also recommends and requests approval of 4% administrative funds for both applicants, based on the amount of project dollars recommended.

Disaster Application Summary

Application Number:	2003-0382		
Name of Organization:	DR 1425-Institute of Rural Development		
Location of Project:	Jim Wells 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 Institute of Rural Development will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. The Institute of Rural Development will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0383		
Name of Organization:	DR 1425-Jim Wells County		
Location of Project:	Jim Wells 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: Jim Wells County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. Jim Wells County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 80 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0384		
Name of Organization:	DR 1425-Live Oak County		
Location of Project:	Live Oak 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: Live Oak County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. Live Oak County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0385		
Name of Organization:	DR 1425-San Patricio County		
Location of Project:	San Patricio 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: San Patricio County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. San Patricio County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0386		
Name of Organization:	DR 1425-Rural Economic Assistance League (R.E.A.L.)		
Location of Project:	San Patricio, Jim Wells , Live Oak and Nueces Counties	**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 Rural Economic Assistance League (R.E.A.L.) will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. The Rural Economic Assistance League will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0387		
Name of Organization:	DR 1425-Dimmit County		
Location of Project:	Dimmit 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: Dimmit County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. Dimmit County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0388		
Name of Organization:	DR 1425-City of Tuscola		
Location of Project:	Taylor 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 Tuscola will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. The City of Tuscola will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 80 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0389		
Name of Organization:	DR 1425-City of Big Wells		
Location of Project:	Dimmit 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 Big Wells will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. The City of Big Wells will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0390		
Name of Organization:	DR 1425-City of Benavides		
Location of Project:	Duval County	**Number of units to be served:** 39	
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 Benavides will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. The City of Benavides will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist 39 homes.

Reason for decision:

- **Score of 95 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0391		
Name of Organization:	DR 1425-Medina County		
Location of Project:	Medina 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: Medina County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. Medina County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist 9 homes.

Reason for decision:

- **Score of 81 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0392		
Name of Organization:	DR 1425-Karnes County		
Location of Project:	Karnes County	**Number of units to be served:** 16	
Project Funds Requested:	$500,000.00	**Administrative Funds Requested**	$20,000.00
Application Status	Funding recommended by staff.		

Describe the Program Design: Karnes County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. Karnes County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 16 homes.

Reason for decision:

- **Score of 93 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0393		
Name of Organization:	DR 1425-City of Robstown		
Location of Project:	Nueces County	**Number of units to be served:** 10	
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 Robstown will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. City of Robstown will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 10 homes.

Reason for decision:

- **Score of 97 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0394		
Name of Organization:	DR 1425-City of Kenedy		
Location of Project:	Karnes 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 Kenedy will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. City of Kenedy will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.			
Reason for decision: • **Score of 82 (out of possible 100 points)**			

Disaster Application Summary

Application Number:	2003-0395		
Name of Organization:	DR 1434-Jim Wells County		
Location of Project:	Jim Wells 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: Jim Wells County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1434-Tropical Storm Fay- September 6-9, 2002. Jim Wells County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.			
Reason for decision: • **Score of 80 (out of possible 100 points)**			

Disaster Application Summary

Application Number:	2003-0396		
Name of Organization:	DR 1434-Rural Economic Assistance League (R.E.A.L.)		
Location of Project:	Jim Wells, Live Oak, Nueces & San Patricio Counties	**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 Rural Economic Assistance League (REAL) will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1434-Tropical Storm Fay-September 6-9, 2002. The Rural Economic Assistance League (REAL) will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0397		
Name of Organization:	DR 1439-Jim Wells County		
Location of Project:	Jim Wells 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: Jim Wells County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1439-severe rain and storms which occurred between October 24-November 5, 2002. Jim Wells County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 80 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0398		
Name of Organization:	DR 1439-Institute of Rural Development		
Location of Project:	Jim Wells 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: Institute of Rural Development will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1439-severe rain and storms which occurred between October 24-November 5, 2002. The Institute of Rural Development will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0399		
Name of Organization:	DR 1439-Rural Economic Assistance League		
Location of Project:	Jim Wells 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 Rural Economic Assistance League will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1439-severe rain and storms which occurred between October 24-November 5, 2002. The Rural Economic Assistance League will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.			
Reason for decision: • **Score of 85 (out of possible 100 points)**			

Disaster Application Summary

Application Number:	2003-0400		
Name of Organization:	DR 1425-La Salle County		
Location of Project:	La Salle County	**Number of units to be served:** 10	
Project Funds Requested:	$500,000.00	**Administrative Funds Requested**	$20,000.00
Application Status	Funding recommended by staff.		

Describe the Program Design: La Salle County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. La Salle County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 10 homes.

Reason for decision:

- **Score of 94 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0401		
Name of Organization:	DR 1425-City of Cotulla		
Location of Project:	La Salle County	**Number of units to be served:** 10	
Project Funds Requested:	$500,000.00	**Administrative Funds Requested**	$20,000.00
Application Status	Funding recommended by staff.		

Describe the Program Design: City of Cotulla will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. The City of Cotulla will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 10 homes.

Reason for decision:

- **Score of 75 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0402		
Name of Organization:	DR 1425-City of Hondo		
Location of Project:	Medina County	**Number of units to be served:** 10	
Project Funds Requested:	$500,000.00	**Administrative Funds Requested**	$20,000.00
Application Status	Funding recommended by staff.		
Describe the Program Design: City of Hondo will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1425-rain and flooding which occurred between June 28-July 7, 2002. The City of Hondo will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 10 homes.			
Reason for decision: • **Score of 96 (out of possible 100 points)**			

Disaster Application Summary

Application Number:	2003-0403		
Name of Organization:	DR 1439-San Patricio County		
Location of Project:	San Patricio 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: San Patricio County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1439-severe rain and storms which occurred between October 24-November 5, 2002. San Patricio County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0404		
Name of Organization:	DR 1434-Institute of Rural Development		
Location of Project:	Live Oak 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 Institute of Rural Development will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1434-Tropical Storm Fay- September 6-9, 2002. The Institute of Rural Development will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

<table>
<tr><td>Application Number:</td><td>2003-0405</td><td colspan="2"></td></tr>
<tr><td>Name of Organization:</td><td colspan="3">DR 1434-Live Oak County</td></tr>
<tr><td>Location of Project:</td><td>Live Oak County</td><td colspan="2">Number of units to be served: 9</td></tr>
<tr><td>Project Funds Requested:</td><td>$500,000.00</td><td>Administrative Funds Requested</td><td>$20,000.00</td></tr>
<tr><td>Application Status</td><td colspan="3">Funding recommended by staff.</td></tr>
<tr><td colspan="4">Describe the Program Design: Live Oak County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1434-Tropical Storm Fay- September 6-9, 2002. Live Oak County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.</td></tr>
<tr><td colspan="4">Reason for decision:
Score of 85 (out of possible 100 points)</td></tr>
</table>

Disaster Application Summary

Application Number:	2003-0406		
Name of Organization:	DR 1434-San Patricio County		
Location of Project:	San Patricio 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: San Patricio County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by FEMA DR 1434-Tropical Storm Fay- September 6-9, 2002. San Patricio County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.

Reason for decision:

- **Score of 85 (out of possible 100 points)**

Disaster Application Summary

Application Number:	2003-0407		
Name of Organization:	State Declaration-Johnson County		
Location of Project:	Johnson 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: Johnson County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by the tornado which occurred April 23, 2003. Johnson County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.			
Reason for decision: • **Score of 85 (out of possible 100 points)**			

Disaster Application Summary

Application Number:	2003-0408		
Name of Organization:	State Declaration-Rusk County		
Location of Project:	Rusk County	**Number of units to be served:** 6	
Project Funds Requested:	$300,000.00	**Administrative Funds Requested**	$12,000.00
Application Status	Funding recommended by staff.		

Describe the Program Design: Rusk County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by the tornado which occurred April 6, 2003. Rusk County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. For reconstruction projects, the set-up amount will not exceed Fifty-Five Thousand Dollars ($55,000.00) and will not exceed the HUD 221(d)(3) limits at any time. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 6 homes.

Reason for decision:

- **Score of 81 (out of possible 100 points)**

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

November 14, 2003

Action Items

Request forgiveness of the repayment of $168,000 in predevelopment loans.

Required Action

Approve the request to forgive the repayment of $168,000.

Background

On May 5, 2001 the Department entered into contract with Green Bridge Development Company ("Green Bridge") to administer a pilot program with the goal of preserving the affordability of USDA-RHS Section 515 rural developments across Texas. Green Bridge had submitted the only response to a Request For Proposals (RFP) to administer this Revolving Preservation Loan Fund. Green Bridge was to assist in the acquisition and preservation of these multifamily properties by providing predevelopment services and due diligence reviews on properties under contract for purchase by a non-profit.

The proposal was for Green Bridge to work with the National Affordable Housing Preservation Associates (NAHPA) to identify and assess the Section 515 properties for possible acquisition by NAHPA. Once an initial financial analysis was completed and an acquisition price was determined, NAHPA would execute a purchase and sale agreement for the purchase of the property with the intent of assigning the contract to a local non-profit organization upon closing. Green Bridge would then draw down the predevelopment funds for due diligence reviews. Thereafter, Green Bridge would work to identify lenders for the permanent financing. The proceeds from the financing would replenish the predevelopment funds drawn from the Revolving Preservation Loan Fund and provide additional funds for the purchase and rehabilitation of the property.

Green Bridge and NAHPA assessed the purchase and rehabilitation of 22 Section 515 properties and executed purchase agreements for 4 of these properties. Numerous obstacles were encountered by Green Bridge and NAHPA as they processed the sale of the properties to local non-profit organizations. Several of the properties were located outside a geographical area acceptable to the Fannie Mae Delegated Underwriting and Servicing (DUS) lender. Twelve of the properties failed for financial reasons, either because the property owners were asking too much for their properties, sellers wanted purchasers to apply for tax credits in the belief that such financing would yield higher prices, or the combined acquisition and rehabilitation costs exceeded underwriting guidelines. In three cases, property maintenance deficiencies resulted in the initiation of USDA foreclosure proceedings.

The amount of the original contract was $250,000. Green Bridge submitted requests for payment, in accordance with the contract, for $168,000. The balance of $82,000 was deobligated on May 9, 2003. Green Bridge submitted draw requests for predevelopment funds for the following properties:

<u>Village Place</u>

Village Place is a 32-unit development located in Lorena, Texas. NAHPA executed a purchase agreement for the property with the intent of assigning the contract to Merced Housing, a Texas nonprofit corporation. A request for payment for $42,000 was submitted for predevelopment expenses including, legal fees, appraisal fees, engineering fees, survey, environmental, underwriting/financial consultant.

The sale did not proceed because the pricing was excessive for Fannie/DUS model and USDA was unwilling to offer preservation incentives.

Hacienda Square Apartments

Hacienda Square is a 56-unit development located in Alpine, Texas. NAHPA executed a purchase agreement for the property with the intent of assigning the contract to Merced Housing, a Texas non-profit corporation. A request for payment for $42,000 was submitted for predevelopment expenses including, legal fees, appraisal fees, engineering fees, survey, environmental, underwriting/financial consultant.

The sale did not proceed because it failed Fannie Mae/DUS underwriting due to location.

Meadowbrook Apartments

Meadowbrook Apartments is a 56-unit development located in Fort Stockton, Texas. NAHPA executed a purchase agreement for the property with the intent of assigning the contract to Merced Housing, a Texas non-profit corporation. A request for payment for $42,000 was submitted for predevelopment expenses including, legal fees, appraisal fees, engineering fees, survey, environmental, underwriting/financial consultant.

The sale did not proceed because it failed Fannie Mae/DUS underwriting due to location.

Winchester Arms Apartments

Winchester Arms is a 24-unit development located in Marfa, Texas. NAHPA executed a purchase agreement for the property with the intent of assigning the contract to Merced Housing, a Texas non-profit corporation. A request for payment for $42,000 was submitted for predevelopment expenses including, legal fees, appraisal fees, engineering fees, survey, environmental, underwriting/financial consultant.

The sale did not proceed because it failed Fannie Mae/DUS underwriting due to location.

Recommendations

As noted above, the four developments for which funds were disbursed were unable to proceed. Staff recommends that the loan amount of $168,000 be forgiven.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rick Perry
GOVERNOR

Edwina P. Carrington
EXECUTIVE DIRECTOR

BOARD MEMBERS
Michael E. Jones, *Chair*
Elizabeth Anderson
Shadrick Bogany
C. Kent Conine
Vidal Gonzalez
Norberto Salinas

August 5, 2003

Robert Russell
President
Placet Company
5612 Hudson Street
Dallas, Texas 75206

Re: Green Bridge Development Company Preservation Revolving Loan # 850X00

Dear Mr. Russell:

The Texas Department of Housing and Community Affairs ("Department") contracted with Green Bridge Development Company to finance the predevelopment costs of prospective acquisitions under the U.S. Department of Agriculture Section 515 affordable housing properties throughout the State. We have been made aware that Green Bridge Development Company and Placet have merged operations and that Placet is now responsible for this contract.

A total of $168,000 has been paid by the Department to Green Bridge Development Company for predevelopment costs. We have received a draft report faxed to our office on April 22, 2003 that explains the numerous obstacles encountered during the underwriting and pricing phases of negotiations of these properties which have made it difficult to reach the permanent financing phase.

On July 22, 2003 Denise Sockwell contacted you regarding this loan and recommended that you request forgiveness of this loan given the circumstances referenced in the draft report. Under Article 4.2 of the contract, you may request deferral or forgiveness of the loan in whole or in part in accordance with the performance statement. It was agreed that you would look into the matter and communicate with us regarding your plans to honor the commitment the Department made to Green Bridge. We request that you respond within 7 days from the date of this letter and advise us of your plans to request forgiveness of this loan or to pay the note in full. If you have any questions, please contact Denise Sockwell at 512/475-3865.

Sincerely,

Brooke Boston

Brooke Boston
Director
Multifamily Finance Production Division

Cc: Stephanie Stuntz, Loan Servicing

AUG 19 AM 8:54

PLACET Development Corporation

(formerly known as Green Bridge Development Corporation)
5612 Hudson
Dallas, Texas 75206
(214) 821-2142
fax # (214) 821-2361
placet2@aol.com

August 8, 2003

Denise Stockwell
Texas Department of Housing and Community Affairs
507 Sabine
Suite # 724
Austin, Texas 78701

Re: Green Bridge Development Company Preservation Loan # 850X00

Dear Ms. Stockwell:

We hereby request *forgiveness* of the loan described above, in accordance with the performance report that was previously submitted to you. None of the referenced properties could be closed and none of these proceeds could be repaid.

Thank you for your patience and assistance. Please call me directly at 214-821-2142 with any questions.

Sincerely,

Robert M. Russell,
President

DRAFT

ASSESSMENT REPORT: Rural Texas

Multifamily Preservation--USDA Section 515

National Affordable Housing Preservation Associates, Inc.

In cooperation with the Texas Department of Housing and Community Affairs (TDHCA), Green Bridge Development Group contracted with the National Affordable Housing Preservation Associates, Inc. (NAHPA) to assess the purchase and rehabilitation of U. S. Department of Agriculture Section 515 affordable housing properties throughout the state of Texas using an innovative financing model designed by NAHPA and a Fannie Mae Delegated Underwriting and Servicing (DUS) lender. The possible loss of Section 515 housing is particularly acute in Texas, which according to USDA data is home to more than 26,000 affordable housing units, the most of any state in the nation and almost six percent of the entire USDA-insured multi-family housing portfolio.

Through a grant to Green Bridge, TDHCA agreed to finance the pre-development costs of these prospective acquisitions to test the utility of this new Fannie Mae-DUS loan product. NAHPA agreed to serve as an intermediary to facilitate these transfers.

The purpose of this paper is to provide a summary of lessons learned to date and make recommendations concerning the direction of this preservation initiative.

Summary of Program Efforts to Date

Green Bridge and NAHPA assessed the purchase and rehabilitation of nearly two-dozen Texas-based Section 515 properties using the NAHPA-developed Fannie Mae-DUS financing model. To date, NAHPA has encountered numerous obstacles processing these properties for sale to local non-profit organizations. Of 22 properties, most have failed – at least initially – underwriting under the NAHPA financing model. We assess below the issues encountered in processing these projects for sale.

Location Issues:

Six of the properties are located outside a geographical area acceptable to the DUS lender. Very generally, properties should be no farther than 100 miles from an urban or suburban area with a population of at least 30,000 residents. Encountering this type of geographical obstacle is considered more likely in states such as Texas, with hundreds of miles of open prairie, than in more urbanized states. Preliminary assessments in the Middle Atlantic and New England regions, and along the West Coast, for example, indicate that this financing limitation is not likely to be a concern. However, NAHPA's experience in Texas is likely to be encountered in other sparselypopulated states in the mid-west and northern prairie states and may indicate a need for increased direct USDA equity lending and rental assistance or a change in secondary mortgage lending underwriting standards.

Pricing Issues:

As many as a dozen of the 22 properties may fail for financial reasons, either because property owners are asking too much for their properties, sellers want purchasers to apply for low-income housing tax credits in the belief that such financing will yield higher prices, or combined acquisition and rehabilitation costs exceed underwriting guidelines. In at least one other case, USDA has initially determined that the property, which does not benefit from USDA rental assistance, is serving a largely moderate-income rental market and should not be a candidate for preservation incentives under the Section 515 program.

In the absence of additional direct USDA financial assistance – either for increased Section 515 equity lending or rental assistance – these pricing issues likely will be resolved by the marketplace. In cases where Section 515 property owners have private-sector sales options – that is, in markets where higher rents will support significantly increased mortgages – the NAHPA financing model is unlikely to be successful. Certainly, that will be the case in the absence of increased USDA rental assistance to support higher mortgage payments. Simply stated, without supplementary USDA assistance, properties in this category may be permanently lost to the Section 515 affordable housing program.

In other cases, owners appear to have an inflated sense of the value of their properties and may need to test the private marketplace for a time before determining that the NAHPA financing model best satisfies their desire to sell. Based on its recent experience in Texas, NAHPA believes that several of the properties initially rejected by underwriters due to pricing problems may in the end be processed by NAHPA once owners' assess other options. NAHPA recognizes that its Fannie Mae-DUS financing model is new and as such it may take time for sellers to adjust to the likely reality of reduced assessments under this financing option. Nonetheless, NAHPA believes sellers will embrace this financing in those many cases where prospective purchasers cannot easily access tax credits and where private sale opportunities are difficult, if not impossible, to secure.

There is another factor that must be taken into consideration. In many cases, the general partners of seller limited partnerships are likely to reject NAHPA's offer to purchase under the Fannie Mae-DUS financing model because they are not in a position to authorize sales that fail to yield an amount minimally sufficient to cover the limited partners' exit taxes. Unfortunately, such a situation may produce a series of wholly unintended consequences: the property does not convey, owners continue to defer maintenance, the property continues to deteriorate, USDA initiates foreclosure, the property is too badly deteriorated to pass underwriting under NAHPA's Fannie Mae-DUS financing model. Of course, foreclosure does not excuse the foreclosed limited partners' exit tax liabilities.

Property Maintenance:

A review of these 22 prospective acquisitions also reveals some disturbing facts about the structural nature of many properties in the USDA Section 515 Texas portfolio. Many of the properties are in a state of disrepair and will require significant additional monies to rehabilitate. This is particularly troublesome for those properties that failed initial underwriting based solely on a seller's inflated view of his property's value. Once rehabilitation costs are added to the financing equation, the underwriting doubtless will fall even further out of balance. In the end, many sellers will be faced with the painful realization that these rehabilitation costs -- in most cases produced by chronic deferred maintenance – have wiped out most, if not all, of their property's equity. Even more troublesome are those instances where sellers' are willing to accept no return, but their properties nonetheless fail underwriting because of the combined impact of location and deferred maintenance.

USDA and TDHCA should confer regarding possible solutions in cases where chronic deferred maintenance has rendered Section 515 properties incapable of being mortgaged by private-sector lenders, particularly where properties are providing essential housing for very low-income individuals and families. Unfortunately, it is becoming increasingly apparent that there may be limited options for private sector funding of these properties and that the only long-term solution to preservation of such housing lies in increased federal and/or state financial assistance.

Foreclosure

In three cases, property maintenance deficiencies have resulted in the initiation of USDA foreclosure proceedings. To understand the impact of such foreclosures on preservation, USDA and TDHCA should evaluate the recent history of foreclosure-related purchases. Special care should be taken to analyze the role purchasers may have played with the property's prior management. In the interest of long-term preservation, every effort should be made to encourage responsible non-profit ownership of such properties wherever reasonably feasible.

Texas Lessons

NAHPA's Texas experience has yielded an invaluable crop of lessons about the nature of the USDA Section 515 portfolio, certain shortcomings of NAHPA's Fannie Mae-DUS financing model – including property location issues of concern in states like Texas -- and the additional steps that must be taken if more of USDA's affordable housing stock is to be preserved. For NAHPA, the number one lesson is the need to safeguard due diligence funds for those properties which, based on a pre-due diligence review, appear to be likely candidates for the NAHPA financing model. While NAHPA recognizes that some of the properties winding their way through the due diligence process will fail, an important lesson from Texas is to do whatever is necessary to minimize that failure rate.

Overall, NAHPA believes that efforts to test the Fannie Mae-DUS Section 515 financing model in Texas should continue. However, in the interest of time, NAHPA recommends that immediate efforts be taken to consider alternative approaches to preserve many of the properties which, while initially failing underwriting by the Fannie Mae-DUS lender, nonetheless remain available for transfer and appear to be viable candidates for long-term preservation.

Recommendations

During the next ten months a unified effort should be undertaken to target Section 515 properties considered suitable for acquisition and refinance under terms of the Fannie Mae-DUS financing model. NAHPA believes that it is premature to conclude that its Fannie Mae-DUS financing model cannot play a role in affordable housing preservation in Texas. Based on its recent experience and discussions with USDA and TDHCA officials, NAHPA does not believe that projects examined to date typify properties in the greater USDA Section 515 Texas portfolio.

NAHPA proposes that key stakeholders, including NAHPA, Green Bridge, TDHCA, USDA, Fannie Mae, its DUS lender, and, where appropriate, representative prospective purchasers and sellers:

1. **Continue to Pursue Preservation through NAHPA/Fannie Mae DUS Model**:

Participate in monthly status calls for the purpose of tracking lessons learned and assessing progress toward preservation of Section 515 projects in Texas using NAHPA's Fannie Mae-DUS financing model.

2. **Explore Alternative Financing Options—Section 501(c)3 Bond Financing**:

Concurrent with the efforts described above, NAHPA recommends that Green Bridge and TDHCA work to explore alternative financing for preservation of those USDA Section 515 properties examined to date in Texas and determined to be unlikely candidates for successful transfer under the NAHPA Fannie Mae-DUS financing model, directing grant funds toward this effort as reasonably prudent.

NAHPA believes that Section 501(c)3 bond financing may work to preserve as many as 14 of the Texas properties currently under review. In cooperation with a West Coast non-profit group, USDA is considering this option to preserve a portfolio of Section 515 properties. Similarly, one Texas-based non-profit organization has expressed interest in taking the lead on such a venture.

3. **Expand Involvement of Neighborhood Reinvestment Affiliates in USDA Preservation:**

NAHPA has been working with one Texas group affiliated with Neighborhood Reinvestment (NR) to consider possible preservation of USDA Section 515 properties. Local NR affiliates can access grant monies to assist this preservation work. NAHPA proposes to continue efforts toward preservation using this NR model.

NAHPA TEXAS PROJECTS

PROJECT	OWNER	LOCATION	UNITS	RA	REHAB NEEDED 1-5	STATUS	ASSESSMENT
Hacienda Square Apartments	Rogers, Limited partnership	Alpine, TX	56	No	3-4	• **P&S signed.**	Failed Fannie/DUS underwriting due to location
Winchester Arms Apartments	Rogers, Limited partnership	Marfa, TX	24	Yes, 18 units	3-4	• **P&S signed.**	Failed Fannie/DUS underwriting due to location
Meadowbrook	Rogers, Limited partnership	Fort Stockton, TX	56	Yes, 47 units	3	• **P&S signed.**	Failed Fannie/DUS underwriting due to location
Village Place Apartments	Carberry, Limited Partnership	Lorena, TX	32	No	1	• **P&S signed.**	Pricing excessive for Fannie/DUS model; no RA; USDA unwilling to offer preservation incentives.
Colony Park I	Rogers, Limited partnership	Eastland, TX	20	Yes, 10 units	3-4	• P&S prepared but not signed by Seller.	alternate purchaser obtained tax credits
Colony Park II	Rogers, Limited partnership	Eastland, TX	54	Yes, 29 units	3-4	• P&S prepared but not signed by Seller.	alternate purchaser received tax credits
Pine Run Apartments	Limited partnership. Diana McIver is general.	Honey Grove, TX	32	No	2-3	• Did not pass DUS underwriting.	Location difficulties; failed Fannie/DUS underwriting; USDA foreclosed
Camelot	Rogers, Limited partnership	Eastland, TX	24	Yes, 8 units	3	• P&S prepared but not signed by Seller.	USDA foreclosed
Kingswood I	Rogers, Limited partnership	Snyder, TX	40	Yes, 24 units	5	• P&S prepared but not signed by Seller.	Significant rehabilitation issues; USDA foreclosed
Kingswood II	Rogers, Limited partnership	Snyder, TX	32	Yes, 19 units	2-3	• P&S prepared but not signed by Seller.	[Assessed with Kingswood I]

NAHPA TEXAS PROJECTS

PROJECT	OWNER	LOCATION	UNITS	RA	REHAB NEEDED 1-5	STATUS	ASSESSMENT
Lands End I	Rogers, Limited partnership	Port Lavaca, TX	24	Yes, 11 units	3-5	• P&S prepared but not signed by Seller.	Significant rehabilitation issues
Lands End II	Rogers, Limited partnership	Port Lavaca, TX	56	Yes, 16 units	3-5	• P&S prepared but not signed by Seller.	Significant rehabilitation issues
Sebastian	Shertz Housing Ltd Partnership	Schertz, TX	56	Yes – HUD only. No RA.	2	• Did not pass DUS underwriting.	Pricing excessive for Fannie DUS/model. Owner dissatisfied with offer
Belton Development	Alread, Limited Partnership	Belton, TX	32	Yes	2-3	• Did not pass DUS underwriting.	Pricing excessive for Fannie DUS/model. Owner dissatisfied with offer
Meadow Apartments (Schulenberg)	Alread, Limited Partnership	Schulenberg, TX	30	Yes, 27 units	No site visit	• Did not pass DUS underwriting.	No offer made to seller (based on Belton)
Pecos St. Apartments (Granger)	Alread, Limited Partnership	Granger, TX	14	Yes	No site visit	• Did not pass DUS underwriting.	No offer made to seller (based on Belton)
Seminole	Alread, Limited Partnership	Seminole, TX	32	Yes, 13 units	No site visit	• Did not pass DUS underwriting.	No offer made to seller (based on Belton)
FAM Development	Alread, Limited Partnership	Seminole, TX	26	Yes, 17 units	No site visit	• Did not pass DUS underwriting.	No offer made to seller (based on Belton)
Mexia Manor	Alread, Limited Partnership	Mexia, TX	20	Yes, 19 units	No site visit	• Did not pass DUS underwriting.	No offer made to seller (based on Belton)
Golden West Apartments (Wolfe City)	Alread, Limited Partnership	Wolfe City, TX	20	Yes, 20 units	No site visit	• Did not pass DUS underwriting.	No offer made to seller (based on Belton)
Courtyard Apartments	Alread, Limited Partnership	Mexia, TX	10	Yes, 9 units	No site visit	• Did not pass DUS underwriting.	No offer made to seller (based on Belton)
Valley Mills Manor	Alread, Limited Partnership	Valley Mills, TX	16	Yes, 12 units		• Did not pass DUS underwriting.	No offer made to seller (based on Belton)

THE SIEGEL GROUP

8911 CAPITAL OF TEXAS HWY, SUITE 2210
PHONE (512) 231-1077
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FACSIMILE TRANSMITTAL

DATE:	4-22-03		
TO:	Keith Hoffman	FAX #:	475-0764
ATTN:		PHONE #:	475-3986
FROM:	GINGER BROWN MCGUIRE		
REFERENCE:		PAGES:	7 INCLUDING COVER PAGE

COMMENTS

Call if you have questions.

GM

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

TO: Brooke Boston, Director
Multifamily Finance Production Division

FROM: Denise Sockwell, Program Administrator
Multifamily Finance Production Division

DATE: August 22, 2003

SUBJECT: Contract# 850X00 May 5, 2001- May 5, 2003: Green Bridge Development Corporation Revolving Preservation Loan

The Department entered into contract with Green Bridge Development Corporation through a Request For Proposals (RFP) in which Green Bridge was the only response to the RFP. The purpose of the contract was to assist non profits in the acquisition and preservation of rural multifamily property financed through the USDA-RHS Section 515 Rental Program. Green Bridge was to provide predevelopment services and due diligence reviews on properties under contract for purchase by a non profit.

The amount of the contract was $250,000. Green Bridge submitted requests for payment in accordance with the contract for $168,000. Each draw request was for predevelopment services and due diligence reviews on properties. Upon closing on the purchase contract for these properties, the non-profits acquiring the properties were to repay the loans from the proceeds of other funding sources. Green Bridge submitted draw requests for predevelopment funds for the following properties:

		Outcome
Hacienda Square Apartments	$ 42,000	Failed Fannie/DUS underwriting due to location
Meadowbrook Apartments	$ 42,000	Failed Fannie/DUS underwriting due to location
Winchester Arms Apartments	$ 42,000	Failed Fannie/DUS underwriting due to location
Village Place Apartments	$ 42,000	Pricing excessive for Fannie/DUS model; USDA unwilling to offer preservation incentives
TOTAL	$ 168,000	

I recommend that the Department forgive repayment of the predevelopment loans for a total of $168,000 in accordance with Article 4.2 Deferral and Forgiveness of contract 850X00 with Green Bridge Development Corporation.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
November 14, 2003

Action Item

Mortgage credit certificate ("MCC") program administrator/consultant for TDHCA.

Required Action

Approve Housing Administrators, Inc. to provide mortgage credit certificate program administrator/consultant services for TDHCA's pending mortgage credit certificate program.

Background

TDHCA's Board previously approved further development of a mortgage credit certificate program for first time homebuyers, including issuing a request for qualifications to develop and market an MCC program. TDHCA issued a request for qualifications for MCC program services on October 24, 2003.

TDHCA anticipates using a portion of its state volume cap to issue mortgage credit certificates. With 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.

The MCC program administrator/consultant will earn program-generated fees by processing and servicing MCC applications and reservations. The scope of services to be provided to TDHCA in connection with the development and execution of an MCC Program may include, but not be limited to, the following:

1. Developing standard procedures to be used by bond counsel in structuring MCC Program documents.
2. Reviewing all documents prepared by bond counsel.
3. Providing reports on MCC issues and fund balances to TDHCA on a regular basis and upon request.
4. Working with TDHCA, its financial advisor, bond counsel and other State personnel in fulfilling all requested responsibilities for TDHCA.
5. Advising TDHCA's officers and directors in the regular conduct of TDHCA's business, by telephone and in office conferences, both at the State and at other offices, and in writing.
6. Assisting in the development of policy guidelines and program criteria pertaining to MCC issues.
7. Preparation of manuals, brochures and promotional materials.
8. Review and examination of all documents and procedures related to MCC issues.
9. Assisting TDHCA, its financial advisor and bond counsel in other matters as necessary to ensure the successful marketing and availability of MCCs and subsequent matters which may affect MCC transactions.
10. Providing on-going documentation and information to TDHCA and its financial advisor and bond counsel.

Recommendation

Approve Housing Administrators, Inc. to provide mortgage credit certificate program administrator/consultant services for TDHCA's pending mortgage credit certificate program.

Texas Department of Housing and Community Affairs
Request for Qualifications for Mortgage Credit Certificate Program Services
Qualifications Summary

RFQ Section	Data Requested	A. Housing Administrators, Inc.
	Staff Recommendation	***Recommended***
A.	**1. Description of proposed program MCC terms and features**	Provided
	2. MCC program fee structure (table attached)	Provided
	3. Proposed compensation for MCC services as provided in fee structure table	$75 for each commitment letter, $175 for each certificate issued, $250 from each lender, MCC extension fee, MCC resubmission fee, MCC curative fee, MCC amendment/reissuance fee, lender late fee
B.	**4. Year firm organized**	1990
	Total number of employees	2
	5. Number of offices firm maintains in Texas	1
	Location of offices firm maintains in Texas	Austin
	Number of full-time employees	1
	6. Description of accounting and internal control systems and procedures related to MCC programs	Separate checking account established, database set up for tracking, Peachtree Accounting Software
	7. Litigation, arbitration, or other actions current, pending, or past against firm arising from involvement in municipal or public purpose debt	None
	8. Description of liability, error and omissions insurance policies and dollar limits	Business Insurance Policy-$2,000,000 Employee Dishonesty Bond upon request
C.	**9. List of MCC issuers where firm provided structuring, consulting and/or administrative services, 2001 - 2003**	2
	Date hired and reference: name, title, affiliation address, telephone number	Provided
D.	**10. Professionals assigned to TDHCA: name, title, email, resume, office location**	Julia Matthews, President, Austin, TX
	Other MCC issuers served by each personnel assigned to TDHCA	0
E.	**11. Most recent audited statement**	Provided

Texas Department of Housing and Community Affairs
Proposed TDHCA Mortgage Credit Certificate Fee Structure
Request for Qualifications
November 2003

Housing Administrators, Inc.	
Description	**Suggested Program Fee**
MCC Commitment Fee	$75
MCC Issuance Fee	1% of loan amount, plus $175
MCC Document Handling Fee (payable to the lender)	Not to exceed $75
MCC Extension Fee	$25
MCC Resubmission Fee	$25
Lender Participation Fee	$1,000
MCC Curative Fee (after issuance)	$50
MCC Assumption Fee (by a new borrower)	$125
MCC Amendment/Reissuance Fee (after refinancing)	$75
Lender Late Fee (charged for untimely submissions)	$75

BOND FINANCE DIVISION

BOARD ACTION REQUEST
November 14, 2003

Action Item

A mortgage credit certificate program for first time homebuyers.

Required Action

Approve TDHCA's substantially completed mortgage credit certificate program documents.

Background

In May 2003, TDHCA's Board approved further development of a mortgage credit certificate program for first time homebuyers. TDHCA anticipates using a portion of its state volume cap to issue mortgage credit certificates ("MCCs") and substantially completed documents have been prepared. With 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 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. Sufficient MCC authority will be available to serve approximately 500 – 600 first time home buyers throughout the state of Texas.

In order to be eligible for an MCC, borrowers must comply with the same first time homebuyer requirements stipulated by the Internal Revenue Code for mortgage revenue bonds. For example, MCC recipients must occupy the residence as their primary residence, comply with income limits and comply with home purchase price limits. MCCs cannot be used with mortgages funded with tax-exempt bond proceeds.

An MCC increases borrowers' disposable income by reducing their tax liability dollar-for-dollar up to a maximum $2,000 limit. As illustrated below, borrowers' may also deduct the mortgage interest balance remaining after application of the tax credit.

TDHCA Single Family Volume Cap Allocated for MCCs	$60 million
IRS MCC Conversion Factor	$0.25
MCC Issuance Authority	$15 million
Average TDHCA First Time Homebuyer Mortgage Amount	$75,000
Market Mortgage Interest Rate	6.00%
First Year Mortgage Interest	$4,500
MCC Certificate Credit Rate	30%
Tax Credit Amount	$1,350
Schedule A Mortgage Interest Deduction	$3,150

Recommendation

Approve TDHCA's substantially completed mortgage credit certificate program documents.

Resolution No. 03-080

RESOLUTION AUTHORIZING TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS 2003 MORTGAGE CREDIT CERTIFICATE PROGRAM; AUTHORIZING THE APPROVAL OF THE FORM AND SUBSTANCE OF THE MCC PARTICIPATION AGREEMENT, THE PROGRAM MANUAL, AND THE PROGRAM SUMMARY; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE MCC 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 single family 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 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 single family 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 Governing Board of the Department has determined to authorize the conversion of an amount not to exceed $60,000,000 of the State ceiling for volume cap to be used for the Department's 2003 Mortgage Credit Certificate Program (the "2003 MCC Program"); and

WHEREAS, the Governing Board of the Department desires to approve the Program Administrator Agreement (the "Administrator Agreement") in substantially the form attached hereto; and

WHEREAS, the Governing Board of the Department desires to authorize the execution and delivery of the MCC Participation Agreement (the "Participation Agreement") in substantially the form attached hereto; and

WHEREAS, the Governing Board of the Department desires to approve the Program Manual (the "Program Manual") in substantially the form attached hereto, setting forth the terms and conditions upon which MCCs will be issued by the Department; and

WHEREAS, the Governing Board of the Department desires to approve the Program Summary (the "Program Summary") in substantially the form attached hereto setting forth the terms of the 2003 MCC Program; and

WHEREAS, the Governing Board of the Department desires to approve the use of an amount not to exceed $250,000 of Department funds to pay the costs of implementing the 2003 MCC Program; and

WHEREAS, the Governing Board of the Department desires to approve the forms of the Administrator Agreement, the Participation Agreement, the Program Manual and the Program Summary, 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 2003 MCC Program in accordance with such documents by authorizing the 2003 MCC Program, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the 2003 MCC Program; NOW, THEREFORE,

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

ARTICLE I
APPROVAL OF DOCUMENTS

Section 1.1--2003 Mortgage Credit Certificate Program. That the 2003 Mortgage Credit Certificate Program is hereby authorized.

Section 1.2--Approval, Execution and Delivery of the Administrator Agreement. That the form and substance of the Administrator Agreement 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 Administrator Agreement, and to deliver the Administrator Agreement to the other parties thereto.

Section 1.3--Approval, Execution and Delivery of the Participation Agreement. That the form and substance of the Participation Agreement 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 Participation Agreement, and to deliver the Participation Agreement to the other parties thereto.

Section 1.4--Approval of Program Manual and Program Summary. That the form and substance of the Program Manual and Program Summary are hereby authorized and approved.

Section 1.5--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 Participation Agreement, and the Program Manual.

Section 1.6--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 1.7--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 A	-	Administrator Agreement
Exhibit B	-	Participation Agreement
Exhibit C	-	Program Manual
Exhibit D	-	Program Summary

Section 1.8--Authorized Representatives. That 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 Governing Board; the Vice Chairman of the Governing Board; the Secretary of the Governing Board; the Executive Director of the Department; the Chief Financial Officer of the Department and the Director of Bond Finance of the Department.

Section 1.9--Department Contribution. That the Department authorizes the contribution of Department funds in an amount not to exceed $250,000 to pay certain costs of implementing the 2003 MCC Program.

ARTICLE II
GENERAL PROVISIONS

Section 4.1--Purposes of Resolution. That the Governing Board of the Department has expressly determined and hereby confirms that the implementation of the 2003 MCC Program contemplated by this Resolution accomplish a valid public purpose of the Department by providing for the housing needs of individuals and families of low, very low and extremely low income and families of moderate income in the State.

Section 4.2--Notice of Meeting. That 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.

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

[Signature Page Follows]

PASSED AND APPROVED this 14th day of November, 2003.

____

Chairman, Governing Board

ATTEST:

____

Secretary

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
November 14, 2003

Action Item

Detailed research and final structuring of revenue bonds for affordable housing preservation and modernization secured by Public Housing Authority ("PHA") capital program funds.

Required Action

Approve continuation of detailed research and structuring of revenue bonds for affordable housing preservation and modernization secured by PHA capital program funds.

Background

In April 2002, TDHCA's Board approved a preliminary review and analysis of a tax-exempt revenue bond resembling an "asset-backed security" that provides funds through the capital markets for extensive redevelopment or construction of affordable housing properties.

TDHCA anticipates issuing investment grade revenue bonds secured by the future stream of Capital Fund Program monies received by Texas PHAs annually from HUD. This securitization would enable Texas PHAs participating in our bond issue to currently perform comprehensive renovations to their affordable housing portfolios. Furthermore, by leveraging TDHCA's proven capital market resources, each PHA will realize significant scale of economies and transaction cost of issuance savings. Individual PHAs may not have access to these efficient capital market resources independently. TDHCA anticipates issuing the bonds in the first quarter of 2004.

Since April 2002, Bond Finance has worked with the State Attorney General's Office regarding legal issues related to the transaction, surveyed Texas PHAs, marketed the transaction at two Texas PHA conferences, and conducted a Texas PHA Securitization Roundtable with over fifteen PHAs in attendance. Bond Finance also held four internal information sessions for TDHCA personnel.

In April 2002, the Board also approved the following investment banks for this project.

Senior Manager:	Lehman Brothers
Co-Senior Manager:	Siebert Brandford Shank & Co., LLC

The recommended investment banks are uniquely and highly qualified to structure and manage this transaction. Bond Finance will recommend co-managers upon final approval of the transaction.

Recommendation

Approve continuation of detailed research and structuring of revenue bonds for affordable housing preservation and modernization secured by PHA capital program funds.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
November 14, 2003

Action Items

Resolution authorizing an additional series for TDHCA's single family mortgage revenue refunding tax-exempt commercial paper notes program.

Required Action

Approve resolution authorizing an additional series for TDHCA's single family mortgage revenue refunding tax-exempt commercial paper notes program.

Background

Due to market conditions, investor preferences and tax code requirements, TDHCA cannot use the Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes Program ("CP Notes Program") current guaranteed investment contract for executing prospective transactions under the CP Notes Program's recently approved expanded authority. Bond Finance recommends adding a Series C to the CP Notes Program for executing transactions under the CP Notes Program's expanded authority. Currently, TDHCA maintains two series, Series A and Series B for tax code purposes.

TDHCA's CP Notes Program was developed in order to provide more money for new below market rate mortgages. Currently, TDHCA uses the CP Notes Program primarily to recycle prepayments on mortgages financed with proceeds from single family bonds issued by TDHCA in prior years. Two purposes were authorized for use of the CP Notes Program: recycling of mortgage prepayments and recycling of unexpended bond proceeds.

In July 2003, TDHCA's Board authorized expanding the CP Notes Program's authorized uses to include the management of volume cap authority. Expanding the CP Notes Program's authorized uses to include the management of volume cap authority will eliminate the need for the use of Convertible Option Bonds ("COBs"), thereby saving TDHCA at least $300,000 per potential COB issuance. The use of the CP Notes Program will also afford TDHCA more flexibility when converting volume cap authority into long-term mortgages.

Recommendation

Approve resolution authorizing an additional series for TDHCA's single family mortgage revenue refunding tax-exempt commercial paper notes program.

Resolution No. 03-081

RESOLUTION AMENDING CERTAIN PROVISIONS OF RESOLUTION NO. 96-60, ADOPTED JUNE 10, 1996, AS PREVIOUSLY AMENDED BY RESOLUTION NO. 96-133, ADOPTED NOVEMBER 4, 1996, RESOLUTION NO. 97-50 ADOPTED SEPTEMBER 15, 1997, RESOLUTION NO. 00-26 ADOPTED AUGUST 11, 2000 AND RESOLUTION NO. 03-061 ADOPTED JULY 20, 2003 RELATING TO THE DEPARTMENT'S SINGLE-FAMILY MORTGAGE REVENUE REFUNDING TAX-EXEMPT COMMERCIAL PAPER NOTES, SERIES C; 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"), for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide safe and sanitary housing for persons and families of low and very low income 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) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (i) to make and acquire, and to enter into advance commitments to make and acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the "State"); (ii) 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 (iii) 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 participations therein or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, pursuant to Resolution No. 94-31, as amended and restated by Resolution No. 96-60, as further amended by Resolution No. 96-133, Resolution No. 97-50, Resolution No. 98-71, Resolution No. 00-26 and Resolution No. 03-061 (collectively, the "Commercial Paper Resolution"), the Department has heretofore authorized the issuance and delivery of its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A (the "Series A Notes"), and its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (NON-AMT) (the "Series B Notes"); and

WHEREAS, pursuant to Resolution No. 03-061 the Department authorized the increase in the aggregate principal amount of the Notes (as hereinafter defined) to $200,000,000, the extension of the maturity date of the Notes to December 31, 2007 and the issuance of the Notes for the purpose of warehousing new volume cap; and

WHEREAS, the investment agreement pursuant to which proceeds of the Series A Notes and the Series B Notes are invested expires on December 31, 2004; and

WHEREAS, the Department desires to establish a separate series of notes to be known as its Single-Family Mortgage Revenue Commercial Paper Notes, Series C (the "Series C Notes") and invest the proceeds of the Series C Notes in a separate investment agreement in order to carry out the purposes described in Resolution No. 03-061; and

WHEREAS, the Department authorized a Commercial Paper Offering Memorandum (the "Offering Memorandum") to be circulated in connection with the offering of the Notes; and

WHEREAS, the Department desires to authorize and approve the amendment to the Commercial Paper Resolution (i) to make the modifications necessary for issuance of the Series C Notes; (ii) to make arrangements to obtain a new investment agreement to provide for the investment of Series C Note proceeds; (iii) to approve an

Offering Memorandum to reflect the changes authorized hereby and to approve the circulation of the Offering Memorandum; and (iv) to approve 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:

Section 1 – Amendments to Commercial Paper Resolution.

(a) Section 1.01 shall be amended to add the following definitions:

"Series C Note Payment Sub-Account" means the sub-account in the Note Payment Account which is so designated and established in Section 4.02(a).

"Series C Notes" means the Department's Single Family Mortgage Revenue Tax-Exempt Commercial Paper Notes, Series C, authorized by this Resolution.

"Series C Note Proceeds Sub-Account" means the sub-account in the Note Proceeds Account which is so designated and established in Section 4.02(a).

"Series C Note Refunding Sub-Account" means the sub-account in the Note Refunding Account which is so designated and established in Section 4.02(a).

"Series A/B Investment Agreement" means the investment agreement approved and authorized to be entered into by Section 3.03 with respect to the Series A Notes and the Series B Notes, as amended and supplemented, or any other investment agreements provided in lieu thereof in accordance with the provisions of Section 5.02.

"Series C Investment Agreement" means the investment agreement approved and authorized to be entered into by Section 3.03 with respect to the Series C Notes, as amended and supplemented, or any other investment agreements provided in lieu thereof in accordance with the provisions of Section 5.02.

(b) The following definitions in Section 1.01 shall be amended to read in their entirety as follows:

"Investment Agreement" shall mean the Series A/B Investment Agreement and the Series C Investment Agreement, respectively.

Subsection (g) under the definition of Investment Security:

"(g) the respective Investment Agreement and, in accordance with this Resolution, any other or subsequent Investment Agreement; provided that if the applicable Notes are then rated, such other or subsequent Investment Agreement shall not have an adverse effect upon the rating assigned to the applicable Notes;"

"Notes" means, collectively, the Series A Notes, the Series B Notes and the Series C Notes authorized by this Resolution.

(c) The first paragraph of Section 2.02 shall be amended to read in its entirety as follows:

"Section 2.02. TERMS APPLICABLE TO NOTES. The Notes shall be issued in three series. The Series A Notes shall be designated "Texas Department of Housing and Community Affairs Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A." The Series B Notes shall be designated "Texas Department of Housing and

Community Affairs Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (NON-AMT)." The Series C Notes shall be designated "Texas Department of Housing and Community Affairs Single-Family Mortgage Revenue Tax-Exempt Commercial Paper Notes, Series C." The Notes shall be dated as of their date of issuance. Under and pursuant to the authority granted hereby and subject to the limitations contained herein, the Notes are authorized to be issued, sold and delivered from time to time in such principal amounts as determined by a Department Representative in denominations of any multiple of $1,000 with a minimum denomination of $100,000, numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on such date as a Department Representative shall determine at the date of sale; provided, however, that no Note shall (i) mature after the Maximum Maturity Date or (ii) have a term in excess of 270 days; and provided further, that the aggregate principal amount of Notes Outstanding (which for the purposes of this Section 2.02 shall not include any Notes to be paid from amounts on deposit in the Payment Fund on the date of determination) at any one time shall not exceed $200,000,000. The Notes shall bear interest at such rate or rates per annum (computed on the basis of actual days elapsed and on a 365-day or 366-day year) as may be determined by a Department Representative; provided, that in no event shall the interest rate on any Note be in excess of the Maximum Interest Rate in effect on the date of issuance of such Notes."

(d) Section 3.02 shall be amended to read in its entirety as follows:

"(a) The proceeds of each sale of Notes (other than Notes issued to refund other Notes) shall be deposited into the applicable Note Proceeds Sub-Account as described in a Letter of Instructions.

(b) Except as provided in subsection (a) of this Section 3.02 above, the proceeds of the sale of any Notes shall be deposited in the applicable Note Refunding Sub-Account in accordance with Section 4.02(c) and used for the payment of the principal of other previously issued Notes of the same series at maturity."

(e) Section 3.03 shall be amended to read in its entirety as follows:

"Section 3.03. INVESTMENT AGREEMENT. A Department Representative is hereby authorized to execute and deliver the Investment Agreement with respect to the applicable series of Notes and any other documents called for thereunder."

(f) Section 4.01(a) shall be amended to read in its entirety as follows:

"(a) The Notes shall be limited obligations of the Department payable solely from amounts on deposit from time to time in the Investment Fund and the Payment Fund, and such amounts from time to time on deposit in such Funds are hereby pledged to the payment of the principal of and interest on the Notes; PROVIDED, THAT THE AMOUNTS IN THE SERIES A SUB-ACCOUNTS AND THE SERIES B SUB-ACCOUNTS ARE PLEDGED ONLY TO THE PAYMENT OF SERIES A NOTES AND SERIES B NOTES COLLECTIVELY AND THAT THE AMOUNTS IN THE SERIES C SUB-ACCOUNTS ARE PLEDGED ONLY TO THE PAYMENT OF SERIES C NOTES; provided, further, that amounts in the Note Proceeds Account are pledged only until transferred from such account pursuant to the provisions of this Resolution; and provided, further, that amounts in the Prepayments/Unexpended Bond Proceeds Account which represent mortgage loan prepayments or unexpended bond proceeds deposited therein by the Department or caused to be deposited therein by the Department (excluding any interest earned on such prepayments or unexpended bond proceeds pursuant to their investment in the applicable Investment Agreement) and which on the date of determination are in excess of the aggregate principal amount of Notes then Outstanding (which for purposes of this subsection shall not include Notes to be paid on such determination date from moneys on deposit in the applicable

Account of the Payment Fund) are subject to being transferred from the Prepayments/Unexpended Bond Proceeds Account in accordance with a Letter of Instructions from the Department and are not pledged to the payment of the Notes."

(g) Section 4.02 shall be amended to read in its entirety as follows:

"Section 4.02. ESTABLISHMENT OF FUNDS, ACCOUNTS AND SUBACCOUNTS. (a) The following funds and accounts are hereby established:

(i) Payment Fund, including as separate accounts within such fund (A) the Note Refunding Account (including as sub-accounts within such account the Series A Note Refunding Sub-Account, the Series B Note Refunding Sub-Account and the Series C Note Refunding Sub-Account), and (B) the Note Payment Account (including as sub-accounts within such account the Series A Note Payment Sub-Account, the Series B Note Payment Sub-Account and the Series C Note Payment Sub-Account), to be held by the Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agent Agreement;

(ii) Investment Fund, including as separate accounts within such fund (A) the Note Proceeds Account (including as sub-accounts within such account the Series A Note Proceeds Sub-Account, the Series B Note Proceeds Sub-Account and the Series C Note Proceeds Sub-Account) and (B) the Prepayments/Unexpended Bond Proceeds Account (including as sub-accounts for each series of Notes within such account the AMT Prepayments Sub-Account, the AMT Unexpended Bond Proceeds Sub-Account and the NON-AMT Prepayments Sub-Account), to be held by the Funds Depository pursuant to the terms of the Amended and Restated Funds Depository Agreement; and

(iii) Rebate Fund, to be held by the Funds Depository pursuant to the terms of the Amended and Restated Funds Depository Agreement."

(h) Section 4.02(c) shall be amended to read in its entirety as follows:

"(c) Payment Fund. There shall be deposited into the applicable series Note Refunding Sub-Account the proceeds from the sale of such series of Notes which are issued for the purpose of refunding and retiring other Notes of such series previously issued under this Resolution, and such proceeds shall be used solely for such purpose. In addition, all amounts (other than proceeds of Notes issued to refund other Notes) which are or become available to the Department, whether from amounts transferred from the Prepayments/Unexpended Bond Proceeds Account, the Note Proceeds Account or the Rebate Fund, or from amounts available from the issuance of Refunding Bonds, for the purpose of paying Notes of the applicable series at maturity and which are required pursuant to the provisions of this Resolution, or in the case of Refunding Bonds the documents authorizing the issuance of such Refunding Bonds, to be deposited with the Issuing and Paying Agent for such purposes shall be deposited upon receipt by the Issuing and Paying Agent into the applicable series Note Payment Sub-Account as directed by a Letter of Instructions. Amounts so deposited into the applicable series Note Payment Sub-Account shall be used solely for the purpose of paying the principal of and interest on maturing Notes as provided in the Issuing and Paying Agent Agreement."

(i) Section 4.02(d) shall be amended to read in its entirety as follows:

"(d) Note Proceeds Account. There shall be deposited into the applicable series Note Proceeds Sub-Account the proceeds of all Notes of such series (other than Notes of such series issued to refund other Notes of such series). Note proceeds deposited into the Note Proceeds Account shall be transferred from and out of such account at the direction of and in accordance with a Letter of Instructions designating the amount to be transferred, the sub-account said amount is to be transferred from and out of, the name of the bond trustee to receive such funds (including wiring instructions for such bond trustee) and the particular fund, account or sub-account to which such funds are to be transferred to and deposited in; provided, that such Note proceeds shall be transferred only upon the simultaneous transfer to and deposited in the appropriate sub-account or sub-accounts in the Prepayments/Unexpended Bond Proceeds Account by the bond trustee, as designated in the Department's Letter of Instructions, of mortgage loan prepayments, unexpended bond proceeds or any combination of mortgage loan prepayments and unexpended bond proceeds from one or more series of Refunded Bonds in an amount equal to Note proceeds then being transferred to such bond trustee.

In the event the simultaneous transfer of Note proceeds and mortgage loan prepayments and/or unexpended bond proceeds, as described above, does not occur on the issuance date of the Notes relating to such Note proceeds, the Note proceeds shall be invested under the Investment Agreement until such time as such simultaneous transfer is completed; provided, that if such simultaneous transfer is not completed as of the maturity date of the Notes to which such Note proceeds relate, such Note proceeds shall, at the direction of the Department, be transferred to the appropriate sub-account in the Note Payment Account for payment of principal of and interest on the maturing Notes."

(j) Section 4.02(e) shall be amended to read in its entirety as follows:

"(e) Prepayments/Unexpended Bond Proceeds Account. There shall be deposited into the Prepayments/Unexpended Bond Proceeds Account such amounts, representing mortgage loan prepayments and/or unexpended bond proceeds, as the Department may direct one or more bond trustees for the Department's single family mortgage revenue bonds to transfer thereto. Such transfers shall be made pursuant to a Letter of Instructions and shall occur simultaneously with the transfer of Note proceeds in an amount equal to the amount of the mortgage loan prepayments and/or unexpended bond proceeds, as described in subsection (d) of this Section 4.02. The Department shall direct the bond trustee to designate all mortgage loan prepayments transferred to the Prepayments/Unexpended Bond Proceeds Account as "AMT" or "NON-AMT" and, based on such designation, such mortgage loan prepayments shall be deposited into either the AMT Prepayments Sub-Account or the NON-AMT Prepayments Sub-Account, as applicable. All unexpended bond proceeds transferred to the Investment Fund shall be deposited into the AMT Unexpended Bond Proceeds Sub-Account. There shall also be deposited into the Prepayments/Unexpended Bond Proceeds Account such amounts as may be transferred thereto pursuant to subsection (f) of this Section 4.02; provided, that the Department shall establish a separate AMT Prepayments Sub-Account and a separate Prepayments/Unexpended Bond Proceeds Sub-Account for the Series C Notes.

Amounts in the respective Sub-Accounts of the Prepayments/Unexpended Bond Proceeds Account shall be subject to transfer, pursuant to a Letter of Instructions of the Department, only as follows:

(i) Amounts which represent interest earned on mortgage loan prepayments, unexpended bond proceeds and Note proceeds invested under the applicable Investment Agreement may be transferred (A) to the appropriate sub-account in the Note Payment Account to pay interest on maturing Notes of the applicable series and (B) to the Rebate Fund to the extent that on any date on which Notes have matured a transfer has occurred in accordance with clause (A) above and after such transfer there remain amounts in the Prepayments/Unexpended Bond Proceeds Account which represent interest earned on mortgage loan prepayments, unexpended bond proceeds and Note proceeds invested under the applicable Investment Agreement.

(ii) Amounts which represent mortgage loan prepayments or unexpended bond proceeds may be transferred (A) to the appropriate sub-account in the Note Payment Account to pay the principal of maturing Notes or (B) to such account or accounts as may be designated by the Department for the purpose of originating Mortgage Loans; provided, that (1) any such transfer pursuant to clause (B) above of mortgage loan prepayments and/or unexpended bond proceeds from the AMT Prepayments Sub-Account and the AMT Unexpended Bond Proceeds Sub-Account may be made only to the extent that on the date of such transfer the amount of mortgage loan prepayments and unexpended bond proceeds in the AMT Prepayments Sub-Account and the AMT Unexpended Bond Proceeds Sub-Account exceeds the amount of Series A Notes Outstanding (which for the purpose of this subsection shall not include Series A Notes to be paid on such date from moneys on deposit in the Payment Fund) by at least the amount of the transfer and (2) any such transfer pursuant to clause (B) above of mortgage loan prepayments from the Non-AMT Prepayments Sub-Account may be made only to the extent that on the date of such transfer the amount of mortgage loan prepayments in the Non-AMT Prepayments Sub-Account exceeds the amount of Series B Notes Outstanding (which for the purpose of this subsection shall not include Series B Notes to be paid on such date from money on deposit in the Payment Fund) by at least the amount of the transfer; and provided further, that in no event shall the sum of the Note proceeds, mortgage loan prepayments and unexpended bond proceeds on deposit in the Investment Fund ever be less than the principal amount of Notes Outstanding."

(k) Section 7.01 shall be amended to read in its entirety as follows:

"Section 7.01. EVENTS OF DEFAULT. If one or more of the following events shall occur, that is to say:

(a) with respect to the Series A Notes and the Series B Notes, if default shall be made in the due and punctual payment of any installment of principal of and interest on any Series A Note or Series B Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) with respect to the Series C Notes, if default shall be made in the due and punctual payment of any installment of principal of and interest on any Series C Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(c) an "Event of Default" shall have occurred and be continuing under the applicable Investment Agreement and notice, if required, of such event shall have been furnished to the Department by the applicable Investment Agreement Provider;

(d) if default shall be made by the Department in the performance or observance of any other of the covenants, agreements or conditions on its part in this Resolution or in the Notes, and such default shall continue for a period of sixty (60) days after written notice thereof has been received by the Department from a Holder of the Notes, the Dealer, or the Issuing and Paying Agent; provided, however, if such default cannot be cured within the sixty (60) day period but corrective action to cure such default is commenced and diligently pursued until the default is corrected no such Event of Default shall be deemed to have occurred;

(e) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) of the Department; or

(f) the finding by the State legislative audit committee that a condition of gross fiscal mismanagement exists in the Department pursuant to Section 2104.021 of the Texas Government Code and the proclamation by the Governor that the State Conservatorship Board is to act as conservator of the Department;

then such event as described above shall constitute an "Event of Default" under this Resolution."

(l) Section 7.02 shall be amended to read in its entirety as follows:

"Section 7.02. SUITS AT LAW OR IN EQUITY AND MANDAMUS. In case one or more Events of Default with respect to a series of Notes shall occur under this Resolution, then and in every such case the Holder of any Note of such series at the time Outstanding shall be entitled to proceed to protect and enforce all rights conferred hereunder by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such rights, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Resolution, or in aid of the exercise of any power granted in this Resolution, or to enforce any other legal or equitable right possessed by the Holders of Notes of such series by this Resolution by law. The provisions of this Resolution shall be a contract with each and every Holder of Notes and the duties of the Department shall be enforceable by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction."

(m) Section 7.03 shall be amended to read in its entirety as follows:

"Section 7.03. REMEDIES NOT EXCLUSIVE. No remedy herein conferred upon or reserved is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Holder of any one or more of the Notes of such series."

(n) Section 9.01 shall be amended to read in its entirety as follows:

"Section 9.01. RESOLUTION TO CONSTITUTE A CONTRACT; EQUAL SECURITY; ENFORCEMENT. In consideration of the acceptance of the Notes by the Holders thereof from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Notes and the pledge made in this Resolution by the Department and the covenants and agreements set forth in this Resolution to be performed by the Department shall be for the equal and proportionate benefit, security and protection of all Holders of the Notes, without preference, priority or distinction as to security or otherwise of any of the Notes over any of the others by reason of time of issuance, sale or maturity thereof or otherwise of any cause whatsoever, except as expressly provided in or permitted by this Resolution; provided, that the Holders of the Series A Notes and the Series B Notes shall have a claim only to amounts held in the Series A Sub-Accounts and Series B Sub-Accounts collectively and to amounts invested in the Series A/B Investment Agreement and the Holders of the Series C Notes shall have a claim only to amounts held in the Series C Sub-Accounts and invested in the Series C Investment Agreement."

(o) Exhibit A-3 shall be added to the Resolution in the form attached hereto as Exhibit A.

Section 2 – Investment Agreement and Investment Agreement Broker. The investment of proceeds of the Series C Notes is hereby approved and the Executive Director and the Director of Bond Finance are each hereby authorized to complete arrangements for investment in an investment agreement including, without limitation, selection of the investment agreement broker, if any.

Section 3 – Authorization of Investment Agreement. The execution and delivery of an investment agreement for the Series C Notes is hereby authorized and approved and the authorized representatives named in this Resolution are each hereby authorized to execute and deliver such investment agreement for the Series C Notes and all documents and instruments in connection therewith.

Section 4 – Offering Memorandum. Each authorized representative is hereby authorized to approve an update to the Offering Memorandum to reflect changes authorized hereby and to take other action necessary in connection therewith and the circulation of such updated Offering Memorandum is hereby authorized.

Section 5 – 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.

Section 6 – 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 to carry out the purposes of this Resolution: the Chairman of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; the Deputy Executive Director of Housing Operations of the Department; the Deputy Executive Director of Programs of the Department; the Chief of Agency Administration of the Department; the Director of Financial Administration of the Department; and the Director of Bond Finance of the Department.

Section 7 – Authorization of Certain Actions. The Board authorizes the Executive Director, the staff of the Department and bond counsel to take such actions on its behalf as may be necessary to carry out the purposes of this Resolution.

Section 8 – Ratifying Other Actions. All other actions taken or to be taken by the Executive Director, the staff of the Department and bond counsel in order to carry out the purposes of this Resolution are hereby ratified and confirmed.

Section 9 – Purposes of Resolution. The Board has expressly determined and hereby confirms that the amendment of the Commercial Paper Resolution as herein provided will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 10 – Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 11 – Notice of Meeting. 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.

PASSED AND APPROVED this 14th day of November, 2003.

Chairman, Governing Board

ATTEST:

Secretary

(SEAL)

EXHIBIT A

FORM OF NOTE

UNITED STATES OF AMERICA
STATE OF TEXAS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SINGLE-FAMILY MORTGAGE REVENUE TAX-EXEMPT
COMMERCIAL PAPER NOTES, SERIES C

Note Number	Issue Date	Maturity Date	Principal Amount	Interest Rate
___________	_____________	_____________	$_____________	____________

On the Maturity Date specified above, for value received, the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (the "Department"), promises to pay to the order of __________________________ the Principal Amount specified above, plus interest thereon from the Issue Date specified above to the Maturity Date at the Interest Rate specified above, which amount shall be payable at the principal corporate office of Deutsche Bank Trust Company located at 280 Park Avenue, 9th Floor, New York, New York 10017.

This Commercial Paper Note is one of an issue of commercial paper notes (the "Series C Notes") which has been duly authorized and issued in accordance with the provisions of a resolution (the "Resolution") adopted by the Governing Board (the "Board") of the Department on November 10, 1994, and amended and restated on June 10, 1996, as further amended by resolutions adopted on November 4, 1996, September 15, 1997, October 16, 1998, August 11, 2000, and July 30, 2003, for the purpose of providing money to (i) allow the Department to recycle certain mortgage loan prepayments and unexpended bond proceeds under its single-family mortgage revenue bond programs into new mortgage loans by refunding certain bonds becoming subject to redemption (A) as a result of receipt of such prepayments and (B) from such unexpended bond proceeds, (ii) preserve the volume cap allocation under the Department's single-family mortgage revenue bond programs, as they exist from time to time, and (iii) refinance, renew or refund Notes; all in accordance and in strict conformity with the provisions of Chapter 2306, Texas Government Code (together with other laws of the State of Texas applicable to the Department, the "Act") and Article 717q, Vernon's Annotated Texas Civil Statutes, as amended. Capitalized terms used herein and not otherwise defined shall have the meaning given said terms in the Resolution.

This Series C Note, together with the other Series C Notes, is a limited obligation of the Department payable solely from amounts on deposit from time to time in the applicable accounts and sub-accounts of the Investment Fund and the Payment Fund established under the Resolution, and such amounts from time to time on deposit in the applicable accounts and sub-accounts of such Funds are pledged to the payment of the principal of and interest on the Series C Notes; provided, that amounts in the applicable sub-account of the Note Proceeds Account within the Investment Fund are pledged only until transferred from such account pursuant to the provisions of the Resolution; and provided, further, that amounts in the applicable sub-account of the Prepayments/Unexpended Bond Proceeds Account within the Investment Fund which represent mortgage loan prepayments and unexpended bond proceeds deposited therein by the Department (excluding any interest earned on such prepayments and unexpended bond proceeds pursuant to their investment in the Investment Agreement and any interest earned on such interest) and which on the date of determination are in excess of the then Outstanding aggregate principal amount of Series C Notes and other commercial paper notes issued under the Resolution are subject to being transferred from the Prepayments/Unexpended Bond Proceeds Account within the Investment Fund at the direction of the Department and are not pledged to the payment of the Series C Notes.

THE SERIES C NOTES SHALL NEVER CONSTITUTE GENERAL OBLIGATIONS OF THE DEPARTMENT AND UNDER NO CIRCUMSTANCES SHALL THE SERIES C NOTES EVER BE PAYABLE FROM, NOR SHALL THE HOLDERS THEREOF HAVE ANY RIGHTFUL CLAIM TO, ANY INCOME, REVENUES, FUNDS OR ASSETS OF THE DEPARTMENT OTHER THAN THOSE PLEDGED UNDER THE RESOLUTION AS SECURITY FOR THE PAYMENT OF THE SERIES C NOTES. THE STATE OF TEXAS IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES C NOTES AND THE FAITH, CREDIT OR TAXING POWER OF THE STATE OF TEXAS IS NOT PLEDGED, GIVEN, OR LOANED TO PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES C NOTES.

It is hereby certified and recited that all acts, conditions and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Series C Note, do exist, have happened, and have been performed in regular and in due time, form and manner as required by law and that the issuance of this Series C Note, together with all other Series C Notes and other commercial paper notes issued under the Resolution, is not in excess of the aggregate principal amount of such obligations permitted to be issued under the Resolution.

This Series C Note has all the qualities and incidents of an “investment security” under Chapter 8, Business and Commerce Code, Texas Codes Annotated, as amended.

This Series C Note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Series C Note shall have been authenticated by the execution by the Issuing and Paying Agent of the Certificate of Authentication hereon.

IN TESTIMONY WHEREOF, this Series C Note is executed with the manual or facsimile signature of the Chairman or Vice Chairman of the Board, attested with the manual or facsimile signature of the Secretary of the Board, and the seal of the Department is manually impressed or printed in facsimile hereon.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

____

[Chairman or Vice Chairman], Governing Board

ATTEST:

____

Secretary, Governing Board

(SEAL)

CERTIFICATE OF AUTHENTICATION

This Series C Note is one of the Series C Notes delivered pursuant to the within mentioned Resolution.

DEUTSCHE BANK TRUST COMPANY
as Issuing and Paying Agent

By:____
Countersignature

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
November 14, 2003

Action Items

Requests for extensions regarding closing construction loans and commencement of substantial construction.

Required Action

Approve or deny the requests for extensions associated with 2002 commitments.

Background

Pertinent facts about the developments requesting extensions are given below. The requests were accompanied by a mandatory $2,500 extension request fee for each type of extension requested.

Development No. 02019, Yale Village Apartments

Summary of Request: The Department and the former development owner, Century Pacific (CP), settled litigation arising from the circumstances of CP's four 2002 applications. In conformity with the settlement, an affiliate of The Michaels Development Co. (Michaels) purchased the four properties. The settlement extended the deadline to close the construction loan to October 31, 2003 and the deadline for commencement of substantial construction to December 31, 2003. Michaels could not close the construction loan by the October 31 deadline and requests an extension until January 30, 2004. The delays in closing resulted from the complexity of the financing plan and the necessity for several separate HUD approvals. Among others, approvals were necessary for decoupling interest reduction payments from three of the existing mortgages, assignments of Section 8 contracts to the new members of the owner, and applications for Section 221(d)(4) mortgages. Michaels further requests that the commencement of construction requirement be extended until March 31, 2004.

Applicant:	CP Yale L.P.	
General Partner:	Yale Village-Michaels, L.L.C.	
Principals/Contacts	Michael J. Levitt	
Syndicator:	Related Capital Company	
Construction Lender:	GMAC Commercial Mortgage	
Permanent Lender:	GMAC Commercial Mortgage	
City/County:	Houston/Harris	
Set-Aside:	At-Risk/Family	
Type of Development:	Acquisition/Rehab	
Units:	248 LIHTC units (and 2 employee units)	
Allocation:	$374,963 subject to adjustment	
Allocation per HTC Unit:	$1,512	
Extension Request Fees Paid:	$5,000	
Type of Extension Requests:	(1) Closing construction loan	
	(2) Commencement of construction	
Note on Time of Request:	Extension requested October 25. Deadline for request was October 31.	
Current Deadlines:	(1) Closing construction loan:	October 31, 2003
	(2) Commencement of construction:	December 31, 2003
New Deadlines Requested:	(1) Closing construction loan:	January 30, 2004
	(2) Commencement of construction:	March 31, 2004
New Deadlines Recommended:	**Staff recommends the same deadlines as requested by the applicant.**	
Prior Extensions:	Carryover extended from 10/11/02 to 12/16/02	
	Construction loan closing extended from 6/13/02 to 10/31/03	
	Commencement of construction extended from 11/14/03 to 12/31/03	
Reason for Extension Request:	See summary above.	
Staff Recommendation:	**Grant both extension requests based on the unique circumstances of the situation and the need for various HUD approvals.**	

Development No. 02020, King's Row Apartments

Summary of Request: 02019, 02020, 02021 and 02022 have the same circumstances.

Applicant:	CP Kings LP
General Partner:	King's Row-Michaels, L.L.C.
Principals/Contacts	Michael Levitt
Syndicator:	Related Capital Company
Construction Lender:	GMAC Commercial Mortgage
Permanent Lender:	GMAC Commercial Mortgage
City/County:	Houston/Harris
Set-Aside:	At-Risk/Family
Type of Development:	Acquisition/Rehab
Units:	180 LIHTC units
Allocation:	$466,434
Allocation per LIHTC Unit:	$2,591

All remaining information is same as Development No. 02019, above.

Development No. 02021, Continental Terrace

Summary of Request: 02019, 02020, 02021 and 02022 have the same circumstances.

Applicant:	CP Continental LP
General Partner:	Continental Terrace-Michaels, L.L.C.
Principals/Contacts	Michael J. Levitt
Syndicator:	Related Capital Company
Construction Lender:	GMAC Commercial Mortgage
Permanent Lender:	GMAC Commercial Mortgage
City/County:	Fort Worth/Tarrant
Set-Aside:	At-Risk/Family
Type of Development:	Acquisition/Rehab
Units:	196 LIHTC units (4 employee units)
Allocation:	$425,426
Allocation per HTC Unit:	$2,171

All remaining information is same as Development No. 02019, above.

Development No. 02022, Castle Garden Apartments

Summary of Request: 02019, 02020, 02021 and 02022 have the same circumstances.

Applicant:	CP Castle LP
General Partner:	Castle Gardens-Michaels, L.L.C.
Principals/Contacts	Michael J. Levitt
Syndicator:	Related Capital Company
Construction Lender:	GMAC Commercial Mortgage
Permanent Lender:	GMAC Commercial Mortgage
City/County:	Lubbock/Lubbock
Set-Aside:	At-Risk/Family
Type of Development:	Acquisition/Rehab
Units:	151 LIHTC units (and 1 employee unit)
2002 Allocation:	$333,177
Allocation per HTC Unit:	$2,206

All remaining information is same as Development No. 02019, above.

THE MICHAELS
DEVELOPMENT CO.

OCT 27 AM 8:04

Thursday, October 23, 2003

Brooke Boston
Director of Multifamily Finance Production
Texas Department of Housing and Community Affairs
507 Sabine
Suite 400
P.O. Box 1394`
Austin, TX 78711

RE: Yale Village THDCA 02019
Kings Row THDCA 02020
Continental Terrace THDCA 0221
Castle Gardens THDCA 02022

Dear Ms. Boston:

Please consider this letter a follow-up to our recent telephone conversation regarding the above named tax credit developments. As we discussed, we have achieved significant progress toward the meeting the milestones established in the Settlement Agreement and 2002 Low Income Housing Tax Credit New Commitment Notices for these properties. Certain milestones, however, including the requirement for construction loan closings by October 31, 2003 have not, as yet, been fully met. We are, therefore respectfully requesting extensions to the deadlines established in these documents in order to permit sufficient time to complete the remaining milestones.

As you are aware, our financial strategy involves leveraging FHA-insured construction and permanent mortgage loans with tax credit equity in order to fund substantial rehabilitation of all four properties. Pursuing this strategy entails U. S. Department of Housing and Urban Development (HUD) approval of:

- a Transfer of Physical Assets (TPA) to our affiliates;
- an IRP de-coupling plan for three of the four properties in order to maximize loan proceeds available for property rehabilitation;
- An assignment of the Section 8 Housing Assistance Payment (HAP) contracts to our affiliates;
- Budget-based Rent Increases under the HAP contracts to support new debt; and,
- Applications for Section 221(d)(4) FHA-insured mortgage loans under the accelerated MAPS insurance program:

Our progress toward achieving these approvals is as follows:

Corporate Office

1 E. Stow Road
P.O. Box 994
Marlton, NJ
08053-0994
(856) 596-3008
fax (856) 988-5817
Hearing Impaired:
TDD (800) 244-7967

TPA Approvals; .As you may recall, title to the four properties were conveyed by their former owners to new ownership entities on December 12, 2002. This transfer assured that the tax credit allocations committed to the properties would be preserved. As ownership of the properties was being transferred subject to existing FHA insured mortgages, TPA Approvals were required. Unfortunately, the original principals of these new entities, Century Pacific Equity Corporation (general partner) and Irwin J. Deutch (limited partner), failed to seek TPA Approval for these transactions prior to the transfers.

On April 30, 2003, affiliates of the Michaels Development Company (Michaels) acquired the entire general partnership interests in these new ownership entities. We did so with the understanding that HUD would be willing to process the TPA Approvals after the transfer in conjunction with our mortgage insurance loan applications.

Since that date, Michaels and its consultants have been diligently working with HUD's Fort Worth and Houston offices to obtain TPA approval. There have been a number of exchanges of requests for information and exhibits.

We now possess correspondence from HUD setting forth its conditions for TPA approval of all four properties (copies are enclosed). The short lists of conditions are non-substantive in nature. We anticipate submitting the materials needed to meet these conditions by the end of this month.

The HUD field offices had previously required that TPA Approval for each property be obtained prior to completion of MAP processing and issuance of Firm Commitments for mortgage insurance. Based on the substantial progress we have achieved, both HUD offices subsequently have made TPA Approval a condition precedent to initial FHA endorsement (Construction Loan Closings).

IRP De-Coupling Plans Assignment of HAP Contracts and Budget-based Rent Increases; As noted above, our financing plan calls for "decoupling" the Interest Reduction Payments ("IRP Decoupling") payable to three of the four properties (Castle Gardens, Continental Terrace and Yale Village) that have existing 236 mortgages. On-going IRP payments will allow us to increase the sizes of the new mortgages to amounts sufficient to fund rehabilitation.

The financing plan also calls for an assignment of the HAP Contracts to our affiliates and Budget Based Rent Increases ("Rent Increases") under those contracts. The Rent Increases must be approved by the HUD's Contract Administrator, Southwest Housing Compliance Corporation ("SWHCC").

Michaels filed IRP Decoupling requests with the respective HUD offices, and applications for Rent Increases with SWHCC in early June, 2003. Since then, we have responded to several requests for additional information. We anticipate approval of both items in November. In the meantime, based on our progress to date, both HUD offices have made approval of IRP Decoupling and Rent Increases a condition of Construction Loan Closing.

FHA Insurance Applications; . In March, 2003, CP Castle, L.P., CP Continental, L.P., CP Kings, L.P., and CP Yale, L.P., entered into engagement letters with Reilly Mortgage Company ("Reilly") to refinance each of the property's existing FHA insured mortgages and replace them with new FHA insured 221(d)(4) (substantial rehabilitation) mortgages processed under HUD's Multifamily Accelerated Processing ("MAP") program. Reilly submitted pre-application financing packages to the respective HUD field offices in early June 2003.

These pre-applications were approved, as evidenced by the invitation letters for firm commitment enclosed with this correspondence. Invitation letters to submit for firm commitment ("Firm Invitation Letters") were issued to Reilly by Forth Worth HUD for Castle Gardens and Continental Terrace on September 31. Firm Invitation Letters were issued by Houston HUD for Kings Row on September 12 and Yale Village on October 2.

Unfortunately, in September, Reilly discovered that an identity of interest between one of its officers and the principal of the owners in these transactions might jeopardize its FHA-insurance applications. (Michael Levitt and a principal of Reilly were partners in several previous transactions unrelated to these four properties). Although, this identity of interest would have been permitted under other HUD programs (Reilly has served as mortgagee in a number of Michaels' projects financed with FHA- mortgage insurance), HUD officials ruled that it would not permitted under the MAP program.

Upon notice of this ruling, Michaels immediately contacted GMAC Commercial Mortgage ("GMACCM") to serve as a substitute mortgagee for these transactions. We had hoped that HUD would allow GMACCM to accept assignment of the Firm Invitation Letters issued to Reilly and complete the processing necessary to submit firm commitment applications for HUD's approval. Unfortunately, HUD headquarters ruled, in mid-October, that an assignment would not be permitted. By letter, HUD officials did indicate, however, that the existing third party reports prepared for Reilly could be updated and reissued to GMACCM to expedite preparation of the new pre-application packages.

We entered into engagement letters with GMACCM on October 9, 2003 for new FHA insured 221(d)(4) (substantial rehabilitation) mortgages processed under HUD's MAP program. GMACCM has engaged all of Reilly's third party contractors for updated reports which are expected to be completed and received by GMACCM by the end of October. GMACCM expects to submit its pre-applications to the respective HUD field offices in early November.

Both Fort Worth and Houston HUD were previously notified of the Owners' need to change the MAP lender and have pledged their support to expedite processing of GMACCM's pre-application and promptly issue new Firm Invitation Letters. Michaels representatives have informed SWHCC of the situation and are updating the information required to obtain approval for Budget Based Rent Increase requests.

In anticipation of promptly receiving Firm Invitation Letters from HUD, GMACCM is working closely with Michaels to prepare firm commitment applications and expects to submit these applications immediately upon receipt of the invitation letters. Although the HUD field offices have up to 5 days to review the firm commitment application package for completeness and an additional 45 days to process, both field offices have indicated their willingness to expedite their approvals. We expect Firm Commitments to be issued before the end of November. Michaels and GMACCM are concurrently gathering closing exhibits so that Construction Loan Closings can take place in December, 2003.

In summary, pre-applications for FHA mortgage insurance were submitted to HUD on a timely basis. Our pre-applications had been approved, and we were about to submit Firm Commitment applications, when HUD ruled that we could not continue to proceed processing with our original mortgagee. In response, we immediately arranged for pre-applications to be filed by an alternative HUD-approved mortgagee. Based on assurances we have received from HUD, we anticipate an expedited approval of these new pre-applications, a timely submittal of Firm Commitment applications, and Construction Loan Closings on all four properties in December, 2003.

Applications for IRP de-coupling, rent increases and TPA approval were submitted to HUD at the same time as the original pre-applications. We have responded to questions posed by HUD staff and SWHCC regarding these applications as they have arisen. Approvals of all three items are expected as early as November, and no later than the Construction Loan Closings.

One option we have considered, in our desire to meet THDCA's October 31, 2003 closing deadline, is a bridge loan, from a Michaels affiliate in order to get construction started. We have occasionally exercised this option in similar situations when lenders could not meet our closing time tables. Unfortunately, in this case, HUD regulations require issuance of Firm Commitment prior to granting approval for an early construction start. We would jeopardize our entire financing plan by starting construction through a bridge loan. Obtaining approval for an early construction start, after approval of the Firm Commitments, would likely take longer than simply closing on the FHA-insured construction loans.

We should note that since our acquisition of Kings Row, we have initiated over $1,700,000 in property renovations. This storm damage restoration work, as it is being funded from casualty insurance proceeds, rather than a source identified in our mortgage application, does not jeopardize the overall financial plan.

Four buildings at Kings Row are being restored from casualty insurance proceeds. To date, three of the four buildings have been completed. Two have received certificates of occupancy and are occupied, and a certificate of occupancy has been requested for the third. Restoration of the fourth building is underway.

Our commitment to the preservation of Continental, Castle, Yale and Kings Row is not only evidenced by our diligent pursuit of our financing plan and initiation of work at Kings Row, but our financial investment in these properties, as well. To date, we have expended over $1,634,000 in restoration work at Kings Row, and out-of-pocket development expenses for the four properties. This sum includes neither the operating losses we have sustained nor the in-house costs of personnel dedicated to the development of these projects.

Given the status of HUD processing, and HUD rules restricting our ability to start construction prior to the closing, Michaels cannot realistically meet the October 31, 2003 construction closing deadline. Nor can we assure that 10% of the construction budget will have been spent by the end of the year.

We are, however, continuing to diligently work toward the construction loan closings and construction starts. With HUD cooperation, we anticipate closings on our FHA-insured loans by December 31, 2003. In addition, we have worked closely with our general contractor to assure placed-in-service dates before the December 31, 2004 deadlines.

We, therefore, respectfully request that the deadline for construction loan closings for Continental Terrace, Yale Village, Kings Row, and Castle Gardens, as well as the deadlines for the IRP de-couplings, budget-based rent increases, and TPA approvals, be extended to January 30, 2004. This allows some leeway, should HUD be unable to process its approvals as quickly as we have been assured it will. Accordingly, we also respectfully request that the deadline for expending, at least, 10% of the construction budgets for these projects be extended to March 31, 2004.

Please be assured that we appreciate the patience shown by THDCA in this matter. As evidenced by the property rehabilitation we are currently undertaking at Kings Row, Michaels takes its ownership and management responsibilities seriously. Although FHA processing is taking a bit longer than we had hoped, the end result, the preservation of four residential communities affordable to low income families in Houston, Fort Worth and Lubbock will be a credit to all concerned.

Please contact us with any questions or requests for additional information.

Very truly yours,

Ava J. Goldman
Senior Vice President

HTC Development No. 02097, Park Manor Apartments

Summary of Request: The limited partner, Apollo Capital, departed the development causing a delay to find and close with a new limited partner. The development is a rehabilitation and the Applicant believes that meeting the new deadline requested will be achievable despite the brief additional time.

Applicant:	Waxahachie DMA Housing, LP
General Partner:	DMA Community Partners II, Inc.
Principals/Interested Parties:	Diana McIver
Syndicator:	Guilford Realty Corporation
Construction Lender:	Guilford Realty Corporation
Permanent Lender:	TRI Financial, financing is FHA 221(d)(4)
City/County:	Waxahachie/Ellis
Set-Aside:	At-Risk
Type of Development:	Acquisition/Rehabilitation
Units:	60 HTC units
2002 Allocation:	$288,644
Allocation per HTC Unit:	$4,811
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Commencement of construction
Note on Time of Request:	Extension was requested within the deadline
Current Deadline:	November 14, 2003
New Deadline Requested:	January 13, 2004
New Deadline Recommended:	**January 13, 2004**
Prior Extensions:	None
Reason for Extension Request:	See summary above
Staff Recommendation:	**Grant extension as recommended**

DMA DEVELOPMENT COMPANY, LLC
DMA
5121 BEE CAVES ROAD, STE 201 AUSTIN, TEXAS 78746 TEL 512.328.3232 FAX 512.328.4584

RECEIVED
NOV 04 2003
LIHTC

November 4, 2003

Ms. Brooke Boston
Texas Dept. of Housing & Community Affairs
507 Sabine Street
Austin, Texas 78711

Re: TDHCA #02097

Dear Brooke:

I am writing to request a 60-day extension of the commencement of construction progress deadline for Park Manor in Waxahachie, Texas.

The reason for the extension request is that initially the partnership included Apollo Housing Capital, LLC as our limited partner. Subsequently, Apollo's investor for this transaction decided not to go forward with this investment. The new limited partner that we have selected is Guilford Realty Corporation. Because of the delays inherent in closing our partnership with our new limited partner, we will be unable to commence construction by the November deadline. However, because the project is a rehabilitation project with a six-month construction schedule, we foresee no problem with meeting the deadline for the placement in service of Park Manor.

We anticipate commencing construction and submitting the required TDHCA documentation by January 13th.

If you have questions, please contact me at 328-3232, extension 65.

Sincerely,

Diana McIver
President/Manager

HTC Development No. 02103, Valley View Apartments

Summary of Request: The Applicant has indicated that in August and September 2003 the City of Pharr received 16 inches of rain, creating substantial construction delays. While the extension request was submitted midway through October, rain was also heavy at that point for the month. As of October 17, 2003, the Applicant had expended $2,044,993 of a total development budget of $9,166,925.

Applicant:	Valley View, Ltd.
General Partner:	South Texas Economic Development Corporation, Inc.
Principals/Interested Parties:	Mike Lopez, Executive Director of GP
Syndicator:	SunAmerica Affordable Housing Partners, Inc.
Construction Lender:	SunAmerica, Inc.
Permanent Lender:	First National Bank
City/County:	Pharr/Hidalgo
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	121 HTC units
2002 Allocation:	$899,933
Allocation per HTC Unit:	$7,437
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Commencement of substantial construction
Note on Time of Request:	Extension was requested within the deadline
Current Deadline:	November 14, 2003
New Deadline Requested:	January 14, 2004
New Deadline Recommended:	**January 14, 2004**
Prior Extensions:	Carryover extended from 10/11/02 to 11/30/02
Reason for Extension Request:	See summary above
Staff Recommendation:	**Grant extension as recommended**

SOUTH TEXAS
ECONOMIC DEVELOPMENT
CORPORATION, INC.
1800 NORTH TEXAS, WESLACO, TEXAS 78596
Phone No. 956-969-5865 - Fax 956-969-5863

October 17, 2003

RECEIVED
OCT 2 0 2003
LIHTC

Ms. Brooke L. Boston
Director of Multfamily Finance Production
TDHCA/LIHTC Program
Waller Creek Office Building
507 Sabine Street
Austin, Texas 78701

02103
RE: NUMBER 021038
VALLEY VIEW APARTMENTS

Dear Ms. Boston:

This is a request for a 60 day extension of the November 14, 2003 deadline to "commence and continue substantial construction activities no later than the second Friday in November". We are requesting a new deadline of January 14, 2004 to meet such a deadline. Enclosed is our $2,500.00 extension fee.

Valley View met its June 13, 2003 deadline of closing construction loan including signing a construction contract with Galaxy Builders, Ltd., on that date. Since then it has diligently attempted to make progress on the construction of Valley View Apartments but the constant rain has made it impossible. We have drawn $ 2,044,993.26 of a total budget of $9,166,925 prior to this current draw. This current construction draw is only $85,715.64. The General Contractor's AIA G702's and Continuation Sheets have been for $610,889.48, 123,389.99 and this current one we just received for $85,715.64. As you can see the construction draws have become smaller each month due to the rain.

Construction has been hampered due to an unseasonal amount of rain in Pharr and the Rio Grande Valley. Such a large amount and frequent occurrence of rain has kept the contractor from diligently pursuing its building responsibilities. Therefore, it is considerably behind construction schedule.

In the past two months (not counting October, which is very rainy as well) we have received 16 inches of rain those two months. Not only does it affect the days that it rains but it affects other non-rain days as well while we wait for the surface to dry so we may continue our work. Additionally, even though it may not rained on the construction site on a particular day the site is affected by rain in the dirt-pit which is relied on to complete construction of the pads. Galaxy Builders, Ltd., is a respected multifamily building company and they promised the project to be completed in 10 months. However, the rain has made it impossible for them to do their work and make any progress.

We request that such an extension be awarded. We will be pleased to answer any questions that you may have.

Sincerely,

Mike Lopez,
Executive Director

HTC Development No. 02119, Lovett Manor Apartments

Summary of Request: Slow approvals by the City of Houston, rain and anticipation of more inclement weather are reasons for the request. Applicant states that all excavation, most plumbing in the ground and half the foundation forms have been completed.

Applicant:	Lovett Manor, Ltd.
General Partner:	Lovett Manor Management, LLC (Artisan/American Corp., sole member) Managing GP Lovett Manor Construction, LLC (Inland General Construction, sole member), GP
Principals/Interested Parties:	Elizabeth Young (Artisan), Vernon Young (Inland)
Syndicator:	SunAmerica
Construction Lender:	SunAmerica
Permanent Lender:	SunAmerica
City/County:	Houston/Harris
Set-Aside:	General
Type of Development:	New Construction
Units:	158 HTC units and 40 market mate units
2002 Allocation:	$1,085,628
Allocation per HTC Unit:	$6,871
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Commencement of construction
Note on Time of Request:	Extension was requested within the deadline
Current Deadline:	November 14, 2003
New Deadline Requested:	February 10, 2004
New Deadline Recommended:	**February 10, 2004**
Prior Extensions:	None
Reason for Extension Request:	See summary above.
Staff Recommendation:	**Grant extension as recommended**

ARTISAN/AMERICAN CORP.

5325 Katy Freeway, Suite One
Houston, Texas 77007
(713) 626-1400
FAX: (713) 626-1098

October 27, 2003

RECEIVED
OCT 2 8 2003
LIHTC

Ms. Brooke Boston
Low Income Housing Tax Credit Program
TDHCA
507 Sabine, Suite 400
Austin, TX 78701

RE: Commencement of Substantial Construction -- Request for extension
Lovett Manor #02119

Dear Brooke,

We were delayed by four months by the City of Houston in receiving building permits. This has become a common problem in Houston recently.

All excavation work, underground, most plumbing ground work, and half the foundation make up are in place. We now have all of the building permits from the City of Houston.

We think it is prudent to request an extension because of weather conditions we have already experienced, the delay in permitting and the unknown, which would make the new date for commencement of substantial construction February 10, 2004.

Thank you for your consideration and please do not hesitate to call if you have further questions.

Yours truly,

H. Elizabeth Young

H. Elizabeth Young
President

Enclosures

Meadows of Oakhaven Apartments, HTC Development No. 02131

Summary of Request: Applicant had difficulty closing the construction loan. The loan was closed on October 8, 2003, leaving the Applicant about four months late in the timeframe for development that would have been effective had the loan been closed on time. The Applicant's statement of the reason for the current request is that Spirit Builders, an affiliate of the Applicant and the general contractor of the subject development, cannot shift management and material resources from another HTC development, Parkway Senior Apartments, to commence construction on Meadows of Oakhaven in a timely manner. Parkway is 90% complete (according to Applicant's letter dated October 28) and is scheduled for completion by the end of November.

Applicant:	Pleasanton Apartment Ventures, LP
General Partner:	Pleasanton Apartments GP Corporation
Principals/Interested Parties:	Lacy & Mike Gilbert
Syndicator:	Alliant Capital
Construction Lender:	Stearns Bank
Permanent Lender:	Stearns Bank
City/County:	Pleasanton/Atascosa
Set-Aside:	Rural/Family
Type of Development:	New Construction
Units:	72 HTC and 4 market rate units
2002 Allocation:	$407,934
Allocation per HTC Unit:	$5,666
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Commencement of construction
Note on Time of Request:	Request was submitted within the deadline for requests.
Current Deadline:	November 14, 2003
New Deadline Requested:	January 30, 2004
New Deadline Recommended:	**January 30, 2004**
Prior Extensions:	Construction loan closing extended from 9/11/03 to 10/9/03 Construction loan closing extended from 7/13/03 to 9/11/03 Construction loan closing extended from 6/13/03 to 7/13/03 Carryover extended from 12/6/02 to 12/17/02
Reason for Request:	See summary above.
Staff Recommendation:	**Grant request as recommended**

PLEASANTON APARTMENT VENTURE, L.P.
100 Methodist Encampment Road
Kerrville, Texas 78028
830-895-4548
Facsimile 830-896-9553
Email: spirit1@ktc.com

OCT 29 PM 2:23

October 28, 2003

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701

Re: TDHCA #02131, Meadows of Oakhaven, Pleasanton, Texas

Dear Mr. Sheppard:

We respectfully request an extension to January 30, 2004 to achieve Commencement of Substantial Construction.

My affiliated company, Spirit Builders, Inc., is the general contractor for this project. At the present time, Spirit Builders, Inc. is engaged in completing TDHCA Project# 01152, Parkway Senior Apartments in Pasadena, Texas. Parkway is approximately 90% complete and is scheduled to be substantially complete by the end of November. At this critical point in the construction of Parkway, it is not possible to shift management and material resources to commence another project.

Upon substantial completion of Parkway, Spirit Builders, Inc. would be able to devote its full attention to meeting the extended deadline for Commencement of Substantial Construction on Meadows of Oakhaven. Oakhaven should take about nine months to build which would put completion of the project in September or October, 2004.

Sincerely,

Lacy M. Gilbert

Lacy M. Gilbert,
President, Pleasanton Apartment GP Corporation
General Partner

HTC Development No. 02147, Heatherbrook Apartments

Summary of Request: The construction lender will not advance the funds necessary to attain construction beyond the foundation stage until after the City of Houston has closed with the borrower on the HOPE VI funds that have been committed to the development, and until the equity investor has closed on its part of the transaction. A major source of delay has been that a required environmental site assessment (ESA) was submitted to the City of Houston Mayor's Office of Environmental Policy in September -- as is usual for such documentation. However, on October 10, as the mayor's office was about to issue an approval, it was determined that the ESA should have been submitted to the City of Houston Department of Housing and Community Development because the ESA was to be reviewed on behalf of HUD. The Department of Housing and Community Development has statutory periods for public notice and required reviews by the Department of Fish and Wildlife and the State Historic Preservation Office, and these reviews cannot be accomplished by the original deadline for commencement of substantial construction.

Applicant:	Houston Heatherbrook, L.P.
General Partner:	KRR Construction, Inc.
Principals/Interested Parties:	Joseph Kemp
Syndicator:	JER Hudson Housing Capital
Construction Lender:	JPMorgan Chase
Permanent Lender:	GMAC Commercial Mortgage
City/County:	Houston/Harris
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	140 HTC units and 36 market mate units
2002 Allocation:	$1,084,340
Allocation per HTC Unit:	$7,745
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Commencement of substantial construction
Note on Time of Request:	Extension was requested within the deadline
Current Deadline:	November 14, 2003
New Deadline Requested:	February 12, 2004
New Deadline Recommended:	**February 12, 2004**
Prior Extensions:	None
Reason for Extension Request:	See summary above
Staff Recommendation:	**Grant extension as recommended**

KRR

CONSTRUCTION, INC.

1818 CEDARDALE RD., LANCASTER, TEXAS 75134
(972) 224-1090 FAX (972) 224-6098

KENNETH FAMBRO
fambro@krrcompanies.com
(972) 224-1096

October 30, 2003

RECEIVED
OCT 3 1 2003
LIHTC

Mr. Ben Sheppard
Multifamily Finance Production
Texas Department of Housing
and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701

Re: Heatherbrook Apartments, Houston, Texas (TDHCA #02147)
Request for Extension – Commencement of Substantial Construction

Dear Mr. Sheppard:

On behalf of Houston Heatherbrook Limited Partnership ("Project Owner"), I request a ninety (90) day extension of the November 14, 2003, deadline for commencement of substantial construction on Heatherbrook Apartments.

As mentioned in the original request submitted October 10, 2003, the Project Owner closed on the construction loan in a timely manner. Part of the financing of these apartments, however, is expected to be a loan of HOPE VI funds from the Housing Authority of the City of Houston ("HACH"). The construction lender will not advance any additional funds until the equity investor and HACH have closed on their portions of the transaction. The HOPE VI loan approval from HUD has been delayed, and such delay will result in a delay in commencing substantial construction of the project.

Furthermore, the Project Owner begun the necessary site work, however, there will be a delay in receiving actual Building Permits for the development. The necessary plans have been submitted and undergone two rounds of comments, but will not be completed in time to meet the November 12, 2003 deadline.

Please see the attached copy of the Partnership's check that was already submitted under separate cover.

Please feel free to contact me if there are any comments or questions concerning this request. Thank you in advance for your assistance with this matter.

Sincerely,

Kenneth W. Fambro, II
Vice President

Housing Tax Credit Program
Board Action Request
November 14, 2003

Action Item

Request review and board determination of eight (8) four percent (4%) tax credit applications with other issuers for tax exempt bond transactions.

Recommendation

Staff is recommending board approval of staff recommendations for the issuance of eight (8) four percent (4%) Tax Credit Determination Notices with **other issuers** for tax exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
03432	Primrose Skyline	Houston	Harris County HFC	280	280	$26,617,040	$11,993,431	$0
03433	Southern Terrace	Dallas	Dallas HFC	264	264	$24,941,053	$13,262,000	$1,043,740
03434	Preakness Ranch	Dallas	Dallas HFC	264	264	$22,625,678	$14,158,800	$935,661
03436	Northland Woods Apartments	Houston	Harris County HFC	280	280	$21,280,864	$11,766,868	$865,730
03438	Parkside Point Apartments	Houston	Houston HFC	260	260	$19,399,516	$12,100,000	$792,586
03441	Primrose at Jefferson Plaza	San Antonio	Bexar County HFC	248	248	$20,100,699	$12,444,000	$616,285
03442	Little York Parc Apartments	Houston	Victory Street Public Utility Corp.	280	280	$22,128,696	$14,500,000	$883,444
03449	Little Nell Apartments	Houston	Houston HFC	278	278	$23,221,216	$13,800,000	$920,281

HOUSING TAX CREDIT PROGRAM

2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Primrose Skyline** TDHCA#: 03432

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Houston	QCT: Y	DDA: N	TTC: N
Development Owner:	Primrose Houston 7 Housing, LP			
General Partner(s):	Primrose Houston 7 Development, LLC, 100%, Contact: Brian Potashnik			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Harris County HFC			
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $886,885 Eligible Basis Amt: $882,436 Equity/Gap Amt.: $1,272,441

Annual Tax Credit Allocation Recommendation: $0

Total Tax Credit Allocation Over Ten Years: $0

PROPERTY INFORMATION

Unit and Building Information

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

Gross Square Footage: 256,130 Net Rentable Square Footage: 250,650

Average Square Footage/Unit: 895

Number of Buildings: 6

Currently Occupied: N

Development Cost

Total Cost: $23,617,040 Total Cost/Net Rentable Sq. Ft.: 94.22

Income and Expenses

Effective Gross Income:[1] $1,923,230 Ttl. Expenses: $968,727 Net Operating Inc.: $954,503

Estimated 1st Year DCR: 1.06

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Southwest Housing Management
Attorney:	Shackelford, Melton & McKinley	Architect:	Beeler Guest Owens
Accountant:	Reznick, Fedder & Silverman	Engineer:	Kimley-Horn & Assoc.
Market Analyst:	Butler Burgher	Lender:	Newman Capital
Contractor:	Affordable Housing Construction	Syndicator:	MMA Financial, LLC

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 1 # in Opposition: 0	Sen. Mario Gallegos, District 6 - S Rep. Kevin Bailey, District 140 - NC U. S. Congressman Gene Green - S Mayor Lee P. Brown - NC Daisy A. Stiner, Director, City of Houston, Housing & Community Development Department; Consistent with the City of Houston's Consolidated Plan. U S Congressman Gene Green S

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Receipt, review, and acceptance of an executed loan agreement for the City of Houston loan.
3. Reciept, review, and acceptance of an executed CHDO property tax exemption or abatement.
4. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing.
5. Receipt, review, and acceptance of a sources and uses of funds statement consistent with the total development cost.
6. Receipt, review, and acceptance of evidence of the previous participation of Southeast Texas Housing Partners, Inc. in providing affordable housing.
7. 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: November 5, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03432

DEVELOPMENT NAME

Primrose Skyline Apartments

APPLICANT

Name:	Primrose Houston 7 Housing, L.P.			**Type:**	For-profit		
Address:	5910 North Central Expressway, Suite 1145			**City:**	Dallas	**State:**	TX
Zip:	75206	**Contact:**	Dru Childre	**Phone:**	(214) 891-1402	**Fax:**	(891) 987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Primrose Houston 7 Development, L.L.C.	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Southeast Texas Housing Partners, Inc.	**(%):**	N/A	**Title:**	Non-profit CHDO, 100% owner of G.P.
Name:	Southwest Housing Development Company, Inc.	**(%):**	N/A	**Title:**	Developer
Name:	Brian Potashnik	**(%):**	N/A	**Title:**	Owner of Developer

PROPERTY LOCATION

Location:	5000 & 5100 blocks of Airline Drive		☒ **QCT**		☐ **DDA**
City:	Houston	**County:**	Harris	**Zip:**	77022

REQUEST

Amount	Interest Rate	Amortization	Term
$886,885	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

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

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE FOLLOWING: THE DEVELOPMENT'S PROJECTED CUMULATIVE CASH FLOW IS INSUFFICIENT TO REPAY THE REQUIRED AMOUNT OF DEFERRED DEVELOPER AND GENERAL CONTRACTOR FEES WITHIN 15 YEARS.

CONDITIONS/DEFICIENCIES

1. Any tax credit allocation should not exceed $882,436 annually for ten years;
2. Receipt, review, and acceptance of an executed loan agreement for the City of Houston loan;
3. Receipt, review, and acceptance of an executed CHDO property tax exemption or abatement;
4. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing;
5. Receipt, review, and acceptance of a sources and uses of funds statement consistent with the total development cost;
6. Receipt, review, and acceptance of evidence of the previous participation of Southeast Texas Housing Partners, Inc. in providing affordable housing; and
7. 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**	6	**# Common Area Bldngs**	1	**# of Floors**	3	**Age:**	0 yrs	**Vacant:**	N/A	at / /

Net Rentable SF:	250,650	**Av Un SF:**	895	**Common Area SF:**	5,480	**Gross Bldg SF:**	256,130

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central gas boiler water heating system

ON-SITE AMENITIES

A 5,444-SF community building with activity room, management offices, laundry & maintenance facilities, kitchen, restrooms, & computer/business center, along with a central mailroom & swimming pool are to be located near the entrance to the property. In addition, perimeter fencing with limited access gates are also planned for the site

Uncovered Parking:	230	spaces	**Carports:**	0	spaces	**Garages:**	0	spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Primrose Skyline Apartments is a relatively dense (29 units per acre) new construction development of 280 units of affordable elderly housing northwest Houston. The development is to be comprised of six large, evenly distributed, three-story, elevator-served residential buildings as follows:

- Three Building Type A with 12 one-bedroom/one-bath units, 30 two-bedroom/one-bath units, and 12 two-bedroom/two-bath units;
- Two Building Type B with 12 one-bedroom/one-bath units, 18 two-bedroom/one-bath units, and six two -bedroom/two-bath units; and
- One Building Type C with 24 one-bedroom/one-bath units, 12 two-bedroom/one-bath units, and ten two-bedroom/two-bath units.

Architectural Review: The residential buildings are attractive and functional, with pitched roofs and stucco and stone veneer exterior wall finishes. The units are accessed from enclosed interior corridors, and are well laid out and feature walk-in closets for all bedrooms and patios or balconies with exterior storage closets. Although the buildings are elevator-served, there is only a single elevator per building; when the single elevator is inoperative or being serviced the second and third floor residents must use the stairs.

Supportive Services: The Applicant intends to use the related service provider Housing Services of Texas to provide services at no cost to tenants, and has included $21,000 in the operating budget for these services.

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

SITE ISSUES

SITE DESCRIPTION

Size:	9.77	acres	425,581	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 northwest area of Houston, approximately nine miles from the central business district. The site is situated on the west side of Airline Drive and the south side of East Burress Street.

Adjacent Land Uses:

- **North:** East Burress Street and a gas station with commercial beyond
- **South:** vacant land followed by a restaurant and service station
- **East:** Airline Drive with commercial and multifamily residential beyond
- **West:** a concrete-lined drainage ditch with industrial (City of Houston Public Works facility) beyond

Site Access: Access to the property is from the east or west along East Burress Street or the north or south from Airline Drive. The development is to have two entries from Airline Drive and one from Burress Street. Access to Interstate Highway 45 is one-quarter mile west, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public bus transportation to the area is provided by the Metropolitan Transit Authority of Harris County, with the nearest stop within one-half mile.

Shopping & Services: The site is within one mile of a grocery/pharmacy, two 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 October 22, 2003 and found the location to be acceptable for the proposed development. The inspector noted the site was within walking distance of a supermarket and a Houston Community College campus.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated April 28, 2003 was prepared by Rone Engineers, Ltd. and contained the following findings and recommendations: "…no evidence of recognized environmental conditions in connection with the property has been identified. No additional investigative activities are recommended." (p. 21)

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.

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 September 19, 2003, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

Definition of Primary Market Area: "For this analysis we utilized a primary market area comprising a 4.25-mile radius surrounding the subject site. In all, this trade area encompasses 56.71 square miles." (p. 29)

Population: The estimated 2002 total population of the primary market area was 249,118 and is expected to increase by 2.9% to approximately 256,449 by 2007. The estimated 2002 senior (age 55+) population of the primary market area was 43,372 and is expected to increase by 3.8% to approximately 45,032 by 2007. Within the primary market area there were estimated to be 28,915 senior households in 2002, using the Analyst's estimated senior household size of 1.5 persons..

Total Primary Market Demand for Rental Units: "…this study has proven a need for an average of an additional 17 senior rental units per year within the submarket (2003-2007). These figures suggest that if the demand for this project was based solely on the forecasted growth of senior households, the project would not be feasible based on the household growth methodology. However, evidence suggests that LIHTC projects tend to derive most of their demand from households already living in the area. The turnover demand calculation…found 1,618 senior renter households that are income-qualified. Because this project is an infill site situated within an obviously low-income area of the city, and much of the housing is in disrepair, we believe that most of the residents choosing to move to Primrose Skyline will be moving out of existing substandard housing." (cover letter, p. 2)

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	2	<1%	14	<1%
Resident Turnover	1,618	>99%	1,172	>99%
Other Sources	0	0%	0	0%
TOTAL ANNUAL DEMAND	**1,620**	**100%**	**1,186**	**100%**

Ref: p. 44

Inclusive Capture Rate: The Analyst calculated an inclusive capture rate of 17.3%, which is well within the TDHCA maximum guideline of 100% for elderly developments. (p. 45) The Underwriter calculated an inclusive capture rate of 23.6% based upon a revised demand estimate of 1,186 units.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed eight comparable apartment projects totaling 1,937 units in the market area. "The competitive market supply in this submarket is limited to other 'affordable' family projects. The construction of market rate units within this submarket has been limited over the past decade due to low economic rents. There are no other 'affordable' age-restricted projects within five miles of the subject." (p. 105)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	$526	$526	$0	$590	-$94
2-Bedroom (50%)	$630	$630	$0	$670	-$40
2-Bedroom (60%)	$630	$630	$0	$680	-$50

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

Primary Market Occupancy Rates: "The current occupancy rate of the market area is 93.5% as a result of solid demand. Demand for new rental apartment units is considered to be growing." (p. 84)

Absorption Projections: "In estimating an absorption period for Primrose Skyline, we looked for other 'affordable' senior housing projects within the PMA. Finding none, we then looked to other parts of Houston for senior projects with similar neighborhood dynamics. Six projects were available for review, but the closest one in age (1999) is situated in a very different neighborhood. Thus we do not believe it or the other senior projects provide a basis upon which to forecast an absorption period for the subject. Our best guess is that Primrose Skyline would lease at a rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-mnonth absorption period]." (p. 81)

Known Planned Development: No information provided.

Effect on Existing Housing Stock: "The project should not have a detrimental effect on any existing family [sic] projects, as occupancies are strong throughout north central Houston, especially at affordable housing communities. Additionally, the closest 'affordable' senior projects are more than five miles from the site."

(p. 82)

The Underwriter found the market study to provide 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, and are achievable according to the Market Analyst. The Applicant used a secondary income estimate of $20/unit/month which, although higher than the TDHCA maximum guideline of $15, is consistent with the TDHCA database for Houston properties. The Applicant utilized a lower vacancy and collection loss rate of 5% and submitted documentation from six Southwest Housing elderly properties in the Dallas area which indicated an aggregate vacancy and collection loss rate of 3%, but as this data was for a different market the Underwriter used the TDHCA guideline of 7.5%. The Applicant stated that the property will furnish hot water from a central gas boiler system, and rents and expenses were calculated accordingly. The net effect of these differences is that the Underwriter's effective gross income estimate is $52K or 2.7% lower than the Applicant's estimate.

Expenses: The Applicant's total expense estimate of $3,149 per unit is 9% lower than the Underwriter's database-derived estimate of $3,460 per unit for comparably-sized developments. The Applicant's budget shows many line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($37K lower), payroll ($41K lower), repairs and maintenance ($28K lower, insurance ($17K higher), and property tax ($32K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. In the original application the Applicant's (related) management fee was based on 5% of effective gross income, but during the underwriting process the Applicant reduced the fee to 3.5% to offset increases in other expense line items. The Underwriter has used the TDHCA underwriting guideline of 5%. The Applicant appears to be eligible for a CHDO property tax exemption and provided evidence of application for same, but no confirmation of the exemption or abatement has been submitted as of the date of this report. The Underwriter's tax estimate is therefore based on an abatement of 75% of the full estimated taxes, based on discussion with the Harris County Appraisal District. Receipt, review, and acceptance of a CHDO property tax exemption or abatement 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 (NOI) is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The Applicant's most recent income and operating expense estimates result in a debt coverage ratio (DCR) of 1.08, which would indicate a lack of financial feasibility based on the projected debt amount. Due primarily to the difference in estimated operating expenses, the Underwriter's estimated DCR of 1.0 is significantly less than the TDHCA minimum standard of 1.10. Therefore, it is likely that a mandatory redemption of $1.52M in bonds may be required at conversion to permanent to reduce the amount of required debt service.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 9.7755 acres	$248,030	**Assessment for the Year of:**	2003
Building:	$62,830	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$405,046	**Tax Rate:**	2.44907

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial contract – unimproved property		
Contract Expiration Date:	12/ 12/ 2003	**Anticipated Closing Date:**	12/ 12/ 2003
Acquisition Cost:	$1,383,139	**Other Terms/Conditions:**	$60,000 earnest money
Seller:	PYS Living Trust No. 1, Attention: Paul Sim & Randy Sim	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $1,383,139 ($3.25/SF or $141.5K/acre), although over four times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,541 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are more than 10% 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 provided a general contractor's agreement dated April 2002 from another similar development in Dallas (The Oaks III Apartments) evidencing hard costs of $61.47 per net rentable square foot (NRSF), but the Underwriter's hard cost estimate of $62.89 is significantly closer to this amount than the Applicant's figure of $58.28, while a significant portion of The Oaks III hard costs were for higher than typical sitework costs of $9K per unit ($10.21 per square foot), or roughly $3 per square foot more than anticipated for the subject. It should be noted, however, that estimated sitework costs for The Oaks III at the time of application were estimated to be less than those for the subject on a per unit basis. An affiliate of the Applicant has also submitted for approval this month a similarly styled senior transaction located in San Antonio. While the same related party general contractor is being used, the San Antonio application reflected a higher construction cost per square foot than the subject. The Underwriter's estimate reflects that Houston's costs are higher than Dallas' and San Antonio's. The Applicant's contingency allowance exceeds the TDHCA maximum of 5% by $137,324 based on their own costs, resulting in an equivalent reduction in eligible basis.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by $37,395 with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $26,208.

Conclusion: The Underwriter regards total costs to be understated by $1.58M or 6.7%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the development, although the Applicant's costs will be used to establish the eligible basis method of determining the credit amount. As a result an eligible basis of $18,855,477 is used to determine a credit allocation of $882,436 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM to PERMANENT FINANCING

Source: Newman Capital **Contact:** Justin Ginsberg

Principal Amount: $13,150,000 **Interest Rate:** 6.0% during 24-month interim phase, 6.75% during permanent phase

Additional Information: Commitment

Amortization: 40 yrs **Term:** 30 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $952,097 **Lien Priority:** 1st **Commitment Date** 9/ 29/ 2003

INTERIM to PERMANENT FINANCING

Source: City of Houston Housing & Economic Development Department (Affordable Housing Program) **Contact:** Daisy Stiner

Principal Amount: $500,000* **Interest Rate:** Proposed as 1%

Additional Information: Application made on 9/30/2003 for soft second loan of $1,000,000, *$500K conservatively included by Applicant, possible loan approval not expected until December 2003

Amortization: 15 yrs **Term:** 15 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: $35,910 (cash flow) **Lien Priority:** 2nd **Application Date** 9/ 30/ 2003

HTC SYNDICATION

Source: MMA Financial **Contact:** Andrew Goldberg

Address: 101 Arch Street **City:** Boston

State: MA **Zip:** 02110 **Phone:** (617) 790-4704 **Fax:** (617) 790-4439

Net Proceeds: $7,130,696 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 83.5¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 10/ 9/ 2003

Additional Information: Proposal indicates proceeds of $7,205,000 based on credits of 862,934

APPLICANT EQUITY

Amount: $1,055,611 **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.

City of Houston Loan: The Applicant has submitted an application under to the City of Houston's Housing and Community Development Program's Affordable Housing Program for a soft second loan of $1,000,000, to be repaid from cash flow. The proposed terms are a term and amortization period of 15 years at an interest rate of 1%. The loan application is currently under review with possible approval by the Houston City Council not expected before early December. Due to the possibility of a reduced award the Applicant has included only $500,000 in the sources of funds. Receipt, review, and acceptance of an executed loan commitment for this source of funds is a condition of this report.

Guaranteed Investment Contract (GIC) Income: The Applicant included $75,076 in income from invested bond proceeds during the construction phase.

HTC Syndication: The syndication agreement is inconsistent with the sources and uses of funds statement in that the commitment lists a capital contribution of $7,205,000 based on credits of $862,934

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,055,611 amount to approximately 44% of the total eligible fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $882,436 annually for ten years, resulting in syndication proceeds of approximately $7,367,833. Due to the difference in estimated net operating income as discussed above, the Underwriter's bonds-only debt coverage ratio (DCR) of 1.0 is less than the program minimum standard of 1.10. This suggests that the bond amount is likely to be adjusted downward by mandatory redemption at conversion to permanent to allow for a debt service amount of no more than approximately $868K annually. Utilizing the Underwriter's materially higher total development costs and assuming the City of Houston loan is funded at the full requested amount of $1,000,000, to compensate for the reduction in first lien loan funds the Applicant's deferred developer fee would need to be increased to $3,255,776, which amounts to 100% of the total eligible developer's fee and 45% of the related eligible general contractor's fees. This amount is not projected to be repayable within 15 years, however, and therefore the proposed development must be characterized as infeasible and cannot be recommended for funding. Due to the anticipated repayment of deferred fees, it would also appear unlikely that little or no cash flow would be available to service the City of Houston subordinate loan if it were fully funded.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager 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.
- Southeast Texas Housing Partners, Inc., the nonprofit CHDO owner of the General Partner, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of $42,909 and consisting of $40,409 in cash and $2,500 in receivables. Liabilities totaled $76,659, resulting in net assets of ($33,750).
- The Developer and anticipated guarantor, Southwest Housing Development Company, Inc., submitted an audited financial statement as of December 31, 2002 reporting total assets of $15.8M and consisting of $2.2M in cash, $7M in receivables, and $1.3M in development in progress. Liabilities totaled $6.1M, resulting in a net equity of $9.7M.
- Brian Potashnik, the principal of the DeveloperGeneral Partner, submitted an unaudited financial statement as of December 31, 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.
- Southeast Texas Housing Partners, Inc. has not provided information on their previous affordable housing experience and receipt of same is a condition of this report.
- Brian Potashnik, the owner of the General Partner and principal of the Developer and General Contractor, listed participation in 12 previous HTC housing developments totaling 3,034 units since 2001.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Jim Anderson*	**Date:**	November 5, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	November 5, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Primrose Skyline Apartments, Houston, 4% HTC #03432

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%)	84	1	1	750	$558	$526	$44,184	$0.70	$32.00	$39.31
TC (50%)	138	2	1	950	670	630	86,940	0.66	40.00	45.31
TC (50%)	58	2	2	975	670	630	36,540	0.65	40.00	45.31
TOTAL:	280		**AVERAGE:**	895	$636	$599	$167,664	$0.67	$37.60	$43.51

INCOME	Total Net Rentable Sq Ft: 250,650				TDHCA	APPLICANT		USS Region	6
POTENTIAL GROSS RENT					$2,011,968	$2,011,968		IREM Region	Houston
Secondary Income		Per Unit Per Month:		$20.00	67,200	67,200	$20.00	Per Unit Per Month	
Other Support Income:					0	0			
POTENTIAL GROSS INCOME					$2,079,168	$2,079,168			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(155,938)	(103,956)	-5.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME			2.7%		$1,923,230	$1,975,212			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.41%	$372	0.42	$104,125	$67,200	$0.27	$240	3.40%
Management		5.00%	343	0.38	96,162	69,132	0.28	247	3.50%
Payroll & Payroll Tax		13.87%	953	1.06	266,804	225,553	0.90	806	11.42%
Repairs & Maintenance		7.53%	517	0.58	144,838	116,800	0.47	417	5.91%
Utilities		1.68%	115	0.13	32,216	29,400	0.12	105	1.49%
Water, Sewer, & Trash		5.52%	379	0.42	106,255	106,400	0.42	380	5.39%
Property Insurance		2.57%	177	0.20	49,512	66,722	0.27	238	3.38%
Property Tax	2.9626	3.23%	222	0.25	62,215	94,031	0.38	336	4.76%
Reserve for Replacements		2.91%	200	0.22	56,000	56,000	0.22	200	2.84%
Other: spt svcs, compl fees, sec		2.63%	181	0.20	50,600	50,600	0.20	181	2.56%
TOTAL EXPENSES	-9%	50.37%	$3,460	$3.86	$968,727	$881,838	$3.52	$3,149	44.65%
NET OPERATING INC	15%	49.63%	$3,409	$3.81	$954,504	$1,093,374	$4.36	$3,905	55.35%
DEBT SERVICE									
First Lien Mortgage (Newman)		49.51%	$3,400	$3.80	$952,097	$952,097	$3.80	$3,400	48.20%
City of Houston Loan		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		0.13%	$9	$0.01	$2,407	$141,277	$0.56	$505	7.15%
AGGREGATE BOND-ONLY DEBT COVERAGE RATIO					1.00	1.15			
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)		6.15%	$5,189	$5.80	$1,452,958	$1,452,958	$5.80	$5,189	6.59%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.75%	6,541	7.31	1,831,491	1,831,491	7.31	6,541	8.31%
Direct Construction	-10.7%	48.81%	41,172	45.99	11,528,160	10,298,199	41.09	36,779	46.74%
Contingency	5.00%	2.83%	2,386	2.67	667,983	743,808	2.97	2,656	3.38%
General Req'ts	5.57%	3.15%	2,656	2.97	743,808	743,808	2.97	2,656	3.38%
Contractor's G & A	1.86%	1.05%	885	0.99	247,936	247,936	0.99	885	1.13%
Contractor's Profit	5.57%	3.15%	2,656	2.97	743,808	743,808	2.97	2,656	3.38%
Indirect Construction		4.12%	3,473	3.88	972,500	972,500	3.88	3,473	4.41%
Ineligible Costs		6.45%	5,443	6.08	1,524,027	1,524,027	6.08	5,443	6.92%
Developer's G & A	1.02%	0.77%	648	0.72	181,378	0	0.00	0	0.00%
Developer's Profit	13.00%	9.76%	8,229	9.19	2,304,240	2,485,618	9.92	8,877	11.28%
Interim Financing		4.19%	3,533	3.95	989,236	989,236	3.95	3,533	4.49%
Reserves		1.82%	1,534	1.71	429,516	0	0.00	0	0.00%
TOTAL COST	-6.71%	100.00%	$84,347	$94.22	$23,617,040	$22,033,389	$87.91	$78,691	100.00%
Recap-Hard Construction Costs		*66.74%*	***$56,297***	***$62.89***	***$15,763,185***	***$14,609,050***	***$58.28***	***$52,175***	*66.30%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage (Newman)	55.68%	$46,964	$52.46	$13,150,000	$13,150,000	$11,993,431	Developer Fee Available
City of Houston Loan	2.12%	$1,786	$1.99	500,000	500,000	1,000,000	$2,485,618
LIHTC Syndication Proceeds	30.19%	$25,467	$28.45	7,130,696	7,130,696	7,367,833	% of Dev. Fee Deferred
GIC Income				75,076	75,076	0	
Deferred Developer Fees	4.47%	$3,770	$4.21	1,055,611	1,055,611	3,255,776	131%
Additional (excess) Funds Req'd	7.22%	$6,092	$6.80	1,705,657	122,006	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$23,617,040	$22,033,389	$23,617,040	$2,840,456

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Primrose Skyline Apartments, Houston, 4% HTC #03432

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.31	$10,102,638
Adjustments				
Exterior Wall Finish	2.00%		$0.81	$202,053
Elderly	5.00%		2.02	505,132
Roofing			0.00	0
Subfloor			(0.67)	(168,771)
Floor Cover			1.92	481,248
Porches/Balconies	$16.24	24,984	1.62	405,823
Plumbing	$615	(106)	(0.26)	(65,190)
Built-In Appliances	$1,625	280	1.82	455,000
Stairs	$1,625	24	0.16	39,000
9-Ft Ceilings	3.00%		1.21	303,079
Heating/Cooling			1.47	368,456
Elevators	$48,575	6	1.16	291,450
Comm &/or Aux Bldgs	$55.70	5,480	1.22	305,244
Other: Corridors	$31.07	60,312	7.48	1,873,638
SUBTOTAL			60.24	15,098,799
Current Cost Multiplier	1.04		2.41	603,952
Local Multiplier	0.90		(6.02)	(1,509,880)
TOTAL DIRECT CONSTRUCTION COSTS			$56.62	$14,192,872
Plans, specs, survy, bld prm	3.90%		($2.21)	($553,522)
Interim Construction Interes	3.38%		(1.91)	(479,009)
Contractor's OH & Profit	11.50%		(6.51)	(1,632,180)
NET DIRECT CONSTRUCTION COSTS			$45.99	$11,528,160

11049.70076

PAYMENT COMPUTATION

Primary	$13,150,000	Amort	480
Int Rate	6.75%	DCR	1.00

Secondary	$500,000	Amort	180
Int Rate	1.00%	Subtotal DCR	1.00

Additional	$7,130,696	Amort	
Int Rate		Aggregate DCR	1.00

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$868,358
Secondary Debt Service	35,910
Additional Debt Service	0
NET CASH FLOW	$50,236

Primary	$11,993,431	Amort	480
Int Rate	6.75%	DCR	1.10

Secondary	$500,000	Amort	180
Int Rate	1.00%	Subtotal DCR	1.06

Additional	$7,130,696	Amort	0
Int Rate	0.00%	Aggregate DCR	1.06

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

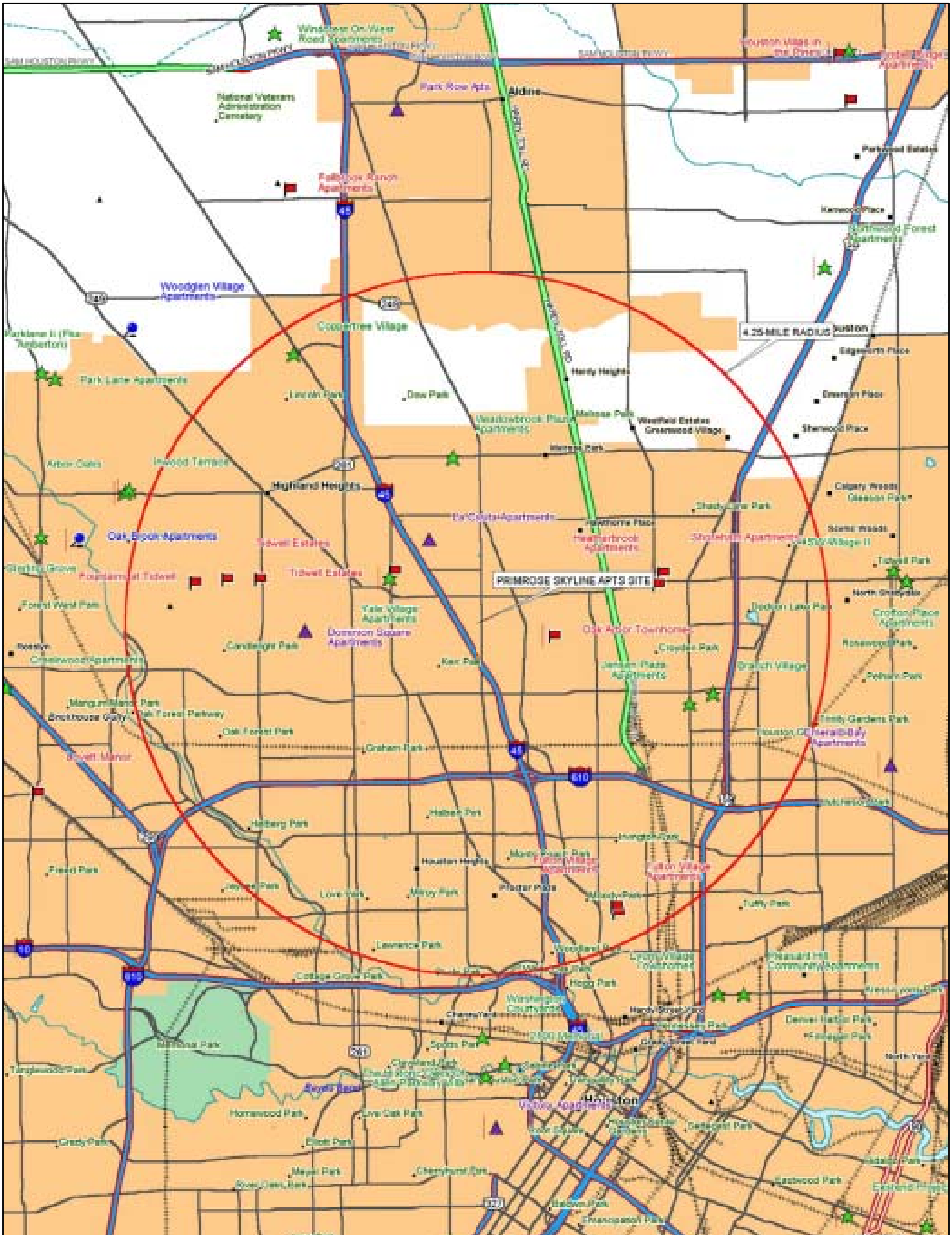
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,011,968	$2,072,327	$2,134,497	$2,198,532	$2,264,488	$2,625,162	$3,043,282	$3,527,998	$4,741,334
Secondary Income	67,200	69,216	71,292	73,431	75,634	87,681	101,646	117,836	158,361
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,079,168	2,141,543	2,205,789	2,271,963	2,340,122	2,712,843	3,144,928	3,645,834	4,899,696
Vacancy & Collection Loss	(155,938)	(160,616)	(165,434)	(170,397)	(175,509)	(203,463)	(235,870)	(273,438)	(367,477)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,923,230	$1,980,927	$2,040,355	$2,101,566	$2,164,613	$2,509,379	$2,909,059	$3,372,396	$4,532,218
EXPENSES at 4.00%									
General & Administrative	$104,125	$108,290	$112,622	$117,127	$121,812	$148,203	$180,311	$219,376	$324,730
Management	96,162	99,046	102,018	105,078	108,231	125,469	145,453	168,620	226,611
Payroll & Payroll Tax	266,804	277,477	288,576	300,119	312,123	379,746	462,019	562,117	832,070
Repairs & Maintenance	144,838	150,631	156,656	162,923	169,440	206,149	250,812	305,151	451,698
Utilities	32,216	33,504	34,844	36,238	37,688	45,853	55,787	67,874	100,469
Water, Sewer & Trash	106,255	110,506	114,926	119,523	124,304	151,235	184,000	223,864	331,373
Insurance	49,512	51,493	53,553	55,695	57,922	70,472	85,739	104,315	154,412
Property Tax	62,215	64,703	67,291	69,983	72,782	88,551	107,736	131,077	194,026
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other	50,600	52,624	54,729	56,918	59,195	72,020	87,623	106,607	157,804
TOTAL EXPENSES	$968,727	$1,006,514	$1,045,784	$1,086,596	$1,129,009	$1,367,401	$1,656,454	$2,006,983	$2,947,838
NET OPERATING INCOME	$954,504	$974,413	$994,571	$1,014,970	$1,035,604	$1,141,978	$1,252,605	$1,365,413	$1,584,381
DEBT SERVICE									
First Lien Financing	$868,358	$868,358	$868,358	$868,358	$868,358	$868,358	$868,358	$868,358	$868,358
Second Lien	35,910	35,910	35,910	35,910	35,910	35,910	35,910	35,910	35,910
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$50,236	$70,145	$90,303	$110,702	$131,336	$237,710	$348,337	$461,145	$680,113
DEBT COVERAGE RATIO	1.06	1.08	1.10	1.12	1.15	1.26	1.39	1.51	1.75

LIHTC Allocation Calculation - Primrose Skyline Apartments, Houston, 4% HTC #03432

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	$1,452,958	$1,452,958		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,831,491	$1,831,491	$1,831,491	$1,831,491
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$10,298,199	$11,528,160	$10,298,199	$11,528,160
(4) Contractor Fees & General Requirements				
Contractor overhead	$247,936	$247,936	$242,594	$247,936
Contractor profit	$743,808	$743,808	$727,781	$743,808
General requirements	$743,808	$743,808	$727,781	$743,808
(5) Contingencies	$743,808	$667,983	$606,485	$667,983
(6) Eligible Indirect Fees	$972,500	$972,500	$972,500	$972,500
(7) Eligible Financing Fees	$989,236	$989,236	$989,236	$989,236
(8) All Ineligible Costs	$1,524,027	$1,524,027		
(9) Developer Fees			$2,459,410	
Developer overhead		$181,378		$181,378
Developer fee	$2,485,618	$2,304,240		$2,304,240
(10) Development Reserves		$429,516		
TOTAL DEVELOPMENT COSTS	$22,033,389	$23,617,040	$18,855,477	$20,210,539

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		$18,855,477	$20,210,539
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$24,512,120	$26,273,701
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$24,512,120	$26,273,701
Applicable Percentage		3.60%	3.60%
TOTAL AMOUNT OF TAX CREDITS		$882,436	$945,853
Syndication Proceeds	**0.8349**	**$7,367,833**	**$7,897,328**

Total Credits (Eligible Basis Method)	**$882,436**	**$945,853**
Syndication Proceeds	**$7,367,833**	**$7,897,328**
Requested Credits	**$886,885**	
Syndication Proceeds	**$7,404,977**	
Gap of Syndication Proceeds Needed		**$10,623,609**
Credit Amount		**$1,272,377**



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Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000
1" = 1.58 mi

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TN
MN 4.5°E

Developer Evaluation

Project ID # **03432** Name: **Primrose Skyline** 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: 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: 13

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 y, October 10, 2003

Multifamily Finance Production

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

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

Reviewed by S Roth Date 9 /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 EEF Date 9 /26/2003

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 ______ Date ______

Executive Director: Edwina Carrington **Executed:** day, November 04, 2003

HOUSING TAX CREDIT PROGRAM

2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Southern Terrace Apartments** TDHCA#: 03433

DEVELOPMENT AND OWNER INFORMATION

Development Location: Dallas QCT: Y DDA: N TTC: N
Development Owner: Parmer Villas Housing, LP
General Partner(s): Parmer Villas Development, LLC, 100%, Contact: Brian Potashnik
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Dallas HFC
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $1,050,350 Eligible Basis Amt: $1,043,740 Equity/Gap Amt.: $1,424,41717
Annual Tax Credit Allocation Recommendation: $1,043,740
Total Tax Credit Allocation Over Ten Years: $10,437,400

PROPERTY INFORMATION

Unit and Building Information
Total Units: 264 LIHTC Units: 264 % of LIHTC Units: 100
Gross Square Footage: 307,226 Net Rentable Square Footage: 301,188
Average Square Footage/Unit: 1141
Number of Buildings: 40
Currently Occupied: N
Development Cost
Total Cost: $24,941,053 Total Cost/Net Rentable Sq. Ft.: 82.81
Income and Expenses
Effective Gross Income:[1] $2,117,081 Ttl. Expenses: $1,060,834 Net Operating Inc.: $1,056,247
Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Southwest Housing Management
Attorney:	Shackelford, Melton & McKinley	Architect:	Beeler Guest Owens
Accountant:	Reznick, Fedder & Silverman	Engineer:	Kimley-Horn & Assoc.
Market Analyst:	Butler Burgher	Lender:	GMAC Commercial Mortgage Corporation
Contractor:	Affordable Housing Construction	Syndicator:	Wachovia

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 1 # in Opposition: 0	Sen. Royce West, District 23 - NC Rep. Terri Hodge, District 100 - NC Mayor Laura Miller - NC Jerry Killingsworth, Director, City of Dallas Housing Department; The City of Dallas supports the objectives of the Low Income Housing Tax Credit Program. This proposed development would assist in fulfilling a need for additional quality affordable rental housing as evidenced in the City of Dallas Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Receipt, review, and acceptance of complete loan documentation pertaining to the City of Dallas loans prior to bond closing.
3. Receipt, review, and acceptance, by bond closing, of an amendment to the City of Dallas loan agreement reducing the required development size to 264 units.
4. Receipt, review, and acceptance of a letter from a certified public accountant stating which sitework costs are includable in eligible basis prior to bond closing.
5. Receipt, review, and acceptance, by bond closing of a detailed site demolition cost breakdown and certification that not more than $185,000 in the site demolition costs are included in the current application costs.
6. Receipt, review, and acceptance of confirmation, by bond closing, that the related party general contractor is willing to defer a portion of the general contractor fees if necessary.
7. Receipt, review, and acceptance of documentation by the school district of the 1.46 acre of unused land donation by cost certification.
8. 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: November 5, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03433

DEVELOPMENT NAME

Southern Terrace Apartments

APPLICANT

Name:	Parmer Villas Housing, L.P.			**Type:**	For-profit		
Address:	5910 North Central Expressway, Suite 1145			**City:**	Dallas	**State:**	TX
Zip:	75206	**Contact:**	Dru Childre	**Phone:**	(214) 891-1402	**Fax:**	(214) 987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Parmer Villas Development, L.L.C.	**(%):**	.01	**Title:**	Managing General Partner
Name:	SWH GP Holdings, L.P. (SWHGPH)	**(%):**	N/A	**Title:**	100% owner of G.P.
Name:	Southwest Housing Development Corporation, Inc. (SWHDC)	**(%):**	N/A	**Title:**	G.P. of SWHGPH
Name:	Brian Potashnik	**(%):**	N/A	**Title:**	L.P. & 99.9% owner of SWHGPH & 100% owner of SWHDC

PROPERTY LOCATION

Location:	4701 Meadow Street		☒ **QCT**		☐ **DDA**
City:	Dallas	**County:**	Dallas	**Zip:**	75215

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$1,050,350	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A TAX CREDIT ALLOCATION NOT TO EXCEED $1,043,740 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of complete loan documentation pertaining to the City of Dallas loans prior to bond closing;
2. Receipt, review, and acceptance, by bond closing, of an amendment to the City of Dallas loan agreement reducing the required development size to 264 units;
3. Receipt, review, and acceptance of a letter from a certified public accountant stating which sitework costs are includable in eligible basis prior to bond closing;
4. Receipt, review, and acceptance, by bond closing, of a detailed site demolition cost breakdown and certification that not more than $185,000 in site demolition costs are included in the current application costs;
5. Receipt, review, and acceptance of confirmation, by bond closing, that the related party general

contractor is willing to defer a portion on the general contractor fees if necessary;

6. Receipt, review, and acceptance of documentation of acceptance by the school district of the 1.46-acre unused land donation by cost certification; and
7. 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: 264 **# Rental Buildings** 40 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** 0 yrs **Vacant:** N/A at / /

Net Rentable SF: 301,188 **Av Un SF:** 1,141 **Common Area SF:** 6,038 **Gross Bldg SF:** 307,226

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 65% stucco/35% stone veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 6,038-SF community building with activity rooms, management offices, kitchen, restrooms, & computer/business center, along with a swimming pool & equipped children’s play area, is to be located near the entrance to the site. A central mailroom & laundry facility are to be located at the middle of the property. In addition, perimeter fencing with limited access gates is also planned for the site

Uncovered Parking: 713 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Southern Terrace Apartments is a relatively dense (16 units per acre) new construction development of 264 units of affordable housing located in southeast central Dallas. The development is to be comprised of 39 evenly distributed, small, two-story, mixed townhouse*- and apartment-style residential buildings as follows:

- Five Building Type I with four stacked one-story, two-bedroom/two-bath apartment units and two two-story, three-bedroom/two-bath townhouse-style* units;
- Seven Building Type II with four two-bedroom/two-bath townhouse-style* units and two three-bedroom/two-bath townhouse-style* units;
- Six Building Type III with four stacked one-story, three-bedroom/two-bath apartment units and two two-story, three-bedroom/two-bath townhouse-style* units;
- Five Building Type IV with six three-bedroom/two-bath townhouse-style* units;
- Six Building Type V with four stacked one-story, two-bedroom/two-bath apartment units and two two-story, two-bedroom/two-bath townhouse-style* units;
- Five Building Type VI with four stacked one-story, three-bedroom/two-bath apartment units and two two-story, three-bedroom/two-bath townhouse-style* units; and
- Five Building Type VII with 12 three-bedroom/two-bath townhouse-style* units.

*NOTE: Although the Applicant represents the two-story units as townhouses, they do not meet the following Marshall & Swift *Residential Cost Handbook*’s definitions of townhouses: “Town Houses will never have other units above or below”, and “Town Houses do not have more than two walls that are common with adjacent units” (p. Mul-2). For these reasons the Underwriter regards the subject units as multiple residences rather than townhouses and has used multiple residence rather than townhouse costs.

Architectural Review: The residential buildings are attractive and functional, with pitched and hipped roofs and a mixed stucco, siding, and stone veneer exterior wall finish. The units are well laid out, with private or semi-private exterior entries.

Supportive Services: The Applicant intends to use the related service provider Housing Services of Texas to provide services at no cost to tenants, and has included $24,000 in the operating budget for these services.

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

SITE ISSUES

SITE DESCRIPTION

Size:	17.03	acres	741,827	square feet	**Zoning/ Permitted Uses:** MF-1A Subdistrict
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Fully improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the southeast-central area of the city, approximately two miles from the central business district. The site was previously occupied by a multifamily residential development, which has been demolished and the site graded for redevelopment. The majority of the site is situated on the southeast side of Hatcher Street and the northeast side of Cason Street, although a 1.46-acre tract lies on the northeast side of Bradshaw Street which was part of the previous development. This tract, although included in the subject development, will not be included in the site plan and the construction of the units, and the Applicant has indicated an intention to donate this parcel to the adjacent public middle school. Receipt, review, and acceptance of documentation from the school district that confirms the acceptance of this donation is a condition of this report.

Adjacent Land Uses:

- **Northwest:** Hatcher Street, a community center, and an abandoned apartment building, with single-family residential beyond
- **Northeast:** Roberts Avenue, Garden Lane, and Bradshaw Street, with a public middle school and single-family residential beyond
- **Southeast:** single-family residences and Vannerson Drive, with an abandoned meat processing facility and vacant land beyond
- **Southwest:** Cason Street with a cemetery and public elementary and high schools beyond

Site Access: Access to the property is from the northeast or southwest along Hatcher Street, Garden Lane, or Vannerson Drive or the northwest or southeast from Meadow Street, Cason Street, Roberts Avenue, or Bradshaw Drive. The development is to have a main entry from Meadow Street and secondary entries from the intersection of Roberts Avenue and Garden Lane and from Bradshaw Street. Access to Interstate Highway 45 is 1.5 miles west, which provides connections to all other major roads serving the Metroplex area.

Public Transportation: Public transportation to the area is provided by the DART bus system, with a stop across Hatcher Street.

Shopping & Services: The site is 1.2 miles of a grocery/pharmacy, and a variety of other retail establishments and restaurants as well as schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on October 1, 2003 and found the location to be acceptable for the proposed development. The inspector noted the following:

- The site is currently cleared and graded
- Immediately to the east of the site are a group of abandoned two-story apartments
- The area is near the state fairgrounds and the Cotton Bowl, and this area is being revitalized by the city

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 8, 2003 was prepared by Alpha Testing, Inc.

and contained the following findings: "This assessment has revealed no evidence of recognized environmental conditions in connection with the site." (p. 18)

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.

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 September 27, 2003, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

Definition of Primary Market Area: "For this analysis we utilized a primary market area comprising a 71.3-square mile trade area in southeast Dallas. The area included in this trade area would be equivalent to a 4.8-mile radius." (p. 30)

Population: The estimated 2002 total population of the primary market area was 233,196 and is expected to increase by 2.5% to approximately 238,930 by 2007. Within the primary market area there were estimated to be 73,517 households in 2002.

Total Primary Market Demand for Rental Units: Based on the marketing times of this market feasibility study, and interviews with active participants in the rental industry, this study has proven a need for an average of an additional 443 family rental units per year within the submarket (2003-2007), based on the employment growth methodology." (cover letter, p. 2)

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	88	2%	16	<1%
Resident Turnover	4,13988	97%	3,948	>99%
Other Sources: 10 yrs pent-up demand	34	1%	0	0%
TOTAL ANNUAL DEMAND	**4,261**	**100%**	**3,964**	**100%**

Ref: p. 46

Inclusive Capture Rate: The Analyst calculated an inclusive capture rate of 19.1%. (p. 46) The Underwriter calculated an inclusive capture rate of 20.5% based upon a revised demand estimate of 3,964 units.

Local Housing Authority Waiting List Information: "According to Michelle Raglon of the Dallas Housing Authority, Dallas is in dire need of affordable housing. There are approximately 16,000 households on the combined waiting lists for Dallas Housing Authority Public Housing and Section 8 housing." (p. 81)

Market Rent Comparables: "Apartment MarketData surveyed six market rate projects within the PMA totaling 1,351 existing market rate units. These projects were constructed prior to 1990 and have not been well maintained and are experiencing weak occupancies in spite of strong demand for quality projects." (p. 111) "The Southern Terrace Apartments, in comparison to its proposed competition, is very 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 projects. It is thus identified as affordable when compared to the overall market. Additionally, the subject property would be 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. 112)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
2-Bedroom (50%)	$642	$642	$0	$710	-$48
3-Bedroom (50%)	$737	$738	-$1	$895	-$158

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

Primary Market Occupancy Rates:

- "The current occupancy of the market area is 90.7%. Current occupancy of projects built between 1990 and 2000 is 97.8%, and projects constructed since 2000 average 98.6% as a result of ever-increasing demand." (p. 11)
- "It is important to note that the average occupancy in the primary trade area is low due to low occupancies of older, much less desirable projects. Several of these projects were constructed prior to 1980, and most were built prior to 1990. These properties do not offer the amenities that have become standard in projects constructed since 1990. Many of them have not received proper maintenance and are no longer competitive in today's marketplace. Newer, higher quality rental communities report occupancies in the mid-90's to 100%." (p. 12)
- "…the occupancy rate for income-restricted units is 91.7%" (p. 12)
- "…the overall average occupancy for market rate units is 83.6%." (p. 13)

Absorption Projections: "We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month lease-up period]." (p. 79)"

Known Planned Development: No information provided.

Effect on Existing Housing Stock: "[Due to the low average occupancy rate] the proposed project could have a detrimental effect on the balance of supply and demand in this market. However, newer, better quality rental communities report occupancies in the mid-90's to 100%. Also, based on an analysis of the affordable housing market, there is a severe shortage of affordable housing in this market." (p. 12)

The Underwriter found the market study to provide 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, and are achievable according to the Market Analyst. The Applicant used a secondary income estimate of $20/unit/month which, although higher than the TDHCA maximum guideline of $15, is consistent with the Market Analyst's estimate and the TDHCA database for Metroplex properties. The Applicant utilized a lower vacancy and collection loss rate of 7% and provided no additional substantiation for their estimate. The net effect of these differences is that the Underwriter's effective gross income estimate is $11,443 or less than 1% lower than the Applicant's estimate.

Expenses: The Applicant's total expense estimate of $3,711 per unit is 8% lower than the Underwriter's database-derived estimate of $4,018 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 payroll ($17K lower), repairs and maintenance ($12K lower), and water, sewer, and trash ($22K lower). In the original application the Applicant's (related) management fee was based on 5% of effective gross income, but during the underwriting process the Applicant reduced the fee to 3.5% to offset increases in other expense line items. The Underwriter has used an industry standard fee of 5%.

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The Applicant's most recent income and operating expense estimates result in a debt coverage ratio (DCR) of 1.08, which would indicate a lack of financial feasibility based on the projected debt amount. Due primarily to the difference in estimated operating expenses, the Underwriter's estimated DCR of 0.99 is significantly less than the TDHCA minimum standard of 1.10. Therefore, it is likely that a mandatory redemption of $1.478M in bonds may be required at conversion to permanent to reduce the amount of required debt service.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land:	$1,000,000	**Assessment for the Year of:**	2003
Building:	N/A	**Valuation by:**	Dallas Central Appraisal District
Total Assessed Value:	$1,000,000	**Tax Rate:**	2.7988

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Special warranty deed		
Closing Date:	10/ 27/ 2003		
Acquisition Cost:	$1,000,000	**Other Terms/Conditions:**	$25,000 earnest money
Seller:	4701 Meadow, Inc	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $1,000,000 ($1.35/SF or $58,720/acre) is substantiated by the tax assessed value of $1,000,000 and is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant claimed eligible sitework costs of $9,872 per unit and provided sufficient third party certification through a detailed certified cost estimate by a third party engineering firm to justify these costs. No accountant's opinion of cost eligibility was provided, however, so therefore receipt, review, and acceptance of a letter from a certified public accountant stating which sitework costs are includable in eligible basis is a condition of this report.

The Applicant also included ineligible demolition costs of $120,300 which may have been included in the demolition funded by the City of Dallas loan of $1.1M. Therefore, receipt, review, and acceptance of a breakdown of the total site demolition costs is a condition of this report.

Direct Construction Cost: The Applicant's direct construction cost estimate is $36K or less than 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Applicant's contingency allowance, however, exceeds the TDHCA maximum of 5% by $170,817, resulting 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. Consequently the Applicant's eligible fees in these areas have been reduced by $61,029 with the overage effectively moved to ineligible costs. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $34,776.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $22,302,132 is used to determine a credit allocation of $1,043,740 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs and the Applicant's request to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION FINANCING

Source: City of Dallas **Contact:** Teodoro Benevides

Principal Amount: 1) $1,050,191 2) $1,100,000 **Interest Rate:** 1) 0% 2) 5%

Additional Information: 1) Amount of existing city liens on property 2) Reimbursement for site demolition work

Amortization: N/A yrs **Term:** 5 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

INTERIM to PERMANENT BOND FINANCING

Source: GMAC Commercial Holding Capital Corporation **Contact:** David Rosen

Principal Amount: $14,740,000 **Interest Rate:** Interim: floating rate determined by weekly remarketing; Permanent: 6.75%

Additional Information: Letter of credit-based credit enhancement required during 24-month construction phase

Amortization: 40 yrs **Term:** 30 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $1,067,218 **Lien Priority:** 1st **Commitment Date** 10/ 7/ 2003

HTC SYNDICATION

Source: Wachovia Affordable Housing Community Development Corporation **Contact:** James Spound

Address: One Wachovia Center **City:** Charlotte

State: NC **Zip:** 28288 **Phone:** (704) 383-6317 **Fax:** (704) 383-9525

Net Proceeds: $8,717,903 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 10/ 31/ 2003

Additional Information: Commitment indicates net proceeds of $8,612,870 based upon tax credits of $10,504,550

APPLICANT EQUITY

Amount: $1,387,282 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The bonds are to be issued by the City of Dallas Housing Finance Corporation and purchased by GMAC Commercial Holding Capital Corporation. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The Wachovia HTC syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application in that the commitment indicates a net capital contribution of $8,612,870 based on tax credits of $10,504,550, while syndication proceeds of $8,717,903 are included in the sources of funds. The commitment includes credit adjusters, however, which indicate that upward adjustments due to an increased allocation would be priced at the same equity pricing rate.

City of Dallas Loans: Although the Applicant's sources and uses of funds statement does not include these funds, the Underwriter became aware of these city loans through the following requirement in the GMAC debt commitment: "Prior to Lender's purchase of the bonds, Lender shall receive satisfactory evidence that the subordinate loan from the City of Dallas in the approximate amount of $2,000,000 has been forgiven or otherwise released." In response to the Underwriter's inquiry the Applicant provided portions of the executed loan agreement and lien notes which confirm the Applicant's following description of these loans: "The City of Dallas has provided two loans to the project. The first loan is for $1,100,000 and was provided to facilitate demolition of the structures that existed on the property prior to acquisition of the property by the partnership…The second loan from the City of Dallas is for $1,050,191.22 and represents the payoff of the liens on the property due to code violations. [The $1.1M loan accrues] interest at 5% until the property places 264 units in service. At that point, the [loans are] forgiven and the funds are granted to the partnership." The Underwriter has the following concerns regarding these loans:

- Although the Applicant did not include these funds in the development's sources and uses of funds, the existence of these liens poses an element of concern regarding the potential effect of this debt on the development. Therefore, this report is conditioned on receipt, review, and acceptance of the complete loan documents regarding these City of Dallas loans and confirmation, by conversion to permanent, that the loans have been forgiven or otherwise removed.
- The loan agreement also makes reference to a fixed sum AIA contract for site demolition in the amount of $1,285,000 but limits reimbursement to $1.1M. Therefore, receipt, review, and acceptance of evidence that not more than $185,000 in site demolition costs are included in the current application costs is also a condition of this report.
- The loans are conditioned by the lender on the Applicant constructing a 288-unit development, although the subject as proposed includes only 264 units. Although the Applicant provided an October 22, 2003 Dallas City Council meeting agenda which indicated that authorization of an amendment reducing the development size to 264 units was to be discussed, as of the date of this report no amendment has been received. Therefore, receipt, review, and acceptance of an amendment to the loan agreement reducing the required development size to 264 units is a condition of this report.

Guaranteed Investment Contract (GIC) Income: The Applicant included $95,866 in income from invested bond proceeds during the construction phase. GIC income is typically netted from interim interest expense but in this case interest expense is not excessive so the Underwriter has included the GIC income as part of deferred developer fee.

Deferred Developer's Fees: The Applicant's proposed deferred developer fees of $1,387,282 amount to approximately 47% of the total eligible fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $1,043,740 annually for ten years, resulting in syndication proceeds of approximately $8,557,810. As discussed above, based on the Underwriter's proforma projections it is likely that the permanent debt may be reduced to approximately $13,262,000 upon conversion to permanent, and therefore the Applicant's deferred developer fee will need to be increased to $3,121,343, which represents approximately 108% of the eligible fee. Accordingly, all of the eligible developer fee and $218,761 (approximately 11%) of the related general contractor's fees may require deferral, which should be repayable from cash flow within 15 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

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

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer and anticipated guarantor, Southwest Housing Development Company, Inc., submitted an audited financial statement as of December 31, 2002 reporting total assets of $15.8M and consisting of

$2.2M in cash, $7M in receivables, and $1.3M in development in progress. Liabilities totaled $6.1M, resulting in a net equity of $9.7M.

- Brian Potashnik, the principal of the General Partner, submitted an unaudited financial statement as of December 31, 2002 and is anticipated to be a guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Brian Potashnik, the owner of the General Partner and principal of the Developer and General Contractor, listed participation in 12 previous HTC housing developments totaling 3,034 units since 2001.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated total operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant uncertainties regarding the City of Dallas loans could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Jim Anderson*	**Date:**	November 5, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	November 5, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Southern Terrace Apartments, Dallas, 4% HTC #03433

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%)	22	2	2	1,000	$748	$642	$14,124	$0.64	$106.00	$58.00
TC (50%)	52	2	1.5	1,049	748	642	33,384	0.61	106.00	58.00
TC (50%)	22	2	2	1,096	748	642	14,124	0.59	106.00	58.00
TC (50%)	22	3	2	1,150	864	737	16,214	0.64	126.00	67.00
TC (50%)	70	3	2	1,196	864	737	51,590	0.62	126.00	67.00
TC (50%)	54	3	2.5	1,200	864	737	39,798	0.61	126.00	67.00
TC (50%)	22	3	2	1,214	864	737	16,214	0.61	126.00	67.00
TOTAL:	264		**AVERAGE:**	1,141	$822	$702	$185,448	$0.62	$118.73	$63.73

INCOME	Total Net Rentable Sq Ft:	301,188	TDHCA	APPLICANT		USS Region	3
POTENTIAL GROSS RENT			$2,225,376	$2,225,376		IREM Region	Dallas
Secondary Income	Per Unit Per Month:	$20.00	63,360	63,360	$20.00	Per Unit Per Month	
Other Support Income:			0	0			
POTENTIAL GROSS INCOME			$2,288,736	$2,288,736			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(171,655)	(160,212)	-7.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME	0.5%		$2,117,081	$2,128,524			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.12%	$331	0.29	$87,327	$81,048	$0.27	$307	3.81%
Management		4.55%	365	0.32	96,293	74,498	0.25	282	3.50%
Payroll & Payroll Tax		11.07%	888	0.78	234,432	217,917	0.72	825	10.24%
Repairs & Maintenance		5.19%	417	0.37	109,961	97,680	0.32	370	4.59%
Utilities		2.64%	212	0.19	55,913	52,800	0.18	200	2.48%
Water, Sewer, & Trash		5.26%	421	0.37	111,273	89,760	0.30	340	4.22%
Property Insurance		3.13%	251	0.22	66,261	66,000	0.22	250	3.10%
Property Tax	2.73	9.33%	748	0.66	197,492	198,000	0.66	750	9.30%
Reserve for Replacements		2.49%	200	0.18	52,800	52,800	0.18	200	2.48%
Other: spt svcs, compl fees, sec		2.32%	186	0.16	49,080	49,080	0.16	186	2.31%
TOTAL EXPENSES	-7.7%	50.11%	$4,018	$3.52	$1,060,834	$979,583	$3.25	$3,711	46.02%
NET OPERATING INC	8.8%	49.89%	$4,001	$3.51	$1,056,247	$1,148,941	$3.81	$4,352	53.98%
DEBT SERVICE									
First Lien Mortgage		50.41%	$4,042	$3.54	$1,067,218	$1,067,218	$3.54	$4,042	50.14%
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		-0.52%	($42)	($0.04)	($10,970)	$81,723	$0.27	$310	3.84%
AGGREGATE DEBT COVERAGE RATIO					0.99	1.08			
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)		4.18%	$3,977	$3.49	$1,050,000	$1,050,000	$3.49	$3,977	4.21%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		10.38%	9,872	8.65	2,606,200	2,606,200	8.65	9,872	10.45%
Direct Construction	0.3%	47.09%	44,786	39.26	11,823,610	11,859,977	39.38	44,924	47.55%
Contingency	5.00%	2.87%	2,733	2.40	721,490	894,126	2.97	3,387	3.58%
General Req'ts	6.00%	3.45%	3,280	2.87	865,789	894,126	2.97	3,387	3.58%
Contractor's G & A	2.00%	1.15%	1,093	0.96	288,596	298,042	0.99	1,129	1.19%
Contractor's Profit	6.00%	3.45%	3,280	2.87	865,789	894,126	2.97	3,387	3.58%
Indirect Construction		3.04%	2,890	2.53	763,000	763,000	2.53	2,890	3.06%
Ineligible Costs		5.27%	5,009	4.39	1,322,298	1,322,298	4.39	5,009	5.30%
Developer's G & A	2.00%	1.54%	1,466	1.28	386,998	0	0.00	0	0.00%
Developer's Profit	13.00%	10.02%	9,528	8.35	2,515,485	2,943,750	9.77	11,151	11.80%
Interim Financing		5.64%	5,361	4.70	1,415,408	1,415,408	4.70	5,361	5.68%
Reserves		1.92%	1,828	1.60	482,469	0	0.00	0	0.00%
TOTAL COST	-0.7%	100.00%	$95,103	$83.36	$25,107,131	$24,941,053	$82.81	$94,474	100.00%
Recap-Hard Construction Costs		*68.39%*	***$65,043***	***$57.01***	***$17,171,473***	***$17,446,597***	***$57.93***	***$66,086***	*69.95%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
					$3,042,121		
First Lien Mortgage	58.71%	$55,833	$48.94	$14,740,000	$14,740,000	$13,262,000	Developer Fee Available
GIC Income	0.38%	$363	$0.32	95,866	95,866	0	$2,902,482
LIHTC Syndication Proceeds	34.72%	$33,022	$28.95	8,717,903	8,717,903	8,557,811	% of Dev. Fee Deferred
Deferred Developer Fees	5.53%	$5,255	$4.61	1,387,282	1,387,282	3,121,243	108%
Additional (excess) Funds Required	0.66%	$629	$0.55	166,080	2	(1)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$25,107,131	$24,941,053	$24,941,053	$3,750,945

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Southern Terrace Apartments, Dallas, 4% HTC #03433

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.65	$12,543,002
Adjustments				
Exterior Wall Finish	1.70%		$0.71	$212,604
9-Ft Ceilings	3.00%		1.25	376,290
Roofing			0.00	0
Subfloor			(1.01)	(304,200)
Floor Cover			1.92	578,281
Patios	$15.83	23,864	1.25	377,767
Plumbing	$615	848	1.73	521,520
Built-In Appliances	$1,625	264	1.42	429,000
Stairs	$1,775	176	1.04	312,400
Floor Insulation			0.00	0
Heating/Cooling			1.47	442,746
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$55.15	6,038	1.11	332,996
Other:			0.00	0
SUBTOTAL			52.53	15,822,406
Current Cost Multiplier	1.04		2.10	632,896
Local Multiplier	0.88		(6.30)	(1,898,689)
TOTAL DIRECT CONSTRUCTION COSTS			$48.33	$14,556,614
Plans, specs, survy, bld prm	3.90%		($1.88)	($567,708)
Interim Construction Interes	3.38%		(1.63)	(491,286)
Contractor's OH & Profit	11.50%		(5.56)	(1,674,011)
NET DIRECT CONSTRUCTION COSTS			$39.26	$11,823,610

PAYMENT COMPUTATION

Primary	$14,740,000	Amort	480
Int Rate	6.75%	DCR	0.99
Secondary	$95,866	Amort	
Int Rate	0.00%	Subtotal DCR	0.99
Additional	$8,717,903	Amort	
Int Rate		Aggregate DCR	0.99

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$960,236
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$96,011

Primary	$13,262,412	Amort	480
Int Rate	6.75%	DCR	1.10
Secondary	$95,866	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	$8,717,903	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

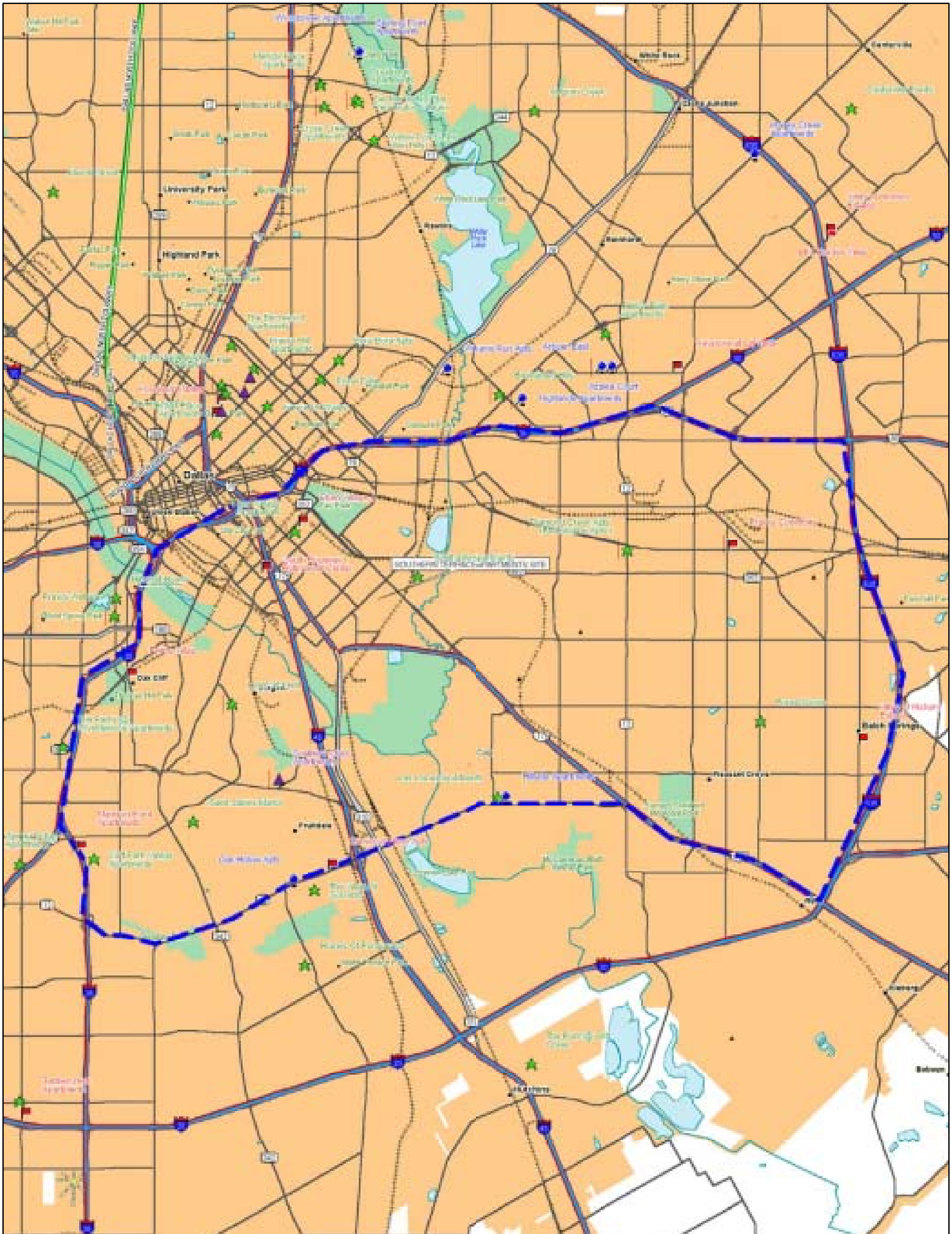
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,225,376	$2,292,137	$2,360,901	$2,431,728	$2,504,680	$2,903,611	$3,366,081	$3,902,210	$5,244,244
Secondary Income	63,360	65,261	67,219	69,235	71,312	82,670	95,838	111,102	149,312
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,288,736	2,357,398	2,428,120	2,500,964	2,575,993	2,986,281	3,461,919	4,013,312	5,393,556
Vacancy & Collection Loss	(171,655)	(176,805)	(182,109)	(187,572)	(193,199)	(223,971)	(259,644)	(300,998)	(404,517)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,117,081	$2,180,593	$2,246,011	$2,313,391	$2,382,793	$2,762,310	$3,202,275	$3,712,314	$4,989,040
EXPENSES at 4.00%									
General & Administrative	$87,327	$90,820	$94,453	$98,231	$102,161	$124,294	$151,223	$183,985	$272,343
Management	96,293	99,182	102,158	105,222	108,379	125,641	145,653	168,851	226,922
Payroll & Payroll Tax	234,432	243,809	253,562	263,704	274,252	333,670	405,960	493,913	731,112
Repairs & Maintenance	109,961	114,359	118,934	123,691	128,639	156,509	190,417	231,671	342,930
Utilities	55,913	58,149	60,475	62,894	65,410	79,581	96,823	117,800	174,372
Water, Sewer & Trash	111,273	115,724	120,353	125,167	130,174	158,377	192,689	234,436	347,023
Insurance	66,261	68,912	71,668	74,535	77,516	94,311	114,743	139,603	206,646
Property Tax	197,492	205,392	213,608	222,152	231,038	281,093	341,993	416,087	615,910
Reserve for Replacements	52,800	54,912	57,108	59,393	61,769	75,151	91,433	111,242	164,665
Other	49,080	51,043	53,085	55,208	57,417	69,856	84,991	103,404	153,063
TOTAL EXPENSES	$1,060,834	$1,102,304	$1,145,404	$1,190,199	$1,236,755	$1,498,483	$1,815,924	$2,200,992	$3,234,986
NET OPERATING INCOME	$1,056,247	$1,078,289	$1,100,607	$1,123,192	$1,146,038	$1,263,828	$1,386,351	$1,511,322	$1,754,053
DEBT SERVICE									
First Lien Financing	$960,236	$960,236	$960,236	$960,236	$960,236	$960,236	$960,236	$960,236	$960,236
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	$96,011	$118,053	$140,371	$162,956	$185,802	$303,592	$426,115	$551,086	$793,817
DEBT COVERAGE RATIO	1.10	1.12	1.15	1.17	1.19	1.32	1.44	1.57	1.83

LIHTC Allocation Calculation - Southern Terrace Apartments, Dallas, 4% HTC #03433

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	$1,050,000	$1,050,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$2,606,200	$2,606,200	$2,606,200	$2,606,200
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$11,859,977	$11,823,610	$11,859,977	$11,823,610
(4) Contractor Fees & General Requirements				
Contractor overhead	$298,042	$288,596	$289,324	$288,596
Contractor profit	$894,126	$865,789	$867,971	$865,789
General requirements	$894,126	$865,789	$867,971	$865,789
(5) Contingencies	$894,126	$721,490	$723,309	$721,490
(6) Eligible Indirect Fees	$763,000	$763,000	$763,000	$763,000
(7) Eligible Financing Fees	$1,415,408	$1,415,408	$1,415,408	$1,415,408
(8) All Ineligible Costs	$1,322,298	$1,322,298		
(9) Developer Fees			$2,908,974	
Developer overhead		$386,998		$386,998
Developer fee	$2,943,750	$2,515,485		$2,515,485
(10) Development Reserves		$482,469		
TOTAL DEVELOPMENT COSTS	$24,941,053	$25,107,131	$22,302,132	$22,252,364

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		$22,302,132	$22,252,364
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$28,992,772	$28,928,073
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$28,992,772	$28,928,073
Applicable Percentage		3.60%	3.60%
TOTAL AMOUNT OF TAX CREDITS		$1,043,740	$1,041,411
Syndication Proceeds	**0.8199**	**$8,557,811**	**$8,538,713**

Total Credits (Eligible Basis Method)	**$1,043,740**	**$1,041,411**
Syndication Proceeds	**$8,557,811**	**$8,538,713**
Requested Credits	**$1,050,350**	
Syndication Proceeds	**$8,612,009**	
Gap of Syndication Proceeds Needed	**$11,679,053**	
Credit Amount	**$1,424,417**	



Scale 1 : 125 000
1" = 1.97 mi

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Zoom Level: 10-6 Datum: WGS84

Developer Evaluation

Project ID # **03433** Name: **Southern Terrace** City: **Dallas**

LIHTC 9% [ ] LIHTC 4% [x] 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 [x] Yes [ ] No
Noncompliance Reported on National Previous Participation Certification: [ ] Yes [x] No

Portfolio Management and Compliance

Projects in Material Noncompliance: No [x] 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: 12

Program Monitoring/Draws

Not applicable [x] 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 [x] Unresolved issues found [ ]
Unresolved issues found that warrant disqualification (Additional information/comments must be attached [ ]

Reviewed by Sara Carr Newsom Date y, October 10, 2003

Multifamily Finance Production

Not applicable [ ] Review pending [ ] No unresolved issues [x] Unresolved issues found [ ]
Unresolved issues found that warrant disqualification (Additional information/comments must be attached) [ ]

Reviewed by S Roth Date 9 /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 [x] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]
Unresolved issues found that warrant disqualification (Additional information/comments must be attached) [ ]

Reviewed by EEF Date 9 /26/2003

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 ____________ Date ____________

Executive Director: Edwina Carrington **Executed:** day, November 04, 2003

HOUSING TAX CREDIT PROGRAM

2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Preakness Ranch** TDHCA#: 03434

DEVELOPMENT AND OWNER INFORMATION

Development Location: Dallas QCT: Y DDA: N TTC: N
Development Owner: FDC Franklin Commons C, Ltd.
General Partner(s): 280 FDC Franklin Commons C, LLC, 100%, Contact: Aubra Franklin
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Dallas HFC
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $938,922 Eligible Basis Amt: $935,661 Equity/Gap Amt.: $1,058,466
Annual Tax Credit Allocation Recommendation: $935,661
Total Tax Credit Allocation Over Ten Years: $ 9,356,610

PROPERTY INFORMATION

Unit and Building Information
Total Units: 264 LIHTC Units: 264 % of LIHTC Units: 100
Gross Square Footage: 269,145 Net Rentable Square Footage: 263,748
Average Square Footage/Unit: 999
Number of Buildings: 11
Currently Occupied: N
Development Cost
Total Cost: $22,625,678 Total Cost/Net Rentable Sq. Ft.: $85.79
Income and Expenses
Effective Gross Income:[1] $2,070,924 Ttl. Expenses: $1,018,969 Net Operating Inc.: $1,051,955
Estimated 1st Year DCR: 1.13

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Capstone Real Estate Services
Attorney:	Coats, Rose, Yale, Ryman & Lee	Architect:	KSNG Architects
Accountant:	To Be Determined	Engineer:	Kimley-Horn & Assoc.
Market Analyst:	Butler Burgher	Lender:	Malone Mortgage Company
Contractor:	Galaxy Builders, Ltd.	Syndicator:	Paramount Financial Services

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Royce West, District 23 - NC Rep. Roberto Alonzo, District 104 - NC Mayor Laura Miller - NC Jerry Killingsworth, Director, City of Dallas Housing Department; The City of Dallas supports the objectives of the Low Income Housing Tax Credit Program. This proposed development would assist in fulfilling a need for additional quality affordable rental housing as evidenced in the City of Dallas Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated.

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: Date
Michael E. Jones, Chairman of the Board

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: November 3, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03434

DEVELOPMENT NAME

Preakness Ranch

APPLICANT

Name:	FDC Franklin Commons C, Ltd			**Type:**	For Profit		
Address:	9901 IH 10 West, Suite 605			**City:**	San Antonio	**State:**	TX
Zip:	78230	**Contact:**	Ryan Wilson	**Phone:**	(210) 694-2223	**Fax:**	(210) 694-2225

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	280 FDC Franklin Commons C, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Franklin Development Company	**(%):**	N/A	**Title:**	Developer
Name:	Aubra Franklin	**(%):**	N/A	**Title:**	Owner of MGP & Developer

PROPERTY LOCATION

Location:	5000 Block of Preakness Lane		☒ **QCT**	☐ **DDA**	
City:	Dallas	**County:**	Dallas	**Zip:**	75211

REQUEST

Amount	Interest Rate	Amortization	Term
$938,922	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 HTC ALLOCATION NOT TO EXCEED $935,661 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

- 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:	264	**# Rental Buildings**	11	**# Common Area Bldngs**	3	**# of Floors**	1	**Age:**	N/A yrs	**Vacant:**	N/A at / /

Net Rentable SF: 263,748 **Av Un SF:** 999 **Common Area SF:** 5,397 **Gross Bldg SF:** 269,145

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 90% brick veneer/10% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer & dryer connections, cable, ceiling fans, laminated counter tops, individual water heaters, heat pump, 9' ceilings

ON-SITE AMENITIES

A 5,397-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, central mailroom, swimming pool, equipped children's play area are located at the entrance to/middle of the property. In addition perimeter fencing with limited access gate(s) is also planned for the site

Uncovered Parking: 399 spaces **Carports:** 100 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Preakness ranch is a relatively dense (18 units per acre) new construction development located in Dallas. All of the proposed units will be offered as affordable housing. The development is comprised of garden style walk-up residential buildings as follows:

- Seven building style I with 12 two-bedroom units and 12 three-bedroom units;
- Two building style II with 12 one-bedroom units and 12 two-bedroom units; and
- Two building style III with 12 one-bedroom units and 12 three-bedroom units.

Architectural Review: The unit floorplans offer adequate storage as well as a utility closet with space for full-size appliances. The planned exterior of the residential buildings is comparable to that found in market rate properties. The community building exterior is similar to that of the residential buildings.

Supportive Services: Currently, the Applicant plans to contract with American Agape Foundation to provide free optional tenant services and activities programs. The proposed fee is $2,895 per month which amounts to $35K annually; the Applicant included only $3,000 annually for supportive services in their operating expense projection.

Schedule: The Applicant anticipates construction to begin in December of 2003 and to be completed in March of 2005. The development should be placed in service and substantially leased-up in June of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 14.71 acres 640,768 square feet **Zoning/ Permitted Uses:** MF-2(a)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located in the southwest part of the City of Dallas, at the southeast corner of Preakness Lane and Polarity Lane, less than 1,000 feet east of Loop 12.

Adjacent Land Uses:

- **North:** Preakness Lane, multifamily
- **South:** vacant land, vacant commercial
- **East:** Polarity Lane, multifamily, vacant land, golf club
- **West:** vacant land, Loop 12

Site Access: The site has access and frontage along Preakness Lane and Polarity Lane. Hampton Road, Cockrell Hill Road, Westmoreland Road, IH 35E, and Loop 12 and Sylvan Avenue, provide primary north/south access to points throughout the Dallas/Fort Worth Metroplex, while IH 30, SH 183, Singleton Avenue, Fort Worth Avenue, Davis Street, Illinois Avenue and Kiest Boulevard provide east/west access.

Public Transportation: Public transportation to the area is provided by DART. Stops are located near the site along Loop 12 and Davis Street.

Shopping & Services: Normal linkages such as schools, shopping, employment, medical facilities, and recreational facilities appear to be convenient to the site.

Site Inspection Findings: TDHCA staff performed a site inspection on October 1, 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 August 28, 2003 was prepared by Professional Service Industries and contained the following findings and recommendations: "PSI performed a Phase I Environmental Site Assessment in general conformance with the scope and limitations of the ASTM Standard E 1527-00 protocol of the proposed Preakness Ranch located in Dallas, Dallas County, Texas. Exceptions or deletions from this protocol are discussed earlier in this report…No further assessment of recognized environmental conditions appears warranted." (p. 25-26)

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.

It should be noted, the Development will be required to maintain six Walker units by the City of Dallas due to funding from sale of bond issued by the Dallas Housing Finance Corporation. The Walker unit rents are further restricted to the 40% of median income level.

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 September 26, 2003 was prepared by Butler-Burgher and highlighted the following findings:

Definition of Primary Market Area (PMA): "For purposes of this market study, the neighborhood and Primary Market Area is defined as the area bounded by SH 183 and IH 35E (north border), IH 35E (east border), and Loop 12 (south and west borders)." (p. 54) The Primary Market Area is an irregular shape encompassing 48 square miles which is equivalent to roughly a four-mile radius. The site is located in the far southwestern portion of the Primary Market Area.

Population: The estimated population of the Primary Market Area is 190,732 for 2003; the projected population for 2008 is 201,211. In 2003, it is estimated there are 51,608 households in the PMA.

Total Primary Market Demand for Rental Units:

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	128	1%	124	1%
Resident Turnover	9,583	99%	9,639	99%
TOTAL ANNUAL DEMAND	9,711	**100%**	9,763	**100%**

Ref: p. 73

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 3.95%, including 120 unstabilized affordable units at Arbor Wood a 2002 LIHTC development. (p. 73) Including 110 unstabilized units at Arbor Woods and the possibly unstabilized 250 units at The Oaks at Hampton results in an inclusive capture rate of 6.4% based on the Underwriter's analysis using demographic information presented in the market study. There are no current or proposed HTC developments within a one-mile radius of the subject site.

Market Rent Comparables: "According to M/PF Research Apartment report, 2nd Quarter 2003, the subject is located in the Oak Cliff submarket, as previously defined…The Oak Cliff apartment submarket consists of 10,126 units in 107 complexes for an average size of 95 units each. The majority of the units are pre-1970s units (65% of market), followed by 1980+ units (17%)." (p. 68) The Market Analyst surveyed six comparable market rate properties with a total of 1,950 units. (p. 77

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%/Walker)	$415	$465	-$50	$700	-$285
1-Bedroom (50%)	$553	$564	-$11	$700	-$147
2-Bedroom (50%)	$661	$674	-$13	$850	-$189
3-Bedroom (50%)	$759	$775	-$16	$1,025	-$266

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

Primary Market Occupancy Rates: "Gross occupancy has fluctuated over the last two years from a high of 94.8% in June 2001, to a low of 87.1% in June 2003, current period. The occupancy rate is lower by 3.5 points than one year ago. Occupancy is forecast by M/PF Research Inc. to increase slightly to 87.7% through 2nd Quarter 2004." (p. 69) The occupancy rate for efficiency units is 95.0%, 85.8% for one bedroom, 87.2% for two bedrooms, and 90.7% for three bedrooms. (p. 75)

Absorption Projections: "An absorption rate of 20 units/month is reasonable for the subject, as encumbered by LIHTC, resulting in just over a 10-month absorption period to obtain stabilized physical occupancy." (p. 75)

Known Planned Development: "…in the northern portion of the neighborhood an area known as Lakewest is in the process of being redeveloped by the Dallas housing Authority (DHA). The public housing community contained 3,500 units in densely populated, old communities which were developed in the 1950s. The DHA has reached the halfway point of the rebuilding of West Dallas with the completion of the Lakeview Townhomes (152 units) along Bickers Drive. This property, although partially funded under the LIHTC program, is charging rents based on 30% of household income rather than set LIHTC rents. In the Walker lawsuit, DHA was ordered to tear down the 3,500 units leaving 950 units of housing in the area." Replacement housing for the 3,500 units includes recently built affordable units, public housing, Section 8 certificates and vouchers. (p. 56) "As reported by M/PF, two new properties are expected to be completed in the Oak Cliff Submarket by June 2004…Mariposa Villas is scheduled for completion in October 2003 and Vistas at Pinnacle Park is scheduled for completion in mid 2004." Jefferson at Kessler Heights is slated to be finished in November of 2004. (p. 68) The Market Analyst identified Arbor Woods, a 2002 LIHTC development, as unstabilized. However, there was no mention of the status of The Oaks at Hampton, a 2000 4% HTC development.

The Underwriter found the market study provided sufficient information for purposes of this underwriting analysis.

OPERATING PROFORMA ANALYSIS

Income: Due to a difference of $14 per unit per month in the utility allowances used, the Applicant's potential gross rent estimate is $46K less than the Underwriter's estimate. Based on the utility sheet provided, the source for the difference is unclear. The Applicant included $24.32 per unit per month in secondary income, exceeding the Department's maximum guideline of $15.00 per unit per month. A closer look at the data available to the Department on affordable housing in Dallas revealed an average secondary income collected of $23.94 per unit per month, which is included in the underwriting analysis. These differences as well as the Applicant's lower vacancy and collection loss assumption of 7.0% rather than the Department's guideline of 7.5% results in an effective gross income estimate that is $30K lower than the Underwriter's estimate, but still within an acceptable 5% range.

It should be noted, the Development will be required to maintain six Walker units by the City of Dallas due to funding from sale of bonds issued by the Dallas Housing Finance Corporation. The Walker unit rents are further restricted to the 40% of median income level. The lower anticipated rents are reflected in both the Applicant's and the Underwriter's rent projections.

Expenses: The Applicant's total annual operating expense estimate is $78K and 7% less than the Underwriter's estimate. Individual line item expenses also differ when compared to the Underwriter's estimates, particularly: general and administrative ($28K lower). The Underwriter requested additional justification for the Applicant's expense projections. However, the information provided did not provide sufficient justification for the Applicant's line item estimates. Again, while the Applicant only included $3K in annual cost for supportive services, the Underwriter included the contracted cost of $35K.

Conclusion: The Applicant's income, expense and net operating income projections are all within 5% of the Underwriter's estimates and, therefore, the Applicant's proforma will be used to determine the debt service capacity of the Development. The Applicant's proforma indicates the Development's initial debt coverage ratio falls within the Department's debt coverage ratio guideline of 1.10 to 1.30 based on both the Applicant's project debt service and the Underwriter's calculated debt service based on the current loan terms.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 14.719 acres	$110,390	**Assessment for the Year of:**	2002
Building:	$0	**Valuation by:**	Dallas County Appraisal District
Total Assessed Value:	$110,390	**Tax Rate:**	2.730555

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial Property Contract of Sale		
Contract Expiration Date:	03/ 31/ 2004	**Anticipated Closing Date:**	12/ 17/ 2003
Acquisition Cost:	$875,000	**Other Terms/Conditions:**	
Seller:	Ron Cornelius	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price of $3,314 per unit proposed is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,943 per unit are within current underwriting guidelines.

Direct Construction Cost: The Applicant's direct construction cost estimate is $232K or only 2% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's general and administrative fees and developer's profit exceed the maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage of $14,103 effectively moved to ineligible costs.

Conclusion: Because the Applicant's total development costs are within a 5% margin of the Underwriter's estimate, the Applicant's total, as adjusted by the Underwriter for overstated fees, will be used to determine the Development's eligible basis and need for permanent funds. An adjusted eligible basis of $19,992,748 results in eligible tax credits of $935,661 annually. This amount will be compared to the gap in need as well as the Applicant's requested tax credits to determine the recommended tax credit allocation based on the lowest of the three.

FINANCING STRUCTURE

BOND FINANCING

Source: Malone Mortgage **Contact:** Jeff Rogers

Principal Amount: $14,158,800 **Interest Rate:** 6.0%, fixed includes 0.50% mortgage insurance

Additional Information: Credit Enhanced by FHA 221(d)(4)

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

Annual Payment: $947,119 **Lien Priority:** 1st **Commitment Date** 09/ 25/ 2003

LIHTC SYNDICATION

Source: Paramount Financial Services **Contact:** Dale Cook

Address: 3825 Columbus Road SW, Building F **City:** Granville

State: OH **Zip:** 43023 **Phone:** (740) 587-4150 **Fax:** (740) 587-4626

Net Proceeds: $7,511,372 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 80¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 09/ 25/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $955,506 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: Tax exempt mortgage revenue bonds will be issued by City of Dallas Housing Finance Corporation. The Applicant plans to market the bonds through an official statement of public offering. The underlying mortgage will be insured through the FHA 221(d)(4) program. The acknowledgement of receipt of application from Malone Mortgage for permanent financing is consistent with the terms reflected in the sources and uses listed in the TDHCA application.

LIHTC Syndication: The terms reflected in a letter from Paramount for purchase of tax credits is consistent with those indicated in the application. The majority of the equity contribution will be made during the construction phase of development.

Deferred Developer's Fees: The developer planned to defer 37% of its fees; however, based on the anticipated reduced syndication proceeds, 38% of the developer fee will be deferred.

Financing Conclusions: As stated above, the Applicant's total development cost estimate, as adjusted by the Underwriter, is used to determine eligible basis. The resulting eligible basis of $19,992,748 indicates eligible tax credits of $935,661 annually, which is less than the Applicant's request and supported by the gap in need. The recommended tax credits of $935,661 are less than the Applicant's request due in part to the Applicant's higher applicable percentage rate assumption of 3.61% rather than the underwriting rate of 3.60% for August 2003, the month the primary application documents were submitted. Deferred developer fees based on the current underwriting analysis appear to be repayable from stabilized cashflow within ten years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer are related entities. This is a common relationship 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.
- Franklin Development Company, Inc., owner of the General Partner, submitted an unaudited balance

sheet dated as of May 1, 2003 indicating total assets of $165K comprised of cash, receivables, investments, furniture and an automobile. Total liabilities equaled $70K for equity of $95K. A statement dated August 12, 2003 indicates total cash equivalents valued at $1.98M.

- The principal of Franklin Development Company, Aubra Franklin, submitted an unaudited financial statement as of February 19, 2003.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Aubra Franklin has received a certificate of experience from TDHCA.
- Arun Verma, owner of the General Contractor, has also received a certificate of experience from TDHCA.

SUMMARY OF SALIENT RISKS AND ISSUES

- None noted.

Underwriter:	*Lisa Vecchietti*	**Date:**	November 3, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	November 3, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Preakness Ranch, Dallas, 4% HTC 03434

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%/Walker	6	1	1	700	$623	$465	$2,790	$0.66	$59.00	$46.00
TC 50%	42	1	1	700	623	564	23,688	0.81	59.00	46.00
TC 50%	108	2	2	945	748	674	72,792	0.71	74.00	52.00
TC 50%	108	3	2	1,186	864	775	83,700	0.65	89.00	63.00
TOTAL:	264		AVERAGE:	999	$773	$693	$182,970	$0.69	$77.41	$55.41

INCOME	Total Net Rentable Sq Ft: 263,748		TDHCA	APPLICANT		USS Region	3
POTENTIAL GROSS RENT			$2,195,640	$2,149,788		IREM Region	Dallas
Secondary Income	Per Unit Per Month:	$23.94	75,829	55,440	$17.50	Per Unit Per Month	
Other Support Income: Covered Parking			0	21,600	$6.82	Per Unit Per Month	
POTENTIAL GROSS INCOME			$2,271,469	$2,226,828			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(170,360)	(155,904)	-7.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$2,101,109	$2,070,924			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.16%	$331	0.33	$87,327	$59,799	$0.23	$227	2.89%
Management		4.00%	318	0.32	84,044	82,853	0.31	314	4.00%
Payroll & Payroll Tax		12.42%	988	0.99	260,959	238,392	0.90	903	11.51%
Repairs & Maintenance		4.85%	386	0.39	101,904	132,000	0.50	500	6.37%
Utilities		2.31%	184	0.18	48,576	48,777	0.18	185	2.36%
Water, Sewer, & Trash		4.28%	341	0.34	90,024	82,236	0.31	312	3.97%
Property Insurance		3.14%	250	0.25	65,937	67,320	0.26	255	3.25%
Property Tax	2.79733	10.54%	839	0.84	221,549	217,800	0.83	825	10.52%
Reserve for Replacements		2.51%	200	0.20	52,800	66,792	0.25	253	3.23%
Supportive Services, Compliance, Security, Cable		2.62%	208	0.21	55,000	23,000	0.09	87	1.11%
TOTAL EXPENSES		50.84%	$4,046	$4.05	$1,068,120	$1,018,969	$3.86	$3,860	49.20%
NET OPERATING INC		49.16%	$3,913	$3.92	$1,032,989	$1,051,955	$3.99	$3,985	50.80%
DEBT SERVICE									
First Lien Mortgage		44.49%	$3,541	$3.54	$934,844	$947,119	$3.59	$3,588	45.73%
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		4.67%	$372	$0.37	$98,145	$104,836	$0.40	$397	5.06%
AGGREGATE DEBT COVERAGE RATIO					1.10	1.11			
RECOMMENDED DEBT COVERAGE RATIO						1.13			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.96%	$3,314	$3.32	$875,000	$875,000	$3.32	$3,314	3.87%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.30%	6,943	6.95	1,833,073	1,833,073	6.95	6,943	8.10%
Direct Construction		49.60%	41,479	41.52	10,950,467	11,400,510	43.23	43,184	50.39%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Req'ts	6.00%	3.47%	2,905	2.91	767,012	772,459	2.93	2,926	3.41%
Contractor's G & A	2.00%	1.16%	968	0.97	255,671	276,935	1.05	1,049	1.22%
Contractor's Profit	5.89%	3.41%	2,852	2.86	753,010	753,010	2.86	2,852	3.33%
Indirect Construction		4.50%	3,764	3.77	993,800	993,800	3.77	3,764	4.39%
Ineligible Costs		5.58%	4,663	4.67	1,231,048	1,231,048	4.67	4,663	5.44%
Developer's G & A	2.00%	1.53%	1,282	1.28	338,410	0	0.00	0	0.00%
Developer's Profit	13.00%	9.96%	8,332	8.34	2,199,666	2,609,589	9.89	9,885	11.53%
Interim Financing		6.19%	5,180	5.18	1,367,475	1,367,475	5.18	5,180	6.04%
Reserves		2.32%	1,942	1.94	512,779	512,779	1.94	1,942	2.27%
TOTAL COST		100.00%	$83,627	$83.71	$22,077,411	$22,625,678	$85.79	$85,703	100.00%
Recap-Hard Construction Costs		*65.95%*	***$55,149***	***$55.20***	***$14,559,233***	***$15,035,987***	***$57.01***	***$56,954***	*66.46%*

SOURCES OF FUNDS						RECOMMENDED	
First Lien Mortgage	64.13%	$53,632	$53.68	$14,158,800	$14,158,800	$14,158,800	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$2,607,750
LIHTC Syndication Proceeds	34.02%	$28,452	$28.48	7,511,372	7,511,372	7,484,536	% of Dev. Fee Deferred
Deferred Developer Fees	4.33%	$3,619	$3.62	955,506	955,506	982,342	38%
Additional (excess) Funds Required	-2.48%	($2,077)	($2.08)	(548,267)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$22,077,411	$22,625,678	$22,625,678	$3,905,494.94

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Preakness Ranch, Dallas, 4% HTC 03434

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.51	$10,948,011
Adjustments				
Exterior Wall Finish	7.30%		$3.03	$799,205
9' Ceilings	3.00%		1.25	328,440
Roofing			0.00	0
Subfloor			(0.67)	(177,590)
Floor Cover			1.92	506,396
Porches/Balconies	$16.26	22476	1.39	365,475
Plumbing	$615	648	1.51	398,520
Built-In Appliances	$1,625	264	1.63	429,000
Stairs/Fireplaces	$1,625	88	0.54	143,000
Floor Insulation			0.00	0
Heating/Cooling			1.73	456,284
Carports	$7.83	20,000	0.59	156,600
Comm &/or Aux Bldgs	$55.70	5,397	1.14	300,621
Other:			0.00	0
SUBTOTAL			55.56	14,653,963
Current Cost Multiplier	1.04		2.22	586,159
Local Multiplier	0.88		(6.67)	(1,758,476)
TOTAL DIRECT CONSTRUCTION COSTS			$51.12	$13,481,646
Plans, specs, survy, bld prmts	3.90%		($1.99)	($525,784)
Interim Construction Interest	3.38%		(1.73)	(455,006)
Contractor's OH & Profit	11.50%		(5.88)	(1,550,389)
NET DIRECT CONSTRUCTION COSTS			$41.52	$10,950,467

PAYMENT COMPUTATION

Primary	$14,158,800	Amort	480
Int Rate	6.00%	DCR	1.10
Secondary	$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.10
Additional	$7,511,372	Amort	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO

Primary Debt Service	$934,844
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$117,111

Primary	$14,158,800	Amort	480
Int Rate	6.00%	DCR	1.13
Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.13
Additional	$7,511,372	Amort	0
Int Rate	0.00%	Aggregate DCR	1.13

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

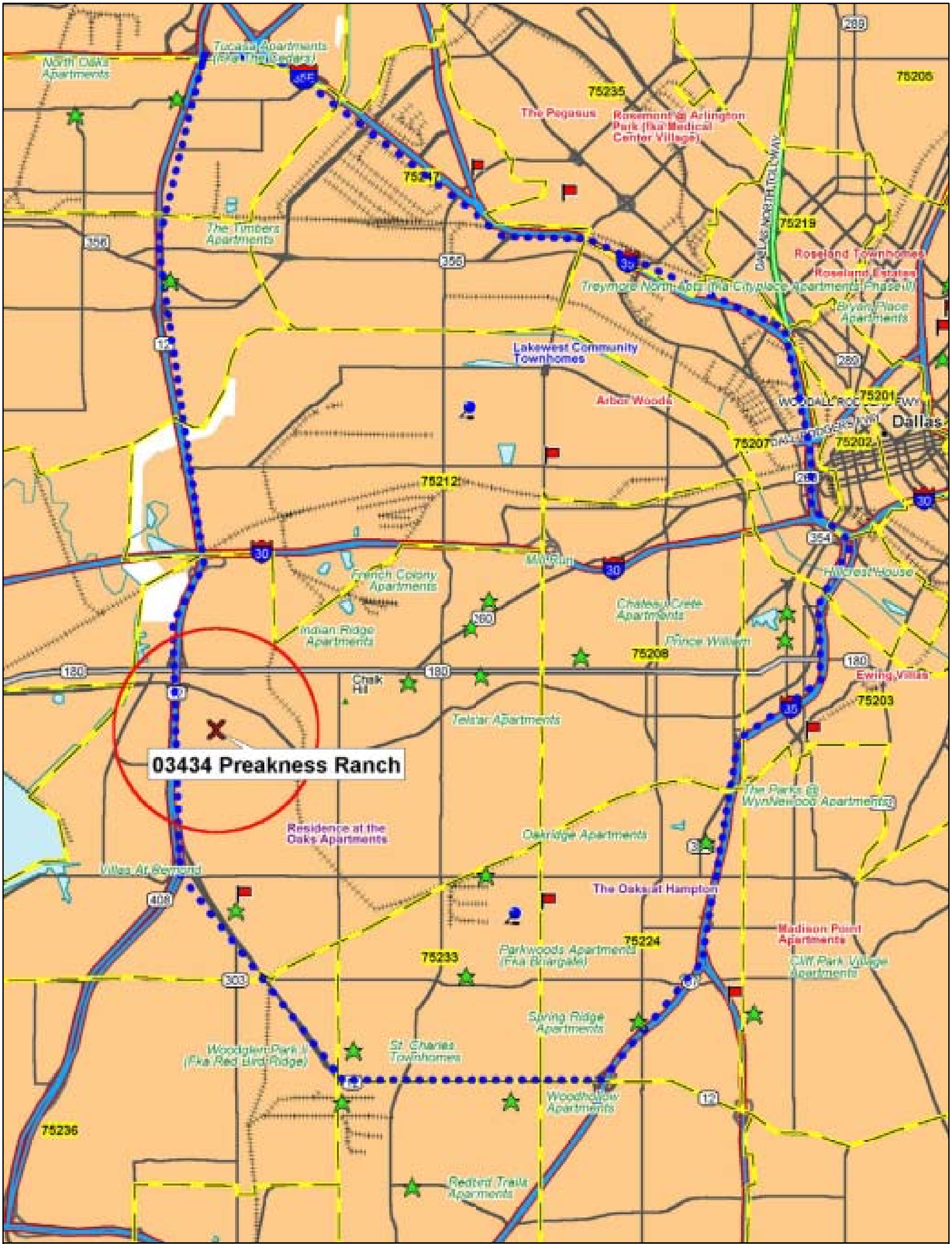
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,149,788	$2,214,282	$2,280,710	$2,349,131	$2,419,605	$2,804,986	$3,251,747	$3,769,666	$5,066,116
Secondary Income	55,440	57,103	58,816	60,581	62,398	72,337	83,858	97,214	130,648
Contractor's Profit	21,600	22,248	22,915	23,603	24,311	28,183	32,672	37,876	50,902
POTENTIAL GROSS INCOME	2,226,828	2,293,633	2,362,442	2,433,315	2,506,315	2,905,505	3,368,277	3,904,756	5,247,666
Vacancy & Collection Loss	(155,904)	(172,022)	(177,183)	(182,499)	(187,974)	(217,913)	(252,621)	(292,857)	(393,575)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,070,924	$2,121,610	$2,185,259	$2,250,816	$2,318,341	$2,687,593	$3,115,656	$3,611,900	$4,854,091
EXPENSES at 4.00%									
General & Administrative	$59,799	$62,191	$64,679	$67,266	$69,956	$85,113	$103,553	$125,987	$186,492
Management	82,853	84880.848	87427.27309	90050.09129	92751.59402	107524.5183	124650.3864	144503.9613	194201.2405
Payroll & Payroll Tax	238,392	247,928	257,845	268,159	278,885	339,306	412,818	502,256	743,462
Repairs & Maintenance	132,000	137,280	142,771	148,482	154,421	187,877	228,581	278,104	411,662
Utilities	48,777	50,728	52,757	54,867	57,062	69,425	84,466	102,766	152,118
Water, Sewer & Trash	82,236	85,525	88,946	92,504	96,204	117,047	142,406	173,259	256,465
Insurance	67,320	70,013	72,813	75,726	78,755	95,817	116,576	141,833	209,948
Property Tax	217,800	226,512	235,572	244,995	254,795	309,997	377,159	458,872	679,242
Reserve for Replacements	66,792	69,464	72,242	75,132	78,137	95,066	115,662	140,721	208,301
Other	23,000	23,920	24,877	25,872	26,907	32,736	39,829	48,458	71,729
TOTAL EXPENSES	$1,018,969	$1,058,441	$1,099,930	$1,143,053	$1,187,875	$1,439,909	$1,745,700	$2,116,759	$3,113,621
NET OPERATING INCOME	$1,051,955	$1,063,169	$1,085,328	$1,107,763	$1,130,466	$1,247,683	$1,369,956	$1,495,140	$1,740,470
DEBT SERVICE									
First Lien Financing	$934,844	$934,844	$934,844	$934,844	$934,844	$934,844	$934,844	$934,844	$934,844
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$117,111	$128,325	$150,485	$172,919	$195,622	$312,839	$435,112	$560,297	$805,627
DEBT COVERAGE RATIO	1.13	1.14	1.16	1.18	1.21	1.33	1.47	1.60	1.86

LIHTC Allocation Calculation - Preakness Ranch, Dallas, 4% HTC 03434

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	$875,000	$875,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,833,073	$1,833,073	$1,833,073	$1,833,073
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$11,400,510	$10,950,467	$11,400,510	$10,950,467
(4) Contractor Fees & General Requirements				
Contractor overhead	$276,935	$255,671	$264,672	$255,671
Contractor profit	$753,010	$753,010	$753,010	$753,010
General requirements	$772,459	$767,012	$772,459	$767,012
(5) Contingencies				
(6) Eligible Indirect Fees	$993,800	$993,800	$993,800	$993,800
(7) Eligible Financing Fees	$1,367,475	$1,367,475	$1,367,475	$1,367,475
(8) All Ineligible Costs	$1,231,048	$1,231,048		
(9) Developer Fees			$2,607,750	
Developer overhead		$338,410		$338,410
Developer fee	$2,609,589	$2,199,666		$2,199,666
(10) Development Reserves	$512,779	$512,779		
TOTAL DEVELOPMENT COSTS	$22,625,678	$22,077,411	$19,992,748	$19,458,584

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		$19,992,748	$19,458,584
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$25,990,573	$25,296,159
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$25,990,573	$25,296,159
Applicable Percentage		3.60%	3.60%
TOTAL AMOUNT OF TAX CREDITS		$935,661	$910,662
Syndication Proceeds	**0.7999**	**$7,484,536**	**$7,284,565**

Total Credits (Eligible Basis Method)	**$935,661**	**$910,662**
Syndication Proceeds	**$7,484,536**	**$7,284,565**
Requested Credits	**$938,922**	
Syndication Proceeds	**$7,510,625**	
Gap of Syndication Proceeds Needed	**$8,466,878**	
Credit Amount	**$1,058,466**	



DELORME

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Developer Evaluation

Project ID # **03434** Name: **Preakness Ranch** 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: 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 y, October 10, 2003

Multifamily Finance Production

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

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

Reviewed by S Roth Date 9 /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 EEF Date 9 /26/2003

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 ____________ Date ____________

Executive Director: Edwina Carrington **Executed:** day, November 04, 2003

HOUSING TAX CREDIT PROGRAM

2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Northland Woods Apartments** TDHCA#: 03436

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
Development Owner: Northland Woods Apartments, LP
General Partner(s): Northland Woods Apartments I, LLC, 100%, Contact: Paul Ramirez
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $865,730 Eligible Basis Amt: $867,852 Equity/Gap Amt.: $1,190,440
Annual Tax Credit Allocation Recommendation: $865,730
Total Tax Credit Allocation Over Ten Years: $ 8,657,300

PROPERTY INFORMATION

Unit and Building Information
Total Units: 280 LIHTC Units: 280 % of LIHTC Units: 100
Gross Square Footage: 271,829 Net Rentable Square Footage: 266,336
Average Square Footage/Unit: 951
Number of Buildings: 21
Currently Occupied: N
Development Cost
Total Cost: $21,280,864 Total Cost/Net Rentable Sq. Ft.: $79.9
Income and Expenses
Effective Gross Income:[1] $1,980,418 Ttl. Expenses: $1,086,333 Net Operating Inc.: $894,085
Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Greater Coastal Management Co., LLC
Attorney:	Coats, Rose, Yale, Ryman & Lee	Architect:	Hill and Frank Architects
Accountant:	Reznick, Fedder & Silverman	Engineer:	Benchmark Engineering
Market Analyst:	O'Connor & Associates	Lender:	SunAmerica, Inc.
Contractor:	RCI Construction, LLC	Syndicator:	SunAmerica Affordable Housing Partners, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0 # Neutral: 1	Sen. John Whitmire, District 15 - NC Rep. Senfronia Thompson, District 141 - NC Mayor Lee P. Brown - NC Daisy A. Stiner, Director, City of Houston, Housing & Community Development Department; Consistent with the City of Houston's Consolidated Plan. Robert Eckels, County Judge, Harris County; Consistent with the Consolidated Plan for Harris County.

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. If 1.6854 acres as proposed of the total 15.73 acres of the site is not required by the county for a retention area then: Restrict the 1.6854 acres in a LURA; or Exclude the prorated value of the 1.6854 acres from the total development cost.
3. Receipt, review, and acceptance of an acknowledgment by the related party General Contractor that a portion of the General Contractors fees may need to be deferred or an executed PILOT agreement to reduce operation expenses by bond closing.
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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: November 4, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03436

DEVELOPMENT NAME

Northland Woods Apartments

APPLICANT

Name:	Northland Woods Apartments, L.P.	**Type:**	For Profit w/ Non-profit General Partner		
Address:	4900 Woodway Drive, Suite 880	**City:**	Houston	**State:**	TX
Zip:	77056 **Contact:** Paul Ramirez	**Phone:**	(713) 850-7168	**Fax:**	(713) 621-9166

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Northland Woods Apartments I, LLC	**(%):**	0.1	**Title:**	Managing General Partner
Name:	Houston Esperanza			**Title:**	100% Owner of MGP & Non-profit
Name:	Robinson Capital Investment			**Title:**	Developer
Name:	Michael G. Robinson			**Title:**	100% Owner of Developer

PROPERTY LOCATION

Location:	15190 Vickery Drive	☒ **QCT**		☐ **DDA**	
City:	Houston	**County:**	Harris	**Zip:**	77032

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$865,730	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 $865,730 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. If 1.6854 acres as proposed of the total 15.73 acres of the site is not required by the county for a retention area then:
   - Restrict the 1.6854 acres in a LURA; or
   - Exclude the prorated value of the 1.6854 acres from the total development cost.
2. Receipt review and acceptance of an acknowledgement by the related party General Contractor that a portion of the General Contractors fees may need to be deferred or an executed PILOT agreement to reduce operation expenses by bond closing.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated 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** 21 **# Common Area Bldngs** 3 **# of Floors** 3 **Age:** N/A yrs

Net Rentable SF: 266,336 **Av Un SF:** 951 **Common Area SF:** 5,493 **Gross Bldg SF:** 271,829

STRUCTURAL MATERIALS

A Wood frame structure on a post-tensioned concrete slab on grade with 33% brick veneer/67% Hardiplank siding exterior wall covering, drywall interior wall surfaces and composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, high speed internet access

ON-SITE AMENITIES

A 4,000 SF community building with activity room, management offices, exercise facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play that is located at the entrance to the property. In addition perimeter fencing with limited access gates are also planed for the site with three heated and cooled laundry buildings spaced throughout the facilities.

Uncovered Parking: 433 spaces **Carports:** 60 spaces **Garages:** 60 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Northland Woods Apartments is a relatively dense 15.7 units per acres new construction development of 280 units of affordable income housing located in northeast Houston. The development is comprised of 21 sporadically distributed large to medium garden style walk-up residential buildings as follows:

- (2) Building Type A with 24 one-bedroom/ one-bath units;
- (5) Building Type B with 24 two- bedroom/ two-bath units;
- (14) Building Type C with 8 three- bedroom/ two-bath units;

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

Supportive Services: Apartment Life will provide supportive services that will consist of: family skills development, computer training, educational and advancement programs. The services will be optional and the cost of the services is included in the rent.

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

SITE ISSUES

SITE DESCRIPTION

Size: 15.73 acres 685,199 square feet **Zoning/ Permitted Uses:** No zoning

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 northeast area of Houston on the southwest corner of Beltway 8 and Vickery road in Harris County.

Adjacent Land Uses:

- **North:** Beltway 8 service road with the main lanes of Beltway 8 and commercial properties beyond.
- **South:** Commercial building occupied by Cudd Pressure Control, and oil field service firm.

- **East:** Vickery Drive with new commercial office space and undeveloped property beyond.
- **West:** A drainage/flood control ditch with undeveloped property beyond.

Site Access: Access to the property is from the north or south from Vickery Road. The development is to have one main entry from the east side off of Vickery Road and two additional entries off of Vickery Road. Access to Beltway 8 is immediately north of the subject property, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the METRO bus system. The location of the nearest bus stop was not noted.

Shopping & Services: Shopping is convenient to subject property includes Greenspoint Mall, Deerbrook Mall and neighborhood shopping and strip centers near the subject property. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: Out of the total acquisition of 15.73 acres 1.6854 acres are located across Vickery Road and not contiguous with the 14.04 acres to be developed for the residential units.

Site Inspection Findings: TDHCA staff performed a site inspection on September 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 July 25, 2003 was prepared by Live Oak Environmental Consultants and contained the following findings and recommendations:

Findings: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property."

Recommendations: "At this time, no further environmental testing or investigation is recommended."

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All 280 of the units (100% of the total) will be reserved for low-income tenants. All 280 of the units (100%) being a Priority 1 private activity bond will be reserved for households earning 60% or less of AMGI. All 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	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated August 1, 2003 was prepared by Patrick O'Connor & Associates, L.P. and highlighted the following findings:

Definition of Primary Market Area: "The subject's primary market area is delineated by FM 1960 to the north, the Eastex Freeway (U.S. Highway 59) to the east, the North Freeway (Interstate Highway 45) and Kuykendahl road to the west, and East Tidwell road to the south. This geographic area essentially is contained within the following zip codes: 77032, 77037, 77039, 77060, 77073, 77076, 77090, and 77093." (p. 18)

Population: The estimated 2003 population of the primary market area was 220,753 and is expected to increase by 9% to approximately 241,034 by 2008. Within the primary market area there were estimated to be 69,238 households in 2003.

Total Local/Submarket Demand for Rental Units:

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	171	3%	193	3%
Resident Turnover	6,056	88%	6,957	97%
Other Sources: Moving from outside market area	623	9%		
TOTAL ANNUAL DEMAND	6,850	**100%**	7,150	**100%**

Ref: p. 66

Inclusive Capture Rate: "There are 1,578 units that are under construction, approved, proposed, or unstabilized in the subject's primary market area which are in direct competition with the subject. As indicated earlier, there are approximately 6,850 potential households based on income eligibility, housing preference, and taking into consideration the typical turnover rate in the subject's primary market." This equates to a capture rate of 23.04%. (p. 68) The underwriter calculated the capture rate to be 23% also.

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling 1,132 units in the market area. (p. 48)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	$500	$500	$0	$640	-$140
2-Bedroom (50%)	$598	$598	$0	$860	-$262
3-Bedroom (50%)	$688	$688	$0	$1,050	-$362

(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 the second quarter 2003 O'Connor & Associates apartment data program, there are 165 projects in the primary market area, which contained a total of 30,759 units. The overall occupancy rate for projects in this primary market area was 88.18% as of June 2003." (p. 38)

Known Developments: The Market Analyst identified six unstabilized developments in the primary market area. (p. 72)

Absorption Projections: "Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 20-30 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within 12 months following completion." (p. 74)

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

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. The Applicant stated that tenants will pay water and sewer in this development and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The Applicant's effective gross income is two percent more then the Underwriter's estimate of effective gross income.

Expenses: The Applicant's total expense estimate of $3,480 per unit is 10% lower than a TDHCA database-derived estimate of $3,880 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($65K lower), utilities ($7K lower), insurance ($39K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. The 100% owner of the MGP Houston Esperanza is a non-profit and possibly eligible for tax exemption though they did not indicate this in the operating expense budget. Historically Harris County is able to negotiate a payment in lieu of taxes equal to 25% of the full tax liability rather than allow a 100% exemption. This would free up roughly $180Kin additional NOI..

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 1.00 based on the current loan amount, an amount less than the Department's 1.10 allowable DCR minimum. In order to reach the required DCR minimum, there is projected to be a reduction in the bond issue by $1,158,767 to $11,766,868 in order to meet a minimum 1.10 DCR. Should a PILOT be achieved the entire proposed debt would be serviceable at an acceptable DCR.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: (15.73) acres	$1,114,810	**Assessment for the Year of:**	2003
Tax Rate:	3.02477	**Valuation by:**	Harris County Appraisal District

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract - 11.9585 acres		
Contract Expiration Date:	12/ 15/ 2003	**Anticipated Closing Date:**	12/ 15/ 2003
Acquisition Cost:	$1,354,372	**Other Terms/Conditions:**	Earnest money: $5,000
Seller:	Gordonville Corporation	**Related to Development Team Member:**	No
Type of Site Control:	Earnest Money Contract - 3.764 acres		
Contract Expiration Date:	12/ 15/ 2003	**Anticipated Closing Date:**	12/ 15/ 2003
Acquisition Cost:	$368,909	**Other Terms/Conditions:**	Earnest money: $5,000
Seller:	Betty Ruth Gorme & Mary Reed Pardoe	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price is assumed to be reasonable since the two acquisitions are arm's-length transactions. Out of the total acquisition of 15.73 acres 1.6854 acres is located across Vickery Road and not contiguous with the 14.04 acres to be developed for the residential units; therefore, the prorated value of the 1.6854 acres ($191K) has been reduced from the total development cost.

Sitework Cost: The Applicant's claimed sitework costs of $7,039 per unit is considered to be within the agencies guidelines compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $439K or 4% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant incorrectly included $100K in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $265K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $139K.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $18,647,444 is used to determine a credit allocation of $867,852 from this method. This exceeds the requested amount of $865,730; therefore, the requested amount will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: SunAmerica, Inc. **Contact:** Michael Fowler

Principal Amount: $12,925,635 **Interest Rate:** 5.6%

Amortization: N/A yrs **Term:** 3 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: SunAmerica, Inc. **Contact:** Michael Fowler

Principal Amount: $12,925,635 **Interest Rate:** 5.6%

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

Annual Payment: $911,257 **Lien Priority:** 1st **Commitment Date** 8/ 14/ 2003

LIHTC SYNDICATION

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Address: 1 SunAmerica Center **City:** Century City

State: CA **Zip:** 90067 **Phone:** (310) 772-6000 **Fax:** (310) 772-6179

Net Proceeds: $6,906,383 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 80¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 8/ 14/ 2003

APPLICANT EQUITY

Amount: $1,598,170 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

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

LIHTC Syndication: SunAmerica Affordable Housing, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $6,906,383 based on a syndication factor of 80%.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,618,342 amount to approximately 63% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the LIHTC allocation should be limited to $867,852, but the Applicant's requested credit amount of $865,730 annually for ten years was requested; therefore, the lower of the two will be used. This results in syndication proceeds of $6,918,914 or $8,854 less than anticipated by the Applicant due to the Applicant's use of 100% of the credits rather than the 99.99% to be acquired. Based upon the Underwriter's lower net operating income and anticipated reduction in debt the recommended deferred developer fee will exceed the developer fee itself and related party General Contractor fees will also be deferred to a total of $2,595,082. Receipt review and acceptance of the potential for such a deferral of General Contractor fees or a PILOT agreement to reduce operation expenses is a condition of this report. While this amount of deferral is not projected to be repayable in ten years, it is repayable from cash flow with in fifteen years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Developer, General Contractor and Property Manager firms 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.
- The Owner of the General Partner, Houston Esperanza, Inc. submitted an unaudited financial statement as of July 31, 2003 reporting total assets of $201K and consisting of $201K in real property. No liabilities were shown resulting in a net worth of $201K.
- The principal of the Developer, Michael Robinson, submitted an unaudited financial statement as of July 31, 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- APV Redevelopment Corporation the 100% owner of the Managing General Partner has completed five LIHTC housing developments totaling 840 units since 1997.
- Michael Robinson, the principal of the Developer, listed participation as Robinson Capital & Investment, Inc. has completed seven LIHTC housing developments totaling 1,444 units since 1995.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The 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 recommended amount of deferred developer fee cannot be paid entirely by the estimated Developer Fee available; therefore, an amount due the Contractor which are related parties will be required.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	November 4, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	November 4, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Northland Woods, Houston, HTC #03436

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash Only
TC (50%)	48	1	1	657	$558	$500	$24,000	$0.76	$58.00	$13.31
TC (50%)	120	2	2	930	670	598	71,760	0.64	72.00	13.31
TC (50%)	112	3	2	1,100	775	688	77,056	0.63	87.00	13.31
TOTAL:	280		AVERAGE:	951	$693	$617	$172,816	$0.65	$75.60	$13.31

INCOME	Total Net Rentable Sq Ft: 266,336			TDHCA	APPLICANT		USS Region	6
POTENTIAL GROSS RENT				$2,073,792	$2,075,232		IREM Region	Houston
Secondary Income		Per Unit Per Month:	$20.00	67,200	67,200	$20.00	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$2,140,992	$2,142,432			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(160,574)	(128,544)	-6.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,980,418	$2,013,888			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.43%	$384	0.40	$107,571	$42,440	$0.16	$152	2.11%
Management		5.00%	354	0.37	99,021	$80,673	0.30	288	4.01%
Payroll & Payroll Tax		13.35%	944	0.99	264,290	$238,000	0.89	850	11.82%
Repairs & Maintenance		7.54%	534	0.56	149,414	$137,080	0.51	490	6.81%
Utilities		1.91%	135	0.14	37,895	$30,800	0.12	110	1.53%
Water, Sewer, & Trash		3.62%	256	0.27	71,601	$40,320	0.15	144	2.00%
Property Insurance		2.58%	182	0.19	51,082	$89,600	0.34	320	4.45%
Property Tax	2.69977	12.21%	864	0.91	241,899	$252,000	0.95	900	12.51%
Reserve for Replacements		2.83%	200	0.21	56,000	$56,000	0.21	200	2.78%
Other Expenses: Supp.Serv, Compl		0.38%	27	0.03	7,560	$7,560	0.03	27	0.38%
TOTAL EXPENSES		54.85%	$3,880	$4.08	$1,086,333	$974,473	$3.66	$3,480	48.39%
NET OPERATING INC		45.15%	$3,193	$3.36	$894,085	$1,039,415	$3.90	$3,712	51.61%
DEBT SERVICE									
SunAmerica, Inc.		44.96%	$3,180	$3.34	$890,440	$911,257	$3.42	$3,254	45.25%
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		0.18%	$13	$0.01	$3,645	$128,158	$0.48	$458	6.36%
AGGREGATE DEBT COVERAGE RATIO					1.00	1.14			
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)		6.93%	$5,473	$5.75	$1,532,400	$1,532,400	$5.75	$5,473	7.20%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.91%	7,039	7.40	1,971,006	1,971,006	7.40	7,039	9.26%
Direct Construction		47.19%	37,265	39.18	10,434,216	9,995,093	37.53	35,697	46.97%
Contingency	4.39%	2.46%	1,946	2.05	544,794	544,794	2.05	1,946	2.56%
General Req'ts	5.99%	3.36%	2,654	2.79	743,154	743,154	2.79	2,654	3.49%
Contractor's G & A	2.00%	1.12%	885	0.93	247,718	247,718	0.93	885	1.16%
Contractor's Profit	5.99%	3.36%	2,654	2.79	743,154	743,154	2.79	2,654	3.49%
Indirect Construction		3.27%	2,579	2.71	722,000	722,000	2.71	2,579	3.39%
Ineligible Costs		4.09%	3,226	3.39	903,227	903,227	3.39	3,226	4.24%
Developer's G & A	2.00%	1.51%	1,194	1.26	334,261	0	0.00	0	0.00%
Developer's Profit	13.00%	9.83%	7,760	8.16	2,172,698	2,571,296	9.65	9,183	12.08%
Interim Financing		5.91%	4,668	4.91	1,307,022	1,307,022	4.91	4,668	6.14%
Reserves		2.05%	1,620	1.70	453,548	0	0.00	0	0.00%
TOTAL COST		100.00%	$78,961	$83.01	$22,109,198	$21,280,864	$79.90	$76,003	100.00%
Recap-Hard Construction Costs		*66.42%*	***$52,443***	***$55.13***	***$14,684,042***	***$14,244,919***	***$53.48***	***$50,875***	*66.94%*

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
SunAmerica, Inc.	58.46%	$46,163	$48.53	$12,925,635	$12,925,635	$11,766,868	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$2,432,275
LIHTC Syndication Proceeds	31.33%	$24,742	$26.01	6,927,768	6,927,768	6,918,914	% of Dev. Fee Deferred
Deferred Developer Fees	7.32%	$5,780	$6.08	1,618,342	1,618,342	2,595,082	107%
Additional (excess) Funds Required	2.88%	$2,277	$2.39	637,453	(190,881)	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$22,109,198	$21,280,864	$21,280,864	$2,975,980

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Northland Woods, Houston, HTC #03436

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.23	$11,247,369
Adjustments				
Exterior Wall Finish	3.31%		$1.40	$372,288
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.02)	(537,999)
Floor Cover			1.92	511,365
Porches/Balconies	$29.24	4200	0.46	122,808
Plumbing	$615	696	1.61	428,040
Built-In Appliances	$1,625	280	1.71	455,000
Stairs/Fireplaces	$1,625	84	0.51	136,500
Floor Insulation			0.00	0
Heating/Cooling			1.47	391,514
Garages	$13.76	10,800	0.56	148,608
Comm &/or Aux Bldgs	$55.70	5,493	1.15	305,968
Carports	$7.83	10,800	0.32	84,564
SUBTOTAL			51.31	13,666,026
Current Cost Multiplier	1.04		2.05	546,641
Local Multiplier	0.90		(5.13)	(1,366,603)
TOTAL DIRECT CONSTRUCTION COSTS			$48.23	$12,846,064
Plans, specs, survy, bld prmt	3.90%		($1.88)	($500,997)
Interim Construction Interest	3.38%		(1.63)	(433,555)
Contractor's OH & Profit	11.50%		(5.55)	(1,477,297)
NET DIRECT CONSTRUCTION COSTS			$39.18	$10,434,216

PAYMENT COMPUTATION

Primary	$12,925,635	Term	360
Int Rate	5.60%	DCR	1.00

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.00

Additional	$6,927,768	Term	
Int Rate		Aggregate DCR	1.00

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$810,613
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$83,471

Primary	$11,766,868	Term	360
Int Rate	5.60%	DCR	1.10

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$6,927,768	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	$2,073,792	$2,136,006	$2,200,086	$2,266,089	$2,334,071	$2,705,828	$3,136,796	$3,636,407	$4,887,027
Secondary Income	67,200	69,216	71,292	73,431	75,634	87,681	101,646	117,836	158,361
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,140,992	2,205,222	2,271,378	2,339,520	2,409,705	2,793,509	3,238,443	3,754,242	5,045,388
Vacancy & Collection Loss	(160,574)	(165,392)	(170,353)	(175,464)	(180,728)	(209,513)	(242,883)	(281,568)	(378,404)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,980,418	$2,039,830	$2,101,025	$2,164,056	$2,228,977	$2,583,996	$2,995,559	$3,472,674	$4,666,984
EXPENSES at 4.00%									
General & Administrative	$107,571	$111,874	$116,349	$121,003	$125,843	$153,107	$186,278	$226,636	$335,476
Management	99,021	101,992	105,051	108,203	111,449	129,200	149,778	173,634	233,349
Payroll & Payroll Tax	264,290	274,861	285,856	297,290	309,182	376,167	457,664	556,819	824,228
Repairs & Maintenance	149,414	155,391	161,606	168,070	174,793	212,663	258,737	314,793	465,970
Utilities	37,895	39,411	40,987	42,627	44,332	53,936	65,622	79,839	118,181
Water, Sewer & Trash	71,601	74,465	77,443	80,541	83,763	101,910	123,989	150,852	223,297
Insurance	51,082	53,125	55,250	57,461	59,759	72,706	88,458	107,622	159,308
Property Tax	241,899	251,575	261,638	272,104	282,988	344,298	418,891	509,646	754,400
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other	7,560	7,862	8,177	8,504	8,844	10,760	13,091	15,928	23,577
TOTAL EXPENSES	$1,086,333	$1,128,796	$1,172,928	$1,218,794	$1,266,464	$1,534,453	$1,859,483	$2,253,751	$3,312,431
NET OPERATING INCOME	$894,085	$911,034	$928,097	$945,261	$962,513	$1,049,543	$1,136,077	$1,218,923	$1,354,553
DEBT SERVICE									
First Lien Financing	$810,613	$810,613	$810,613	$810,613	$810,613	$810,613	$810,613	$810,613	$810,613
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	$83,471	$100,421	$117,484	$134,648	$151,900	$238,930	$325,463	$408,310	$543,939
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.17	1.19	1.29	1.40	1.50	1.67

LIHTC Allocation Calculation - Northland Woods, Houston, HTC #03436

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	$1,532,400	$1,532,400		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,971,006	$1,971,006	$1,971,006	$1,971,006
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,995,093	$10,434,216	$9,995,093	$10,434,216
(4) Contractor Fees & General Requirements				
Contractor overhead	$247,718	$247,718	$239,322	$247,718
Contractor profit	$743,154	$743,154	$717,966	$743,154
General requirements	$743,154	$743,154	$717,966	$743,154
(5) Contingencies	$544,794	$544,794	$544,794	$544,794
(6) Eligible Indirect Fees	$722,000	$722,000	$722,000	$722,000
(7) Eligible Financing Fees	$1,307,022	$1,307,022	$1,307,022	$1,307,022
(8) All Ineligible Costs	$903,227	$903,227		
(9) Developer Fees			$2,432,275	
Developer overhead		$334,261		$334,261
Developer fee	$2,571,296	$2,172,698		$2,172,698
(10) Development Reserves		$453,548		
TOTAL DEVELOPMENT COSTS	$21,280,864	$22,109,198	$18,647,444	$19,220,023

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		$18,647,444	$19,220,023
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$24,241,677	$24,986,030
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$24,241,677	$24,986,030
Applicable Percentage		3.58%	3.58%
TOTAL AMOUNT OF TAX CREDITS		$867,852	$894,500
Syndication Proceeds	**0.7992**	**$6,935,874**	**$7,148,843**

Total Credits (Eligible Basis Method)	**$867,852**	**$894,500**
Syndication Proceeds	**$6,935,874**	**$7,148,843**
Requested Credits	**$865,730**	
Syndication Proceeds	**$6,918,914**	
Gap of Syndication Proceeds Needed	**$9,513,996**	
Credit Amount	**$1,190,440**	

DELORME

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Zoom Level: 10-6 Datum: WGS84

Scale 1 : 125 000
1" = 1.97 mi

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TN
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Developer Evaluation

Project ID # **03436** Name: **Northland Woods 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: 4 Projects grouped by score 0-9 4 10-19 0 20-29 0

Total # monitored with a score less than 30: 4 # not yet monitored or pending review: 4

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 y, October 10, 2003

Multifamily Finance Production

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

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

Reviewed by S Roth Date 9 /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 EEF Date 9 /26/2003

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 ____________ Date ____________

Executive Director: Edwina Carrington **Executed:** day, November 04, 2003

HOUSING TAX CREDIT PROGRAM

2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Parkside Point Apartments** TDHCA#: 03438

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
Development Owner: Parkside Point Limited Partneship
General Partner(s): Picerne Parkside Point, LLC, 100%, Contact: Kurt P. Kehoe
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Houston HFC
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $792,586 Eligible Basis Amt: $798,120 Equity/Gap Amt.: $890,185
Annual Tax Credit Allocation Recommendation: $792,586
Total Tax Credit Allocation Over Ten Years: $ 7,925,860

PROPERTY INFORMATION

Unit and Building Information
Total Units: 260 LIHTC Units: 260 % of LIHTC Units: 100
Gross Square Footage: 276,142 Net Rentable Square Footage: 273,140
Average Square Footage/Unit: 1051
Number of Buildings: 11
Currently Occupied: N
Development Cost
Total Cost: $19,399,516 Total Cost/Net Rentable Sq. Ft.: $71.02
Income and Expenses
Effective Gross Income:[1] $1,965,188 Ttl. Expenses: $1,022,470 Net Operating Inc.: $942,718
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	Lender:	Charter MAC
Contractor:	Picerne Construction Corp.	Syndicator:	Related Capital Company

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Rodney Ellis, District 13 - NC Rep. Al Edwards, District 146 - NC Mayor Lee P. Brown - NC Daisy A. Stiner, Director, City of Houston, Housing & Community Development Department; Consistent with the City of Houston's Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Receipt, review, and acceptance of a report on the investigation into the potential of electromagnetic radiation intrusion, as recommended by the ESA inspector, prior to the issuance of a determination notice by TDHCA staff.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

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

Other Comments including discretionary factors (if applicable).

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

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

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

Other Comments including discretionary factors (if applicable).

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

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

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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: November 3, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03438

DEVELOPMENT NAME

Parkside Point Apartments

APPLICANT

Name:	Parkside Point Limited Partnership	**Type:**	For Profit
Address:	247 Westmont 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	(%)	Title
Picerne Parkside Point, LLC	0.01	Managing General Partner
Robert M. Picerne	12.00 of MGP	Manager, Member
Raymond M. Uritescu	12.00 of MGP	Member
John G. Picerne	12.00 of MGP	Member
David R. Picerne	12.00 of MGP	Member
Jeanne M. Picerne	4.00 of MGP	Member
Picerne Investment Corporation	48.00 of MGP	Member
Ronald S. Picerne		Sole shareholder of majority member, Picerne Investment Corp.

PROPERTY LOCATION

Location: 3300 Block of Alice Street ☒ **QCT** ☐ **DDA**

City: Houston **County:** Harris **Zip:** 77021

REQUEST

Amount	Interest Rate	Amortization	Term
$792,586	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 TAX CREDITS NOT TO EXCEED $792,586 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

1. Receipt, review, and acceptance of a report on the investigation into the potential of electromagnetic radiation intrusion, as recommended by the ESA inspector, prior to the issuance of a determination notice by TDHCA staff; and
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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:**	N/A yrs	**Vacant:**	N/A at / /
Net Rentable SF:	273,140	**Av Un SF:**	1,051	**Common Area SF:**	3,002	**Gross Bldg SF:**	276,142				

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 and tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, cable t.v. connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

A 3,002-SF community building with activity rooms, management offices, fitness & laundry facilities, kitchen, restrooms, and computer/business center, a swimming pool, and an equipped children's play area are located at the entrance to the property.

Uncovered Parking: 533 spaces **Carports:** 0 spaces **Garages:** 0 Spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Parkside Point Apartments is a relatively dense (17 units per acre) new construction development of 260 units of affordable housing located in south Houston. The development is comprised of 11 evenly distributed large garden style walk-up low-rise residential buildings as follows:

- (5) Building Type I with 4 two-bedroom/two-bath units, and 20 three-bedroom/two-bath units;
- (5) Building Type II with 16 two-bedroom/two-bath units, and 8 three-bedroom/two-bath units; and
- (1) Building Type III with 12 two-bedroom/two-bath units, and 8 three-bedroom/two-bath units.

Architectural Review: The overall appearance of the building facades incorporates an attractive combination of brick and siding veneers, hipped and gabled roofs, decorative soldier courses in the brickwork, keystones above the windows, and ornamental shutters. The unit floor plans follow a common residential lay-out, and appear to have adequate space in each of the bedrooms and living room. Work space in the kitchen, and storage space among the closets, while adequate, might not necessarily be considered generous for relatively large three-bedroom apartments.

Supportive Services: The owner has entered into a five-year contract with Picerne Management Corporation to provide supportive services to the residents of the property. Services to be provided will include activities for special occasions, after school study halls and youth programs, health screening and immunization programs, support group meetings, a referral service, and literacy classes.

Schedule: The Applicant anticipates construction to begin in January of 2004, construction to be completed and the development to be placed in service in February of 2005, and the project to be substantially leased-up in September of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 15.00 acres 653,613 square feet **Zoning/ Permitted Uses:** Multifamily

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the south quarter of Houston, approximately three miles from the central business district. The site is situated on the south side of Alice Street, east of State Highway 288.

Adjacent Land Uses:

- **North:** Park Yellowstone Apartments, a 1995 LIHTC development across Alice Street
- **South:** Healthcare facilities
- **East:** Corder Place Apartments and vacant land
- **West:** Chevron office and storage facility and State Highway 288

Site Access: The development is to have one main entry from the north along Alice Street. Access to State Highway 288 is approximately one tenth of a mile west of the site, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the Metropolitan Transit Authority of Harris County. The nearest bus stop is approximately two-tenths of a mile from the site.

Shopping & Services: The site is within one mile of major grocery stores, schools, churches, retail establishments and medical centers. Restaurants, shopping centers, libraries, and other services are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on October 6, 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 was performed in December of 2000 and updated in September of 2003 by Phase One Technologies, L.L.C. The original report recommended that soil piles which had been dumped on the site be tested for contaminants, and that large amounts of trash which had been dumped on the site be removed. The update to the ESA reports that the soil piles had been tested and found no samples of any compounds above regulatory limits. The trash dumped on the site had not yet been removed and remains a recommendation of the report. The update also observed that high voltage electrical transmission lines had been installed near the south border of the site in the interim between the two reports, and recommends having a qualified environmental professional conduct an investigation for electromagnetic radiation intrusion in the vicinity of the site. Receipt, review, and acceptance of a report of an investigation into the potential of electromagnetic radiation intrusion, prior to the issuance of a determination notice by TDHCA staff, is a condition of this report. Removal of the trash dumped on the site should be verified by the Applicant at the time of cost certification.

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 September 21, 2003 was prepared by Apartment Market Data Research Services, LLC and highlighted the following findings.

Definition of Primary Market Area: "For this analysis, we utilized a 'primary market area' comprising a custom trade area of 23.87 square miles. The area included in this trade area would be equivalent to a 2.75 mile radius. The borders of the trade area are as follows—North: Highway 29; South: Loop 610; East: Interstate 45; and West: Buffalo Speedway (p. 3)."

Population: The estimated 2002 population of the primary market area was 116,631, and is expected to increase annually by 0.7% to approximately 120,962 by 2007.

Total Primary Market Demand for Rental Units: "Based on straight-line delineation of the houshold growth alone between the years 2003 to 2007, it can be assumed that the primary market area will require an additional 1,172 rental dwelling units (p. 6)."

"The turnover demand calculation found 1,830 renter households that are income qualified (p. 6)."

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	14	1%	25	1%
Resident Turnover	1,830	97%	2,113	99%
Other Sources: 10 yrs pent-up demand	30	2%	0	0%
TOTAL ANNUAL DEMAND	**1,874**	**100%**	**2,138**	**100%**

Inclusive Capture Rate: "Based on the capture rate calculations…, the TDHCA could allocate a total of 469 units within the Primary Market Area and not exceed the 25% capture rate allowed for in the QAP. Since the subject accounts for only 260 units, development of this project is within the threshold designated by the TDHCA (p. 9)."

The Market Analyst calculates a capture rate of 13.9%, but neglected, however, to include 96 units from an unstabilized tax credit development which received an award in 2001, the Scott Street Townhomes (LIHTC #01040). Including this project within the capture rate based on the Market Analyst's estimates would result in a capture rate of 19%, still within the 25% capture rate limit allowed by TDHCA. The Underwriter's reconcilliation of the Market Analyst's estimates show that total annual demand for income qualified renters may be as high as 2,138, thus providing a capture rate of approximately 16.65%.

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling 2,033 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)	$613	$613	$0	$870	-$257
3-Bedroom (50%)	$706	$706	$0	$1,170	-$464

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

Primary Market Occupancy Rates: "The current occupancy of the market area is 93.1 percent as a result of solid demand (p. 79)."

"Two projects [in the primary market area] serve low income residents. Today these two projects report an overall occupancy of 98.4% (p. 79)."

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 (p. 77)."

This results in the Market Analyst's projection for an absorption period of approximately 18 months for the development to reach sustaining occupancy (p. 77).

Known Planned Development: The market study identifies six other projects currently under construction, and no other developments known to be planned in the same Primary Market Area (p. 53).

Effect on Existing Housing Stock: "Because this project is an infill site situated within an obviously low income area of the city, and much of the existing housing in the area is in disrepair, we believe that most of the residents choosing to move to Parkside Point will be moving out of existing substandard housing (p. 6)."

Other Relevant Information: "The potential for new supply is constrained by the dynamics of the marketplace, which require either A) assistance in the form of incentives in financing, or B) further programs of assisstance in rent to the renters by government programs… It is our opinion that this market can support assisted low income housing and a narrow band of conventionally financed units (p. 78)."

The Underwriter found the market study to be satisfactory.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are consistent with the maximum rents allowed under LIHTC guidelines and estimates of secondary income and vacancy and collection losses are consistent with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,663 per unit is approximately 7% lower than the Underwriter's estimate of $3,933 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($52,822 lower), utilities ($22,184 lower), water, sewer, and trash ($29,927 lower), and property taxes ($28,761 higher).

Conclusion: The Applicant's total estimated operating expenses are 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 primarily to the differences in expense estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.09 is slightly less than the program minimum standard of 1.10. The maximum debt service for this project, therefore, may have to be adjusted by a reduction of the loan amount by approximately $100,000, a future redemption of bonds in the same amount, or a reduction of the interest rate.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 6.3908 acres	$167,030	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$167,030	**Tax Rate:**	$2.88127

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved Commercial Property Contract		
Contract Expiration Date:	12/ 22/ 2003	**Anticipated Closing Date:**	12/ 22/ 2003
Acquisition Cost:	$640,281.47	**Other Terms/Conditions:**	
Seller:	James Washburn, Trustee	**Related to Development Team Member:**	No

ASSESSED VALUE

Land: 8.6141 acres	$243,900	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$243,900	**Tax Rate:**	2.88127

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved Commercial Property Contract		
Contract Expiration Date:	12/ 22/ 2003	**Anticipated Closing Date:**	12/ 22/ 2003

Acquisition Cost: $863,029.45 **Other Terms/Conditions:**

Seller: Parkside Terrace, Ltd. **Related to Development Team Member:** No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $1,503,311 ($2.30/SF or $100,221/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $5,463 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $72,059 or 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant incorrectly included $25,000 in marketing costs as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

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

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the eligible amount of tax credits the owner may claim. As a result an eligible basis of $17,149,124 is used to determine credit eligibility. 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. Due to differences in the applicable percentage used by the Applicant and the Underwriter, however, the Applicant's requested determination of tax-credit eligibility is slightly less than the Underwriter's estimate. The Applicant's tax-credit request is therefore used.

FINANCING STRUCTURE

INTERIM CONSTRUCTION FINANCING

Source: Charter Mac **Contact:** Marnie Miller

Principal Amount: $12,200,000 **Interest Rate:** 6.60%

Additional Information:

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

PERMANENT FINANCING

Source: Charter Mac **Contact:** Marnie Miller

Principal Amount: $12,200,000 **Interest Rate:** 6.60%

Additional Information:

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

Annual Payment: $867,560 **Lien Priority:** First **Commitment Date** 08/ 21/ 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: $6,282,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 08/ 25/ 2003

Additional Information: Equity investment assumes annual tax credits of $766,219, and an applicable percentage of 3.42%.

APPLICANT EQUITY

Amount: $699,516 **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. Based on the Underwriter's estimated operating expenses, it is possible that the loan principal may have to be reduced in order to maintain an adequate debt coverage ratio. The costs, however, include a sufficient developer's fee which could be deferred to ensure that such a reduction of the primary loan would not result in a funding gap.

LIHTC Syndication: The terms proposed by the tax credit syndicator consist of a capital contribution of $6,282,000 which is $218,000 less than anticipated by the Applicant's sources and uses of funds statement. This is due to the syndicator's assumption of the receipt of fewer annual tax credits and a lower applicable percentage. The syndicator's investment price of $0.82, applied to the requested amount of tax credits, would result in an investment of $6,449,205.

Deferred Developer's Fees: The Applicant originally estimated that it would be necessary to defer $699,516 of its developer's fee. If the principal amount of the primary loan is reduced in order to maintain an adequate debt coverage ratio, the Developer's deferred fee may have to increase to as much as $800,311. It is estimated that a deferred developer's fee of such an amount could be repaid within approximately seven years.

Financing Conclusions: The proposed sources of financing are typical for a transaction of this type. Due to differences in estimates of the operating expenses, the Underwriter concludes that there may have to be a reduction of the primary debt, and a corresponding increase in the deferred developer's fee. It is anticipated that the increased deferred developer's fee resulting from the likely reduction in debt will be repayable within seven years of stabilized operation. The Applicant's request for tax credits is supported by the Undewriter's analysis, although there was a very slight difference (less than $1,000) between the Underwriter's calculation of syndication proceeds, and that which the Applicant included in the sources and uses of funds schedule.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager and Supportive Services firm 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.
- Picerne Investment Corporation, the majority partner of the Managing General Partner, submitted unaudited, CPA-reviewed financial statements as of March 31, 2003 reporting total assets of $754,508,000, consisting of $580,254,000 in real estate and fixed assets, $60,396,000 cash and equivalents, $13,741,000 in bond proceeds held by trustees, $2,697,000 in accounts receivable from tenants, and $65,001,000 in amounts due from related parties and affiliates. Liabilities totaled $693,535,000, resulting in a net equity of $60,973,000.
- Each of the principals of the General Partner submitted an unaudited financial statement as of 2003 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Robert Picerne, the Picerne Investment Corporation, and its principals and affiliates have completed 95 LIHTC, mortgage revenue bond, and Section 8 housing developments totaling 12,431 units since 1969.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses are more than 5% outside of the Underwriter's verifiable ranges.
- The potential for environmental risks associated with overhead powerlines near the property has not been assessed.

Underwriter:	______________ *Stephen Apple*	**Date:**	______________
Director of Real Estate Analysis:	______________ *Tom Gouris*	**Date:**	______________

MULTIFAMILY COMPARATIVE ANALYSIS

Parkside Point Apartments, Houston, LIHTC #03438

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%	112	2	2	968	$670	$613	$68,656	$0.63	$57.00	$43.31
TC50%	148	3	2	1,113	775	706	104,488	0.63	69.00	49.31
TOTAL:	260		**AVERAGE:**	1,051	$730	$666	$173,144	$0.63	$63.83	$46.73

INCOME	Total Net Rentable Sq Ft:	273,140		**TDHCA**	**APPLICANT**		USS Region	6
POTENTIAL GROSS RENT				$2,077,728	$2,077,728		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	0			
POTENTIAL GROSS INCOME				$2,124,528	$2,124,528			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(159,340)	(159,336)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,965,188	$1,965,192			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.64%	$350	0.33	$91,122	$38,300	$0.14	$147	1.95%
Management	5.00%	378	0.36	98,259	$98,259	0.36	378	5.00%
Payroll & Payroll Tax	12.41%	938	0.89	243,942	$240,500	0.88	925	12.24%
Repairs & Maintenance	4.95%	374	0.36	97,200	$104,000	0.38	400	5.29%
Utilities	2.58%	195	0.19	50,784	$28,600	0.10	110	1.46%
Water, Sewer, & Trash	4.76%	360	0.34	93,627	$63,700	0.23	245	3.24%
Property Insurance	2.64%	200	0.19	51,897	$54,600	0.20	210	2.78%
Property Tax 2.88127	11.44%	864	0.82	224,739	$253,500	0.93	975	12.90%
Reserve for Replacements	2.65%	200	0.19	52,000	$52,000	0.19	200	2.65%
Tenant Serv., Compliance Fees	0.96%	73	0.07	18,900	$18,900	0.07	73	0.96%
TOTAL EXPENSES	52.03%	$3,933	$3.74	$1,022,470	$952,359	$3.49	$3,663	48.46%
NET OPERATING INC	47.97%	$3,626	$3.45	$942,719	$1,012,833	$3.71	$3,896	51.54%
DEBT SERVICE								
First Lien Mortgage	44.15%	$3,337	$3.18	$867,560	$867,589	$3.18	$3,337	44.15%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	3.82%	$289	$0.28	$75,159	$145,244	$0.53	$559	7.39%
INITIAL AGGREGATE DEBT COVERAGE RATIO				1.09	1.17			
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)		7.40%	$5,782	$5.50	$1,503,311	$1,500,000	$5.49	$5,769	7.73%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.99%	5,463	5.20	1,420,328	1,420,328	5.20	5,463	7.32%
Direct Construction		51.78%	40,461	38.51	10,519,795	10,037,895	36.75	38,607	51.74%
Contingency	3.84%	2.26%	1,763	1.68	458,329	458,329	1.68	1,763	2.36%
General Req'ts	3.84%	2.26%	1,763	1.68	458,329	458,329	1.68	1,763	2.36%
Contractor's G & A	1.92%	1.13%	881	0.84	229,164	229,164	0.84	881	1.18%
Contractor's Profit	3.84%	2.26%	1,763	1.68	458,329	458,329	1.68	1,763	2.36%
Indirect Construction		4.31%	3,371	3.21	876,500	876,500	3.21	3,371	4.52%
Ineligible Costs		3.69%	2,886	2.75	750,392	750,392	2.75	2,886	3.87%
Developer's G & A	3.51%	2.67%	2,087	1.99	542,500	542,500	1.99	2,087	2.80%
Developer's Profit	10.53%	8.01%	6,260	5.96	1,627,500	1,627,500	5.96	6,260	8.39%
Interim Financing		5.12%	4,001	3.81	1,040,250	1,040,250	3.81	4,001	5.36%
Reserves		2.12%	1,655	1.58	430,217	0	0.00	0	0.00%
TOTAL COST		100.00%	$78,134	$74.38	$20,314,945	$19,399,516	$71.02	$74,614	100.00%
Recap-Hard Construction Costs		*66.67%*	***$52,093***	***$49.59***	***$13,544,274***	***$13,062,374***	***$47.82***	***$50,240***	*67.33%*

SOURCES OF FUNDS						RECOMMENDED	
Tax-Exempt Bonds	60.05%	$46,923	$44.67	$12,200,000	$12,200,000	$12,100,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$2,170,000
LIHTC Syndication Proceeds	32.00%	$25,000	$23.80	6,500,000	6,500,000	6,499,205	% of Dev. Fee Deferred
Deferred Developer Fees	3.44%	$2,690	$2.56	699,516	699,516	800,311	37%
Additional (Excess) Funds Required	4.51%	$3,521	$3.35	915,429	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$20,314,945	$19,399,516	$19,399,516	$3,210,413

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Parkside Point Apartments, Houston, LIHTC #03438

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.19	$11,251,870
Adjustments				
Exterior Wall Finish	3.10%		$1.28	$348,808
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.70)	(190,817)
Floor Cover			1.92	524,429
Porches/Balconies	$17.26	12,200	0.77	210,613
Plumbing	$615	780	1.76	479,700
Built-In Appliances	$1,625	260	1.55	422,500
Stairs	$1,750	88	0.56	154,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	401,516
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$58.46	3,002	0.64	175,494
Other:			0.00	0
SUBTOTAL			50.44	13,778,112
Current Cost Multiplier	1.04		2.02	551,124
Local Multiplier	0.90		(5.04)	(1,377,811)
TOTAL DIRECT CONSTRUCTION COSTS			$47.42	$12,951,426
Plans, specs, survy, bld prm	3.90%		($1.85)	($505,106)
Interim Construction Interes	3.38%		(1.60)	(437,111)
Contractor's OH & Profit	11.50%		(5.45)	(1,489,414)
NET DIRECT CONSTRUCTION COSTS			$38.51	$10,519,795

PAYMENT COMPUTATION

Primary	$12,200,000	Term	480
Int Rate	6.60%	DCR	1.09

Secondary		Term	
Int Rate		Subtotal DCR	1.09

All-In		Term	
Rate		Aggregate DCR	1.09

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$860,448
Trustee Fee	0
Issuer Admin. FeesAdditional Fina	0
NET CASH FLOW	$82,270

Primary	$12,100,000	Term	480
Int Rate	6.60%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.10

All-In		Term	
Rate		Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

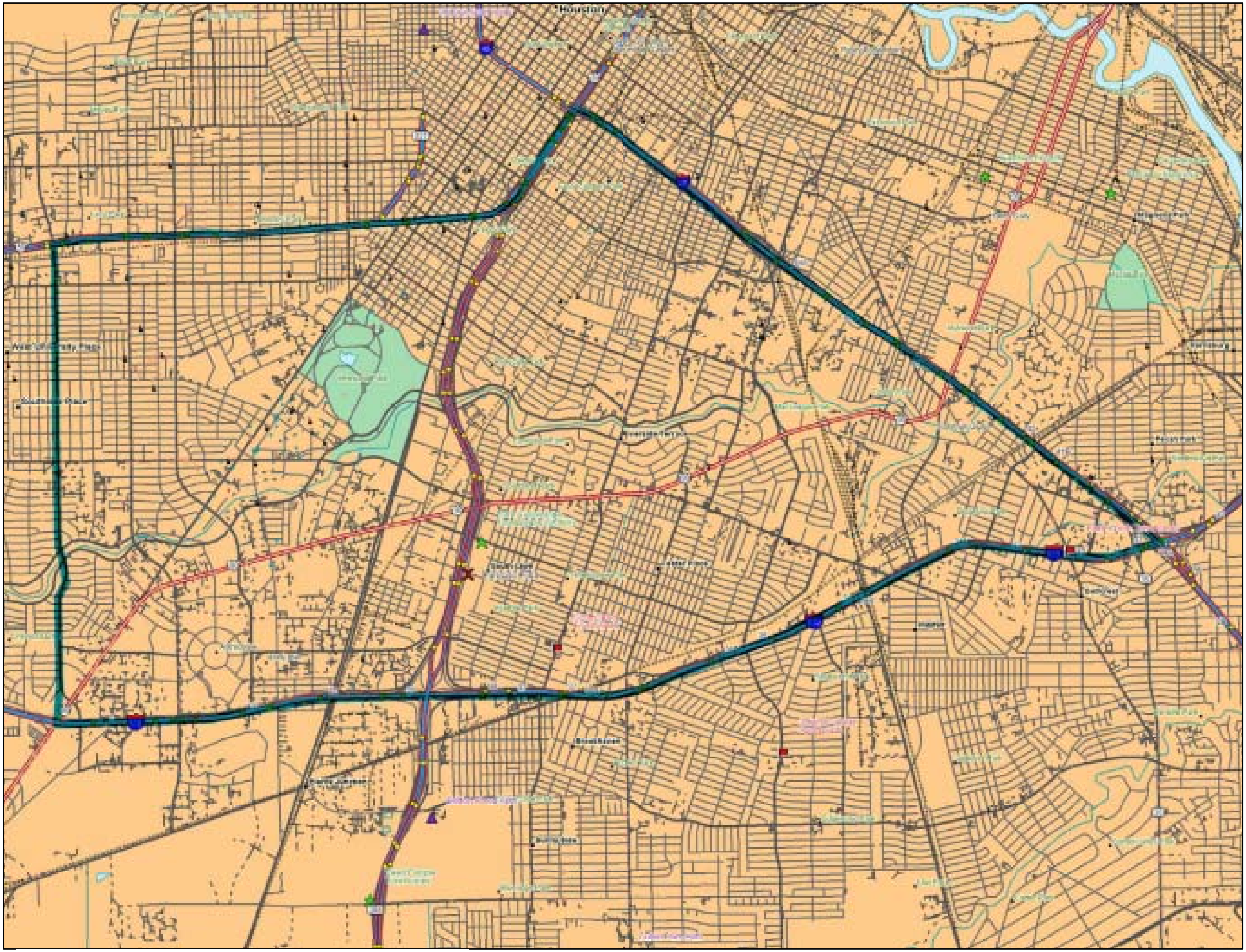
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,077,728	$2,140,060	$2,204,262	$2,270,389	$2,338,501	$2,710,964	$3,142,750	$3,643,309	$4,896,302
Secondary Income	46,800	48,204	49,650	51,140	52,674	61,063	70,789	82,064	110,287
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,124,528	2,188,264	2,253,912	2,321,529	2,391,175	2,772,027	3,213,539	3,725,373	5,006,589
Vacancy & Collection Loss	(159,340)	(164,120)	(169,043)	(174,115)	(179,338)	(207,902)	(241,015)	(279,403)	(375,494)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,965,188	$2,024,144	$2,084,868	$2,147,414	$2,211,837	$2,564,125	$2,972,524	$3,445,970	$4,631,095
EXPENSES at 4.00%									
General & Administrative	$91,122	$94,767	$98,557	$102,500	$106,600	$129,695	$157,793	$191,980	$284,177
Management	98,259	101,207	104,243	107,371	110,592	128,206	148,626	172,298	231,555
Payroll & Payroll Tax	243,942	253,700	263,848	274,402	285,378	347,206	422,429	513,950	760,771
Repairs & Maintenance	97,200	101,088	105,132	109,337	113,711	138,346	168,319	204,786	303,134
Utilities	50,784	52,815	54,928	57,125	59,410	72,281	87,941	106,994	158,377
Water, Sewer & Trash	93,627	97,372	101,267	105,317	109,530	133,260	162,131	197,257	291,989
Insurance	51,897	53,972	56,131	58,377	60,712	73,865	89,868	109,338	161,847
Property Tax	224,739	233,729	243,078	252,801	262,913	319,874	389,175	473,491	700,883
Reserve for Replacements	52,000	54,080	56,243	58,493	60,833	74,012	90,047	109,556	162,170
Other	18,900	19,656	20,442	21,260	22,110	26,901	32,729	39,819	58,943
TOTAL EXPENSES	$1,022,470	$1,062,386	$1,103,869	$1,146,982	$1,191,787	$1,443,646	$1,749,059	$2,119,470	$3,113,845
NET OPERATING INCOME	$942,719	$961,758	$980,999	$1,000,433	$1,020,050	$1,120,479	$1,223,464	$1,326,500	$1,517,251
DEBT SERVICE									
First Lien Mortgage	$860,448	$860,448	$860,448	$860,448	$860,448	$860,448	$860,448	$860,448	$860,448
Trustee Fee	0	0	0	0	0	0	0	0	0
Issuer Admin. FeesAdditional F	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$82,270	$101,310	$120,551	$139,984	$159,601	$260,031	$363,016	$466,051	$656,802
AGGREGATE DCR	1.10	1.12	1.14	1.16	1.19	1.30	1.42	1.54	1.76

LIHTC Allocation Calculation - Parkside Point Apartments, Houston, LIHTC #03438

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,500,000	$1,503,311		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,420,328	$1,420,328	$1,420,328	$1,420,328
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$10,037,895	$10,519,795	$10,037,895	$10,519,795
(4) Contractor Fees & General Requirements				
Contractor overhead	$229,164	$229,164	$229,164	$229,164
Contractor profit	$458,329	$458,329	$458,329	$458,329
General requirements	$458,329	$458,329	$458,329	$458,329
(5) Contingencies	$458,329	$458,329	$458,329	$458,329
(6) Eligible Indirect Fees	$876,500	$876,500	$876,500	$876,500
(7) Eligible Financing Fees	$1,040,250	$1,040,250	$1,040,250	$1,040,250
(8) All Ineligible Costs	$750,392	$750,392		
(9) Developer Fees				
Developer overhead	$542,500	$542,500	$542,500	$542,500
Developer fee	$1,627,500	$1,627,500	$1,627,500	$1,627,500
(10) Development Reserves		$430,217		
TOTAL DEVELOPMENT COSTS	$19,399,516	$20,314,945	$17,149,124	$17,631,024

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$17,149,124	$17,631,024
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$22,293,861	$22,920,332
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$22,293,861	$22,920,332
Applicable Percentage		3.58%	3.58%
TOTAL AMOUNT OF TAX CREDITS		$798,120	$820,548
Syndication Proceeds	**0.8200**	**$6,544,586**	**$6,728,493**

Total Credits (Eligible Basis Method)	**$798,120**	**$820,548**
Syndication Proceeds	**$6,544,586**	**$6,728,493**
Requested Credits	**$792,586**	
Syndication Proceeds	**$6,499,205**	
Gap of Syndication Proceeds Needed	**$7,299,516**	
Credit Amount	**$890,185**	



1

5,000 ft

Scale: 1 : 62,500 Zoom Level: 11-6 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.5°E

Developer Evaluation

Project ID # **03438** Name: **Parkside Point 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: 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: 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 y, October 10, 2003

Multifamily Finance Production

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

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

Reviewed by S Roth Date 9 /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 EEF Date 9 /26/2003

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 ________ Date ________

Executive Director: Edwina Carrington **Executed:** day, November 04, 2003

HOUSING TAX CREDIT PROGRAM

2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Primrose at Jefferson Plaza** TDHCA#: 03441

DEVELOPMENT AND OWNER INFORMATION

Development Location:	San Antonio	QCT: N	DDA: N	TTC: N
Development Owner:	Primrose SA IV Housing, LP			
General Partner(s):	Primrose SA IV Development, LLC, 100%, Contact: Brian Potashnik			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Bexar County HFC			
Development Type:	Elderly			

Annual Tax Credit Allocation Calculation

Applicant Request: $619,285 Eligible Basis Amt: $616,285 Equity/Gap Amt.: $802,092

Annual Tax Credit Allocation Recommendation: $616,285

Total Tax Credit Allocation Over Ten Years: $ 6,162,850

PROPERTY INFORMATION

Unit and Building Information

Total Units: 248 LIHTC Units: 248 % of LIHTC Units: 100

Gross Square Footage: 227,944 Net Rentable Square Footage: 222,500

Average Square Footage/Unit: 897

Number of Buildings: 6

Currently Occupied: N

Development Cost

Total Cost: $20,100,699 Total Cost/Net Rentable Sq. Ft.: $90.34

Income and Expenses

Effective Gross Income:[1] $1,712,652 Ttl. Expenses: $721,203 Net Operating Inc.: $991,449

Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Southwest Housing Management
Attorney:	Shackelford, Melton & McKinley	Architect:	Beeler Guest Owens
Accountant:	Reznick, Fedder & Silverman	Engineer:	Kimley-Horn & Assoc.
Market Analyst:	Butler Burgher	Lender:	Newman Capital
Contractor:	Affordable Housing Construction	Syndicator:	Wachovia

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Leticia Van De Putte, District 26 - NC Rep. Trey Martinez Fifcher, District 116 - NC Mayor Ed Garza - NC Andrew W. Cameron, Housing & Community Development Director, City of San Antonio; Consistent with the City of San Antonio Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Receipt, review, and acceptance of evidence of rezoning of the site to a conforming use by bond closing.
3. Receipt, review, and acceptance of evidence of the Applicant's receipt of CHDO property tax exemption or abatement by cost certification.
4. Receipt, review, and acceptance of an executed funding commitment from the City of San Antonio at terms which maintain the financial feasibility of the development by bond closing.
5. Receipt, review, and acceptance of a report by a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis prior to the initial closing on the property.
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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: November 5, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03441

DEVELOPMENT NAME

Primrose at Jefferson Plaza Apartments

APPLICANT

Name:	Primrose SA IV Housing, L.P.			**Type:**	For-profit		
Address:	5910 North Central Expressway, Suite 1145			**City:**	Dallas	**State:**	TX
Zip:	75206	**Contact:**	Dru Childre	**Phone:**	(214) 891-1402	**Fax:**	(214) 987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Primrose SA IV Development, L.L.C.	**(%):**	.01	**Title:**	Managing General Partner
Name:	Our Casas Resident Council, Inc. (OCRC)	**(%):**	N/A	**Title:**	Nonprofit CHDO, sole owner of G.P.
Name:	Dario Chapa	**(%):**	N/A	**Title:**	Executive Director of OCRC
Name:	Southwest Housing Development Company, Inc.	**(%):**	N/A	**Title:**	Developer
Name:	Brian Potashnik	**(%):**	N/A	**Title:**	Owner of Developer

PROPERTY LOCATION

Location:	2719 Fredericksburg Road			☐ **QCT**	☐ **DDA**
City:	San Antonio	**County:**	Bexar	**Zip:**	78201

REQUEST

Amount	Interest Rate	Amortization	Term
$619,285	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A TAX CREDIT ALLOCATION NOT TO EXCEED $616,285 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of evidence of rezoning of the site to a conforming use by bond closing;
2. Receipt, review, and acceptance of evidence of the Applicant's receipt of a CHDO property tax exemption or abatement by cost certification;
3. Receipt, review, and acceptance of an executed funding commitment from the City of San Antonio at terms which maintain the financial feasibility of the development by bond closing;
4. Receipt, review, and acceptance of a report by a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis prior to the initial closing on the property;
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-

evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	248	**# Rental Buildings**	6	**# Common Area Bldngs**	1	**# of Floors**	3	**Age:**	0 yrs	**Vacant:**	N/A	at	/ /

Net Rentable SF:	222,500	**Av Un SF:**	897	**Common Area SF:**	5,444	**Gross Bldg SF:**	227,944

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central gas boiler hot water system

ON-SITE AMENITIES

A 5,444-SF community building with activity room, management offices, library, maintenance laundry facilities, kitchen, restrooms, & computer/business center, & swimming pool are to be located at the entrance to. In addition, an equipped children's play area & perimeter fencing with a limited access gate are also planned for the site.

Uncovered Parking:	435	spaces	**Carports:**	0	spaces	**Garages:**	0	spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Primrose at Jefferson Plaza Apartments is a relatively dense (20 units per acre) new construction development of 248 units of affordable elderly housing located in northwest San Antonio. The development is comprised of six evenly distributed large, two- and three-story, elevator-served residential buildings as follows:

- Two three-story Building Type A with 12 one-bedroom/one-bath units, 30 two-bedroom/one-bath units, and 12 two-bedroom/two-bath units;
- One two-story Building Type A1 with eight one-bedroom/one-bath units, 20 two-bedroom/one-bath units, and eight two- bedroom/two-bath units;
- Two three-story Building Type B with 12 one-bedroom/one-bath units, 18 two-bedroom/one-bath units, and six two-bedroom/two-bath units; and
- One two-story Building Type C with 16 one-bedroom/one-bath units, eight two- bedroom/one-bath units, and eight two-bedroom/two-bath units.

Architectural Review: The residential buildings are attractive and functional, with pitched roofs and stucco and stone veneer exterior wall finishes. The units are accessed from enclosed interior corridors, and are well laid out and feature walk-in closets for all bedrooms and patios or balconies with exterior storage closets. Although the buildings are elevator-served, there is only a single elevator per building; when the single elevator is inoperative or being serviced the second and third floor residents must use the stairs.

Supportive Services: The Applicant intends to use the related service provider Housing Services of Texas to provide services at no cost to tenants, and has included $18,600 in the operating budget for these services.

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

SITE ISSUES

SITE DESCRIPTION

Size:	12.45	acres	542,322	square feet	**Zoning/ Permitted Uses:**	Currently nonconforming, rezoning request submitted
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Fully improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the northwest area of San Antonio, approximately four miles from the central business district. The site is situated on the west side of Fredericksburg Road.

Adjacent Land Uses:

- **North:** commercial and multifamily residential
- **South:** single-family residential and a church and associated school
- **East:** Fredericksburg Road with commercial and retail beyond
- **West:** single-family residential

Site Access: Access to the property is from the southeast or northwest along Fredericksburg Road or the south from Shearer Street. The development is to have two entries from Fredericksburg Road and a secondary entry from Shearer Street. Access to Interstate Highway 10 is one mile east, which provides connections to all other major roads serving the San Antonio area.

Public Transportation: Public transportation to the area is provided by the city bus system with stops adjacent to the site on Fredericksburg Road.

Shopping & Services: The site is within one-half mile of a major grocery/pharmacy, and neighborhood shopping centers and a variety of other retail establishments and restaurants as well as schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics:

- **Existing Improvements:** The Environmental Analyst noted the following: “With the exception of a vacant field separated by a fence at the west end, the primary tract was observed mostly surfaced with asphalt and concrete, including a concrete slab of a former building…A former wash bay with a wastewater collection sump exists adjacent to the southeast corner of the building slab. Additional former building concrete pads remain at the southeast tip of the site fronting Fredericksburg Road…The site is currently host to an old abandoned and boarded-up two-story brick building…” (p. 8) The Applicant intends to remove the existing paving as part of site preparation, and is in the process of negotiating with the city to rehabilitate the existing structure for a civic use not associated with the subject development. These rehabilitation costs are not included in this application.
- **Zoning:** The site is currently zoned R-6, Residential Single-Family District; RM-4, Residential Mixed District; C-2NA, Commercial Nonalcoholic Sales District; C-3, General Commercial District; and C-3R, General Commercial District, Restrictive Alcoholic Sales, which do not permit multifamily residential uses. The Applicant has applied for rezoning to R-6C, Residential Single-Family District with conditional use to allow for multifamily dwellings of 25 units per acre. The city’s zoning commission staff recommended approval of this request on October 21, 2003, and approval by the city council is pending. Receipt, review, and acceptance of confirmation of rezoning to a conforming use by bond closing is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on October 9, 2003 and found the location to be acceptable for the proposed development, although the inspector noted that the neighborhood is somewhat rundown and industrial and therefore not optimum for an elderly development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 3, 2003 was prepared by Raba-Kistner Consultants, Inc. (R-K) and contained the following findings and recommendations:

Findings:

"With the exception of a vacant field separated by a fence at the west end, the primary tract was observed mostly surfaced with asphalt and concrete, including a concrete slab of a former building…A former wash bay with a wastewater collection sump exists adjacent to the southeast corner of the building slab. Additional former building concrete pads remain at the southeast tip of the site fronting Fredericksburg Road…The site is currently host to an old abandoned and boarded-up two-story brick building…" (p. 8)

Findings: "R-K's site reconnaissance and interview sources revealed no recognized environmental conditions involving the subject property with the exception of the following:

- One wastewater sump was observed at the rear of the former auto auction slab. During a 1996 environmental site assessment of the site as part of a larger tract, R-K observed an undetermined quantity of oil in one of three sumps found on the property. R-K was unable to verify this during this investigation.
- At the time of this investigation, no observed or documented evidence of off-site migration of hazardous substances or petroleum products onto the site from any neighboring properties was identified. However, it should be noted that an outdoor drum storage area was observed on the adjacent auto mechanic shop along the common property line with the site. Although surface oil spills were noted at this location, none were visible on the adjacent asphalt surface of the site.
- A survey of the existing building on the reserve tract for asbestos-containing building materials was not part of the scope of work for this ESA-I. R-K understands that asbestos was abated in 1995 prior to partial demolition of this building. The remaining rock structure was found boarded-up and, therefore, not accessible for interior assessment by R-K. R-K did, however, observe residual floor tile on the former auction building slab." (p. 18)

Recommendations: "Based on the information presented herein, no further environmental-related investigations of the site are considered warranted at this time, with the exception of the following:

- "The in-ground sumps existing on the site should be cleaned of contents for proper off-site disposal and removed from the ground.
- R-K recommends construction of secondary containment along the fence common line with the outdoor drum storage area at the auto repair facility north in an effort to prevent hydrocarbon migration onto the site from this source.
- The residual floor tile on the former auction building slab should be tested for asbestos prior to removal and disposal." (p. 19)

Compliance with the Environmental Analyst's recommendations is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$21,240	$24,240	$27,300	$30,300	$32,700	$35,160

MARKET HIGHLIGHTS

A market feasibility study dated September 29, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

Definition of Primary Market Area (PMA): "For this analysis we utilized a primary market area comprising a 42-square mile trade area in the near northwest area of San Antonio. The boundaries for the trade area are as follows:

North: Loop 410

South: Highway 90

East: San Pedro Road

West: S. Callahan Road" (p. 28)

Population: The estimated total 2002 population of the PMA was 241,077 and is expected to increase by 0.3% to approximately 241,883 by 2007. The estimated 2002 elderly (age 55+) population was 49,252 and is expected to increase by 1.9% to approximately 50,167 by 2007. Within the primary market area there were estimated to be 32,835 elderly households in 2002, using the Analyst's estimated elderly household size of 1.5 persons.

Total Primary Market Demand for Rental Units: "…this study has proven a need for an average of an additional 28 senior rental units per year within the submarket (2003-2007). [These figures] suggest that if the demand for this project was based solely on the forecasted growth of senior households, the project would not be feasible based on the household growth methodology. However, evidence suggests that LIHTC projects tend to derive most of their demand from households already living in the area. The turnover demand calculation…found 1,244 senior renter households that are income-qualified. Because this project is an infill site situated within an obviously low-income area of the city, and much of the housing is in disrepair, we believe that most of the residents choosing to move to Primrose at Jefferson Plaza will be moving out of existing substandard housing." (cover letter, p. 2)

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	36	3%	7	1%
Resident Turnover	1,244	97%	1,261	99%
Other Sources:	0	0%	0	0%
TOTAL ANNUAL DEMAND	**1,280**	**100%**	**1,268**	**100%**

Ref: p. 43

Inclusive Capture Rate: The Analyst calculated an inclusive capture rate of 26.4% (p. 43), and the Underwriter calculated an inclusive capture rate of 26.7% based upon a slightly lower demand estimate of 1,268 units. While higher than a family transaction, both inclusive capture rate calculations reflect acceptable capture rates of less than the 100% guideline for senior developments.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 2,280 units in the market area. "The comparables used for this analysis lie outside the PMA in the Medical Center area. These were used as they are representative of new construction in northwest San Antonio, and comparables within the PMA were significantly older and lesser in quality. A location adjustment was then made to bring rent in line with the PMA." (p. 105)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-BR/1-BA (60%)	$532	$532	$0	$580	-$48
2-BR/1-BA (60%)	$635	$636	-$1	$680	-$44
2-BR/2-BA (60%)	$635	$636	-$1	$725	-$89

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

Primary Market Occupancy Rates: "The current occupancy rate of the market area is 93.0% as a result of stable demand. Demand for new rental apartment units is considered to be stable and market conditions have created a need for new 'affordable' housing as existing supply is limited." (p. 10)

Absorption Projections: "In estimating an absorption period for the subject, we looked for other 'affordable' senior housing projects within the PMA. Science Park Seniors gives us the best indication of the absorption of senior units. Having begun their initial lease-up in February 2003, they are now 96.7% occupied, a period of eight months. On average, Science Park Seniors lease 14.5 units per month. Primrose at Jefferson Plaza should be able to lease just as easily. We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month absorption period]." (p. 79)

Known Planned Development: None identified.

Effect on Existing Housing Stock: The Analyst presents somewhat conflicting opinions:

- "…we assess that the submarket could not immediately absorb any rental units, without the overall occupancy of the market dropping below 93%." (p. 78)
- "The subject should not have a detrimental effect on any existing projects, as the occupancies of affordable senior housing communities are strong throughout San Antonio." (p. 80)

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, and are achievable according to the market analyst. The Applicant used a secondary income estimate of $20/unit/month which, although higher than the TDHCA maximum guideline of $15, is consistent with the TDHCA database for San Antonio properties. The Applicant utilized a lower vacancy and collection loss rate of 5% and submitted documentation from six Southwest Housing elderly properties in the Dallas area which indicated an aggregate vacancy and collection loss rate of 3%, but as this data was for a different market the Underwriter used the TDHCA guideline of 7.5%. The Applicant stated that the property will furnish hot water from a central gas boiler system, and rents and expenses were calculated accordingly. The net effect of these differences is that the Underwriter's effective gross income estimate is $9,646 or less than 1% lower than the Applicant's estimate.

Expenses: The Applicant's total expense estimate of $2,908 per unit is 4.6% lower than the Underwriter's database-derived estimate of $3,047 per unit for comparably-sized developments, an acceptable deviation. The Applicant's budget shows many line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($19K lower), payroll ($14K lower), and utilities ($15K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. In the original application the Applicant's (related) management fee was based on 5% of effective gross income, but during the underwriting process the Applicant reduced the fee to 3.5% to offset increases in other expense line items. The Underwriter has used the TDHCA underwriting guideline of 5%. The Applicant appears to be eligible for a CHDO property tax exemption and provided evidence of application for same, but no confirmation of the exemption or abatement will be available until after the acquisition of the property has closed. The Underwriter has based this analysis on the development's receipt of a total property tax exemption, and therefore receipt, review, and acceptance of a CHDO property tax exemption or abatement by cost certification is a condition of this report.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's net operating income (NOI) should be used to evaluate debt service capacity. The Applicant's most recent income and operating expense estimates result in a debt coverage ratio (DCR) of 1.07, which is less than the TDHCA minimum standard of 1.10 and would indicate a lack of financial feasibility based on the projected debt amount. Therefore, it is likely that a mandatory redemption of up to $316K in bonds may be required at conversion to permanent to reduce the amount of required debt service.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 12.621 acres	$369,400	**Assessment for the Year of:**	2003
Building:	$16,000	**Valuation by:**	Bexar County Appraisal District
Total Assessed Value:	$385,400	**Tax Rate:**	3.0016

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial contract - unimproved property		
Contract Expiration Date:	1/ 10/ 2004	**Anticipated Closing Date:**	12/ 18/ 2003
Acquisition Cost:	$1,125,000	**Other Terms/Conditions:**	
Seller:	Fred Road, L.L.C.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $1,125,000 ($2.07/SF or $90,361/acre), although over three times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Costs: Although the Applicant included no off-site costs in the construction budget, the water and sewer provider's commitment letter indicated that the Developer may be required to construct additional off-site sanitary sewer main extensions.

Sitework Cost: The Applicant's claimed sitework costs of $6,545 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $383K or 3.9% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by $33,144 with the overage effectively moved to ineligible costs. The Applicant's developer's fees are set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above now exceed the maximum by $23,408.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $17,119,015 is used to determine a credit allocation of $616,285 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM to PERMANENT FINANCING

Source: Newman Capital **Contact:** Justin Ginsberg

Principal Amount: $12,760,000 **Interest Rate:** BMA + 1.50% during 24-month construction period (underwritten at 6.75%), 6.75% during permanent phase

Additional Information:

Amortization: 40 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $923,860 **Lien Priority:** 1st **Commitment Date** 9/ 29/ 2003

INTERIM to PERMANENT FINANCING

Source: City of San Antonio **Contact:** Andrew Cameron

Principal Amount: $1,000,000 **Interest Rate:** Unknown

Additional Information: No commitment, fund to be potentially awarded if current recipient defaults

Amortization: Unk. yrs **Term:** Unk. yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: Unknown **Lien Priority:** Unk.

HTC SYNDICATION

Source: Wachovia Affordable Housing Community Development Corporation **Contact:** James Spound

Address: One Wachovia Center **City:** Charlotte

State: NC **Zip:** 28288 **Phone:** (704) 383-6317 **Fax:** (704) 383-9525

Net Proceeds: $5,140,070 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 83¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 9/ 29/ 2003

Additional Information: Term sheet indicates syndication proceeds of $5,044,941 based on credits of $6,078,850

APPLICANT EQUITY

Amount: $1,110,932 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The bonds are to be issued by the Bexar County Housing Finance Corporation and purchased by GMAC Commercial Holding Capital Corporation. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The Wachovia HTC syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application in that the commitment indicates a net capital contribution of $5,044,941 based on tax credits of $6,078,850, while syndication proceeds of $5,140,070 are included in the sources of funds. The commitment includes credit adjusters, however, which indicate that upward adjustments due to an increased allocation would be priced at the same equity pricing rate.

City of San Antonio Loan: The Applicant provided no evidence for this source of funds, but stated that these funds are currently committed to another recipient whose eligibility period is to expire on November 30, 2003, at which time the funds will be committed to the applicant. Receipt, review, and acceptance of a funding commitment from the City of San Antonio, at terms which maintain the financial feasibility of the development, is a condition of this report.

Guaranteed Investment Contract (GIC) Income: The Applicant included $89,697 in income from invested bond proceeds during the construction phase. GIC income is typically netted from interim interest expense but in this case, since interest expense is not excessive, this source has been combined with deferred developer fee as an additional developer risk.

Deferred Developer's Fees: The Applicant's proposed deferred developer fees of $1,110,932 amount to approximately 50% of the total eligible fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $616,285 annually for ten years, resulting in syndication proceeds of approximately $5,114,650. As discussed above, based on the Underwriter's proforma projections it is likely that the permanent debt may be reduced to approximately $12,444,000 upon conversion to permanent, and therefore the Applicant's deferred developer fee will need to be increased to $1,542,049, which represents approximately 69% of the eligible fee. If the City of San Antonio funding is not awarded or is reduced, deferral of additional developer and possibly related contractor fees would be required on a dollar-for-dollar basis to substitute for the city funds. In the event that no city funds were received, all of the eligible developer fee and $309,134 (approximately 20%) of the related general contractor's fees may require deferral, which should be repayable from cash flow within 15 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's and contractor's fees may not be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager and Supportive Services firm are all related entities. 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 statements.
- The non-profit owner of the General Partner, Our Casas Resident Council, Inc., submitted an unaudited financial statement as of June 30, 2002 reporting total assets of $2.3M and consisting of $29K in cash, $94K in receivables, $2.2M in real property, and $8K in equipment. Liabilities totaled $1.6M, resulting in a net worth of $730K.
- The Developer and anticipated interim phase co-guarantor, Southwest Housing Development Company, Inc., submitted an audited financial statement as of December 31, 2002 reporting total assets of $15.8M and consisting of $2.2M in cash, $7M in receivables, and $1.3M in development in progress. Liabilities totaled $6.1M, resulting in a net equity of $9.7M.
- Brian Potashnik, owner of the Developer and General Contractor, submitted an unaudited financial statement as of December 31, 2002 and is anticipated to be co-guarantor of the interim phase of the development.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner listed no previous development experience but owns 102 multifamily residential units and is a tenant supportive services provider.
- Brian Potashnik, the owner of the Developer and General Contractor, listed participation in 12 previous HTC housing developments totaling 3,034 units since 2001.

SUMMARY OF SALIENT RISKS AND ISSUES

- 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.
- Significant environmental risks exist regarding the on-site in-ground sumps, the residual floor tile on the building slab, and the potential for in-migration of hydrocarbon contamination from the adjacent auto repair facility to the north.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Jim Anderson*	**Date:**	November 5, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	November 5, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Primrose at Jefferson Plaza Apartments, San Antonio, 4% HTC #03441

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%)	72	1	1	750	$568	$522	$37,584	$0.70	$45.66	$31.42
TC (60%)	124	2	1	950	682	630	78,120	0.66	51.91	38.49
TC (60%)	52	2	2	975	682	630	32,760	0.65	51.91	38.49
TOTAL:	248		AVERAGE:	897	$649	$599	$148,464	$0.67	$50.10	$36.44

					TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	222,500						USS Region	9
POTENTIAL GROSS RENT					$1,781,568	$1,782,048		IREM Region	San Antonio
Secondary Income			Per Unit Per Month:	$20.00	59,520	59,520	$20.00	Per Unit Per Month	
Other Support Income:					0	0			
POTENTIAL GROSS INCOME					$1,841,088	$1,841,568			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(138,082)	(128,916)	-7.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME		0.6%			$1,703,006	$1,712,652			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.98%	$342	0.38	$84,858	$65,720	$0.30	$265	3.84%
Management		5.00%	343	0.38	85,150	59,943	0.27	242	3.50%
Payroll & Payroll Tax		12.94%	889	0.99	220,428	206,210	0.93	831	12.04%
Repairs & Maintenance		6.08%	418	0.47	103,562	104,480	0.47	421	6.10%
Utilities		2.23%	153	0.17	38,016	53,320	0.24	215	3.11%
Water, Sewer, & Trash		5.33%	366	0.41	90,816	94,240	0.42	380	5.50%
Property Insurance		2.48%	170	0.19	42,275	46,770	0.21	189	2.73%
Property Tax	3.0016	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		2.91%	200	0.22	49,600	49,600	0.22	200	2.90%
Other: spt svcs, compl fees, sec		2.40%	165	0.18	40,920	40,920	0.18	165	2.39%
TOTAL EXPENSES	-4.6%	44.37%	$3,047	$3.40	$755,625	$721,203	$3.24	$2,908	42.11%
NET OPERATING INC	4.7%	55.63%	$3,820	$4.26	$947,381	$991,449	$4.46	$3,998	57.89%
DEBT SERVICE									
First Lien Mortgage		54.25%	$3,725	$4.15	$923,860	$923,860	$4.15	$3,725	53.94%
City of San Antonio Loan		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		1.38%	$95	$0.11	$23,521	$67,589	$0.30	$273	3.95%
AGGREGATE DEBT COVERAGE RATIO					1.03	1.07			
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)		5.77%	$4,763	$5.31	$1,181,250	$1,181,250	$5.31	$4,763	5.88%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.93%	6,545	7.30	1,623,258	1,623,258	7.30	6,545	8.08%
Direct Construction		47.59%	39,277	43.78	9,740,779	9,357,414	42.06	37,732	46.55%
Contingency	5.00%	2.78%	2,291	2.55	568,202	671,945	3.02	2,709	3.34%
General Req'ts	5.92%	3.29%	2,714	3.02	673,045	673,045	3.02	2,714	3.35%
Contractor's G & A	1.97%	1.10%	905	1.01	224,348	224,348	1.01	905	1.12%
Contractor's Profit	5.92%	3.29%	2,714	3.02	673,045	673,045	3.02	2,714	3.35%
Indirect Construction		6.25%	5,157	5.75	1,279,000	1,279,000	5.75	5,157	6.36%
Ineligible Costs		6.52%	5,379	6.00	1,333,971	1,333,971	6.00	5,379	6.64%
Developer's G & A	1.73%	1.29%	1,067	1.19	264,492	0	0.00	0	0.00%
Developer's Profit	13.00%	9.73%	8,032	8.95	1,991,831	2,256,323	10.14	9,098	11.23%
Interim Financing		2.64%	2,178	2.43	540,100	540,100	2.43	2,178	2.69%
Reserves		1.84%	1,516	1.69	375,954	287,000	1.29	1,157	1.43%
TOTAL COST	-1.8%	100.00%	$82,537	$92.00	$20,469,274	$20,100,699	$90.34	$81,051	100.00%
Recap-Hard Construction Costs		*65.97%*	***$54,446***	***$60.69***	***$13,502,677***	***$13,223,055***	***$59.43***	***$53,319***	*65.78%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	62.34%	$51,452	$57.35	$12,760,000	$12,760,000	$12,444,000	Developer Fee Available
City of San Antonio Loan	4.89%	$4,032	$4.49	1,000,000	1,000,000	1,000,000	$2,232,915
LIHTC Syndication Proceeds	25.11%	$20,726	$23.10	5,140,070	5,140,070	5,114,650	% of Dev. Fee Deferred
GIC Income				89,697	89,697	0	
Deferred Developer Fees	5.43%	$4,480	$4.99	1,110,932	1,110,932	1,542,049	69%
Additional (excess) Funds Required	1.80%	$1,486	$1.66	368,575	0	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$20,469,274	$20,100,699	$20,100,699	$3,702,841

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Primrose at Jefferson Plaza Apartments, San Antonio, 4% HTC #03441

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.27	$8,961,110
Adjustments				
Exterior Wall Finish	2.00%		$0.81	$179,222
Elderly	5.00%		2.01	448,056
Roofing			0.00	0
Subfloor			(0.76)	(168,333)
Floor Cover			1.92	427,200
Porches/Balconies	$14.82	22,176	1.48	328,701
Plumbing	$615	(92)	(0.25)	(56,580)
Built-In Appliances	$1,625	248	1.81	403,000
Stairs	$1,625	20	0.15	32,500
9-Ft. Ceilings	3.00%		1.21	268,833
Heating/Cooling			1.47	327,075
Elevators	$46,538	6	1.25	279,225
Comm &/or Aux Bldgs	$55.70	5,444	1.36	303,239
Other: Corridors	$31.03	56,108	7.83	1,741,292
SUBTOTAL			60.56	13,474,540
Current Cost Multiplier	1.04		2.42	538,982
Local Multiplier	0.85		(9.08)	(2,021,181)
TOTAL DIRECT CONSTRUCTION COSTS			$53.90	$11,992,341
Plans, specs, survy, bld prm	3.90%		($2.10)	($467,701)
Interim Construction Interes	3.38%		(1.82)	(404,741)
Contractor's OH & Profit	11.50%		(6.20)	(1,379,119)
NET DIRECT CONSTRUCTION COSTS			$43.78	$9,740,779

PAYMENT COMPUTATION

Primary	$12,760,000	Amort	480
Int Rate	6.75%	DCR	1.03
Secondary	$1,000,000	Amort	
Int Rate	0.00%	Subtotal DCR	1.03
Additional	$5,140,070	Amort	
Int Rate		Aggregate DCR	1.03

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$900,984
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$90,464

Primary	$12,444,048	Amort	480
Int Rate	6.75%	DCR	1.10
Secondary	$1,000,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	$5,140,070	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,782,048	$1,835,509	$1,890,575	$1,947,292	$2,005,711	$2,325,168	$2,695,507	$3,124,832	$4,199,513
Secondary Income	59,520	61,306	63,145	65,039	66,990	77,660	90,029	104,369	140,263
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,841,568	1,896,815	1,953,719	2,012,331	2,072,701	2,402,829	2,785,537	3,229,201	4,339,776
Vacancy & Collection Loss	(128,916)	(142,261)	(146,529)	(150,925)	(155,453)	(180,212)	(208,915)	(242,190)	(325,483)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,712,652	$1,754,554	$1,807,191	$1,861,406	$1,917,248	$2,222,616	$2,576,622	$2,987,011	$4,014,292
EXPENSES at 4.00%									
General & Administrative	$65,720	$68,349	$71,083	$73,926	$76,883	$93,540	$113,806	$138,462	$204,958
Management	59,943	61409.735	63252.0273	65149.58811	67104.07576	77792.01531	90182.26653	104545.9636	140501.0328
Payroll & Payroll Tax	206,210	214,459	223,037	231,958	241,237	293,501	357,089	434,454	643,098
Repairs & Maintenance	104,480	108,659	113,006	117,526	122,227	148,708	180,926	220,124	325,837
Utilities	53,320	55,453	57,671	59,978	62,377	75,891	92,333	112,337	166,286
Water, Sewer & Trash	94,240	98,010	101,930	106,007	110,247	134,133	163,193	198,549	293,902
Insurance	46,770	48,641	50,586	52,610	54,714	66,568	80,991	98,537	145,859
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Other	40,920	42,557	44,259	46,029	47,871	58,242	70,860	86,212	127,615
TOTAL EXPENSES	$721,203	$749,120	$778,471	$808,977	$840,685	$1,018,972	$1,235,271	$1,497,722	$2,202,741
NET OPERATING INCOME	$991,449	$1,005,434	$1,028,719	$1,052,429	$1,076,563	$1,203,645	$1,341,351	$1,489,289	$1,811,551
DEBT SERVICE									
First Lien Financing	$900,984	$900,984	$900,984	$900,984	$900,984	$900,984	$900,984	$900,984	$900,984
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	$90,464	$104,449	$127,735	$151,445	$175,579	$302,661	$440,366	$588,305	$910,567
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.17	1.19	1.34	1.49	1.65	2.01

LIHTC Allocation Calculation - Primrose at Jefferson Plaza Apartments, San Antonio, 4% HTC #034

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	$1,181,250	$1,181,250		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,623,258	$1,623,258	$1,623,258	$1,623,258
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,357,414	$9,740,779	$9,357,414	$9,740,779
(4) Contractor Fees & General Requirements				
Contractor overhead	$224,348	$224,348	$219,613	$224,348
Contractor profit	$673,045	$673,045	$658,840	$673,045
General requirements	$673,045	$673,045	$658,840	$673,045
(5) Contingencies	$671,945	$568,202	$549,034	$568,202
(6) Eligible Indirect Fees	$1,279,000	$1,279,000	$1,279,000	$1,279,000
(7) Eligible Financing Fees	$540,100	$540,100	$540,100	$540,100
(8) All Ineligible Costs	$1,333,971	$1,333,971		
(9) Developer Fees			$2,232,915	
Developer overhead		$264,492		$264,492
Developer fee	$2,256,323	$1,991,831		$1,991,831
(10) Development Reserves	$287,000	$375,954		
TOTAL DEVELOPMENT COSTS	$20,100,699	$20,469,274	$17,119,015	$17,578,100

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$17,119,015	$17,578,100
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$17,119,015	$17,578,100
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$17,119,015	$17,578,100
Applicable Percentage		3.60%	3.60%
TOTAL AMOUNT OF TAX CREDITS		$616,285	$632,812
Syndication Proceeds	**0.8299**	**$5,114,650**	**$5,251,811**

Total Credits (Eligible Basis Method)	**$616,285**	**$632,812**
Syndication Proceeds	**$5,114,650**	**$5,251,811**
Requested Credits	**$619,285**	
Syndication Proceeds	**$5,139,552**	
Gap of Syndication Proceeds Needed	**$6,656,699**	
Credit Amount	**$802,092**	

DELORME

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Zoom Level: 11-3 Datum: WGS84

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Developer Evaluation

Project ID # **03441** Name: **Primrose @ Jefferson Plaza** City: **San Antonio**

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: 9 Projects grouped by score 0-9 9 10-19 0 20-29 0

Total # monitored with a score less than 30: 9 # not yet monitored or pending review: 11

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 y, October 10, 2003

Multifamily Finance Production

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

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

Reviewed by S Roth Date 9 /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 EEF Date 9 /26/2003

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 ____________ Date ____________

Executive Director: Edwina Carrington **Executed:** day, November 04, 2003

HOUSING TAX CREDIT PROGRAM

2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Little York Parc Apartments** TDHCA#: 03442

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
Development Owner: APV-Little York Parc Apartments, LP
General Partner(s): APV-Little York GP, LLC, 100%, Contact: Jim Bruner
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Victory Street Public Utility Corp.
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $883,444 Eligible Basis Amt: $900,345 Equity/Gap Amt.: $941,909
Annual Tax Credit Allocation Recommendation: $883,444
Total Tax Credit Allocation Over Ten Years: $ 8,834,440

PROPERTY INFORMATION

Unit and Building Information
Total Units: 280 LIHTC Units: 280 % of LIHTC Units: 100
Gross Square Footage: 267,749 Net Rentable Square Footage: 262,256
Average Square Footage/Unit: 937
Number of Buildings: 19
Currently Occupied: N
Development Cost
Total Cost: $22,128,696 Total Cost/Net Rentable Sq. Ft.: $84.38
Income and Expenses
Effective Gross Income:[1] $2,034,830 Ttl. Expenses: $885,308 Net Operating Inc.: $1,149,522
Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Embrey Management Services
Attorney:	Coats, Rose, Yale, Ryman & Lee	Architect:	Hill and Frank Architects
Accountant:	Novogradac & Company	Engineer:	RG Miller Engineering
Market Analyst:	O'Connor & Associates	Lender:	GMAC Capital
Contractor:	Arbor Construction	Syndicator:	MMA Financial, LLC

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Rodney Ellis, District 13 - NC Rep. Senfronia Thompson, District 141 - O Mayor Lee P. Brown - NC Daisy A. Stiner, Director, City of Houston, Housing & Community Development Department; Consistent with the City of Houston's Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Receipt, review, and acceptance of documentation for the proposed long term property lease and confirmation of how this proposed lease and HACH acquisition of the property will affect the sources and uses of the transaction to be submitted prior to bond closing.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

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

Other Comments including discretionary factors (if applicable).

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

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

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

Other Comments including discretionary factors (if applicable).

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

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

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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: November 4, 2003 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 03442

DEVELOPMENT NAME

Little York Parc Apartments

APPLICANT

Name:	APV-Little York Parc Apartments, L.P.	**Type:**	For Profit w/ Non-profit General Partner		
Address:	1100 N.E. Loop 410, Suite 900	**City:**	San Antonio	**State:**	TX
Zip: 78209	**Contact:** Jim Bruner	**Phone:**	(210) 824-6044	**Fax:**	(210) 824-7656

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	APV-Little York GP, L.L.C.	**(%):**	0.01	**Title:**	Managing General Partner
Name:	APV Redevelopment Corporation			**Title:**	100% Owner of MGP & Non-profit
Name:	Little York Wayside Apartments, Inc.			**Title:**	Developer
Name:	Little York Wayside Management, LLC			**Title:**	1% Owner of Developer and GP of the Developer
Name:	Walter M. Embrey, Jr.			**Title:**	100% Owner of GP of the Developer
Name:	Housing Authority of the City of Houston (HACH)			**Title:**	Property owner and affiliate of MGP

PROPERTY LOCATION

Location:	7900 Little York		☒ **QCT**		☐ **DDA**
City:	Houston	**County:**	Harris	**Zip:**	77016

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$883,444	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 $883,444 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt review and acceptance of documentation for the proposed long term property lease and confirmation of how this proposed lease and HACH acquisition of the property will affect the sources and uses of the transaction to be submitted prior to bond closing.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	280	**# Rental Buildings**	19	**# Common Area Bldngs**	3	**# of Floors**	3	**Age:**	N/A yrs

Net Rentable SF:	262,256	**Av Un SF:**	937	**Common Area SF:**	5,493	**Gross Bldg SF:**	267,749

STRUCTURAL MATERIALS

A Wood frame on a post-tensioned concrete slab on grade, 33% Stucco/67% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer, ceiling fans, laminated counter tops, individual water heaters, high speed internet access

ON-SITE AMENITIES

A 4,000 SF community building with activity room, management offices, exercise facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play that is located at the entrance to the property. In addition perimeter fencing with limited access gates are also planed for the site with two heated and cooled laundry buildings spaced throughout the facilities.

Uncovered Parking:	558	spaces	**Carports:**	50	spaces	**Garages:**	N/A	spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Little York Parc Apartments originally was to be developed by Robinson Capital & Investments with Michael G. Robinson 100% owner of the Developer and on October 17, 2003 the Developer was changed to Little York Wayside Apartment, Ltd. The development is to be a relatively dense 20 units per acres new construction development of 280 units of affordable income housing located in north Houston. The development is comprised of 19 sporadically distributed large to medium garden style walk-up residential buildings as follows:

- (2) Building Type A with 24 one-bedroom/ one-bath units;
- (6) Building Type B with 24 two- bedroom/ two-bath units;
- (11) Building Type C with 8 three- bedroom/ two-bath units;

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

Supportive Services: Apartment Life will provide supportive services that will consist of: family skills development, computer training, educational and advancement programs. The services will be optional and the cost of the services is included in the rent.

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

SITE ISSUES

SITE DESCRIPTION

Size:	14.03	acres	611,147	square feet	**Zoning/ Permitted Uses:**	No zoning
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Partially Improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Little York Parc is in the northern portion of Houston, Harris County at the northwest corner of Little York Road and North Wayside Drive. The site is conveniently located just east of Highway 59.

Adjacent Land Uses:

- **North:** Trotter Park and single-family residential subdivision
- **South:** Vacant land
- **East:** Vacant land
- **West:** Trotter Park

Site Access: Access to the property is from the north or south along North Wayside Drive. The development is to have two entries, both from the east side of the property off of North Wayside Drive. Access to Interstate Highway 59 is several miles west, which provides connections to all other major roads serving the Houston area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The neighborhood is a viable, heterogeneous area consisting of a variety of commercial, and residential land uses including, but not limited to schools, neighborhood shopping centers, recreational centers, libraries, public services and churches.

Site Inspection Findings: TDHCA staff performed a site inspection on September 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 September 3, 2003 was prepared by Live Oak Environmental Consultants and contained the following findings and recommendations:

Findings: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property."

Recommendations: **"**At this time, no further environmental testing or investigation is recommended."

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All 280 of the units (100% of the total) will be reserved for low-income tenants. All 280 of the units (100%) being a Priority 1 private activity bond will be reserved for households earning 60% or less of AMGI. All 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	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated September 25, 2003 was prepared by Patrick O'Connor & Associates and highlighted the following findings:

Definition of Primary Market: "The subject's neighborhood is generally defined as being bound by Cypress Creek, Richey road, and Green Bayou on the north; the Hardy Tollroad, Interstate 45, and Kuykendahl Road on the west; the Hardy Tollroad, Greens Bayou and Lee Road on the east; and the Santa Fe Pacific Railroad tracks and Highway 90 on the south." (p. 24)

Population: The estimated 2003 population of the primary market was 224,391 and is expected to increase by 8% to approximately 243,184 by 2008. Within the primary market area there were estimated to be 70,891 households in 2003.

Total Local/Submarket Demand for Rental Units: (p. 68)

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	187	5%	138	3%
Resident Turnover	3,623	86%	4,132	97%

Other Sources:	381	9%		
TOTAL ANNUAL DEMAND	4,191	**100%**	4,270	**100%**

Ref: p. 68

Inclusive Capture Rate: "Based on our research, there is one market rate and two affordable housing projects (Lakecrest Village-35 units & Emerald Bay-248 units) currently proposed, under construction or approved for construction in the subject's primary market of which 283 will be rent-restricted that would be classified not yet stabilized; therefore, the Capture Rate for 563 proposed affordable units would be 13.43%." (p. 69) The Underwriter's inclusive capture rate was calculated to be 20% due to the addition of 280 more rent-restricted units being considered with Northland Woods Apartments which are also located in the subjects market area.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,132 units in the market area. (p. 48)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	$521	$521	$0	$620	-$99
2-Bedroom (50%)	$625	$625	$0	$840	-$215
3-Bedroom (50%)	$720	$720	$0	$1,050	-$330

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

Primary Market Occupancy Rates: "The average occupancy for apartments in the subject's primary market area was reported at 88.14% in the most recent O'Connor & Associates apartment Ownership Guide survey (June 2003). According to the survey, occupancy in the primary market area in June 2003 has declined slightly from recent quarters. However, average occupancy in the primary market area has remained relatively stable since September 1999. Based on our analysis of the market, moderate increases in occupancy are projected for this market. The subject should be able to reach a stabilized occupancy level within 12 months of completion." (p. 41)

Absorption Projections: "Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 25-30 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within six to eight months following completion." (p. 74)

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

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The Applicant's effective gross income is less than 1% more than the underwriter's estimate of effective gross income.

Expenses: The Applicant's total expense estimate of $2,850 per unit is 10% lower than a TDHCA database-derived estimate of $3,162 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly the management fee shown at four percent instead of the standard five percent and general and administrative is $57.6K lower than the TDHCA estimate. The development will be granted tax exemption due to the fact that the property owner is HACH an instrumentality of the city.

Conclusion: The Applicant's estimated expenses and operating income are more than 5% different than the Underwriter's expectations and database-derived estimate. In both the Applicant's and the Underwriter's 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: (26.7291) acres $197,870 **Assessment for the Year of:** 2002

Prorated: 1 acre	$7,403	**Valuation by:**	Harris County Appraisal District
Prorated: 14.03 acres	$103,864	**Tax Rate:**	3.04567

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract		
Contract Expiration Date:	12/ 31/ 2003	**Anticipated Closing Date:**	12/ 31/ 2003
Acquisition Cost:	$780,000	**Other Terms/Conditions:**	Earnest Money $3,000
Seller:	Werner Partnership, LTD	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. The description in the application suggests that HACH will own the property and provide a long term lease to the Applicant. The precise mechanism by which this will occur and still allow the anticipated acquisition price to be included has not been disclosed or documented. Receipt, review and acceptance of such documentation is a condition of this report.

Off-Site Costs: The Applicant claimed off-site costs of $430,000 for storm and wastewater sewer lines, repair and replace landscape, traffic control, and provided sufficient third party certification through an engineers certification to justify these costs.

Sitework Cost: The Applicant's claimed sitework costs of $7,041 per unit is considered to be within the agencies guidelines compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $92K or less than 1% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant incorrectly included $108K in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $19,238,148 is used to determine a credit allocation of $903,345 from this method. This exceeds the requested amount of $883,444; therefore, the requested amount will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source:	GMAC Capital	**Contact:**	James Hahn
Principal Amount:	$14,500,000	**Interest Rate:**	6.7% underwriting rate
Additional Information:			

Amortization: N/A yrs **Term:** 3 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source:	GMAC Capital	**Contact:**	James Hahn

Principal Amount: $14,500,000 **Interest Rate:** 6.7% underwriting rate

Additional Information:

Amortization: 40 yrs **Term:** 32 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $1,049,941 **Lien Priority:** 1st **Commitment Date** 10/ 24/ 2003

LIHTC SYNDICATION

Source: MMA Financial **Contact:** Marie Keutmann

Address: 101 Arch Street **City:** Boston

State: MA **Zip:** 02110 **Phone:** (617) 772-9557 **Fax:** (617) 772-9978

Net Proceeds: $7,155,896 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 81¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 10/ 23/ 2003

APPLICANT EQUITY

Amount: $472,799 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

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

LIHTC Syndication: MMA Financial has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $7,155,896 based on a syndication factor of 81%.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $472,799 amount to approximately 19% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the LIHTC allocation should be limited to $903,345, but the Applicant's requested credit amount of $883,444 annually for ten years and the lower of the two will be used. This results in syndication proceeds of $7,155,181 or $715 less than anticipated by the Applicant. This difference appears to be a result of the Applicant assuming 100% of the tax credit would be sold rather than 99.99%. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased by this nominal $715 amount to $473,515, which represents approximately 19% of the total eligible fee and which should be repayable from cash flow within approximately three years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Developer, General Contractor and Property Manager firms 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.
- The Owner of the General Partner, APV Redevelopment Corporation submitted an unaudited financial statement as of December 31, 2002 reporting total assets of $1.2M, consisting of $230K equity in APV Historic Community L.P. and $991K in Developer Fee Receivables. No liabilities were shown resulting in a net worth of $1.2M.
- The Owner of the General Partner of the Developer, Walter M. Embrey, Jr., submitted an unaudited financial statement as of June 30, 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- APV Redevelopment Corporation the 100% owner of the Managing General Partner has completed five LIHTC housing developments totaling 840 units since 1997.

- Walter M. Embrey, Jr., the 100% Owner of GP of the Developer, has completed numerous multi-family developments as a developer and a contractor throughout the United States as well as a Certificate of Experience issued by TDHCA dated August 6, 2003.

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.

Underwriter:	*Carl Hoover*	**Date:**	November 4, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	November 4, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Little York Parc, Houston, HTC #03442

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%)	48	1	1	657	$558	$521	$25,008	$0.79	$37.00	$37.31
TC (50%)	144	2	2	930	670	625	90,000	0.67	45.00	43.31
TC (50%)	88	3	2	1,100	775	720	63,360	0.65	55.00	49.31
TOTAL:	280		AVERAGE:	937	$684	$637	$178,368	$0.68	$46.77	$44.17

INCOME		Total Net Rentable Sq Ft:	262,256		**TDHCA**	**APPLICANT**		USS Region	6
POTENTIAL GROSS RENT					$2,140,416	$2,140,416		IREM Region	Houston
Secondary Income			Per Unit Per Month:	$15.00	50,400	55,205	$16.43	Per Unit Per Month	
Other Support Income: Carports					9,000	9,000			
POTENTIAL GROSS INCOME					$2,199,816	$2,204,621			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(164,986)	(165,348)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$2,034,830	$2,039,273			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.83%	$424	0.45	$118,612	$61,000	$0.23	$218	2.99%
Management		5.00%	363	0.39	101,741	$81,571	0.31	291	4.00%
Payroll & Payroll Tax		13.42%	975	1.04	273,076	$230,000	0.88	821	11.28%
Repairs & Maintenance		4.83%	351	0.38	98,361	$115,800	0.44	414	5.68%
Utilities		1.97%	143	0.15	40,074	$33,480	0.13	120	1.64%
Water, Sewer, & Trash		5.35%	388	0.41	108,770	$126,100	0.48	450	6.18%
Property Insurance		2.49%	181	0.19	50,674	$56,000	0.21	200	2.75%
Property Tax	3.04567	0.49%	36	0.04	10,000	$10,000	0.04	36	0.49%
Reserve for Replacements		2.75%	200	0.21	56,000	$56,000	0.21	200	2.75%
Other Expenses: Supp. Serv.& Cor		1.38%	100	0.11	28,000	$28,000	0.11	100	1.37%
TOTAL EXPENSES		43.51%	$3,162	$3.38	$885,308	$797,951	$3.04	$2,850	39.13%
NET OPERATING INC		56.49%	$4,105	$4.38	$1,149,522	$1,241,322	$4.73	$4,433	60.87%
DEBT SERVICE									
GMAC		51.29%	$3,727	$3.98	$1,043,587	$1,049,841	$4.00	$3,749	51.48%
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		5.21%	$378	$0.40	$105,935	$191,481	$0.73	$684	9.39%
AGGREGATE DEBT COVERAGE RATIO					1.10	1.18			
RECOMMENDED DEBT COVERAGE RATIO					1.10				
CONSTRUCTION COST									
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	**TDHCA**	**APPLICANT**	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.77%	$3,054	$3.26	$855,000	$855,000	$3.26	$3,054	3.86%
Off-Sites		1.90%	1,536	1.64	430,000	430,000	1.64	1,536	1.94%
Sitework		8.70%	7,041	7.52	1,971,500	1,971,500	7.52	7,041	8.91%
Direct Construction		45.59%	36,893	39.39	10,330,127	10,238,229	39.04	36,565	46.27%
Contingency	4.99%	2.71%	2,191	2.34	613,436	613,436	2.34	2,191	2.77%
General Req'ts	5.98%	3.25%	2,629	2.81	736,124	736,124	2.81	2,629	3.33%
Contractor's G & A	1.99%	1.08%	876	0.94	245,375	245,375	0.94	876	1.11%
Contractor's Profit	5.98%	3.25%	2,629	2.81	736,124	736,124	2.81	2,629	3.33%
Indirect Construction		4.16%	3,363	3.59	941,700	941,700	3.59	3,363	4.26%
Ineligible Costs		7.04%	5,694	6.08	1,594,338	1,594,338	6.08	5,694	7.20%
Developer's G & A	1.84%	1.37%	1,109	1.18	310,637	0	0.00	0	0.00%
Developer's Profit	13.00%	9.66%	7,819	8.35	2,189,363	2,500,000	9.53	8,929	11.30%
Interim Financing		5.59%	4,525	4.83	1,266,870	1,266,870	4.83	4,525	5.73%
Reserves		1.92%	1,556	1.66	435,788	0	0.00	0	0.00%
TOTAL COST		100.00%	$80,916	$86.39	$22,656,382	$22,128,696	$84.38	$79,031	100.00%
Recap-Hard Construction Costs		*64.59%*	***$52,260***	***$55.80***	***$14,632,686***	***$14,540,788***	***$55.45***	***$51,931***	*65.71%*
SOURCES OF FUNDS							RECOMMENDED		
GMAC		64.00%	$51,786	$55.29	$14,500,000	$14,500,000	$14,500,000	Developer Fee Available	
Additional Financing		0.00%	$0	$0.00	0		0	$2,500,000	
LIHTC Syndication Proceeds		31.58%	$25,557	$27.29	7,155,896	7,155,896	7,155,181	% of Dev. Fee Deferred	
Deferred Developer Fees		2.09%	$1,689	$1.80	472,799	472,799	473,515	19%	
Additional (excess) Funds Required		2.33%	$1,885	$2.01	527,687	1	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES					$22,656,382	$22,128,696	$22,128,696	$4,465,413.65	

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Little York Parc, Houston, HTC #03442

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.28	$11,088,184
Adjustments				
Exterior Wall Finish	0.67%		$0.28	$74,291
9' Ceilings	3.00%		1.27	332,646
Roofing			0.00	0
Subfloor			(0.81)	(211,903)
Floor Cover			1.92	503,532
Porches/Balconies	$19.97	4200	0.32	83,860
Plumbing	$615	696	1.63	428,040
Built-In Appliances	$1,625	280	1.73	455,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	385,516
Garages/Carports	$7.83	10,800	0.32	84,564
Comm &/or Aux Bldgs	$55.70	5,493	1.17	305,968
Other:			0.00	0
SUBTOTAL			51.59	13,529,697
Current Cost Multiplier	1.04		2.06	541,188
Local Multiplier	0.90		(5.16)	(1,352,970)
TOTAL DIRECT CONSTRUCTION COSTS			$48.49	$12,717,916
Plans, specs, survy, bld prmt	3.90%		($1.89)	($495,999)
Interim Construction Interest	3.38%		(1.64)	(429,230)
Contractor's OH & Profit	11.50%		(5.58)	(1,462,560)
NET DIRECT CONSTRUCTION COSTS			$39.39	$10,330,127

PAYMENT COMPUTATION

Primary	$14,500,000	Term	480
Int Rate	6.70%	DCR	1.10

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$7,155,896	Term	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$1,043,587
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$105,935

Primary	$14,500,000	Term	480
Int Rate	6.70%	DCR	1.10

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$7,155,896	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

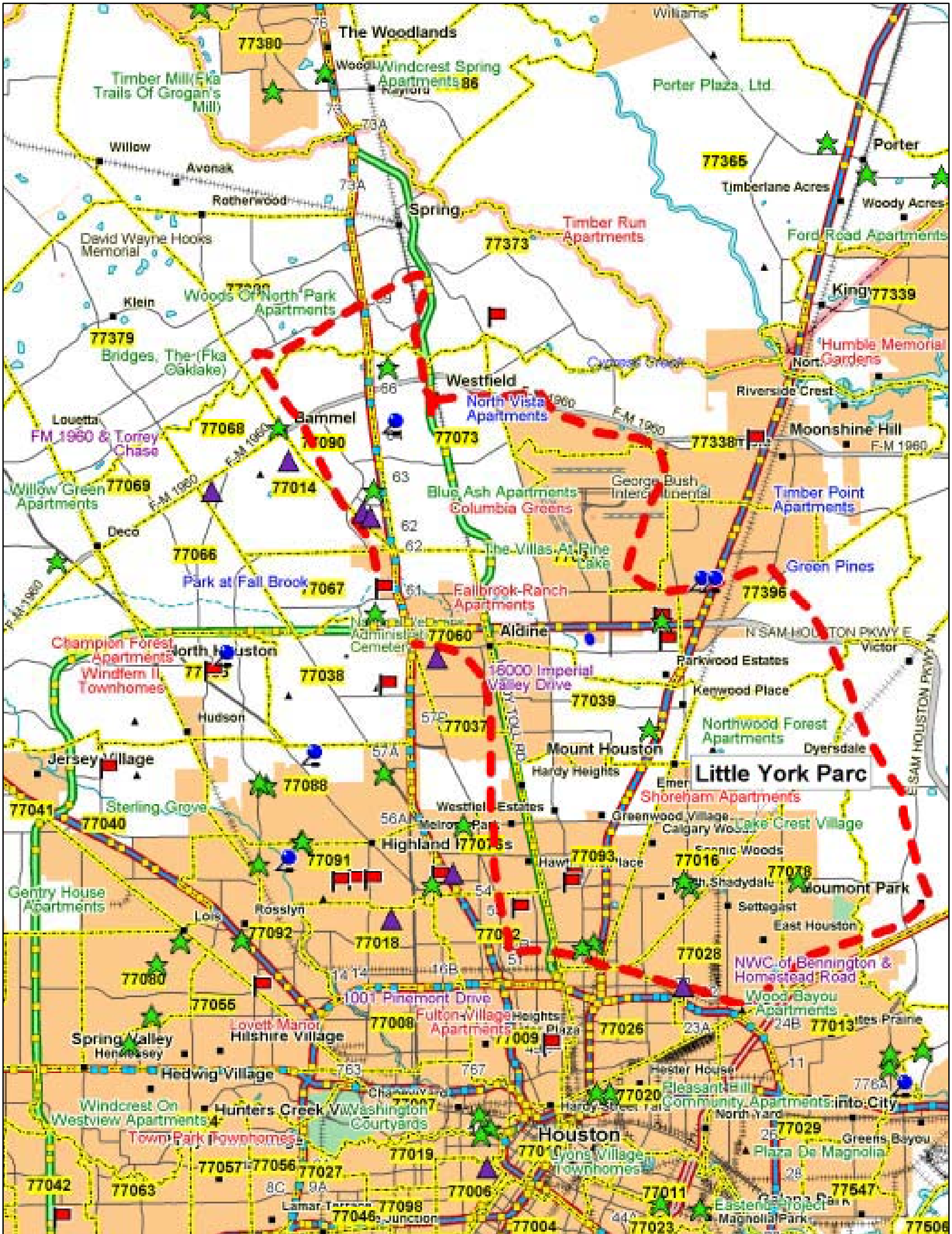
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,140,416	$2,204,628	$2,270,767	$2,338,890	$2,409,057	$2,792,757	$3,237,571	$3,753,232	$5,044,031
Secondary Income	50,400	51,912	53,469	55,073	56,726	65,761	76,235	88,377	118,771
Other Support Income: Carports	9,000	9,270	9,548	9,835	10,130	11,743	13,613	15,782	21,209
POTENTIAL GROSS INCOME	2,199,816	2,265,810	2,333,785	2,403,798	2,475,912	2,870,261	3,327,419	3,857,391	5,184,011
Vacancy & Collection Loss	(164,986)	(169,936)	(175,034)	(180,285)	(185,693)	(215,270)	(249,556)	(289,304)	(388,801)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,034,830	$2,095,875	$2,158,751	$2,223,513	$2,290,219	$2,654,991	$3,077,863	$3,568,086	$4,795,210
EXPENSES at 4.00%									
General & Administrative	$118,612	$123,356	$128,290	$133,422	$138,759	$168,821	$205,397	$249,897	$369,908
Management	101,741	104,794	107,938	111,176	114,511	132,750	153,893	178,404	239,760
Payroll & Payroll Tax	273,076	283,999	295,359	307,174	319,461	388,673	472,880	575,330	851,630
Repairs & Maintenance	98,361	102,296	106,387	110,643	115,069	139,999	170,330	207,232	306,754
Utilities	40,074	41,677	43,344	45,078	46,881	57,037	69,395	84,429	124,976
Water, Sewer & Trash	108,770	113,121	117,646	122,351	127,246	154,814	188,354	229,162	339,216
Insurance	50,674	52,701	54,809	57,001	59,281	72,125	87,751	106,762	158,034
Property Tax	10,000	10,400	10,816	11,249	11,699	14,233	17,317	21,068	31,187
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other	28,000	29,120	30,285	31,496	32,756	39,853	48,487	58,992	87,322
TOTAL EXPENSES	$885,308	$919,703	$955,443	$992,582	$1,031,173	$1,248,009	$1,510,777	$1,829,261	$2,683,432
NET OPERATING INCOME	$1,149,522	$1,176,172	$1,203,308	$1,230,932	$1,259,046	$1,406,982	$1,567,086	$1,738,825	$2,111,778
DEBT SERVICE									
First Lien Financing	$1,043,587	$1,043,587	$1,043,587	$1,043,587	$1,043,587	$1,043,587	$1,043,587	$1,043,587	$1,043,587
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	$105,935	$132,585	$159,721	$187,345	$215,459	$363,395	$523,499	$695,238	$1,068,191
DEBT COVERAGE RATIO	1.10	1.13	1.15	1.18	1.21	1.35	1.50	1.67	2.02

LIHTC Allocation Calculation - Little York Parc, Houston, HTC #03442

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	$855,000	$855,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,971,500	$1,971,500	$1,971,500	$1,971,500
Off-site improvements	$430,000	$430,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$10,238,229	$10,330,127	$10,238,229	$10,330,127
(4) Contractor Fees & General Requirements				
Contractor overhead	$245,375	$245,375	$244,195	$245,375
Contractor profit	$736,124	$736,124	$732,584	$736,124
General requirements	$736,124	$736,124	$732,584	$736,124
(5) Contingencies	$613,436	$613,436	$610,486	$613,436
(6) Eligible Indirect Fees	$941,700	$941,700	$941,700	$941,700
(7) Eligible Financing Fees	$1,266,870	$1,266,870	$1,266,870	$1,266,870
(8) All Ineligible Costs	$1,594,338	$1,594,338		
(9) Developer Fees				
Developer overhead		$310,637		$310,637
Developer fee	$2,500,000	$2,189,363	$2,500,000	$2,189,363
(10) Development Reserves		$435,788		
TOTAL DEVELOPMENT COSTS	$22,128,696	$22,656,382	$19,238,148	$19,341,256

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		$19,238,148	$19,341,256
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$25,009,592	$25,143,633
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$25,009,592	$25,143,633
Applicable Percentage		3.60%	3.60%
TOTAL AMOUNT OF TAX CREDITS		$900,345	$905,171
Syndication Proceeds	**0.8099**	**$7,292,068**	**$7,331,150**

Total Credits (Eligible Basis Method)	**$900,345**	**$905,171**
Syndication Proceeds	**$7,292,068**	**$7,331,150**
Requested Credits	**$883,444**	
Syndication Proceeds	**$7,155,181**	
Gap of Syndication Proceeds Needed	**$7,628,696**	
Credit Amount	**$941,909**	



DELORME

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Zoom Level: 10-0 Datum: WGS84

Scale 1 : 200 000
1" = 3.16 mi

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Developer Evaluation

Project ID # **03442** Name: **Little York Parc 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: 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: 3

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 y, October 10, 2003

Multifamily Finance Production

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

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

Reviewed by S Roth Date 9 /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 EEF Date 9 /26/2003

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 ______________ Date ______________

Executive Director: Edwina Carrington **Executed:** day, November 04, 2003

HOUSING TAX CREDIT PROGRAM

2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Little Nell Apartments** TDHCA#: 03449

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
Development Owner: Little Nell Apartments, LP
General Partner(s): Little Nell Development, LLC, 100%, Contact: William D. Henson
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Houston HFC
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $928,271 Eligible Basis Amt: $920,281 Equity/Gap Amt.: $1,163,229
Annual Tax Credit Allocation Recommendation: $920,281
Total Tax Credit Allocation Over Ten Years:$ 9,202,810

PROPERTY INFORMATION

Unit and Building Information
Total Units: 278 LIHTC Units: 278 % of LIHTC Units: 100
Gross Square Footage: 271,509 Net Rentable Square Footage: 266,480
Average Square Footage/Unit: 959
Number of Buildings: 23
Currently Occupied: N
Development Cost
Total Cost: $23,221,216 Total Cost/Net Rentable Sq. Ft.: $87.14
Income and Expenses
Effective Gross Income:[1] $2,270,880 Ttl. Expenses: $1,056,400 Net Operating Inc.: $1,214,480
Estimated 1st Year DCR: 1.16

DEVELOPMENT TEAM

Consultant:	SGI Ventures, Inc.	Manager:	Orion Real Estate Services
Attorney:	Coats, Rose, Yale, Ryman & Lee	Architect:	Mucasey & Associates
Accountant:	Reznick, Fedder & Silverman	Engineer:	Lott & Brown Engineering Services
Market Analyst:	O'Connor & Associates	Lender:	GMAC Commercial Mortgage
Contractor:	Dwayne Henson Investments, Inc.	Syndicator:	SunAmerica

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Rodney Ellis, District 13 - NC Rep. Joe Nixon, District 133 - NC Mayor Lee P. Brown - NC Daisy A. Stiner, Director, City of Houston, Housing & Community Development Department; Consistent with the City of Houston's Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Receipt, review, and acceptance prior to start of construction of a final flood mitigation plan as well as an estimate prepared by the Development engineer of the cost to implement the final flood mitigation plan and the effect on the estimated total development cost.
3. Receipt, review, and acceptance prior to permanent loan closing of the terms of the purchased interest rate cap and the annual dollar amount of the escrow required by FNMA for purchase of future interest rate caps.
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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: November 3, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03449

DEVELOPMENT NAME

Little Nell

APPLICANT

Name:	Little Nell Apartments, LP	**Type:**	For Profit		
Address:	5405 John Dreaper	**City:**	Houston	**State:**	TX
Zip:	77056 **Contact:** William D Henson	**Phone:**	(713) 334-5808	**Fax:**	(713) 334-5614

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Little Nell Development, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Little Nell Develoers, LLC	**(%):**	0.01	**Title:**	Developer
Name:	Dwayne Henson Investments (DHI)	**(%):**	N/A	**Title:**	50% owner of MGP
Name:	Pamela G Henson	**(%):**	N/A	**Title:**	15% owner of DHI
Name:	William D Henson	**(%):**	N/A	**Title:**	35% owner of DHI
Name:	Laura Henson	**(%):**	N/A	**Title:**	35% owner of DHI
Name:	Cheryl L Henson	**(%):**	N/A	**Title:**	15% owner of DHI
Name:	Resolution Real Estate Services (RRES)	**(%):**	N/A	**Title:**	50% owner of MGP
Name:	J Steve Ford	**(%):**	N/A	**Title:**	50% owner of RRES
Name:	Cynthia Ford	**(%):**	N/A	**Title:**	50% owner of RRES

PROPERTY LOCATION

Location:	8500 & 9500 blocks of Beltway W Sam Houston Parkway S near Beechnut	☒ **QCT**		☐ **DDA**	
City:	Houston	**County:**	Harris	**Zip:**	77036

REQUEST

Amount	Interest Rate	Amortization	Term
$928,271	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 HTC ALLOCATION NOT TO EXCEED $920,281 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt review and acceptance prior to start of construction of a final flood mitigation plan as well as an estimate prepared by the Development engineer of the cost to implement the final flood mitigation plan and the effect on the estimated total development cost;
2. Receipt, review and acceptance prior to permanent loan closing of the terms of the purchased interest

rate cap and the annual dollar amount of the escrow required by FNMA for purchase of future interest rate caps; 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.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	278	**# Rental Buildings**	23	**# Common Area Bldngs**	1	**# of Floors**	3	**Age:**	N/A yrs	**Vacant:**	N/A	at	/ /
Net Rentable SF:	266,480	**Av Un SF:**	959	**Common Area SF:**	5,029	**Gross Bldg SF:**	271,509						

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 40% brick veneer/60% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, 9' ceilings

ON-SITE AMENITIES

A 5,029-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business centers, central mailroom, and swimming pool are located at the main entrance to the property. In addition an equipped children's play area and perimeter fencing with limited access gate(s) are also planned for the site.

Uncovered Parking: 278 spaces **Carports:** 0 spaces **Garages:** 278 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Little Nell is a relatively dense (17 units per acre) new construction development located in Houston. All of the proposed units will be offered as affordable housing. The development is comprised of garden style walk-up residential buildings as follows:

- Twelve buildings with eight three-bedroom units and two two-bedroom units;
- Seven buildings with 10 two-bedroom units; and
- Four buildings with 20 one-bedroom units and two two-bedroom units.

Architectural Review: The unit floorplans offer adequate storage as well as a built-in desk and utility closet with space for full-size appliances. Each unit also includes access to an attached or detached single-car garage. Most upper story units are accessed through an interior stairway. The planned exterior of the residential buildings is comparable to that found in market rate properties. The community building exterior is similar to that of the residential buildings.

Supportive Services: Currently, the Applicant plans to contract with Texas Inter-Faith Housing Corporation to provide free optional services including: family skills, neighborhood advancement, rent and utility allowance consultation, fun and freedom activities, etc. The proposed fee is $21,773, which the Applicant included in projected annual operating expenses.

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

SITE ISSUES

SITE DESCRIPTION

Size:	16.11 acres	701,752 square feet	**Zoning/ Permitted Uses:**	N/A (Houston)	
Flood Zone Designation:	Zone AE/X		**Status of Off-Sites:**	Fully Improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is located on the east side of the Sam Houston Parkway (Beltway 8), approximately 900 feet south of Beechnut Street in southwest Houston.

Adjacent Land Uses:

- **North:** Beechnut Street, commercial properties
- **South:** drainage easement, apartments, residential subdivision
- **East:** commercial shopping center
- **West:** Beltway 8, Sam Houston Toll Road

Site Access: The site has frontage along the Beltway 8 frontage road. According to the Market Analyst additional access will be available off Beechnut Street via an access easement to be created after purchase of the subject tract. The principal east/west thoroughfares in the market area include Westpark, Alief Clodine, Harwin, Bellaire, Beechnut, Bissonnet, and West Bellfort. The principal north/south thoroughfares include Synott, Dairy Ashford, Cook, South Kirkwood, Boone, Wilcrest, the Sam Houston Parkway (Beltway 8), South Gessner, Fondren, and Hillcroft.

Public Transportation: Public transportation to the area is provided by the METRO bus system. A park & ride facility is located approximately one mile south of the subject property.

Shopping & Services: Normal linkages such as schools, shopping, employment, medical facilities, and recreational facilities appear to be convenient to the site.

Special Adverse Site Characteristics: Flood Plain: According to a floodplain map in the market study, the majority of the site is located within Zone AE, an area determined to be within the 100-year floodplain. A small area of the site along the Beltway 8 frontage is located within Shaded Zone X, an area between the 100-year and 500-year floodplains. According to the Environmental Analyst, the majority of the site is located in Shaded Zone X. The Environmental Analyst based his conclusions on a 1996 floodplain map. The Underwriter researched the issue and confirmed that the majority of the site is located in Zone AE. The maps currently published on the FEMA website, dated as of 2000, as well as a blue line survey provided in the application as an exhibit supports this conclusion. The Applicant's plan to mitigate the floodplain issue is described in more detail in the Construction Cost Estimate Evaluation section of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on September 23, 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 September 2003 was prepared by The Murillo Company and contained the following findings and recommendations:

- The subject site is undeveloped land proposed for multifamily development.
- Three (3) Recourse Conservation & Recovery Act Information System (RCRIS) sites were identified within a ¼ mile radius of the subject site.
- Six (6) Petroleum Storage Tank (PST) site were identified within a ¼ mile radius of the subject site.

Based upon TMC site investigation of the subject property, surrounding properties, regulatory agency records review and inquiries, interviews, and historical research, no other direct evidence was found indicating recognized environmental conditions exist at the subject site.

We have performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Practice E1527. Any exceptions to, or deletions from this practice are described in the body of the report. This assessment has revealed no evidence of Recognized Environmental Conditions in connection with the property. (p. 12)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside and as a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated September 25, 2003 was prepared by O'Connor & Associates and highlighted the following findings:

Definition of Primary Market Area: "The subject's primary market area is defined as that area within zip codes 77031, 77036, 77072, 77074, and 77099." (p. 11) "…generally bound delineated by Westpark Drive to the north, Synott Road to the west, Hillcroft Avenue to the south, Gessner Drive to the east, and the Harris/Fort Bend County line to the southwest." (p. 20) The Primary Market Area encompasses 30 square miles which is equivalent to a three-mile radius.

Population: "ESRI has estimated 81,966 households in the primary market area for 2003, and projected 88,557 for the year 2008." (p. 27) The 2003 population is estimated at 241,818.

Total Primary Market Demand for Rental Units:

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		**Underwriter**	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	311*	4%	221	3%
Resident Turnover	6,447	87%	6,550	97%
Other Sources: 10 yrs pent-up demand	676	9%	N/A	
TOTAL ANNUAL DEMAND	7,434	**100%**	6,764	**100%**

Ref: p. 65

* Assumes 1.5 years of growth

Inclusive Capture Rate: "Capture Rate for 278 Proposed Affordable Units 3.74%" (p. 66) The Market Analyst identified Collingham Park, a 2000 4% HTC development, as stabilized, but failed to mention Newport Apartments, a 2001 4% HTC development. Adding the 224 restricted units result in total proposed and unstabilized units of 502 and a capture rate, as calculated by the Underwriter, of 7.42%.

Market Rent Comparables: "According to the second quarter 2003 O'Connor & Associates apartment data program, there were 215 projects in the primary market area, which contained a total of 44,994 units." (p. 35) The Market Analyst included five rent comparable properties totaling 1,164 units. Market rent conclusions can be found on page 60 of the market study.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (SF)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-BR (709 SF)	$601	$601	$0	$700	-$99
1-BR (720 SF – 725 SF)	$601	$601	$0	$710	-$109
1-BR (743 SF)	$601	$601	$0	$720	-$119
2-BR (940 SF – 947 SF)	$717	$717	$0	$870	-$153
2-BR (953 SF – 959 SF)	$717	$717	$0	$880	-$163
2-BR (987 SF)	$717	$717	$0	$890	-$173
2-BR (989 SF – 991 SF)	$717	$717	$0	$900	-$183
3-BR (1,163 SF)	$825	$825	$0	$1,110	-$285
3-BR (1,177 SF – 1,182 SF)	$825	$825	$0	$1,120	-$295

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

Primary Market Occupancy Rates: "The overall occupancy rate for projects in this primary market area was 92.84% as of June 2003." (p. 35)

Absorption Projections: "The most recently constructed LIHTC project in the subject's area is Collingwood Park. This project has 250 units, all of which are rent-restricted. The project was completed in 2001, was stabilized by August 2002, and is now ±93% occupied. According to the leasing representatives, the project took approximately 11 months to reach stabilized occupancy. This represents an absorption rate of ±21 units per month." (p. 36) The Underwriter did not find an absorption projection specific to the subject development in the submitted market study.

Known Planned Development: "The latest two projects to have been built are LIHTC properties. Collingham Park was built in 2001, and Sovereign Apartments were built in 1998. These properties are located close to the subject [within one mile]. The project under construction is Alta Royal Oaks, a 282-unit market rate project located on Westpark Drive. This project is scheduled for completion by the end of September 2003. In addition to the above, our primary research uncovered two other projects under construction in the primary market which were not reported in the guide. The Retreat at Westpark is a 156-unit market-rate project located on Westpark at Beltway 8. The expected completion date is October 14, 2003. Town Park Apartments is a 120-unit LIHTC project for seniors, and is located on Town Park at Beltway 8. This projected is 100% rent-restricted, and reportedly half completed." (p. 32) Both developments identified by the Market Analyst as located within one mile of the subject are considered to be stabilized.

It should be noted a Priority 1 bond application was submitted for review and will be presented at the December 2003 TDHCA Board meeting. The proposed development, Gessner Villas, is located in the same area of Houston as the subject. While the Primary Market Area identified by the Market Analyst for the subject development does not encompass the site proposed for Gessner Villas, the Primary Market Area identified in the market study for Gessner Villas includes the subject. The market study for Gessner Villas indicates there is sufficient income-qualified demand for both developments.

Other Relevant Information: "There are four existing LIHTC projects within the subject's primary market area, plus Town Park Apartments which is the project under construction. All of these projects are located within a two-mile radius of the subject; however, only two are located within a one-mile radius." (p. 32)

The Underwriter found the market study provided sufficient information for purposes of this underwriting analysis.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent, secondary income, and vacancy and collection loss projections are comparable to the Underwriter's estimates. It should be noted the Development will provide a single car garage for each unit at no additional cost to the tenants. As a result, the cost of constructing the garages may be included in the Development's eligible basis.

Expenses: The Applicant's total operating expense figure is within 5% of the Underwriter's estimate. However, several line-item expenses deviate significantly when compared to the Underwriter's estimate, including: general and administrative ($38K lower), payroll ($40K lower), and utilities ($15K higher).

Conclusion: Because the Applicant's income, expense and net operating income conclusions are each within 5% of the Underwriter's corresponding estimates, the Applicant's pro forma will be used to determine the Development's debt service capacity. The Applicant's and the Underwriter's pro forma indicate the Development can service the proposed debt at an initial debt coverage ratio that falls within the Department's current guideline.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 30.3956 acres	$2,368,370	**Assessment for the Year of:**	2003

1 acre:	$77,918	**Valuation by:**	Harris County Appraisal District
Total: 16.11 acres prorated	$1,255,262	**Tax Rate:**	2.97627

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Purchase And Sale Agreement		
Contract Expiration Date:	12/ 27/ 2003	**Anticipated Closing Date:**	12/ 27/ 2003
Acquisition Cost:	$2,604,800.88	**Other Terms/Conditions:**	+ $801.50 per day beyond 1/31/2003
Seller:	Beechnut Street & Beltway 8 (Houston) Investors, LP	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition is an arm's-length transaction; however, the acquisition cost listed in the Applicant's total development cost schedule is inconsistent with the site control documents. The Applicant has indicated an anticipated closing date of December 27, 2003, which results in total extension fees of $263,693 at $801.50 per day that the closing date exceeds January 31, 2003. Based on this information, the acquisition price should be $2,868,494 rather than the Applicant's estimate of $2,781,498.

It should also be noted the final price is a steep $10,318 per unit proposed for a site located in the 100-year floodplain. Added to this may be additional costs to mitigate issues related to its location in the floodplain as the site control documents do not indicate mitigation by the seller before transfer of the property.

Site Work Cost: The Applicant's claimed site work costs of $6,644 per unit are within the current underwriting guidelines for multi-unit developments. However, the Applicant's estimate of total site work costs may be understated due to the property's location in the 100-year floodplain. A letter from Lott & Brown, Consulting Engineers, the development engineer, states mitigation will include "…redistribution of some of [the earthen material located on the south side of the property] to elevate the lower areas of the site above the estimated floodplain level…[it is anticipated the] finished floor elevations for this project [will] be set approximately 2-feet above the projected floodplain elevation." The letter also indicates the City of Houston's established regulations for development within a flood prone area will be followed in order to avoid negative impact upon the floodplain or upon projected flood levels through out the community. The site plan also includes an area of green space labeled "Detention Area." It is not known if the cost to raise the site's elevation and to install a detention area is fully included in the modestly budgeted site work costs. Moreover, a discussion of the parking areas and drives was not included in the information provided. Therefore, receipt review and acceptance prior to start of construction of a final flood mitigation plan as well as an estimate prepared by the Development engineer of the cost to implement the final flood mitigation plan and the effect on the estimated total development cost is a condition of this report.

Direct Construction Cost: The Applicant's costs are 6.51% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, but slightly higher than the per unit cost to construct a similar development owned by principals of the General Partner.

Ineligible Costs: The Applicant incorrectly included $5,500 for marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis. In addition, the Applicant included a total of $40K in contingency for costs other than hard costs. This amount was added to hard cost contingency and limited to the Department's new construction guideline of 5% of site work and direct construction costs.

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

Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate. Therefore, the Applicant's total development cost estimate, as adjusted by the Underwriter, will be used to determine eligible basis. Eligible basis of $19,829,361 results in eligible tax credits of $920,281 annually. This amount will be compared to the gap in need as well as the Applicant's requested tax credits to determine the recommended tax credit allocation based on the lowest of the three.

FINANCING STRUCTURE

CREDIT ENHANCEMENT

Source: GMAC Commercial Mortgage **Contact:** Lloyd H Griffin

Principal Amount: $13,800,000 **Interest Rate:** Variable - 6.465% underwriting rate as of October 20, 2003

Additional Information: FNMA DUS credit enhancement

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

Annual Payment: To be determined **Lien Priority:** 1st **Commitment Date** 10/ 20/ 2003

HTC SYNDICATION

Source: SunAmerica **Contact:** Dana Mayo

Address: One SunAmerica Center **City:** Los Angeles

State: CA **Zip:** 90067 **Phone:** (310) 772-6831 **Fax:** (310) 772-6179

Net Proceeds: $7,518,247 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 81¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 09/ 30/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $1,902,969 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Bond Financing: Tax exempt mortgage revenue bonds will be issued by Houston Housing Finance Corporation. SunAmerica, the proposed limited partner, will provide a Letter of Credit for use during the interim period. The sources and uses listed in the application did not include a permanent lender. SunAmerica has indicated that FNMA will provide both credit enhancement and liquidity for the bonds for a minimum of 30 years. It is also stated the General Partner will be responsible for arranging the FNMA financing; hence, the anticipated involvement of GMAC, a FNMA DUS lender. Due to the variable interest rate, SunAmerica also requires the purchase of a five-year interest rate cap. The General Partner is responsible for escrowing funds for the interest rate cap. Receipt, review and acceptance prior to permanent loan closing of the terms of the purchased interest rate cap and the annual dollar amount of the escrow required by FNMA for purchase of future interest rate caps is a condition of this report.

LIHTC Syndication: The terms reflected in a letter from SunAmerica for purchase of tax credits is consistent with those indicated in the application. A bridge loan will be provided during construction and repaid with the first equity contribution.

Deferred Developer's Fees: The developer planned to defer 75% of its fees; however, based on the Underwriter's analysis it is likely $1,967,688 or 77% of anticipated developer fees will be deferred.

Financing Conclusions: As stated above, the Applicant's total development cost estimate, as adjusted by the Underwriter, is used to determine eligible basis. The resulting eligible basis of $19,829,361 indicates eligible tax credits of $920,281 annually, which is less than the Applicant's request and supported by the gap in need. The recommended tax credits of $920,281 are less than the Applicant's request due in part to the Applicant's higher applicable percentage rate assumption of 3.60% rather than the underwriting rate of 3.57% for October 2003, the month the primary application documents were submitted. Deferred developer fees based on the current underwriting analysis appear to be repayable from stabilized cashflow within ten years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer and General Contractor are 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.
- As of August 26, 2003, Resolution Real Estate Services reported total assets of $898K consisting of $140K cash, $700K receivable, $30K stocks and bonds, and $28K machinery and equipment. Total liabilities equaled $95K for a net worth of $803K. J Steve Ford and Cynthia Ford of Resolution Real Estate Services also provided a joint personal financial statement.
- As of August 26, 2003, Dwayne Henson Investments Inc. reported total assets of $8.4M consisting of $261K cash, $5.5M receivable, $110K real property, $12K machinery and equipment, and $2.5M investments in tax credit properties. Total liabilities equaled $213K for a net worth of $8.2M. Pamela G Henson and Cheryl L Henson of Dwayne Henson Investments also provided personal financial statements. William D Henson and Laura Henson of Dwayne Henson Investments also provided a joint personal financial statement.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Department issued a Certificate of Experience for Dwayne Henson Investments.
- J Steve Ford has indicated participation in nine affordable housing developments totaling 1,940 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- Significant locational risk exist regarding site's floodplain designation of Zone AE, areas within the 100-year floodplain.

Underwriter:	Lisa Vecchietti	**Date:**	November 3, 2003
Director of Real Estate Analysis:	Tom Gouris	**Date:**	November 3, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Little Nell, Houston, 4% LIHTC 03449

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr,Swr,Trsh
TC 60%	48	1	1	709	$670	$601	$28,848	$0.85	$32.00	$50.31
TC 60%	12	1	1	720	670	601	7,212	0.83	32.00	50.31
TC 60%	12	1	1	721	670	601	7,212	0.83	32.00	50.31
TC 60%	4	1	1	725	670	601	2,404	0.83	32.00	50.31
TC 60%	4	1	1	743	670	601	2,404	0.81	32.00	50.31
TC 60%	46	2	2	940	804	717	32,982	0.76	40.00	60.31
TC 60%	20	2	2	947	804	717	14,340	0.76	40.00	60.31
TC 60%	20	2	2	953	804	717	14,340	0.75	40.00	60.31
TC 60%	4	2	2	959	804	717	2,868	0.75	40.00	60.31
TC 60%	4	2	2	987	804	717	2,868	0.73	40.00	60.31
TC 60%	4	2	2	989	804	717	2,868	0.72	40.00	60.31
TC 60%	4	2	2	991	804	717	2,868	0.72	40.00	60.31
TC 60%	48	3	2	1,163	930	825	39,600	0.71	48.00	70.31
TC 60%	44	3	2	1,177	930	825	36,300	0.70	48.00	70.31
TC 60%	4	3	2	1,182	930	825	3,300	0.70	48.00	70.31
TOTAL:	278		**AVERAGE:**	959	$809	$721	$200,414	$0.75	$40.46	$60.89

INCOME	Total Net Rentable Sq Ft:	266,480		TDHCA	APPLICANT		USS Region	6
POTENTIAL GROSS RENT				$2,404,968	$2,404,968		IREM Region	Houston
Secondary Income	Per Unit Per Month:	$15.00		50,040	50,040	$15.00	Per Unit Per Month	
Other Support Income: (describe)				0	0			
POTENTIAL GROSS INCOME				$2,455,008	$2,455,008			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(184,126)	(184,128)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$2,270,882	$2,270,880			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.29%	$350	0.37	$97,430	$59,100	$0.22	$213	2.60%
Management		5.00%	408	0.43	113,544	122,750	0.46	442	5.41%
Payroll & Payroll Tax		10.65%	870	0.91	241,860	201,500	0.76	725	8.87%
Repairs & Maintenance		6.56%	536	0.56	148,944	171,000	0.64	615	7.53%
Utilities		1.52%	124	0.13	34,419	49,500	0.19	178	2.18%
Water, Sewer and Trash		3.74%	305	0.32	84,874	61,000	0.23	219	2.69%
Property Insurance		2.93%	240	0.25	66,620	79,940	0.30	288	3.52%
Property Tax	2.97627	9.11%	744	0.78	206,851	200,287	0.75	720	8.82%
Reserve for Replacements		2.45%	200	0.21	55,600	55,600	0.21	200	2.45%
Other Expenses:		2.45%	200	0.21	55,723	55,723	0.21	200	2.45%
TOTAL EXPENSES		48.70%	$3,978	$4.15	$1,105,864	$1,056,400	$3.96	$3,800	46.52%
NET OPERATING INC		51.30%	$4,191	$4.37	$1,165,018	$1,214,480	$4.56	$4,369	53.48%
DEBT SERVICE									
First Lien Mortgage		45.92%	$3,751	$3.91	$1,042,896	$993,600	$3.73	$3,574	43.75%
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		5.38%	$439	$0.46	$122,122	$220,880	$0.83	$795	9.73%
AGGREGATE DEBT COVERAGE RATIO					1.12	1.22			
RECOMMENDED DEBT COVERAGE RATIO						1.16			

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)		11.79%	$10,318	$10.76	$2,868,494	$2,781,498	$10.44	$10,005	11.98%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.59%	6,644	6.93	1,847,000	1,847,000	6.93	6,644	7.95%
Direct Construction		46.52%	40,710	42.47	11,317,489	10,580,600	39.71	38,060	45.56%
Contingency	2.58%	1.40%	1,223	1.28	340,000	340,000	1.28	1,223	1.46%
General Req'ts	5.66%	3.06%	2,680	2.80	745,000	745,000	2.80	2,680	3.21%
Contractor's G & A	1.88%	1.02%	892	0.93	248,000	248,000	0.93	892	1.07%
Contractor's Profit	5.66%	3.06%	2,680	2.80	745,000	745,000	2.80	2,680	3.21%
Indirect Construction		4.02%	3,518	3.67	978,000	978,000	3.67	3,518	4.21%
Ineligible Costs		1.69%	1,476	1.54	410,357	410,357	1.54	1,476	1.77%
Developer's G & A	1.67%	1.23%	1,079	1.13	300,000	300,000	1.13	1,079	1.29%
Developer's Profit	12.54%	9.28%	8,121	8.47	2,257,500	2,257,500	8.47	8,121	9.72%
Interim Financing		7.35%	6,433	6.71	1,788,261	1,788,261	6.71	6,433	7.70%
Reserves		1.98%	1,730	1.80	480,973	200,000	0.75	719	0.86%
TOTAL COST		100.00%	$87,504	$91.29	$24,326,075	$23,221,216	$87.14	$83,530	100.00%
Recap-Hard Construction Costs		*62.66%*	***$54,829***	***$57.20***	***$15,242,489***	***$14,505,600***	***$54.43***	***$52,178***	*62.47%*

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	56.73%	$49,640	$51.79	$13,800,000	$13,800,000	$13,800,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$2,557,500
LIHTC Syndication Proceeds	30.91%	$27,044	$28.21	7,518,247	7,518,247	7,453,528	% of Dev. Fee Deferred
Deferred Developer Fees	7.82%	$6,845	$7.14	1,902,969	1,902,969	1,967,688	77%
Additional (excess) Funds Required	4.54%	$3,974	$4.15	1,104,859	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$24,326,075	$23,221,216	$23,221,216	$5,469,004.51

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Little Nell, Houston, 4% LIHTC 03449

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.02	$10,930,395
Adjustments				
Exterior Wall Finish	3.80%		$1.56	$415,355
9' Ceilings	3.00%		1.23	327,912
Roofing			0.00	0
Subfloor			(0.90)	(239,240)
Floor Cover			1.92	511,642
Porches/Balconies	$16.26	28000	1.71	455,300
Plumbing	$615	690	1.59	424,350
Built-In Appliances	$1,625	278	1.70	451,750
Interior Stairs	$900	138	0.47	124,200
Exterior Stairs	$1,625	16	0.10	26,000
Heating/Cooling			1.47	391,726
Attached Garages	$11.68	53,900	2.36	629,552
Detached Garages	$12.54	7,260	0.34	91,040
Comm &/or Aux Bldgs	$56.25	5,029	1.06	282,896
SUBTOTAL			55.62	14,822,877
Current Cost Multiplier	1.04		2.22	592,915
Local Multiplier	0.90		(5.56)	(1,482,288)
TOTAL DIRECT CONSTRUCTION COSTS			$52.29	$13,933,505
Plans, specs, survy, bld prm	3.90%		($2.04)	($543,407)
Interim Construction Interes	3.38%		(1.76)	(470,256)
Contractor's OH & Profit	11.50%		(6.01)	(1,602,353)
NET DIRECT CONSTRUCTION COSTS			$42.47	$11,317,489

PAYMENT COMPUTATION

Primary	$13,800,000	Amort	360
Int Rate	6.47%	DCR	1.12
Secondary	$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.12
Additional	$7,518,247	Amort	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$1,042,896
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$171,584

Primary	$13,800,000	Amort	360
Int Rate	6.47%	DCR	1.16
Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.16
Additional	$7,518,247	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

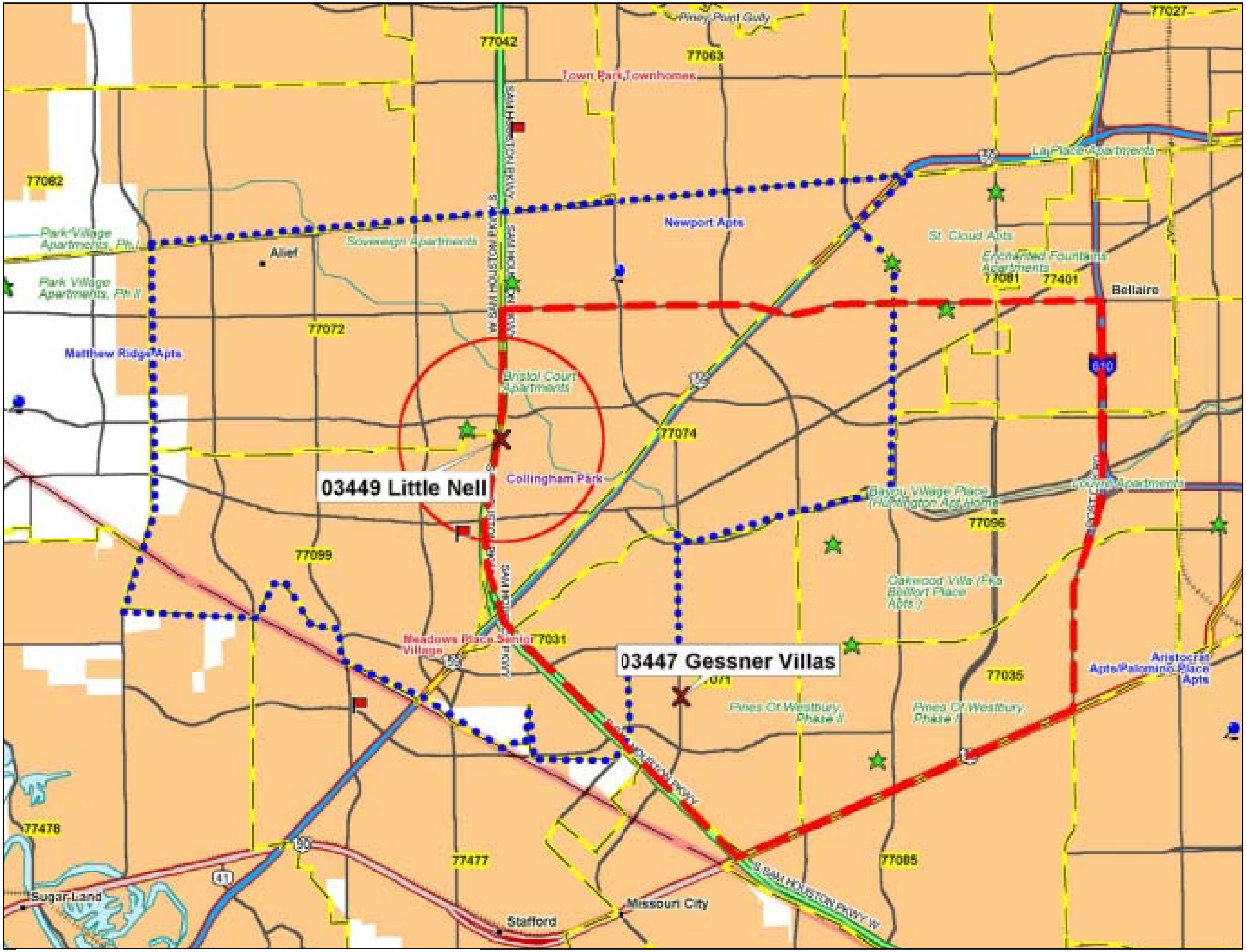
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,404,968	$2,477,117	$2,551,431	$2,627,973	$2,706,813	$3,137,938	$3,637,730	$4,217,126	$5,667,465
Secondary Income	50,040	51,541	53,087	54,680	56,320	65,291	75,690	87,745	117,923
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,455,008	2,528,658	2,604,518	2,682,654	2,763,133	3,203,229	3,713,420	4,304,871	5,785,387
Vacancy & Collection Loss	(184,128)	(189,649)	(195,339)	(201,199)	(207,235)	(240,242)	(278,506)	(322,865)	(433,904)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,270,880	$2,339,009	$2,409,179	$2,481,455	$2,555,898	$2,962,986	$3,434,913	$3,982,006	$5,351,483
EXPENSES at 4.00%									
General & Administrative	$59,100	$61,464	$63,923	$66,479	$69,139	$84,118	$102,342	$124,515	$184,312
Management	122,750	126432.63	130225.6126	134132.381	138156.3524	160161.0776	185670.585	215243.0955	289268.7216
Payroll & Payroll Tax	201,500	209,560	217,942	226,660	235,726	286,797	348,933	424,530	628,408
Repairs & Maintenance	171,000	177,840	184,954	192,352	200,046	243,386	296,117	360,271	533,289
Utilities	49,500	51,480	53,539	55,681	57,908	70,454	85,718	104,289	154,373
Water, Sewer & Trash	61,000	63,440	65,978	68,617	71,361	86,822	105,632	128,518	190,238
Insurance	79,940	83,138	86,463	89,922	93,518	113,780	138,430	168,422	249,305
Property Tax	200,287	208,298	216,630	225,296	234,307	285,071	346,832	421,975	624,625
Reserve for Replacements	55,600	57,824	60,137	62,542	65,044	79,136	96,281	117,141	173,397
Other	55,723	57,952	60,270	62,681	65,188	79,311	96,494	117,400	173,781
TOTAL EXPENSES	$1,056,400	$1,097,429	$1,140,061	$1,184,362	$1,230,395	$1,489,036	$1,802,450	$2,182,303	$3,200,998
NET OPERATING INCOME	$1,214,480	$1,241,580	$1,269,118	$1,297,093	$1,325,503	$1,473,950	$1,632,463	$1,799,703	$2,150,485
DEBT SERVICE									
First Lien Financing	$1,042,896	$1,042,896	$1,042,896	$1,042,896	$1,042,896	$1,042,896	$1,042,896	$1,042,896	$1,042,896
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	$171,584	$198,684	$226,222	$254,197	$282,608	$431,054	$589,567	$756,807	$1,107,590
DEBT COVERAGE RATIO	1.16	1.19	1.22	1.24	1.27	1.41	1.57	1.73	2.06

LIHTC Allocation Calculation - Preakness Ranch, Dallas, 4% HTC 03434

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	$875,000	$875,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,833,073	$1,833,073	$1,833,073	$1,833,073
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$11,400,510	$10,950,467	$11,400,510	$10,950,467
(4) Contractor Fees & General Requirements				
Contractor overhead	$276,935	$255,671	$264,672	$255,671
Contractor profit	$753,010	$753,010	$753,010	$753,010
General requirements	$772,459	$767,012	$772,459	$767,012
(5) Contingencies				
(6) Eligible Indirect Fees	$993,800	$993,800	$993,800	$993,800
(7) Eligible Financing Fees	$1,367,475	$1,367,475	$1,367,475	$1,367,475
(8) All Ineligible Costs	$1,231,048	$1,231,048		
(9) Developer Fees			$2,607,750	
Developer overhead		$338,410		$338,410
Developer fee	$2,609,589	$2,199,666		$2,199,666
(10) Development Reserves	$512,779	$512,779	$2,607,750	$2,538,076
TOTAL DEVELOPMENT COSTS	$22,625,678	$22,077,411	$19,992,748	$19,458,584

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		$19,992,748	$19,458,584
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$25,990,573	$25,296,159
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$25,990,573	$25,296,159
Applicable Percentage		3.60%	3.60%
TOTAL AMOUNT OF TAX CREDITS		$935,661	$910,662
Syndication Proceeds	**0.7999**	**$7,484,536**	**$7,284,565**

Total Credits (Eligible Basis Method)	**$935,661**	**$910,662**
Syndication Proceeds	**$7,484,536**	**$7,284,565**
Requested Credits	**$938,922**	
Syndication Proceeds	**$7,510,625**	
Gap of Syndication Proceeds Needed	**$8,466,878**	
Credit Amount	**$1,058,466**	



Scale: 1 : 81,250 Zoom Level: 11-3 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.6°E

Developer Evaluation

Project ID # **03449** Name: **Little Nell 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: 11 Projects grouped by score 0-9 11 10-19 0 20-29 0

Total # monitored with a score less than 30: 11 # 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 y, October 10, 2003

Multifamily Finance Production

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

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

Reviewed by S Roth Date 9 /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 EEF Date 9 /26/2003

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 ________ Date ________

Executive Director: Edwina Carrington **Executed:** day, November 04, 2003

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
November 14, 2003

Action Item

Requests for amendments to Housing Tax Credit (HTC) applications.

Requested Action

Approve or deny requests for amendments.

Background and Recommendations

Pertinent facts about the subject developments and staff recommendations are summarized below.

HTC Development No. 01007, The Grand Texan Seniors Community

Summary of Request: Applicant requests a change in their elected set-aside from serving 20% of their units for families at 50% of area median income (AMI) to serving 40% of their units for families at 60% of AMI. The request is made so that half of the HTC units can be rented to tenants at 60% of AMI, instead of all being rented to tenants at 50% of AMI because the applicant is concerned with the ability to fund all of the operating expenses. In June 2002 the Board approved the Applicant's request to reduce the number of units from 230 units to 100 units. The original application proposed 54 HTC units and 176 market rate units. The approval in June authorized 54 HTC units and 46 market rate units. This change was made because financing was unobtainable for the high number of market rate units originally proposed. It should be noted that based on the applicant's set-aside election made at the time of application, the Applicant was required to have all HTC units serve families at or below 50% of AMI.

Applicant also owns Grand Reserve (all 180 units are HTC units at 50% of AMI rents) and Country Lane Seniors (207 HTC units and 23 market rate), developments that are on the same campus for seniors as the subject. Application amendment is subject to Board approval because the tax credit award was made off the waiting list, after September 1, 2001.

Governing QAP and Law:	2001 QAP, no language specifying procedures for amending applications was included. Developments that received awards after 9/1/01 are subject to the provisions of SB 322 which requires Board approval.
General Partner:	McKinney Grand Texan, Inc.
Principals/Interested Parties:	Ken Mitchell
Syndicator:	SunAmerica
Lender:	SunAmerica
City/County:	McKinney/Collin
Set-Aside:	Elderly
Type of Development:	New Construction
Units:	54 HTC and 46 market rate units
Allocation:	$357,087 (Recommended)
Allocation per HTC Unit:	$6,613
Other Funding:	None

Prior Board Actions:	Approved for waiting list in July, 2001; award made in December, 2001 June 2002 – Amendment approved (described above) Construction loan closing extended from 6/13/02 to 7/15/02. Extension request fee waived by Board because of the unusual time constraints imposed by the circumstances of this award.
Underwriting Reevaluation:	Not able to identify an economic substantiation for increasing the rent levels from 50% AMI to 60% AMI.
Effect of Change on Scoring Rank:	No change in points scored.
Staff Recommendation:	Staff recommends that this request be denied. The application was originally proposed based on serving a larger portion of lower income families (50% of AMI instead of 60% of AMI). The Underwriting of this development does not warrant the increase in rent levels, therefore, staff does not recommend the amendment.

HTC Development No. 03220, Desert Breeze Apartments

Summary: Applicant requests approval for change in site plan. On August 12, 2003, the City of El Paso informed the Applicant of the requirement to dedicate 55 feet of right-of-way at the eastern boundary of the subject development. All but two of the single family lots comprising the development as originally proposed were on a part of Desert Breeze Street that runs from east to west. Two lots on the east-west run had to be eliminated for the right-of-way dedication. The two lots are proposed to be replaced by adding two lots alongside two that already existed in the original site plan on Calhoun Avenue, the next street to the north of Desert Breeze.

Governing QAP:	2003 QAP, Section 49.18(c)(4)
General Partner:	Housing & Economic Rural Opportunities, Inc., Managing GP Marvelous Light Corporation, co-GP
Principals/Interested Parties:	James Millender, Sr./Ike Monty (general contractor)
Syndicator:	SunAmerica Affordable Housing Partners
Lender:	AIG SunAmerica, Inc.
City/County:	Horizon City/El Paso
Set-Aside:	Rural/Nonprofit/Elderly
Type of Development:	New Construction – single family residential
Units:	36 HTC units
Allocation:	$359,018
Allocation per HTC Unit:	$9,973
Other Funding:	NA
Prior Board Actions:	Approved allocation on July 30, 2003
Underwriting Reevaluation:	Underwriting finds the proposal acceptable with no change in the amount of the allocation.
Effect of Change on Scoring Rank:	Seven Pre-Application points would be deducted because of the site change. However, this would not have affected their ranking within the Rural Set-Aside and therefore would still have been recommended for an allocation.
Staff Recommendation:	Approve request.

HTC Development No. 03231, Montgomery Meadows Apartments

Summary: Applicant requests approval for change in site plan. Applicant has same number of units and buildings as proposed at Application. The area of the currently proposed site is 7.00 acres as opposed to 6.00 acres at Application. The new site resulted from removing 1.24 acres from the original site and adding a additional acreage to arrive at the 7.00 acres finally proposed. The 1.24 acres removed contained a part of the HTC development that has now been proposed as a separate HOME development.

Governing QAP:	2003 QAP, Section 49.18(c)(4)
General Partner:	Lucky B Properties, Inc.
Principals/Interested Parties:	Claire & Bryan Brown, Emanuel Glockzin
Syndicator:	Boston Capital Corporation
Lender:	First National Bank
City/County:	Huntsville/Walker
Set-Aside:	Rural/Elderly
Type of Development:	New Construction
Units:	50 HTC and 6 market rate units
Allocation:	$382,286
Allocation per HTC Unit:	$7,646
Other Funding:	NA
Prior Board Actions:	Approved allocation on July 30, 2003
Underwriting Reevaluation:	Underwriting finds the proposal acceptable with no change in the amount of the allocation.
Effect of Change on Scoring Rank:	Seven Pre-Application points would be deducted because of the site change. While there is one other eligible development in the Rural Set-Aside with a better score than this development's reduced score, that development is also owned by Mr. Glockzin.
Staff Recommendation:	Approve request.

KENNETH H. MITCHELL
CERTIFIED PUBLIC ACCOUNTANT
1005 SHADY RIVER COURT NORTH
BENBROOK, TEXAS 76126-2915

(817) 249-6886 FAX (817) 249-1010

OCT 3 AM 10:35

October 2, 2003

Ms. Brooke Boston
Director of Multifamily Production
Texas Department of Housing and Community Affairs
P.O. Box 13941
Capitol Station
Austin, TX 78711-3941

Dear Ms. Boston:

I am requesting for the TDHCA to approve the use of the 40-60 state minimum set-aside election rather than the 20-50 state minimum state set-aside election which was included in the prior underwriting report for the following reasons:

1. Using the 20-50 election will result in the project rejecting low-income senior citizen families whose income falls between the 50% to 60% area median income level. I do not want to turn away low-income senior citizens who request to live in the project. The 40-60 minimum set-aside election will allow us to rent one half of the affordable units to low-income seniors who earn less than 60% of the AMI, and one half of the affordable units to senior citizen families who earn less than 50% of the AMI. We want to have apartment units available for senior citizens of all income levels.

2. The 40-60 election will provide a small amount of additional income to pay operating expenses of the project. In the last underwriting report, property taxes were budgeted at $681 per apartment unit per year. However, we know from experience that the property taxes in Collin County are very high. The property taxes for Country Lane Seniors Community are approximately $1,000 per apartment unit per year, and we can anticipate the same for The Grand Texan. If the project operates under the 20-50 set-aside election, services that the seniors really enjoy may be eliminated in order to save funds to pay property taxes. For example, the clubhouse may have to be closed everyday at 5:00 to save money. This would not allow the seniors to use the clubhouse at night for dance clubs, bingo, card games, and socializing. Renting all of the affordable units at the 50% AMI level puts a tremendous amount of financial pressure on this project.

3. The 40-60 election, rather than the 20-50 election, is the correct election to make based upon the project's present unit mix. When the percentage of affordable units in the project exceeds 40% of the total number of units in a project, the project should make the 40-60 minimum set-aside election. This is standard in the housing tax credit program. The election is to be made, according to the Federal Tax Code, when the project is placed in service.

4. The approval of this request will result in no point loss for the project in the selection criteria scoring system. We will still have 50% of the affordable units in the project set-aside for senior families earning less than 50% of the AMI. This complies with the points awarded for targeting of low-income units to low-income families.

I appreciate your consideration of this request.

Sincerely,

Kenneth H. Mitchell

Kenneth H. Mitchell

khm/KHM

LOCKE LIDDELL & SAPP LLP
ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
Suite 300
Austin, Texas 78701-4042

AUSTIN • DALLAS • HOUSTON • NEW ORLEANS

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Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

OCT 15 P 4:02

October 15, 2003

Ms. Brooke Boston
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Via Hand Delivery

Re: Desert Breeze, Ltd. (the "Partnership")
Desert Breeze project in Horizon City, Texas (the "Project")
TDHCA No. 03220

Dear Brooke:

We represent the Partnership. This letter is submitted to respectfully request the Department's administrative approval of a change in the site plan for the Project. The configuration of the lots in the original site plan has changed due to requirements imposed by the County of El Paso and Horizon City that were not foreseeable by the Partnership at the time it submitted a tax credit Application. We have enclosed a copy of the revised site plan for your review. The size of the property remains at 7.372 acres as set forth in the Application. There has been no change to the number or size of the lots or the units to be built on the lots. The only change is the configuration of the lots by the removal of two lots fronting Desert Breeze Drive and the addition of two lots fronting Calhoun Avenue.

The original Project site plan was submitted based on a plat of the property that had been approved by the County of El Paso on July 31, 2000 and by Horizon City on August 2, 2000. Subsequent to the submission of the tax credit Application, the time frame for completion of the subdivision improvements lapsed. As a result, the Partnership was required to resubmit the plat of the property.

Subsequent to the submission of the original plat but prior to the submission of the new plat, the County of El Paso and Horizon City adopted the Metropolitan Planning Organization's 2025 Year Major Thoroughfare Plan and the County of El Paso's 2030 Major Thoroughfare Plan (collectively the "Plans"). The Plans designated Adrepont Steet as a major arterial requiring 110 feet of right of way, which on the original plat, was only a 60 foot right of way. The designation of Adrepont Street as a major arterial resulted in the governing bodies' request for the dedication of additional right of way for the future expansion of Adrepont Street, resulting in the reconfiguration of the Project site plan. Documentation supporting this course of events is also enclosed for your confirmation.

If you have any questions about the proposed change in the site plan, please feel free to contact me. We would appreciate the Department's response to this request as soon as possible. As you know, the Partnership is required to acquire its land to meet the carryover requirement by November 1. We need to resolve this site plan issue before real estate acquisition.

Thank you very much for your assistance.

Sincerely,

Cynthia

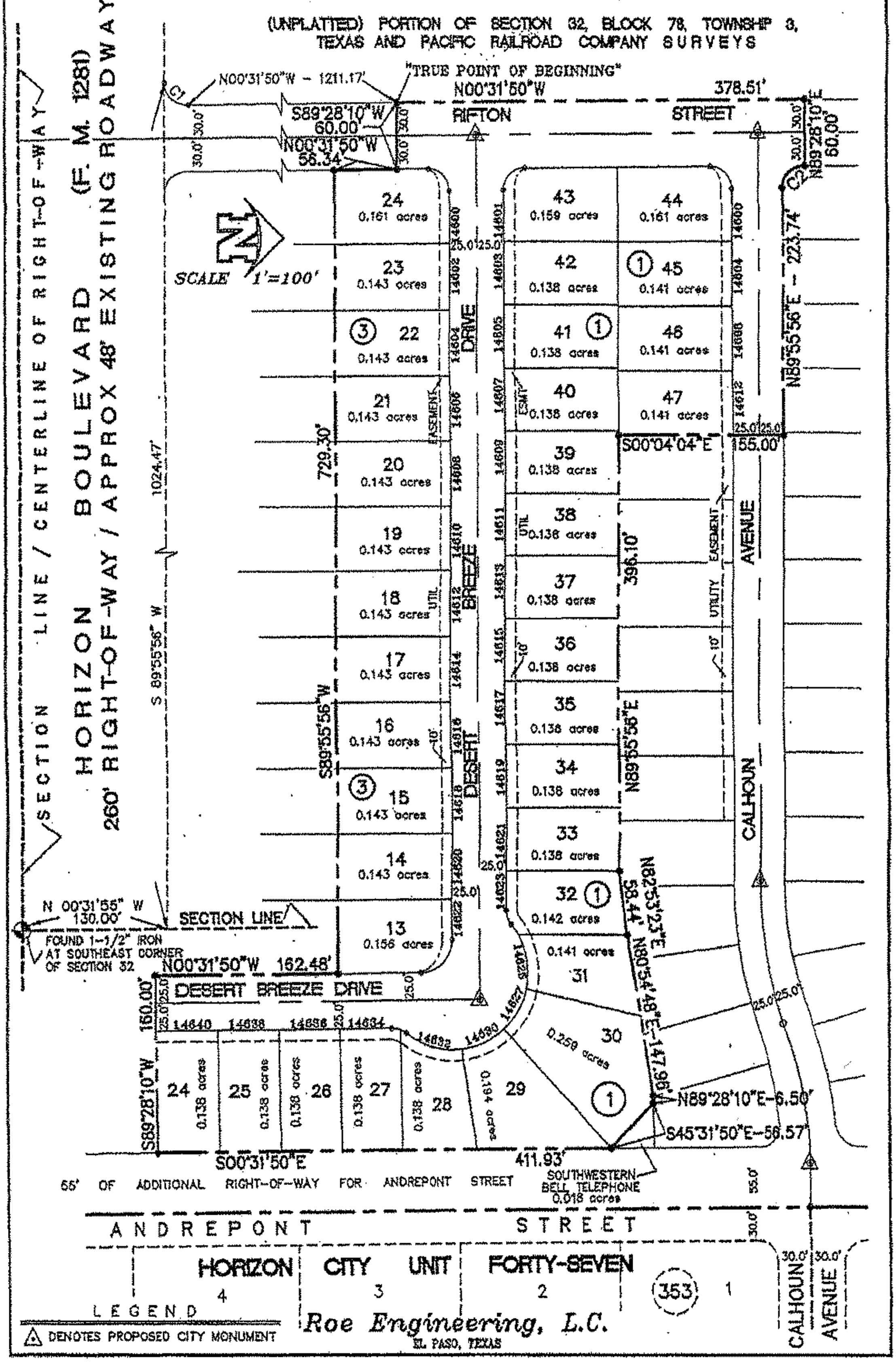
Cynthia L. Bast

cc: Yolanda Giner of
Gordon & Mott
(via fax, w/o enc.)

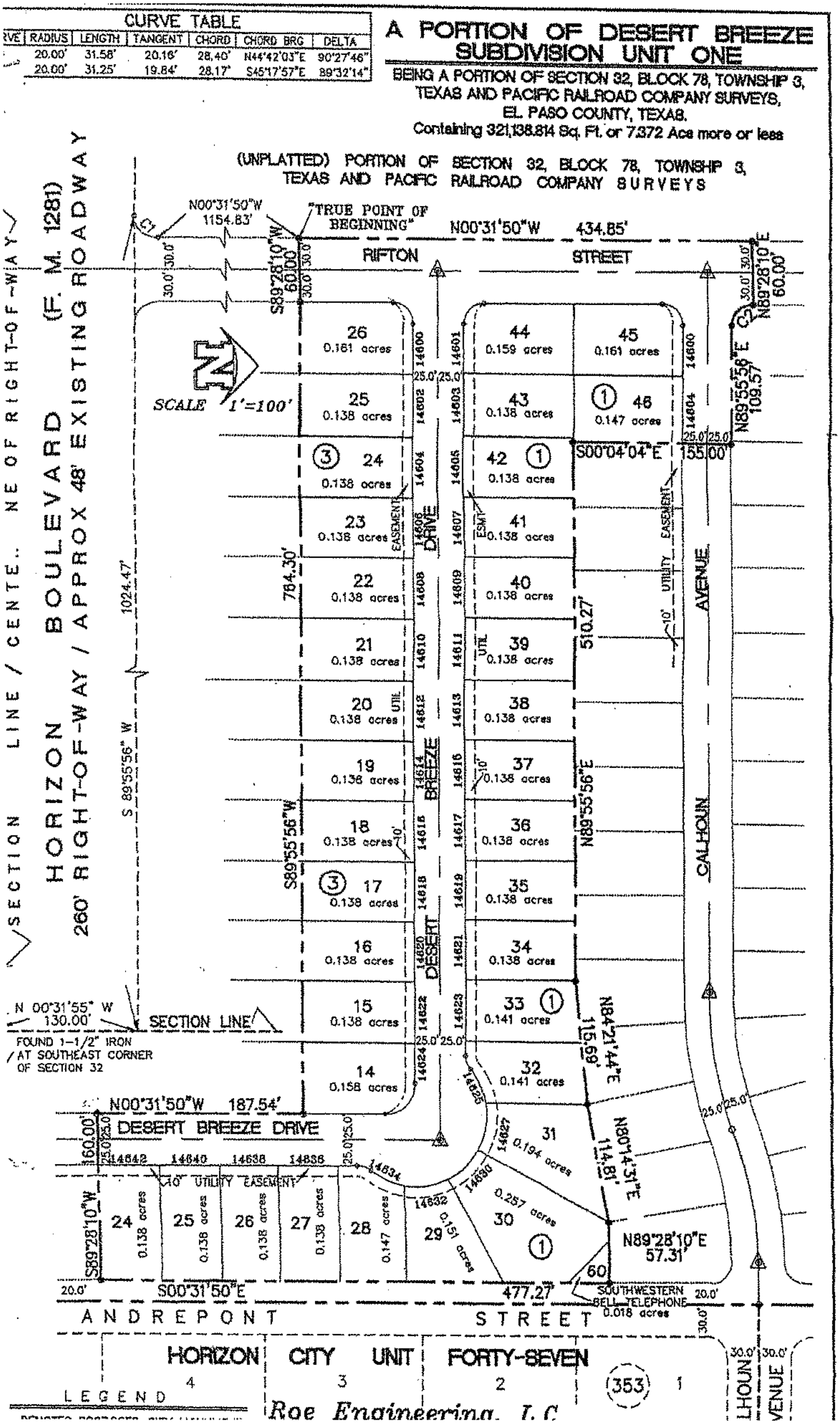
CURVE TABLE						
CURVE	RADIUS	LENGTH	TANGENT	CHORD	CHORD BRG	DELTA
C1	20.00'	31.58'	20.16'	28.40'	N44°42'03"E	90°27'46"
C2	20.00'	31.25'	19.84'	28.17'	S45°17'57"E	89°32'14"

A PORTION OF DESERT BREEZE SUBDIVISION UNIT ONE

BEING A PORTION OF SECTION 32, BLOCK 78, TOWNSHIP 3, TEXAS AND PACIFIC RAILROAD COMPANY SURVEYS, EL PASO COUNTY, TEXAS.
Containing 321,138.814 Sq. Ft. or 7.372 Acs more or less



AS AMENDED



FROM APPLICATION

Emanuel H. Glockzin, Jr.
P.O. Box 3189
Bryan, TX 77805
979-846-8878

Mr. Ben Sheppard
Multifamily Finance Production
P.O. Box 13941
Austin, TX 78711

RE: Montgomery Meadows, Ltd.
LITCH# 03231

Dear Mr. Sheppard:

I am requesting a site revision for the above mentioned tax credit application. Since clearly the land, there is a need to increase the land from 6.00 acres to 7.00 acres. The topography and contour of the land increased the acreage due to the layout of all buildings. There will be no increase in the sales price from the original application.

I have enclosed a revised final site layout with all building by our engineer, Ash & Browne Engineering, Inc. This is for Lot 2.

If you should have any questions or need additional information, please give me a call. Thanking you for your prompt attention and cooperation with this matter.

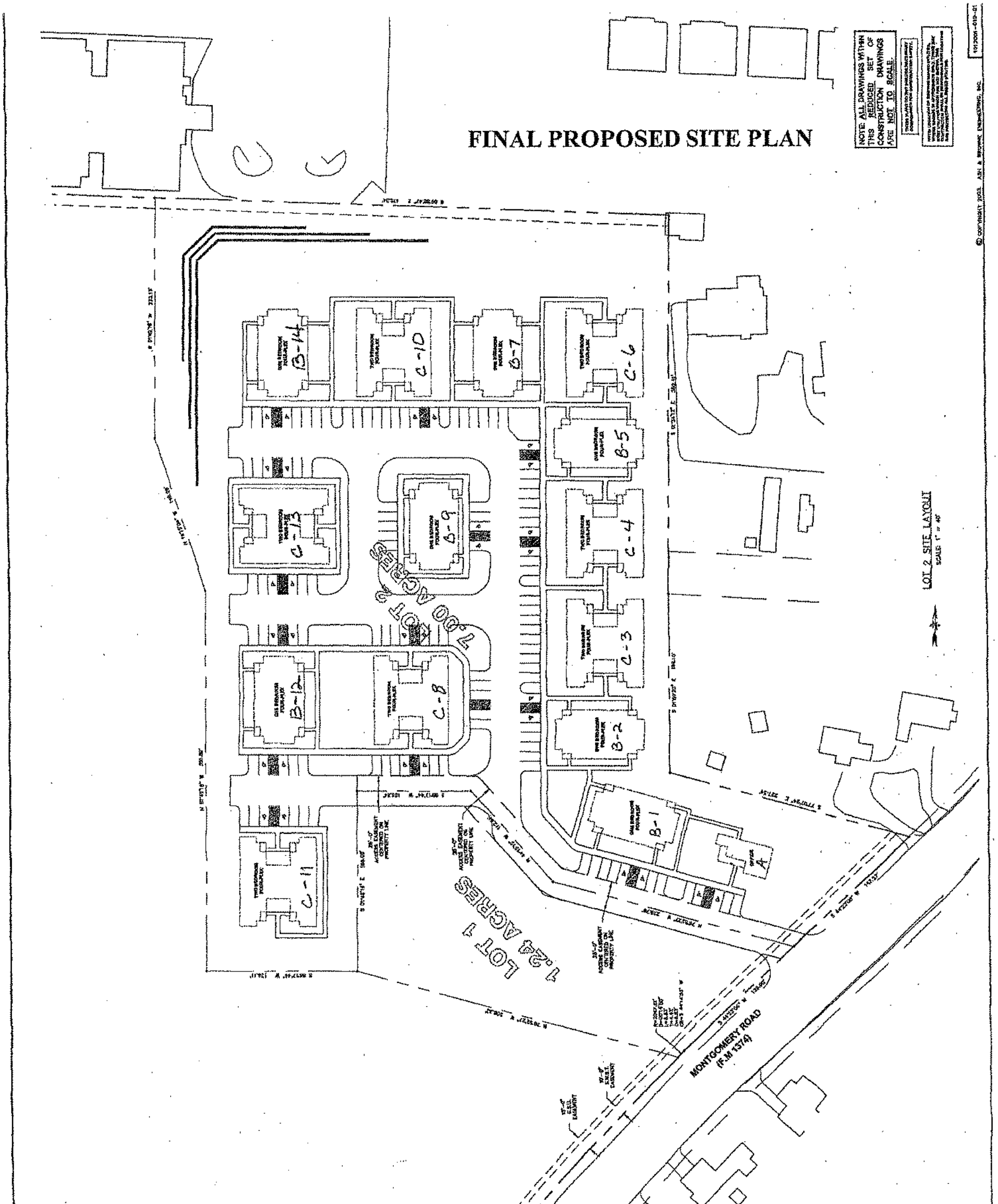
Sincerely,

Emanuel H. Glockzin, Jr.
Developer

Enclosures

cc: Tom Gouris
Jim Anderson

FINAL PROPOSED SITE PLAN



ASH & BROWNE ENGINEERING, INC.
Engineers and Consultants
P.O. Box 10838, College Station, Texas 77842

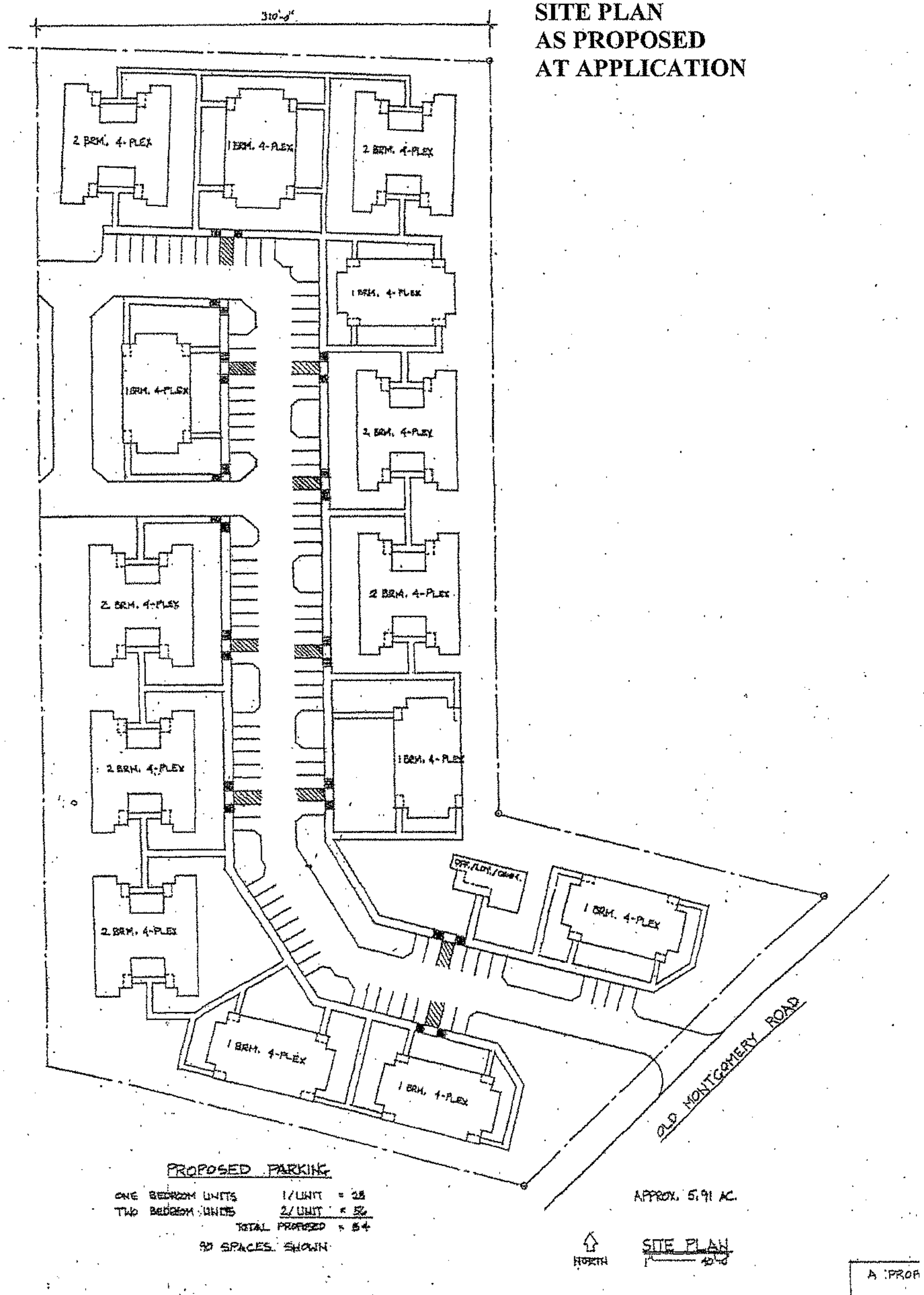
LOT 2 SITE LAYOUT

MONTGOMERY MEADOWS APARTMENTS

MONTGOMERY MEADOWS, LTD.
HUNTSVILLE,
WALKER COUNTY, TEXAS

PAGE 1 OF 1 PAGES

SITE PLAN
AS PROPOSED
AT APPLICATION



REPORT ITEMS

Executive Directors Report — Edwina Carrington

- Update on Revised Homebuyer Assistance Program Income Calculations For the HOME Program
- Status of the Family Self Sufficiency Program
- NCSHA Annual Conference
- Federal Legislation - HR284/S595 – Housing Bond and Credit Modernization And Fairness Act
- Availability of 4.99% Unassisted First Time Homebuyer Funds

EXECUTIVE SESSION — Chair of Board

- Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code – Matters Concerning Section 572.054, Texas Government Code;
- If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION — Chair of Board

- Action in Open Session on Items Discussed in Executive Session

ADJOURN

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.